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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 02623)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

FINANCIAL HIGHLIGHTS

The Group recorded revenue of approximately RMB667.9 million for the year ended 31 December 2013, representing a decrease of approximately 23.4% over the revenue of approximately RMB871.5 million for the year ended 31 December 2012.

The Group's total comprehensive income attributable to owners of the Company increased by approximately 128.5% from approximately RMB48.0 million for the year ended 31 December 2012 to approximately RMB109.7 million for the year ended 31 December 2013.

ANNUAL RESULTS

The board ("the Board") of directors (the "Directors") of China Zhongsheng Resources Holdings Limited (the "Company") announces the audited consolidated statement of comprehensive income of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013 and the Group's audited consolidated balance sheet as at 31 December 2013, together with the relevant comparative figures for the year ended 31 December 2012, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2013 RMB'000	2012 RMB'000
Revenue	4	**667,904**	871,521
Cost of sales		**(524,245)**	(718,715)
Gross profit		**143,659**	152,806
Distribution expenses		**(12,521)**	(10,973)
Administrative expenses		**(47,960)**	(49,044)
Other gains – net	5	**79,494**	7,448
Operating profit		**162,672**	100,237
Finance income		**291**	1,463
Finance expenses		**(30,229)**	(35,190)
Finance expenses – net	6	**(29,938)**	(33,727)
Profit before income tax		**132,734**	66,510
Income tax expense	7	**(23,627)**	(24,113)
Profit for the year		**109,107**	42,397
Total profit for the year attributable to:			
Owners of the Company		**111,214**	46,904
Non-controlling interests		**(2,107)**	(4,507)
		109,107	42,397
Other comprehensive income			
Item that may be reclassified to profit or loss			
Change in value on available-for-sale financial assets		**90**	1,064
Currency translation differences		**(2,277)**	591
Total comprehensive income for the year		**106,920**	44,052
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**109,694**	48,046
Non-controlling interests		**(2,774)**	(3,994)
		106,920	44,052
Earnings per share for profit attributable to owners (Expressed in RMB per share)			
Basic and diluted	9	**0.15**	0.07
Dividends	8	**2,297**	2,304

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December **2013** *RMB'000*	2012 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**372,452**	213,490
Intangible assets		**142,218**	27,585
Available-for-sale financial assets		**1,442**	2,441
Deferred income tax assets		**5,227**	1,973
		521,339	245,489
Current assets			
Inventories		**35,604**	16,272
Trade receivables	*10*	**190,447**	271,716
Notes receivables	*11*	**206,188**	261,739
Prepayments and other receivables		**75,702**	182,705
Cash and cash equivalents		**64,089**	82,920
Restricted bank deposits		**68,476**	798
		640,506	816,150
Total assets		**1,161,845**	1,061,639
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium		**382,863**	385,160
Reserves		**72,639**	18,662
Retained earnings		**240,410**	184,186
		695,912	588,008
Non-controlling interests		**6,291**	4,568
Total equity		**702,203**	592,576

	Note	As at 31 December 2013 RMB'000	2012 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings		–	100,000
Provision for close down, restoration and environmental costs		**16,612**	6,551
Deferred income tax liabilities		**32,614**	3,635
		49,226	110,186
Current liabilities			
Borrowings		**210,000**	249,900
Trade payables	*12*	**73,749**	59,936
Notes payables	*13*	**14,786**	1,180
Accruals and other payables		**94,622**	42,803
Dividend payables		**2,297**	–
Current income tax liabilities		**14,962**	5,058
		410,416	358,877
Total liabilities		**459,642**	469,063
Total equity and liabilities		**1,161,845**	1,061,639
Net current assets		**230,090**	457,273
Total assets less current liabilities		**751,429**	702,762

Notes:

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 8 February 2011 as an exempted company with limited liability under the Companies Law (2010 Revision) of 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 Group is principally engaged in iron ore mining and processing, ilmenite ore mining and processing, sales of iron concentrate and titanium concentrate in the People's Republic of China (the "PRC") and exploration of metal reserves in Australia. The Company listed its shares on the Main Board of The Stock Exchange of Hong Kong Limited since 27 April 2012.

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

In the first quarter of 2013, Shandong Ishine Mining Industry Co., Ltd. ("Shandong Ishine"), an indirectly wholly-owned subsidiary of the Company, acquired 95% of the equity interest of Linyi Luxing Titanium Co., Ltd. ("Luxing Titanium") at a consideration of RMB20.9 million. Luxing Titanium is a mining company located in Shandong Province, the PRC, and is principally engaged in ilmenite ore mining and processing to produce iron concentrate and titanium concentrate.

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

(a) New and amended standards adopted by the Group

All new standards, amendments to standards and interpretations, which are mandatory for the financial year beginning 1 January 2013, are consistently applied by the Group in preparing the consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

Amendment to HKAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' ("OCI") on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

HKFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements, which are largely aligned between HKFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs.

Amendments to HKAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of cash-generating units ("CGUs") which had been included HKAS 36 by the issue of HKFRS 13. The amendment is not mandatory for the Group until 1 January 2014, however the Group has decided to early adopt the amendment as of 1 January 2013.

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKFRS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess HKFRS 9's full impact and intends to adopt HKFRS 9 no later than the accounting period beginning on or after 1 January 2015. The Group will also consider the impact of the remaining phases of HKFRS 9 when completed by the Board.

HK(IFRIC) 21, 'Levies', sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material.

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

3. SEGMENT INFORMATION

(a) General information

The chief operating decision-maker ("CODM") has been identified as the Senior Executive Management who reviews the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments base on these reports.

Senior Executive Management assess the performance of the business segments based on relative net profit/loss contributed by the respective segments.

The Group's reportable segments are defined by location, which is the basis by which the CODM makes decisions about resources to be allocated to the segments and assesses their performance. Financial information of the two locations has been separated to present discrete segment information to be reviewed by the CODM.

The CODM assesses performance of two reportable segments:

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

(ii) Ishine International Resources Limited ("Ishine International"), which was incorporated in Australia and is engaged in the exploration of metal reserve in Australia.

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

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

The segment information provided to the CODM for the reportable segments for the years ended 31 December 2013 and 2012 is as follows:

	Shandong Ishine and Luxing Titanium *RMB'000*	**Ishine International** *RMB'000*	**Total** *RMB'000*
Year ended 31 December 2013			
Revenue	**667,904**	**–**	**667,904**
Tenement and exploration expenses	**(281)**	**(539)**	**(820)**
Gross profit/(loss)	**149,149**	**(539)**	**148,610**
Finance income	**291**	**–**	**291**
Finance costs	**(29,321)**	**(12)**	**(29,333)**
Impairment losses	**–**	**(744)**	**(744)**
Income tax expense	**(23,627)**	**–**	**(23,627)**
Net profit/(loss)	**130,153**	**(7,519)**	**122,634**
Other information			
Depreciation of property, plant and equipment	**35,060**	**280**	**35,340**
Expenditures for non-current assets	**130,208**	**1**	**130,209**

	Shandong Ishine *RMB'000*	Ishine International *RMB'000*	Total *RMB'000*
Year ended 31 December 2012			
Revenue	871,521	–	871,521
Tenement and exploration expenses	(1,020)	(1,671)	(2,691)
Gross profit/(loss)	154,477	(1,671)	152,806
Finance income	1,372	91	1,463
Finance costs	(36,275)	–	(36,275)
Impairment losses	–	(6,988)	(6,988)
Income tax expense	(24,113)	–	(24,113)
Net profit/(loss)	69,987	(14,388)	55,599
Other information			
Depreciation of property, plant and equipment	31,729	149	31,878
Expenditures for non-current assets	55,247	27	55,274

(i) ***Reconciliations of reportable segments revenue, profit or loss***

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Total revenue for reportable segments	**667,904**	871,521
Elimination of inter-segment revenue	**–**	–
Group revenue	**667,904**	871,521

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Net profit for reportable segments	**122,634**	55,599
Other unallocated expenses	**(13,527)**	(13,202)
Net profit	**109,107**	42,397

The segment information provided to the CODM for the reportable segments as at 31 December 2012 and 2013 is as follows:

	Shandong Ishine and Luxing Titanium ***RMB'000***	**Ishine International** ***RMB'000***	**Total** ***RMB'000***
As at 31 December 2013			
Segment assets	**1,138,662**	**8,756**	**1,147,418**
Segment liabilities	**454,170**	**342**	**454,494**

	Shandong Ishine *RMB'000*	Ishine International *RMB'000*	Total *RMB'000*
As at 31 December 2012			
Segment assets	1,015,609	17,676	1,033,285
Segment liabilities	531,090	267	531,357

(ii) ***Reconciliations of reportable segments assets***

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Total assets for reportable segments	**1,147,418**	1,033,285
Other unallocated assets	**480,529**	494,917
Elimination of inter-segment accounts	**(466,102)**	(466,563)
Group assets	**1,161,845**	1,061,639

(iii) ***Reconciliations of reportable segments liabilities***

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Total liabilities for reportable segments	**454,494**	531,357
Other unallocated liabilities	**12,024**	10,587
Elimination of inter-segment accounts	**(6,876)**	(72,881)
Group liabilities	**459,642**	469,063

4. REVENUE

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Production		
– Sales of iron concentrate	**525,136**	549,032
– Sales of titanium concentrate	**6,754**	–
Trading		
– Sales of coarse iron powder	**136,014**	310,936
– Others	**–**	11,553
Total	**667,904**	871,521

5. OTHER GAINS, NET

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Negative goodwill from acquisition of a subsidiary	**60,323**	–
Government grants	**19,384**	8,010
Gains on disposal of property, plant and equipment	**6**	–
Others	**(219)**	(562)
	79,494	7,448

6. FINANCE EXPENSES, NET

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Finance income		
– Interest income of bank deposits (wholly paid within five years)	**291**	1,463
Exchange (loss)/gains, net	**(116)**	831
Finance costs		
– Interest expense on bank borrowings	**(24,628)**	(29,545)
– Interest charge on unwinding of discounts	**(1,208)**	(729)
– Interest expense on discount of bank acceptance notes	**(3,210)**	(5,296)
– Others	**(1,067)**	(451)
	(30,113)	(36,021)
Finance costs, net	**(29,938)**	(33,727)

7. INCOME TAX EXPENSE

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Current tax	**19,943**	22,850
Deferred tax	**3,684**	1,263
	23,627	24,113

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 subsidiary incorporated in the British Virgin Islands under the International Business Companies Acts of the British Virgin Islands is exempted from payment of the British Virgin Islands income tax.

Hong Kong profits tax has not been provided for the subsidiaries in Hong Kong as there is no estimated assessable profit arising in or derived from Hong Kong during the years ended 31 December 2013 and 2012.

Australia corporation income tax is 30%. Australia corporation income tax has not been provided for the subsidiary in Australia as there is no estimated assessable profit arising in or derived from Australia during the years ended 31 December 2013 and 2012.

Corporate income tax ("CIT") in the PRC is calculated based on the statutory profit of subsidiaries incorporated in the PRC in accordance with the PRC tax laws and regulations, after adjusting certain income and expense items, which are not assessable or deductible for income tax purposes. According to the PRC Corporate Income Tax Law promulgated by the PRC government on 16 March 2007 (the "New CIT Law"), the tax rate for the Company's PRC subsidiaries, Shandong Ishine and Luxing Titanium, both were 25% from 1 January 2008 onwards.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the statutory tax rate as follows:

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Profit before tax	**132,734**	66,510
Tax calculated at statutory tax rate	**35,180**	19,116
Income not subject to tax	**(13,822)**	(1,906)
Expenses not deductible for taxation purposes	**1,393**	4,947
Tax losses for which no deferred income tax asset was recognised	**876**	1,956
Income tax expense	**23,627**	24,113

8. DIVIDENDS

On 26 March 2013, a dividend of HKD2,880,000 (equivalent to RMB2,297,000) was recommended by the directors of the Company, and lately approved by the shareholders at the annual general meeting held on 14 May 2013. It was paid out of the share premium account of the Company.

The directors of the Company resolved not to declare a dividend for the year ended 31 December 2013.

9. EARNINGS PER SHARE

The basic earnings per share is calculated based on the profit attributable to owners of the Company for each of the years ended 31 December 2013 and 2012.

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Profit attributable to owners of the Company	**111,214**	46,904
Adjusted weighted average number of shares in issue	**720,871,584**	679,277,283
Basic and diluted earnings per share (Expressed in RMB per share)	**0.15**	0.07

Diluted earnings per share is equal to basic earnings per share as there was no dilutive potential share outstanding for the years ended 31 December 2013 and 2012.

10. TRADE RECEIVABLES

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Trade receivables	**190,447**	271,716

The Group's sales are mainly made on credit terms of 90 days. As at 31 December 2013 and 2012, the carrying amounts of trade receivables approximated their fair values.

Aging analysis of trade receivables as at 31 December 2013 and 2012 is as follows:

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Less than 3 months	**164,614**	162,309
3 months to 6 months	**24,249**	68,648
6 months to 1 year	**1,554**	40,759
1 year and above	**30**	–
	190,447	271,716

All the Group's trade receivables were denominated in RMB as at 31 December 2013 and 2012. There was no provision for trade receivables as at 31 December 2013 and 2012. The maximum exposure to credit risk at the balance sheet date was the carrying value of the trade receivables.

As at 31 December 2013 and 2012, trade receivables with carrying amount of nil and RMB181,423,000, respectively, were pledged as collaterals for the Group's borrowings.

As at 31 December 2013 and 2012, trade receivables of approximately RMB25,833,000 and RMB109,407,000 respectively, were past due but not impaired. These related to a number of independent customers for whom there was no recent history of default.

11. NOTES RECEIVABLES

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Notes receivables		
– bank acceptance notes	**206,188**	261,739

The aging of notes receivables is within 6 months. As at 31 December 2013 and 2012, the carrying amounts of notes receivables approximated their fair values.

As at 31 December 2013 and 2012, bank acceptance notes with carrying amount of nil and RMB20,000,000 were pledged as collateral against the Group's bank borrowings.

12. TRADE PAYABLES

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Trade payables	**73,749**	59,936

Aging analysis of trade payables at the respective balance sheet dates is as follows:

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Less than 6 months	**43,487**	57,103
6 months to 1 year	**21,574**	2,473
1 year and above	**8,688**	360
	73,749	59,936

13. NOTES PAYABLES

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Notes payables		
– Bank acceptance notes	**14,786**	1,180

The aging of notes payables is within 6 months.

As at 31 December 2013, the carrying amounts of notes payables approximated their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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 (諸葛上峪鐵鈦礦), an ilmenite and magnetite mine located in Yishui County, Shandong Province, the PRC ("Zhuge Shangyu Ilmenite Mine"), Bashan Iron Project, an iron ore project located in Yishui County, and Luxing Titanium Mine, an ilmenite ore mine located in Yishui County, Shandong Province, the PRC ("Luxing Titanium Mine"), and owns the exploration rights over Yangzhuang Iron Mine, Qinjiazhuang Ilmenite Project, an ilmenite ore project located in Qinjiazhuang District, Yishui County, Shandong Province, the PRC ("Qinjiazhuang Ilmenite Project"), Zhuge Shangyu Ilmenite Mine and Gaozhuang Shangyu Ilmenite Project, an ilmenite ore project located in Shangyu District, Yishui County, Shandong Province, the PRC ("Gaozhuang Shangyu Ilmenite Project").

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

The Group's revenue decreased by approximately RMB203.6 million, or 23.4%, to approximately RMB667.9 million in the year ended 31 December 2013, as compared with RMB871.5 million for the year ended 31 December 2012. The decrease in revenue was primarily due to (1) the decrease in sales of iron concentrates produced from iron ore of Yangzhuang Iron Mine by approximately RMB17.3 million which was partially offset by the consolidation of sales of iron concentrates produced from ilmenite ore of Zhuge Shangyu and ilmenite ore of Luxing Titanium Mine by approximately RMB3.8 million and RMB68.5 million for the year ended 31 December 2013; (2) the decrease in sales of iron concentrates produced from mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder by approximately RMB78.9 million, and (3) the decrease in turnover by approximately RMB174.9 million from trading of coarse iron powder from approximately RMB310.9 million for the year ended 31 December 2012 to RMB136.0 million for the year ended 31 December 2013.

The total comprehensive income attributable to owners of the Company has increased by approximately RMB61.7 million, representing an increase of approximately 128.5% as compared to that for the year ended 31 December 2012. This was mainly due to (1) the one-off gain on bargain purchase (a negative goodwill) of RMB60.3 million as a result of the Acquisition, which was completed in the first quarter of 2013. The one-off gain on bargain purchase (negative goodwill) was mainly derived from the difference between the fair value of 95% of Luxing Titanium's identifiable net assets and consideration paid by the Group for the Acquisition; and (2) the increase in the amount granted by the PRC government by RMB11.4 million upon the recognition of the achievement in the areas of social responsibilities and integrated utilisation of resources and (3) the decrease in gross profit by RMB 9.1 million, or 6.0% for the year ended 31 December 2013 as compared with the year ended 31 December 2012 mainly due to (i) the decrease in sales gross profit of trading of coarse iron powder by approximately RMB12.8 million from approximately RMB19.5 million for the year ended 31 December 2012 to approximately RMB6.7 million for the year ended 31 December 2013; (ii) the decrease in sales gross profit of iron concentrates produced from mixing iron concentrates purchased from the other suppliers and/or produced from the coarse iron powder by approximately RMB10.1 million from approximately RMB27.4 million for the year ended 31 December 2012 to approximately RMB17.3 million for the year ended 31 December 2013. The decrease in gross profit for the year ended 31 December 2013 was partially offset by (i) the increase in sales gross profit of iron concentrates produced from the iron ore of Yangzhuang Iron Mine by approximately RMB7.5 million from approximately RMB107.4 million for the year ended 31 December 2012 to approximately RMB114.9 million for the year ended 31 December 2013; (ii) the increase in sales gross profit of iron concentrates and titanium concentrates produced from the ilmenite ore of Luxing Titanium Mine by approximately RMB4.8 million and approximately RMB0.3 million respectively from nil for the year ended 31 December 2012 and (iii) the decrease in tenement commitment expenditure by approximately RMB1.3 million in Ishine International.

Since April 2012, the entire iron and steel market has demonstrated an ongoing downward moving trend as the economy in China continued to remain sluggish. The price of iron concentrates with 65% iron content also fell from one bottom to another. With the gradual recovery of the market in 2013, the average selling price of iron concentrates with 65% iron content per tonne was approximately RMB953.4 per tonne, which was approximately 0.6% slightly higher as compared with approximately RMB947.5 per tonne during the year of 2012.

Measures adopted by the management in 2013

In response to the global recession in 2013, the management of the Company carried out their work with the concept of the macro adjustments and micro savings and took the following measures with the following effects:

I. To enhance the business of titanium concentrates and complete the strategic transformation from an iron ore company to a titanium-iron company

1. In the first quarter of 2013, the Company had completed the Acquisition so that the ilmenite reserves of the Company were increased. Through the effective rationalisation of the management of the personnel, capital and properties of Luxing Titanium, and pertinent research and improvement on the technique and the equipment of the iron-titanium separation technology, the Company completed the strategic transformation from a purely iron ore-company to a titanium-iron company based on iron concentrates with emphasis on titanium concentrates.

2. The Company put greater efforts into the construction of Zhuge Shangyu Ilmenite Mine and Qinjiazhuang Ilmenite Mine. The Company provided personnel and technical support to the construction of Zhuge Shangyu Ilmenite Mine and Qinjiazhuang Ilmenite Mine through digestion, reasonable allocation and training the technical team for titanium-iron production lines, which paved the way for entering into the business of titanium.

II. Market-oriented: to timely grasp market prices to avoid a decrease in efficiency as a result of lower market prices and purposeless expansion of production and to maximise the conservation of resources.

Market information was collected through internet and customers. Briefings on market were delivered on a daily basis and market trends were closely monitored for market analysis. Sales was made strategically when prices went up; production was reduced when selling prices went down; appropriate volume of inventory was retained in order to protect resources.

III. To further improve mineral processing techniques, expand the production capacity and reduce production costs

Facing the fierce market competition, the management determined to further improve the processing techniques, to reduce costs and to improve the existing production process and the equipment of Yangzhuang Iron Mine.

For Yangzhuang Iron Mine:

1. Crushing system:

   The facilities were upsized. A new system was designed to replace the two existing crushing systems. The addition of ultra fine crushing and multiple dry separation system separated gangue out on a timely basis so as to reduce the gangue amount in the process of grinding.

2. Grinding system:

   The Group put more efforts in the pre-processing process before grinding in order to further remove barren rocks to the full extent, and hence improving the grade of the iron ores in the process of grinding and reducing the grinding volume.

   As barren rocks were removed in the pre-processing process, the grade of the iron concentrates in the processing of grinding improved. Therefore, the iron concentrate amount was increased and the production costs was reduced under the same production conditions.

For Luxing Titanium:

The major equipment of Luxing Titanium production lines was upgraded and the technology of the production process was improved, and hence increased the production and the production capacity. The annual ore processing capacity has increased from previously 1.2 million tonnes to 1.5 million tonnes.

IV. To expand customer channels, improve the collection of payments from customers and optimise the aging structure of trade receivables

To resolve the problem of late payment for goods from steel manufacturers in previous years, the Company, through establishing the customer credit management files, paid close attention to the collection progress of trade receivables and the related changes of the status, prepared the aging analysis of trade receivables and effectively carried out the tracking and the management of trade receivables. The Company paid special attention to overdue trade receivables. The relevant customers would be analysed in details and the Company would urge for payments in a timely manner as preventive measures. The Company also expanded its customer channels to develop new quality customers. As at the end of December 2013, trade receivables decreased by RMB81.3 million or 29.9% from RMB271.7 million as at 31 December 2012 to RMB190.4 million as at 31 December 2013. Among them, (1) trade receivables due in 6 months to 1 year were reduced by 96.1% from RMB40.8 million as at 31 December 2012 to RMB1.6 million as at 31 December 2013;(2) trade receivables due in 3 months to 6 months were reduced by 64.7% from RMB68.6 million as at 31 December 2012 to RMB24.2 million as at 31 December 2013.

V. To give a full play to audit function for the supervisory purpose and beef up auditing of construction projects

Targeting at hot spot construction, the Company introduced the auditing process in each construction projects so that the construction funds would be reasonably used. The Company exercised strict control on the auditing process. The Company ensured all construction projects are 100% in strict compliance with the requirements of the audit, thereby effectively preventing construction projects from overestimation, ensuring the quality of construction projects and reasonable use of the construction funds.

VI. To strengthen supervision over purchasing and to utilise purchase funds properly

The Company strictly controlled the contract management, by examining purchase contracts of raw materials and accessories, purchase contracts of external mines and purchase contracts of fixed assets etc. before approval and execution and reviewing contracts to ensure strict compliance with “Measures for Administration of Corporate Contracts”, so that the Company could control contractual risks and performed risk management function effectively. For any bulk purchase of materials and major equipments and any purchase by bidding, the purchase department will compare the price and quality of the products before purchase so that the purchase funds can be utilised properly and effectively.

VII. To repay loans and to reduce the finance cost

The finance cost was reduced by RMB3.8 million from RMB33.7 million for 2012 to RMB29.9 million for 2013, which was mainly due to the fact that:

bank loans amounted to RMB210.0 million as at 31 December 2013, which represented a decrease by RMB139.9 million as compared with RMB349.9 million as at 31 December 2012. Interest expense dropped by RMB4.9 million accordingly.

VIII. *Priority on social responsibility and to strive for getting grants and support from the government aggressively*

During 2013, leveraging on the advantages in greening, environment protection, safety, recycling economy and integrated utilisation of resources, the Company actively reported its bold achievements on social responsibilities to the government to get relevant financial grants and support. During 2013, the Company was rewarded RMB19.4 million by the government at all levels. Such proceeds laid a foundation for the Company in enhancing social responsibilities and the integrated utilisation of resources.

IX. *To aggressively and continuously build green mines*

The Company adopted the theme of "ecological restoration, environmental friendly, resource conservation and harmonious development" and the functional orientation of "green mines, humanistic mines, promoting technology and leisure tours", with the primary aim of using resources reasonably, saving energy and reducing emission, protecting the ecological environment and facilitating harmony at mines in compliance with the basic requirements of scientific exploitation, efficient usage of resources, standardised corporate governance, environment-friendly production and ecological mine environment. The Company applied the idea of green mines during the course of exploitation and utilisation of ore resources, promoted the recycling economic development model instead of the development pattern which is merely concerned with consumption of resources at the expense of the ecology, and achieved harmonisation and integration of economic, ecological and social benefits in resource exploitation.

X. *Great efforts on safety management*

The emphasis of safety management is on the working site, the Company strictly implemented its safety check system and the supervisor shift system. The Company managed on-site safety by conducting daily, monthly and quarterly inspection, special inspection and in summer the "four-prevention" inspection to identify issues in its digging, electricity, ventilation and dustproof, drainage and fire, use of explosives and production, and rectified such issues according to its personnel, measures, time, capital and plans. It also strengthened its safety management through studying regulations, preventing non-compliance, identifying potential problems and reforming, so as to further enhance the safety awareness of its staffs and ensure the safety of production. As a result, there has been no death or injury at work site during the year.

XI. *Activities with corporate characteristic culture*

Establishing an excellent corporate culture has always been a long-term and arduous task of the Company. Such culture is integrated into the daily management.

There were morning assembly and evening assembly, at which the Company shared actual cases with its staff to educate them on the Company's corporate culture. The Company also held various cultural promoting activities that were both enjoyable and educational, and captured every opportunity to promote corporate culture, which was instilled into and sprout in the mind of each staff, who changed this awareness into conscious action. As a result, those activities enhanced the quality of the staff and in turn the core competitiveness of the Company.

As the lawful, scientific and green mining have gradually turned into economic, social and environmental advantages, the idea of a green mine, a harmonious community, a recycling economy was realised, and thus a diversified and sustainable development was maintained.

OPERATION OVERVIEW AND CAPITAL EXPENDITURE

Yangzhuang Iron Mine

In order to lower the costs of processing iron ores, the Group carried out technology improvement plan for Yangzhuang Iron Mine, which involved the replacement of certain spare parts and machines by those with higher efficiency in the processing line.

The Group carried out technology improvement for the existing crushing systems by designing a new system to replace the two existing crushing systems, which reduced the grinding particle size from the existing approximately 22 mm to approximately 14 mm. The introduction of the process of dry separation before grinding can reduce the gangue amount in ball mills. The number of ball mills is reduced from 7 to 5. The Group added 1 jaw crusher, 4 cone crushers, 2 permanent magnetism magnetic separators, 4 vibrating screens and 1 vibrating feeder; and also carried out the infrastructure construction of foundation equipment and plants.

Approximately RMB23.0 million was expected to be invested for Yangzhuang Iron Mine for 2013. The actual expenditure in this relation in 2013 was approximately RMB23.1 million, including approximately RMB16.5 million on purchases of new equipment and approximately RMB6.6 million on infrastructure construction of foundation equipment and plants.

As at 31 December 2013, the technology improvement plan for Yangzhuang Iron Mine was nearly completed.

There was no exploration activity carried out in Yangzhuang Iron Mine in 2013.

The iron ore production in 2013 was approximately 2.03 million tonnes.

Zhuge Shangyu Ilmenite Mine

In order to commence the operation of Zhuge Shangyu Ilmenite Mine at the reasonable timeframe, the Group has rented a piece of land in the mining area covered by the current mining permit of Zhuge Shangyu Ilmenite Mine. The ilmenite ores production capacity of Zhuge Shangyu Ilmenite Mine was approximately 1.5Mt per annum as at 31 December 2013. In 2013, the road construction and the preliminary mining preparatory work in Zhuge Shangyu Ilmenite Mine were completed and the ore mining activity was carried out. The ore production was approximately 0.26 million tonnes in 2013.

(I) The technology improvement on the first production line of Zhuge Shangyu Ilmenite Mine was completed.

The Group has rented an iron ore processing plant and commenced the expansion of the processing capacity of Zhuge Shangyu Ilmenite Mine by installing the new titanium processing line in the new processing plant, where the processing capacity has first reached approximately 1.5Mt per annum. The expansion was completed in 2013.

In 2013, the Group focused on the equipment upgrading and improvement for the crushing system, the grinding system and the flotation system. In the meanwhile, the Group made further enhancement on the magnetic separation equipment, gravity separation equipment and dehydration drying equipment. Also, the Group added an ilmenite ore production line to the existing iron ore production line. The Group carried out the infrastructure construction of road, foundation equipment and plants.

The expected amount of investment was approximately RMB22.0 million for Phase I expansion of Zhuge Shangyu Ilmenite Mine in 2013. The actual expenditure in this relation was approximately RMB30.7 million in 2013, including approximately RMB13.8 million on purchases of new equipment, approximately RMB10.2 million on infrastructure construction of properties and plants, and approximately RMB6.7 million on the land tenancy fee which help the Group to get the mining land.

(II) The production and construction of the second production line of Zhuge Shangyu Ilmenite Mine was yet to be completed.

Since March 2013, the Group has carried out the construction of the processing and production lines with an annual processing capacity of 2Mt ilmenite ores in Zhuge Shangyu Ilmenite Mine.

1. **Civil works of the crushing system.** In 2013, the Group has completed the construction of coarse crushing, secondary and fine crushing, screening floor and raw material warehouse, and finished the installation of long belt conveyor from coarse crushing to secondary and fine crushing to raw material and screening floor to secondary and fine crushing. The Group has only completed the construction of the foundation of the ball mills as the manufacturer is yet to be confirmed. The concrete construction of the upper part of the ball mills foundation will start after the manufacturer is confirmed.

2. **Factory site formation.** The civil works for beneficiation crushing system were performed according to the actual terrain and the equipment technical process. The height of the site formation elevation was 233 meters and the site formation area was 60,000 square meters. As at the end of 2013, the site formation for surrounding areas and roads around the crushing system has been basically completed.

3. **The construction of the tailing storage.** Five dams of the tailing storage were constructed, including the construction of three new dams and the height adjustment of two dams. The internal and external facilities of the tailing storage included the first phase construction of flood control culvert pipe to 203 meters elevation and the second phase construction of flood control culvert pipe to 206 meters elevation. The first phase has been basically completed by using C15 concrete to reinforce the culvert pipe to meet the design requirements. In accordance with the design requirements of tailing storage, the construction of a stilling pool in the downstream of external dam flood control culvert pipe is required to build a buffer to reduce the damage to downstream natural terrain from heavy rains, and it has been basically completed. In accordance with the requirements of water supply system, a reclaiming tank by plastering cement mortar shall be constructed after building it with large piece of bricks and surrounded by a rubble retaining wall, and the construction has been basically completed at the end of 2013.

4. **The completion of the site formation of 35,000 volts substation at the end of November 2013.** This substation is the main power load facility for Zhuge Shangyu Ilmenite Mine Beneficiation Plant which has the capability to process 8 million tonnes of ilmenite ore. Its site formation has been completed and possesses the conditions for installation.

Approximately RMB24.1 million was expected to be invested for Zhuge Shangyu Ilmenite Mine for 2013. The actual expenditure was approximately RMB30.7 million in 2013, including approximately RMB28.4 million on the construction of road, site formation and tailing storage and the infrastructure construction of foundation equipment, and approximately RMB2.3 million on land tenancy fee.

There was no exploration activity carried out for Zhuge Shangyu Ilmenite Mine in 2013.

Qinjiazhuang Ilmenite Project

In 2013, the road construction and the preliminary mining preparatory work were completed. The Group intends to use the redundant parts and machines from the processing line of Yangzhuang Iron Mine and to further invest in the construction of an ilmenite ore processing line with an annual processing capacity of 1.5Mt of ilmenite ores. The Group added some new equipments, namely 3 magnetic separators, 3 brush rolls, 1 planar magnetic separator, 6 cyclones and 6 speed-regulating belt scales for the project. The Group carried out infrastructure construction of road, foundation equipment and plants.

The Group expected to invest approximately RMB16.0 million for Qinjiazhuang Ilmenite Project for 2013, and the actual expenditure in this relation was approximately RMB16.3 million, including approximately RMB1.7 million on equipment investment, approximately RMB11.6 million on infrastructure work of equipment and plants, and approximately RMB3.0 million on the land tenancy fee which help the Group to get the mining land.

There was no exploration development and mining production activities carried out in this mining area in 2013.

Luxing Titanium Mine

Luxing Titanium possesses a processing line with a processing capacity of 1.2Mt ilmenite ores per annum. The Group intends to invest in the technology improvement plan for Luxing Titanium Ilmenite Mine for 2013. The said technology improvement plan will enlarge the annual processing capacity of ilmenite ores of the processing line of Luxing Titanium Ilmenite Mine to a processing capacity of 1.5Mt ilmenite ore per annum and also the processing line to process the tailings with titanium content currently possessed by Luxing Titanium. As at the end of 2013, the technology improvement plan for Luxing Titanium was nearly completed. The Group added 2 ball mills, 90 groups of chutes and pressure filters and carried out the infrastructure construction of foundation equipment and plants.

The Group expected to invest approximately RMB3.8 million in the said technology improvement plan. The actual expenditure in this relation was approximately RMB4.3 million, including approximately RMB3.8 million on equipment investment and approximately RMB0.5 million on infrastructure investment.

There was no exploration activity carried out in this mining area in 2013. The ilmenite ore output in 2013 was approximately 1.46 million tonnes.

Gaozhuang Shangyu Ilmenite Project

There was no mining activity and exploration activity carried out in this mining area in 2013.

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, 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 43.93Mt 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 546.29Mt at an average grade of approximately 5.69% TiO2 and approximately 12.81% TFe (total iron); whereas the total proved and probable reserve of ore in our Qinjiazhuang Ilmenite Project was approximately 86.63 Mt at an average grade of approximately 4.50% TiO2 and approximately 13.56% TFe (total iron).

Micromine Consulting Services ("Micromine") has updated the resources and reserves under the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy ("JORC") 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 project was 4.6Mt @ 24.6% TFe and 10.6% mFe compared to reported production of 4.5Mt @ 24.1% TFe and 10.5% mFe for the period from November 2011 to December 2013 inclusive.

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

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

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

7. Parameters for Short Hole Shrinkage mining method:

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

Reason for the changes in the resources and reserves estimates:

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

Zhuge Shangyu Ilmenite Mine

1. Resource reporting cutoff grade: 9.2% TiO2 equivalent

2. Underground Resources and Reserves remain unchanged from the previous (2012) MCS 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 MCS 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 0.27Mt grading 5.69% TiO2 and 12.78% TFe compared to reported production of 0.26Mt grading 6.75% TiO2 and 13.44% TFe for the period from September 2013 to December 2013 inclusive.

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

Reason for the changes in the resources and reserves estimates:

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

Qinjiazhaung Ilmenite Project

1. No reported exploration or mining activities have been undertaken at the Qinjiazhuang Ilmenite Project between 1 November 2011 and 31 December 2013. MCS has concluded that there has been no material change to the Mineral Resources and Reserves for the Qinjiazhaung Ilmenite Project which remain the same as those published in the previous MCS report dated 17 April 2012.

Based on (1) the resources and reserves under the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy ("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 2013 were as follows:

JORC Mineral Resources as of 31 December 2013:

	Yangzhuang Iron Mine	**Zhuge Shangyu Ilmenite Mine**	**Qinjiazhuang Ilmenite Project**
Ore reserves (Mt)			
– proved	8.1	199.8	45.33
– probable	31.2	346.20 (Note)	41.30
Total ore reserves	39.3	546.0	86.63

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

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 (TiO2) (%)			
– proved	N/A	5.76	4.52
– probable	N/A	5.65	4.48
Average grade of total titanium dioxide (TiO2) (%)	N/A	5.69	4.50

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

JORC Ore Reserve Estimate as of 31 December 2012:

	Yangzhuang Iron Mine	Zhuge Shangyu Ilmenite Mine	Qinjiazhuang Ilmenite Project
Ore reserves (Mt)			
– proved	8.73	200.08	45.33
– probable	32.94	346.20 *(Note)*	41.30
Total ore reserves	41.67	546.29	86.63

Yangzhuang Iron Mine Resource Estimate as of 31 December 2013:

Resource Category	Resources *(Mt)*	SG *(t/m^3)*	TFe *(%)*	mFe *(%)*
Measured	13.5	3.25	26.0	10.6
Indicated	50.1	3.25	26.8	10.4
Total Measured and Indicated	63.6	3.25	26.6	10.4
Inferred	17.6	3.22	24.6	8.7
Total resource	81.2	3.24	26.2	10.0

Note: Numbers have been rounded to reflect that the resources are an estimate.

Note: Resources may not ultimately be extracted at a profit.

Zhuge Shangyu Ilmenite Mine Resource Estimate as of 31 December 2013:

Resource Category	Resource Tonnes *(Mt)*	SG *(t/m^3)*	TiO_2 *(%)*	TFe *(%)*
Measured	373	3.19	6.23	14.04
Indicated	261	3.13	6.14	14.18
Total Measured and Indicated	633	3.17	6.19	14.10
Inferred	4	3.13	5.92	15.03
Total Resources	637	3.16	6.19	14.10

Qinjiazhuang Ilmenite Project Resource Estimate as of 31 December 2013:

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

Luxing Titanium Mine

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

Reasons for the changes in the resources and reserves estimates:

1. The mining area is increased from 0.557 sq. km to 0.829 sq. km; and the mining depth is changed from +254.7 meters +150 meters to +255 meters +68 meters, which lead to an increase in the reserve by 12.8 million tonnes.

2. The resource estimation of 4-wire sectional S4-2a area is increased from 3,723.46 square meters to 10,396.22 square meters, which lead to an increase in the reserves by 2.17 million tonnes.

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

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

Gaozhuang Shangyu Ilmenite project

Gaozhuang Shangyu Ilmenite Project is located in Yishui County and Yinan County of Shandong Province, the PRC. The Company has engaged an independent third party surveying agency to conduct preliminary exploration work in the Gaozhuang Shangyu Ilmenite Project and the work was completed in 2012. It has exploration rights over area of approximately 1.53 sq. km., with the exploration term expiring in March 2015. According to Titanium Mine Detailed Survey Report in respect of the mine, it was estimated that the exploration area had approximately 46.0 million tonnes 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%. There is no change in resources and reserves. The Group did not have any plan to carry out mining work or other expansion plan.

EXPLORATION LICENCES IN AUSTRALIA

As at 31 December 2013, Ishine International owns 13 granted exploration licenses located in Western Australia, 6 granted exploration licenses located in South Australia and 4 granted exploration licenses located in Queensland, Australia.

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

There is no other exploration activity in Australia.

The tenement expenditure was RMB0.5 million (AUD0.09 million) and the capitalised tenement acquisition cost for Mt Watson was RMB3.3 million (AUD0.6 million).

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

Western Australian Tenements

Tenement	Registered holder/ applicant	Grant date	Expiry Date	Area size and locality	Current status	Status of renewal of tenement (if expiring within 1 year)	Target minerals
E80/4478	Ishine International	10-Oct-11	09-Oct-16	39 Blocks Halls Creek Shire, 126km^2	Active	NA	Nickel, Copper, Cobalt
E70/3880	Ishine International	28-Mar-11	27-Mar-16	70 Blocks Narembeen Shire, 203km^2	Active	NA	Gold
E80/4450	Ishine International	06-Oct-11	05-Oct-16	41 Blocks Halls Creek Shire, 129km^2	Active	NA	Nickel, Copper, Cobalt
E80/4448	Ishine International	06-Oct-11	05-Oct-16	154 Blocks Halls Creek Shire, 501km^2	Active	NA	Iron
E08/2222	Ishine International	19-Apr-12	18-Apr-17	106 Blocks Gascoyne, 332km^2	Active	NA	Manganese, Uranium
E77/1786	Ishine International	22-Mar-11	21-Mar-16	70 Blocks Merredin, Narembeen and Yilgarn Shires, 204km^2	Active	NA	Iron

Tenement	Registered holder/ applicant	Grant date	Expiry Date	Area size and locality	Current status	Status of renewal of tenement (if expiring within 1 year)	Target minerals
E37/1073	Ishine International	21-Jul-11	20-Jul-16	33 Blocks Laverton and Leonora Shires, 99km^2	Active	NA	Nickel, Gold
E39/1582	Ishine International	27-Apr-12	26-Apr-17	6 Blocks Laverton, 18km^2	Active	NA	Nickel, Gold
E37/1074	Ishine International	14-Sep-11	13-Sep-16	4 Blocks Leonora Shire, 10km^2	Active	NA	Nickel, Gold
E45/3791	Ishine International	10-Jul-12	09-Jul-17	14 Blocks Pilbara, 44km^2	Active	NA	Iron
E80/4639	Ishine International	03-Aug-12	02-Aug-17	40 Blocks Halls Creek Shire, 130km^2	Active	NA	Iron
E80/4619	Ishine International	25-Sep-12	24-Sep-17	16 Blocks Moola Bulla and Kimberley, 52km^2	Active	NA	Nickel, Copper, Gold
E08/2239	Ishine International	1-May-13	30-Apr-18	34 Blocks Pingandy and Ashburton, 103km^2	Active	NA	Manganese

South Australia

Tenement	Registered holder/ applicant	Grant date	Expiry Date	Area size and locality	Current status and plan	Status of renewal of tenement (if expiring within 1 year)	Commodity
EL4829 (ELA-198/10)	Ishine International	20-Jan-12	19-Jan-16	736 km^2 Ooldea Range Area	Active	NA	Copper, Nickel, Lead, Zinc
EL4830 (ELA-234/10)	Ishine International	20-Jan-12	19-Jan-16	309 km^2 Mulga Well Area	Active	NA	Gold, Cobalt, Uranium
EL4831 (ELA-239/10)	Ishine International	20-Jan-12	19-Jan-16	992 km^2 Mulgaria Area	Active	NA	Uranium

Tenement	Registered holder/ applicant	Grant date	Expiry Date	Area size and locality	Current status and plan	Status of renewal of tenement (if expiring within 1 year)	Commodity
EL4832 (ELA-252/10)	Ishine International	20-Jan-12	19-Jan-16	219 km^2 Willouran Ranges	Active	NA	Uranium
EL4833 (ELA-259/10)	Ishine International	20-Jan-12	19-Jan-16	969 km^2 Finniss Springs Area	Active	NA	Uranium
EL4834 (ELA-260/10)	Ishine International	20-Jan-12	19-Jan-16	690 km^2 Daekoo Hill Area	Active	NA	Uranium

Queensland

Tenement	Registered holder/ applicant	Grant date	Expiry Date	Area size and locality	Current status and plan	Status of renewal of tenement (if expiring within 1 year)	Commodity
EPM19142	Ishine International	13-May-13	12-May-16	37 Blocks Mt Jordyn-Boomarra	Active	NA	Copper, Molybdenum
EPM15933	Owned as to 70% by Ishine International and 30% by Kabiri Resources	11-Mar-08	07-May-17	8 Blocks Mt Watson	Active	NA	Copper, Gold, Molybdenum
EPM15986	Owned as to 70% by Ishine International and 30% by Kabiri Resources	15-Jan-08	07-May-17	19 Blocks Mt Watson	Active	NA	Copper, Gold, Molybdenum
EPM15723	Owned as to 70% by Ishine International and 30% by Kabiri Resources	22-Apr-08	23-May-18	37 Blocks Boomarra	Active	NA	Copper, Gold, Molybdenum

EXPLORATION, DEVELOPMENT AND MINING PRODUCTION ACTIVITIES AND COSTS

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

	Year ended 31 December	
	2013	2012
	ktonnes	*ktonnes*
Production Volume		
Feed tonnage	**3,758**	2,059

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Mining Costs		
Workforce employment	**56,291**	55,900
Transportation	**18,811**	10,538
Fuel, electricity, water and other services	**7,892**	3,225
Non-income taxes, royalties and other governmental charges; and	**18,511**	16,323
Subtotal	**101,505**	85,986
Processing Costs		
Workforce employment	**25,939**	16,121
Consumables	**18,375**	11,155
Fuel, electricity, water and other services	**61,962**	42,488
Administration	**13,568**	13,741
Transportation	**7,978**	6,737
Non-income taxes, royalties and other governmental charges; and	**711**	400
Subtotal	**128,533**	90,642
Total Mining and Processing Cost	**230,038**	176,628
Management Expenses		
Environmental protection and monitoring	**4,631**	523
Other administration cost	**39,525**	45,611
Product marketing and transport	**2,370**	1,700
Non-income taxes, royalties and other governmental charges; and	**1,434**	1,210
Subtotal	**47,960**	49,044
Total Operating Expenses	**277,998**	225,672
Other Costs		
Depreciation and Amortisation	**37,981**	32,126
Total Production Cost	**315,979**	257,798

CONTRACTS AND COMMITMENTS

The Company has signed 239 new contracts with a total amount of RMB92.5 million for the year ended 2013. The details are summarised as below:

Yangzhuang Iron Mine

Type of contracts	Number of contracts signed	Total amount *RMB million*
(i) Equipment suppliers (jaw crusher, cone crusher, dry sorting machine, vibrating screen and other mechanical equipment)	59	17.7
(ii) Technical service	8	0.8
(iii) Infrastructure and projects	14	4.3
Total	81	22.8

Zhuge Shangyu Ilmenite Mine

Type of contracts	Number of contracts signed	Total amount *RMB million*
(i) Equipment suppliers (ball mill, magnetic separator, roller presses, filter, drying equipment and other mechanical equipment)	46	14.9
(ii) Technical service	6	9.5
(iii) Infrastructure and projects	43	15.4
(iv) Land for mining and construction	7	9
Total	102	48.8

Qinjiazhuang Ilmenite Project

Type of contracts	Number of contracts signed	Total amount *RMB million*
(i) Equipment suppliers (high efficiency separator, flat magnetic separator, cyclone and other mechanical equipment)	5	2.3
(ii) Technical service	3	0.2
(iii) Infrastructure and projects	4	8.4
(iv) Land for mining and construction	4	3.0
Total	16	13.9

Luxing Titanium Mine

Type of contracts	Number of contracts signed	Total amount *RMB million*
(i) Equipment suppliers (filter, ball mill, high-frequency vibrating screen and other mechanical equipment)	31	6.4
(ii) Infrastructure and engineering companies	9	0.6
Total	40	7.0

FINANCIAL REVIEW

For the year ended 31 December 2013, the Group recorded revenue of approximately RMB667.9 million as compared with approximately RMB871.5 million for the year ended 31 December 2012, representing a decrease of approximately 23.4%. For the year ended 31 December 2013, approximately 79.6% of the Group's total sales consisted of the sales of iron concentrates and titanium concentrates produced by the Group's processing plants, while the remaining approximately 20.4% of total sales were mainly derived from trading of coarse iron powder. The Group mainly sold iron concentrates and titanium concentrates produced by the Group to iron pellets and steel producers in Shandong Province, the PRC. In addition to the above customers of iron and titanium concentrates, the Group sold coarse iron powder to other customers engaged in trading and manufacturing of iron-related products in the PRC.

PRICES OF THE GROUP'S PRODUCTS

Iron Concentrates

The unit price of approximately 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 iron concentrates for the year ended 31 December 2013 was approximately RMB953.4 per tonne, representing an increase of approximately 0.6% as compared with the average unit selling price of approximately RMB947.5 per tonne for the year ended 31 December 2012. Such increase was mainly due to the gradual recovery of China's economy in the second half year of 2013.

Titanium Concentrates

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

For the year ended 31 December 2013, the Group produced approximately 29.3 ktons and approximately 10.9 ktons of titanium concentrates with approximately 20%-30% and 46% titanium content respectively. The average unit selling price of the approximately 20%-30% and 46% titanium concentrates were approximately RMB190.9 and RMB844.3 per tonne respectively.

Revenue

Revenue was generated from the sale of the Group's products to external customers net of value added tax as well as from our trading activities. The Group's revenue from the 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 and market conditions and price of the Group's products. The following table sets forth a breakdown of the Group's revenue by segments for the periods indicated:

	The year ended 31 December 2013 *RMB'000*		The year ended 31 December 2012 *RMB'000*	
Revenue				
Sales of iron concentrates produced by the Group				
– from iron ore of Yangzhuang Iron Mine	**271,710**	**40.7%**	289,003	33.2%
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine	**3,786**	**0.6%**	–	–
– from ilmenite ore of Luxing Titanium Mine	**68,492**	**10.2%**	–	–
– from mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder	**181,148**	**27.1%**	260,029	29.8%
	525,136	**78.6%**	549,032	63.0%
Sales of titanium concentrates produced by the Group				
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine	**598**	**0.1%**	–	–
– from ilmenite ore of Luxing Titanium Mine	**6,156**	**0.9%**	–	–
	6,754	**1.0%**	–	–
Sales of trading activities				
– from coarse iron powder	**136,014**	**20.4%**	310,936	35.7%
– from iron concentrates	**–**	**–**	11,553	1.3%
	136,014	**20.4%**	322,489	37.0%
	667,904	**100%**	871,521	100%

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

	The year ended 31 December 2013 *(Kt)*	The year ended 31 December 2012 *(Kt)*
Sales volume of iron concentrates produced by the Group		
– from iron ore of Yangzhuang Iron Mine	**285.3**	310.3
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine	**5.9**	–
– from ilmenite ore of Luxing Titanium Mine	**102.0**	–
– from mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder	**189.7**	269.2
	582.9	579.5
Sales volume of titanium concentrates produced by the Group		
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine	**0.7**	–
– from ilmenite ore of Luxing Titanium Mine	**22.7**	–
	23.4	–
Sales volume of trading activities		
– from coarse iron powder	**196.0**	432.3
– from iron concentrates	**–**	13.3
	196.0	445.6
	802.3	1,025.1

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

	The year ended 31 December 2013		The year ended 31 December 2012	
	(Kt)	***(approximately)***	*(Kt)*	*(approximately)*
Amount of iron concentrates produced from iron ore of Yangzhuang Iron Mine	**327.9**	**53.8%**	310.3	56.4%
Amount of iron concentrates produced from ilmenite ore of Zhuge Shangyu Ilmenite Mine	**6.3**	**1.0%**	–	–
Amount of iron concentrates produced from ilmenite ore of Luxing Titanium Mine	**91.2**	**15.0%**	–	–
Amount of iron concentrates produced from coarse iron powder purchased from other suppliers	**184.3**	**30.2%**	239.4	43.6%
Total	**609.7**	**100%**	549.7	100%

Revenue from sales of iron concentrates and titanium concentrates produced by the Group represents approximately 78.6% and 1.0% respectively of the Group's total revenue for the year ended 31 December 2013. The Group also sourced coarse iron powder for on sale to its trading customers.

The Group's revenue decreased by approximately RMB203.6 million, or 23.4%, to approximately RMB667.9 million in the year ended 31 December 2013, as compared with RMB871.5 million for the year ended 31 December 2012. The decrease in revenue was primarily due to (1) the decrease in sales of iron concentrates produced from iron ore of Yangzhuang Iron Mine by approximately RMB17.3 million which was partially offset by the consolidation of sales of iron concentrates produced from ilmenite ore of Zhuge Shangyu and ilmenite ore of Luxing Titanium Mine by approximately RMB3.8 million and RMB68.5 million for the year ended 31 December 2013; (2) the decrease in sales of iron concentrates produced from mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder by approximately RMB78.9 million, and (3) the decrease in turnover by approximately RMB174.9 million from trading of coarse iron powder from approximately RMB310.9 million for the year ended 31 December 2012 to RMB136.0 million for the year ended 31 December 2013.

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

Sales derived from mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder dropped by approximately 30.3% from approximately RMB260.0 million for the year ended 31 December 2012 to approximately RMB181.1 million for the year ended 31 December 2013, mainly as a result of the slowdown of China's economy and the decline in demand from steel makers in Shandong Province and the strategic decision of the management to decrease production volume and sales volume of the iron concentrates produced from mixing iron concentrates produced from coarse iron powder.

The total sales generated from trading activities significantly dropped by approximately 57.8% which was mainly due to the decrease of trading turnover of coarse iron powder from approximately RMB310.9 million for year ended 31 December 2012 to approximately RMB136.0 million for the year ended 31 December 2013. The decrease resulted primarily from decline in demand from the steel makers in Shandong Province and the strategic decision of the management to decrease the sales volume of the trading of iron coarse powder in order to reduce the operational risk from trading activities.

Cost of Sales

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

	The year ended 31 December 2013 *RMB'000*		The year ended 31 December 2012 *RMB'000*	
Cost of Sales				
Cost of sales of iron concentrates produced by the Group				
– from iron ore of Yangzhuang Iron Mine	**156,766**	**29.9%**	181,562	25.3%
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine	**3,663**	**0.7%**	–	–
– from ilmenite ore of Luxing Titanium Mine	**63,738**	**12.2%**	–	–
– from mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder	**163,850**	**31.2%**	232,609	32.3%
	388,017	**74.0%**	414,171	57.6%
Cost of sales of titanium concentrates produced by the Group				
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine	**596**	**0.1%**	–	–
– from ilmenite ore of Luxing Titanium Mine	**5,816**	**1.1%**	–	–
	6,412	**1.2%**	–	–
Cost of sales of trading activities				
– from coarse iron powder	**129,277**	**24.7%**	291,460	40.5%
– from iron concentrates	**–**	**–**	11,264	1.6%
	129,277	**24.7%**	302,724	42.1%
Exploration costs incurred by Ishine International	**539**	**0.1%**	1,820	0.3%
	524,245	**100%**	718,715	100%

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

Total cost of sales decreased by approximately RMB194.5 million, or approximately 27.1%, to RMB524.2 million for the year ended 31 December 2013, as compared with RMB718.7 million for the year ended 31 December 2012. Such decrease was consistent with the decrease in the Group's revenue during the year ended 31 December 2013, which was mainly due to (1) the decrease in the sales volume by 25.0 ktonnes and the decrease in the unit cost of sales of the iron concentrates produced from iron ore of Yangzhuang Iron Mine by RMB35.6 per tonne from RMB585.1 per tonne for the year ended 31 December 2012 to RMB549.5 per tonne for the year ended 31 December 2013; (2) the decreases in sales volume of iron concentrates produced from mixing iron concentrates purchased from other supplies and/or produced from coarse iron powder by 79.5 ktonnes for the year ended 31 December 2013; (3) the decrease in sales volume from trading of iron coarse powder by 236.3 ktonnes for the year ended 31 December 2013; and also (4) the decrease in the exploration cost incurred by the subsidiary, Ishine International by approximately RMB1.3 million.

Gross profit and gross profit margin

The following table sets forth a breakdown of the Group's gross profit and gross profit margins by segments for the years indicated:

	The year ended 31 December 2013		The year ended 31 December 2012	
	RMB'000		*RMB'000*	
Gross profit				
– Gross profit of iron concentrates produced by the Group				
– from iron ore of Yangzhuang Iron Mine	**114,944**	**80.0%**	107,441	70.3%
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine	**123**	**0.1%**	–	–
– from ilmenite ore of Luxing Titanium Mine	**4,754**	**3.3%**	–	–
– from mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder	**17,298**	**12.1%**	27,420	18.0%
	137,119	**95.5%**	134,861	88.3%
– Gross profit of titanium concentrates produced by the Group				
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine	**2**	**–**	–	–
– from ilmenite ore of Luxing Titanium Mine	**340**	**0.2%**	–	–
	342	**0.2%**	–	–
Gross profit of trading activities				
– from coarse iron powder	**6,737**	**4.7%**	19,476	12.7%
– from iron concentrates	**–**	**–**	289	0.2%
	6,737	**4.7%**	19,765	12.9%
Exploration costs incurred by Ishine International	**(539)**	**(0.4)%**	(1,820)	(1.2)%
	143,659	**100%**	152,806	100%

	The year ended 31 December 2013	The year ended 31 December 2012
Gross profit margin		
Gross profit margin of iron concentrates		
– from iron ore of Yangzhuang Iron Mine	**42.3%**	37.2%
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine	**3.2%**	–
– from ilmenite ore of Luxing Titanium Mine	**6.9%**	–
– from mixing iron concentrates purchase from other suppliers and/or produced from coarse iron powder	**9.5%**	10.6%
Gross profit margin of titanium concentrates		
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine	**0.3%**	–
– from ilmenite ore of Luxing Titanium Mine	**5.5%**	–
Gross profit margin of trading activities		
from coarse iron powder	**–**	2.5%
from iron concentrates	**5.0%**	6.3%
Overall gross profit margin	**21.5%**	17.5%

Gross profit decreased by approximately RMB9.1 million, or approximately 6.0% from approximately RMB152.8 million for the year ended 31 December 2012 to approximately RMB143.7 million for the year ended 31 December 2013. The main reasons for the decline were (1) the decrease in gross profit of trading of coarse iron powder by approximately RMB12.8 million from approximately RMB19.5 million for the year ended 31 December 2012 to approximately RMB6.7 million for the year ended 31 December 2013; (2) the decrease in gross profit of iron concentrates produced from mixing iron concentrates purchased from the other suppliers and/or produced from the coarse iron powder by approximately RMB10.1 million from approximately RMB27.4 million for the year ended 31 December 2012 to approximately RMB17.3 million for the year ended 31 December 2013; which are offset by (i) the increase in gross profit of iron concentrates produced from the iron ore of Yangzhuang Iron Mine by approximately RMB7.5 million from approximately RMB107.4 million for the year ended 31 December 2012 to approximately RMB114.9 million for the year ended 31 December 2013; (ii) the increase in gross profit of iron concentrates and titanium concentrates produced from the ilmenite ore of Luxing Titanium Mine by approximately RMB4.8 million and RMB0.3 million from nil for the year ended 31 December 2012; (iii) the decrease in tenement commitment expenditure by RMB1.3 million in Ishine International.

Overall gross profit margin increased from 17.5% to 21.5% for the year ended 31 December 2013 as compared with that for the year ended 31 December 2012 This was mainly due to the change of the sale mix of the products. In order to minimise the operational risk, the Company's management decided to decrease the sales volume of (1) mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder, and (2) trading of coarse iron powder which have lower gross profit margin compared to the iron concentrates produced from Yangzhuang Iron Mine. The proportion of sales of iron concentrates produced from iron ore of Yangzhuang Iron Mine with a higher gross profit margin, increased from 33.2% for the year ended 31 December 2012 to 40.7% for the year ended 31 December 2013, which was mainly due to the decrease in the unit cost of sales of the iron concentrates produced from iron ore of Yangzhuang Iron Mine by RMB35.6 per tonne from RMB585.1 per tonne for the year ended 31 December 2012 to RMB549.5 per tonne for the year ended 31 December 2013.

Selling and distribution costs

Selling and distribution costs increased by approximately 13.6% from approximately RMB11.0 million for the year ended 31 December 2012 to approximately RMB12.5 million for the year ended 31 December 2013. This was primarily due to the increase in transportation costs incurred by the Group on behalf of the Group's customers and were added to the contracted sales price.

	The year ended 31 December 2013 *RMB'000*	The year ended 31 December 2012 *RMB'000*
Transportation costs	**12,521**	10,951
Other expenses	**–**	22
	12,521	10,973

Administrative expenses

Administrative expenses mainly constitute employee benefits, depreciation and amortisation, professional fees, travelling expenses, entertainment expenses and other expenses. The following table presents the breakdown of the Group's administrative expenses for the years indicated:

	The year ended 31 December 2013 *RMB'000*	The year ended 31 December 2012 *RMB'000*
Employee benefits	**14,001**	8,747
Other tax and surcharges	**1,434**	1,210
Depreciation and amortisation	**9,001**	8,580
Professional fees	**4,801**	12,189
Travelling expenses	**2,002**	998
Entertainment expenses	**2,161**	820
Vehicle fees	**2,370**	1,700
Office fees	**849**	597
Impairment losses	**744**	6,988
Other expenses	**10,597**	7,215
Total	**47,960**	49,044

Administrative expenses decreased from approximately RMB49.0 million for the year ended 31 December 2012 to approximately RMB48.0 million for the year ended 31 December 2013. This decrease was mainly due to (1) the decrease in the impairment loss of Boomarra project and the listed shares held in Athena Resources Limited for Ishine International by approximately RMB6.3 million, from approximately RMB7.0 million for the year ended 31 December 2012 to approximately RMB0.7 million for the year ended 31 December 2013, which is caused by the impairment of available-for-sale financial assets; (2) the decrease of professional fees by approximately RMB7.4 million, from approximately RMB12.2 million for the year ended 31 December 2012 to approximately RMB4.8 million for the year ended 31 December 2013, due to the decrease in one-off listing professional fees incurred in the first half of 2012; and (3) partly offset by the increase in administrative expenses incurred due to the Acquisition and consolidation of Luxing Titanium.

Other gains, net

The Group made other gain of approximately RMB79.5 million for the year ended 31 December 2013 as compared with approximately RMB7.4 million for the year ended 31 December 2012 which was mainly due to (1) the one-off gain on bargain purchase (a negative goodwill of RMB60.3 million) as a result of the Acquisition, which was completed in the first quarter of 2013. The one-off gain on bargain purchase (negative goodwill) was mainly derived from the difference between the fair value of 95% of Luxing Titanium's identifiable net assets and consideration paid by the Group for the Acquisition; and (2) the increase in the amount granted by the PRC government by RMB11.4 million to RMB19.4 million for the year ended 31 December 2013 upon the recognition of the achievement in the areas of social responsibilities and integrated utilisation of resources.

Finance costs, net

Net finance costs mainly represented interest expense on bank loans, and on discount of bank's acceptance notes of the Group, offset by interest income of bank deposits. Finance costs decreased from approximately RMB33.7 million for the year ended 31 December 2012 to approximately RMB29.9 million for the year ended 31 December 2013 by approximately 11.3%, which was mainly due to the decrease in interest expense on bank loans balance by approximately 16.6% from approximately RMB29.5 million as at 31 December 2012 to approximately RMB24.6 million as at 31 December 2013.

Total comprehensive income

Total comprehensive income increased from approximately RMB44.1 million for the year ended 31 December 2012 to approximately RMB106.9 million for the year ended 31 December 2013 by 142.4%, which was mainly due to the (1) the one-off gain on bargain purchase (a negative goodwill of RMB60.3 million) as a result of the acquisition of Luxing Titanium, which was completed in the first quarter of 2013. The one-off gain on bargain purchase (negative goodwill) was mainly derived from the difference between the fair value of 95% of Luxing Titanium's identifiable net assets and consideration paid by the Group for the Acquisition; and (2) the increase in the amount granted by the PRC government by RMB11.4 million upon the recognition of the achievement in the areas of social responsibilities and integrated utilisation of resources; the increases from the above factors were offset by the decrease in gross profit by approximately RMB9.1 million, or approximately 6.0% for the year ended 31 December 2013 as compared with the year ended 31 December 2012 mainly due to (1) the decrease in gross profit of trading of coarse iron powder by approximately RMB12.8 million from approximately RMB19.5 million for the year ended 31 December 2012 to approximately RMB6.7 million for the year ended 31 December 2013; (2) the decrease in gross profit of iron concentrates produced from mixing iron concentrates purchased from the other suppliers and/or produced from the coarse iron powder by approximately RMB10.1 million from approximately RMB27.4 million for the year ended 31 December 2012 to approximately RMB17.3 million for the year ended 31

December 2013; which are offset by (i) the increase in gross profit of iron concentrates produced from the iron ore of Yangzhuang Iron Mine by approximately RMB7.5 million from approximately RMB107.4 million for the year ended 31 December 2012 to approximately RMB114.9 million for the year ended 31 December 2013; (ii) the increase in gross profit of iron concentrates and titanium concentrates produced from the ilmenite ore Luxing Titanium Mine by approximately RMB4.8 million and RMB0.3 million from nil for the year ended 31 December 2012 to approximately RMB4.8 million and RMB0.3 million for the year ended 31 December 2013; and (iii) the decrease in tenement commitment expenditure by RMB1.3 million in Ishine International.

Property, plant and equipment

Property, plant and equipment as at 31 December 2013 increased by approximately RMB159.0 million, or approximately 74.5%, from approximately RMB213.5 million for the year ended 31 December 2012 to approximately RMB372.5 million for the year ended 31 December 2013. Such increase was mainly due to (1) the increase in fixed assets of approximately RMB77.4 million due to the acquisition and consolidation of Luxing Titanium; (2) the improvement of the processing facilities of Yangzhuang Iron Mine; (3) the development of the mining and processing capacities of Zhuge Shangyu Ilmenite Mine, which incurred the costs of (i) building new facility for the dry up tailings; (ii) the construction of relevant infrastructure facilities; and (iii) purchase of manufacturing equipment; (4) the improvement of the processing facilities of Luxing Titanium; and (5) the improvement of the processing facilities and infrastructure facilities of Qinjiazhuang Ilmenite Mine.

Inventories

The Group's inventories consisted of raw materials, finished goods and spare parts and others. Raw materials included iron ores and other raw materials which mainly consisted of coarse iron powder to be processed into iron concentrates. The following table sets forth the Group's balances of inventory as of each of the statement of financial position dates:

	As at 31 December 2013 *RMB'000*	As at 31 December 2012 *RMB'000*
Raw materials		
– Iron ores and ilmenite ore	**1,406**	238
– Other raw materials	**1,431**	8,612
Finished goods	**26,161**	3,589
Spare parts and others	**6,606**	3,833
Total	**35,604**	16,272

The balance of inventories increased by approximately RMB19.3 million mainly due to the increase in finished goods of approximately RMB22.6 million and the increase in iron ores and ilmenite ores of approximately RMB1.2 million. The management strategically increased the inventory during the steel market downturn.

Trade receivables

The Group's sales are generally made on credit terms of 90 days, and trade receivables were settled by either bank transfer or bank acceptance notes with maturity within 6 months. Aging analysis of trade receivables as at 31 December 2013 and 2012 was as follows:

	As at 31 December 2013 ***RMB'000***	As at 31 December 2012 *RMB'000*
Trade receivables		
– Less than 3 months	164,614	162,309
– 3 months to 6 months	24,249	68,648
– 6 months to 1 year	1,554	40,759
– 1 year and above	30	–
Total	190,447	271,716

Trade receivables decreased from approximately RMB271.7 million as at 31 December 2012 to approximately RMB190.4 million as at 31 December 2013 mainly due to (1) the implementation of appropriate measures by the Group to make sure the trade receivables can be settled by the customers in the sluggish iron and steel market; (2) the decrease in revenue from selling of iron concentrates and trading of coarse iron powder for the year ended 31 December 2013. The decrease in trade receivables was partially offset by the increase in trade receivables of approximately RMB33.1 million due to the acquisition and consolidation of Luxing Titanium.

Notes receivables

Notes receivables are bank acceptance notes from various banks mainly provided by the Group's customers as settlement of account receivables.

	As at 31 December 2013 ***RMB'000***	As at 31 December 2012 *RMB'000*
Notes receivables		
– Bank acceptance notes	**206,188**	261,739

Notes receivables decreased from approximately RMB261.7 million as at 31 December 2012 to approximately RMB206.2 million as at 31 December 2013 mainly due to the decrease in revenue from selling of iron concentrates and trading of coarse iron powder for the year ended 31 December 2013.

Trade payables

	As at 31 December 2013 RMB'000	As at 31 December 2012 RMB'000
Trade payables	**73,749**	59,936

Trade payables increased from approximately RMB59.9 million as at 31 December 2012 to approximately RMB73.7 million as at 31 December 2013.

Bank borrowings

The following table sets forth the breakdown of bank borrowings as of each of the statement of financial position dates:

	As at 31 December 2013 RMB'000	As at 31 December 2012 RMB'000
Non-current		
– Bank borrowings	**–**	100,000
Current		
– Bank borrowings	**110,000**	189,900
– Short-term portion of non-current borrowings	**100,000**	60,000
	210,000	249,900
Total	**210,000**	349,900

Total bank borrowings as at 31 December 2013 decreased to approximately RMB210.0 million from approximately RMB349.9 million as at 31 December 2012 mainly due to the decrease in fund needed for the sales volume of the trading activity from sales of coarse iron powder, in order to minimize the operating risk.

As at 31 December 2013, bank borrowings of approximately RMB130.0 million were pledged by a mining right of Shandong Ishine and Luxing Titanium with book value of approximately RMB118.0 million.

Borrowings of RMB20.0 million were jointly guaranteed by Linyi Runxing Investment Co., Ltd. and the controlling shareholder of the Company, an executive Director and chairman of the Company, Mr. Li Yunde, which was borrowed after the listing of the Company. Also, borrowings of RMB30.0 million and RMB30.0 million were guaranteed by Shandong Zhonglian Tegang Co. Ltd. and Yishui Hesheng Minerals Co., Ltd., respectively.

Ishine International

Ishine International, the Company's non-wholly owned subsidiary, is principally engaged in the business of the exploration of mineral resources in Australia, and its shares are listed on the Australian Securities Exchange. The principal activity in 2013 was exploration activities. Net loss incurred by Ishine International for the year ended 31 December 2013 was approximately RMB7.5 million as compared to net loss of approximately RMB14.4 million for the year ended 31 December 2012. The decrease in net loss was mainly contributed by (1) the impairment loss of approximately RMB4.0 million (equivalent to approximately AUD613,000) for the Boomarra project resulting from the decision of the board of Ishine International to stop pursuing further interest in Boomarra Project during the year ended 31 December 2012; and (2) the impairment loss of approximately RMB3.0 million (equivalent to approximately AUD457,000) of the listed shares held in Athena Resources Limited due to the recognition of fair value loss as an impairment loss on the basis that it was considered as a permanent diminution in value during the year ended 31 December 2012.

CAPITAL STRUCTURE

The Company's issued share capital as at 31 December 2013 is HKD7,208,715.84 divided into 720,871,584 shares of HKD0.01 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 2013 was approximately 23.0% (31 December 2012: approximately 37.1%). The current ratio (calculated as current assets divided by current liabilities) as at 31 December 2013 was approximately 1.6 times (31 December 2012: approximately 2.3 times).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2013, the total amount of the borrowings of the Group was approximately RMB210.0 million (31 December 2012: approximately RMB349.9 million). The Group settled borrowings in the amount of approximately RMB433.9 million for the year ended 31 December 2013. The Group's cash and bank balances amounted to approximately RMB64.1 million (31 December 2012: approximately RMB82.9 million).

MATERIAL ACQUISITIONS OR DISPOSALS

Shandong Ishine entered into a sale and purchase agreement with Mr. Yang Wenxing, on 19 December 2012 to acquire 95% of the equity interests of Luxing Titanium at a consideration of RMB20.9 million (the "Acquisition"). The Acquisition was completed in the first quarter of 2013. Luxing Titanium is a mining company based in Shandong Province, the PRC and is principally engaged in ilmenite ore mining and processing to produce iron concentrates and titanium concentrates. For details of the Acquisition, please refer to the announcement of the Company dated 19 December 2012.

Save as disclosed above, there was no material acquisition, disposal or investment by the Group during the year ended 31 December 2013.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGE

Shandong Ishine, Luxing Titanium and Ishine International, which operate in the PRC and Australia respectively, are three major subsidiaries composing the Group. Almost all of the transactions of Shandong Ishine, Luxing Titanium and Ishine International are denominated and settled in their respective functional currencies, i.e. RMB and AUD respectively.

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

PLEDGE OF GROUP ASSETS

As at 31 December 2013, bank borrowings of approximately RMB130.0 million were pledged by mining rights of Shandong Ishine and Luxing Titanium with book value of approximately RMB118.0 million.

EXPLORATION COMMITMENTS AND CAPITAL COMMITMENTS

Ishine International has obligations under its exploration license to spend a minimum amount of exploration expenditures on projects. The obligations may vary from time to time subject to the approval from the relevant government authorities. Due to the nature of Ishine International's operations in exploring and evaluating areas of interest, it is difficult to accurately forecast the nature and amount of future expenditure beyond the next year. Expenditures may be reduced by seeking exemption from individual commitments, by relinquishing of tenure or any new joint venture agreements. Expenditure may be increased when new tenements are granted or joint venture agreements amended. The total tenement commitment for Ishine International as at 31 December 2013 was approximately RMB14.4 million (equivalent to approximately AUD2,653,000.0) compared to 31 December 2012 was approximately RMB16.1 million (equivalent to approximately AUD2.5 million).

As at 31 December 2013, Shandong Ishine has capital commitments of approximately RMB8.6 million (31 December 2012: nil) for properties, plant and equipment. These commitments are committed during the year ended 31 December 2013 but have not been paid.

OPERATING LEASE COMMITMENTS

The Group leases various offices and a production line under non-cancellable operating lease agreements. The operating lease commitments was approximately RMB7.1 million as at 31 December 2013 (31 December 2012: RMB2.2 million).

EMPLOYEE BENEFITS AND REMUNERATION POLICIES

As at 31 December 2013, the Group had a total of 649 employees (31 December 2012: 391). The employees of the Group were remunerated based on their experiences, qualifications, the Group's performance and the market conditions. During the year ended 31 December 2013, staff costs (including Directors' remunerations) amounted to approximately RMB40.5 million (2012: approximately RMB24.9 million).

CONTINGENT LIABILITIES

As at 31 December 2013, the Group has no material contingent liabilities.

USE OF THE IPO PROCEEDS

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

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

FUTURE PLAN

The Group has conducted market research and analysed of all the data comprehensively. The management will implement the following development plans in respect of the mines currently owned by the Group in 2014:

Yangzhuang Iron Mine

The mine currently possesses a mining permit of Yangzhuang Iron Mine with an approved annual mining production scale of 2.3Mt.

The Group plans to mine and process approximately 2.0Mt of iron ores and to produce approximately 0.33Mt of 65% iron concentrates in 2014.

If there is a market downturn as expected and the price of iron concentrates drops in 2014, the Group will further strengthen its mining projects and maintain mines by appropriately controlling the production and processing and storage of ores, in order to be well-prepared for the production in a boom market. Meanwhile, the Group shall continue in comprehensive utilisation of tailings resources and improve the overall benefits of maintaining a good environment in Yangzhuang Iron Mine.

Zhuge Shangyu Ilmenite Mine

Zhuge Shangyu Ilmenite Mine currently possesses a mining permit with an approved annual mining production scale of 400,000 cubic metres (or approximately 1.2Mt).

The Group plans to mine and process approximately 0.7Mt iron ores and to produce approximately 16,000 tonnes of 57% iron concentrates and approximately 18,000 tonnes of 46% titanium concentrates in 2014.

In 2013, the Group rented an iron ore processing plant and installed a new titanium processing line in it, which is currently in operation and production of titanium concentrates. Then the Group will use the production line as the platform to strengthen the cooperation with national scientific and research institutions, in order to improve titanium processing techniques and control production cost.

If the market recovers, the Group will increase its investment in the 2.0Mt processing line and production line in Zhuge Shangyu Ilmenite Mine; if it is less profitable or not profitable at all, the Group will reduce its investments. The Group will first install a processing and production line by utilising idle equipment in other areas and mines, and will determine if it will process with part of coarse powders purchased from other suppliers based on profitability. Then the Group will decide to mine and process its own mines if the price recovers.

Qinjiazhuang Ilmenite

In 2014, the Group will determine the investment and production activities in Qinjiazhuang Ilmenite according to the effectiveness and the cost of the titanium processing test in the Luxing Titanium in line with market changes.

Luxing Titanium

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

The Group plans to mine and process approximately 1.0Mt iron ores and to produce 60 Ktonnes of 57% iron concentrates and 30 Ktonnes of 20-30% titanium concentrates in 2014.

In 2014, under a possible downturn market, the Group may suspend the processing and production of ilmenite ores depending on market changes. The Group may focus on ilmenite tailings purification technology test and studies of reducing the production cost in order to achieve new breakthroughs in cost-saving. Meanwhile, under a good market environment, the production plans of the mine for the year will not be affected.

In conclusion, during 2014, the Group will adjust the production plans in line with the market situation and protect its resources and strive for long and sustainable economic benefits of the Group, and ensure to maximise the long and sustainable interests of the investors.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2013 (2012: HKD0.004).

CLOSURE OF REGISTER OF MEMBERS

For determining the identity of the shareholders of the Company to attend and vote at the 2014 AGM, the register of members of the Company will be closed from Wednesday, 28 May 2014 to Friday, 30 May 2014, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2014 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 Tuesday, 27 May 2014.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2013.

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 Rules Governing the Listing of Securities on the Stock Exchange (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 during the year ended 31 December 2013.

CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions set out in the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance

In the opinion of the Directors, save for the following deviation, the Company was in compliance with all the relevant code provisions set out in the CG Code throughout the year ended 31 December 2013.

Under code provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive should be clearly established and set out in writing. Before the appointment of Mr. Geng Guohua ("Mr. Geng") ("Mr. Geng's Appointment"), an executive Director and the Chief Operating Officer of the Company, as the Chief Executive Officer of the Company on 14 May 2013, the Company did not appoint any chief executive. Mr. Li Yunde ("Mr. Li"), an executive Director and the Chairman of the Company, and Mr. Geng were both responsible for overseeing the general operations of the Group. The Board met regularly to consider major matters affecting the operations of the Group. Since Mr. Geng's Appointment, Mr. Li has been 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 Mr. Geng has been responsible for the day-to-day management of business of the Group.

Therefore, in the opinion of the Directors, the Company was in compliance with all the relevant code provisions set out in the CG Code since 14 May 2013.

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 main objective of the Audit Committee is to be responsible for the relationship with the Company's auditor, review of the Company's financial information and monitoring of the Company's financial reporting system and internal control procedures. The Audit Committee has reviewed this announcement and the audited annual financial statements for the year ended 31 December 2013 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.

The figures in respect of this announcement of the Group's results for the year ended 31 December 2013 have been agreed by the Group's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2013.

By order of the Board
China Zhongsheng Resources Holdings Limited
Li Yunde
Chairman

Hong Kong, 28 March 2014

As at the date of this announcement, the executive Directors are Mr. Li Yunde, Mr. Geng Guohua and Mr. Lang Weiguo; and the independent non-executive Directors are Mr. Zhang Jingsheng, Mr. Li Xiaoyang and Mr. Lin Chu Chang.