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 2014

FINANCIAL HIGHLIGHTS

The Group recorded revenue of approximately RMB426.1 million for the year ended 31 December 2014, representing a decrease of approximately 36.2% over the revenue of approximately RMB667.9 million for the year ended 31 December 2013.

The Group's total comprehensive income attributable to owners of the Company decreased by approximately 171.8% from approximately RMB109.7 million for the year ended 31 December 2013 to a total comprehensive loss attributable to owners of the Company of approximately RMB78.7 million for the year ended 31 December 2014.

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 2014 and the Group's audited consolidated balance sheet as at 31 December 2014, together with the relevant comparative figures for the year ended 31 December 2013, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2014 RMB'000	2013 RMB'000
Revenue	4	**426,082**	667,904
Cost of sales		**(425,238)**	(524,245)
Gross profit		**844**	143,659
Distribution expenses		**(4,371)**	(12,521)
Administrative expenses		**(55,346)**	(47,960)
Other (loss)/gains – net	5	**(15,761)**	79,494
Operating (loss)/profit		**(74,634)**	162,672
Finance income		**2,673**	291
Finance expenses		**(24,491)**	(30,229)
Finance expenses – net	6	**(21,818)**	(29,938)
(Loss)/Profit before income tax		**(96,452)**	132,734
Income tax credit/(expense)	7	**14,812**	(23,627)
(Loss)/Profit for the year		**(81,640)**	109,107
Total (loss)/profit for the year attributable to:			
Owners of the Company		**(78,661)**	111,214
Non-controlling interests		**(2,979)**	(2,107)
		(81,640)	109,107
Other comprehensive income			
Item that may be reclassified to profit or loss			
Change in value on available-for-sale financial assets		**(90)**	90
Currency translation differences		**93**	(2,277)
Total comprehensive (loss)/income for the year		**(81,637)**	106,920
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(78,743)**	109,694
Non-controlling interests		**(2,894)**	(2,774)
		(81,637)	106,920
(Losses)/Earnings per share for (loss)/profit attributable to owners of the Company			(Restated)
Basic (Expressed in RMB per share)	9	**(0.02)**	0.03
Diluted (Expressed in RMB per share)	9	**(0.02)**	0.03
Dividends	8	**–**	2,297

CONSOLIDATED BALANCE SHEET

		As at 31 December	
	Note	**2014**	2013
		RMB'000	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**391,926**	372,452
Intangible assets		**131,366**	142,218
Available-for-sale financial assets		**416**	1,442
Deferred income tax assets		**8,914**	5,227
		532,622	521,339
Current assets			
Inventories		**78,785**	35,604
Trade receivables	*10*	**201,128**	190,447
Notes receivables	*11*	**31,750**	206,188
Prepayments and other receivables		**76,243**	75,702
Cash and cash equivalents		**142,024**	64,089
Restricted bank deposits		**1,550**	68,476
		531,480	640,506
Total assets		**1,064,102**	1,161,845
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium		**473,696**	382,863
Reserves		**65,195**	72,639
Retained earnings		**177,900**	240,410
		716,791	695,912
Non-controlling interests		**3,397**	6,291
Total equity		**720,188**	702,203

	Note	As at 31 December 2014 RMB'000	2013 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings		**50,764**	–
Provision for close down, restoration and environmental costs		**24,654**	16,612
Deferred income tax liabilities		**21,489**	32,614
		96,907	49,226
Current liabilities			
Borrowings		**171,280**	210,000
Trade payables	*12*	**40,361**	73,749
Notes payables	*13*	**630**	14,786
Accruals and other payables		**32,315**	94,622
Dividend payables		**1,259**	2,297
Current income tax liabilities		**1,162**	14,962
		247,007	410,416
Total liabilities		**343,914**	459,642
Total equity and liabilities		**1,064,102**	1,161,845
Net current assets		**284,473**	230,090
Total assets less current liabilities		**817,095**	751,429

Notes:

1. CORPORATE INFORMATION

China Zhongsheng Resources Holdings Limited (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 Company and its subsidiaries (collectively the "Group") are 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 on 27 April 2012.

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

In January 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.

These consolidated financial statements have been approved for issue by the Board of Directors on 27 March 2015.

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

(a) *New and amended standards adopted by the Group*

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2014:

Amendment to HKAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Group's financial statements.

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 in HKAS 36 by the issue of HKFRS 13. It also enhanced the disclosures of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

Amendment to HKAS 39, 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under HKAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The Group has applied the amendment and there has been no significant impact on the Group's financial statements as a result.

HK (IFRIC) 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of HKAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to the payment a levy and when a liability should be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 do not have material impact on the Group.

(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 2014, 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. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess HKFRS 9's full impact.

HKFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 'Revenue' and HKAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Group is assessing the impact of HKFRS 15.

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.

(c) ***New Hong Kong Companies Ordinance (Cap.622)***

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

3. SEGMENT INFORMATION

(a) General information

The 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 assesses 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; and

(ii) 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 and 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.

Expenses, assets and liabilities of the holding companies (the Company, Alliance Worldwide Investment Limited ("Alliance Worldwide"), Fortune Shine Investment Limited ("Fortune Shine"), Shine Mining Investment Limited ("Shine Mining") and Ishine Mining International Limited ("Ishine Mining")) in the Group are excluded from segment information.

The segment information provided to the CODM for the reportable segments for the years ended 31 December 2014 and 2013 is as follows:

	Shandong Ishine and Luxing Titanium	Ishine International	Total
Year ended 31 December 2014			
Revenue	**423,266**	**2,816**	**426,082**
Tenement and exploration expenses	**–**	**(2,462)**	**(2,462)**
Gross profit	**1,329**	**354**	**1,683**
Finance income	**2,634**	**39**	**2,673**
Finance costs	**(23,528)**	**–**	**(23,528)**
Impairment losses			
– Property, plant and equipment	**(4,786)**	**–**	**(4,786)**
– Intangible assets	**(6,706)**	**(3,402)**	**(10,108)**
– Available-for-sale financial assets	**–**	**(922)**	**(922)**
– Inventories	**(2,026)**	**–**	**(2,026)**
Income tax credit	**14,812**	**–**	**14,812**
Net loss	**(45,353)**	**(7,580)**	**(52,933)**
Other information			
Depreciation of property, plant and equipment	**37,288**	**136**	**37,424**
Expenditures for non-current assets	**61,975**	**–**	**61,975**

	Shandong Ishine and Luxing Titanium	Ishine International	Total
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			
– Available-for-sale financial assets	–	(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

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

	2014	2013
Total revenue for reportable segments	**426,082**	667,904
Elimination of inter-segment revenue	**–**	–
Group revenue	**426,082**	667,904

	2014	2013
Net (loss)/profit for reportable segments	**(52,933)**	122,634
Other unallocated expenses	**(28,707)**	(13,527)
Net (loss)/profit	**(81,640)**	109,107

The segment information provided to the CODM for the reportable segments as at 31 December 2013 and 2014 is as follows:

	Shandong Ishine and Luxing Titanium	**Ishine International**	**Total**
As at 31 December 2014			
Segment assets	**1,017,976**	**1,892**	**1,019,868**
Segment liabilities	**378,837**	**762**	**379,599**

	Shandong Ishine and Luxing Titanium	Ishine International	Total
As at 31 December 2013			
Segment assets	1,138,662	8,756	1,147,418
Segment liabilities	454,170	324	454,494

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

	2014	2013
Total assets for reportable segments	**1,019,868**	1,147,418
Other unallocated assets	**605,290**	480,529
Elimination of inter-segment accounts	**(561,056)**	(466,102)
Group assets	**1,064,102**	1,161,845

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

	2014	2013
Total liabilities for reportable segments	**379,599**	454,494
Other unallocated liabilities	**66,061**	12,024
Elimination of inter-segment accounts	**(101,746)**	(6,876)
Group liabilities	**343,914**	459,642

4. REVENUE

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Production		
– Sales of iron concentrate	**295,072**	525,136
– Sales of titanium concentrate	**2,612**	6,754
Trading		
– Sales of coarse iron powder	**125,582**	136,014
Others	**2,816**	–
	426,082	667,904

5. OTHER (LOSSES)/GAINS – NET

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Negative goodwill from acquisition of a subsidiary	**–**	60,323
Government grants	**983**	19,384
Gains on disposal of property, plant and equipment	**405**	6
Losses from issuance of non-listed warrants	**(17,022)**	–
Others	**(127)**	(219)
	(15,761)	79,494

6. FINANCE EXPENSES – NET

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Finance income		
– Interest income of bank deposits	**2,673**	291
Exchange losses, net	**(901)**	(116)
Finance costs		
– Interest expense on bank borrowings	**(21,853)**	(24,628)
– Interest charge on unwinding of discounts	**(1,454)**	(1,208)
– Interest expense on discount of bank acceptance notes	**(2)**	(3,210)
– Others	**(281)**	(1,067)
	(23,590)	(30,113)
Finance costs, net	**(21,818)**	(29,938)

7. INCOME TAX CREDIT/(EXPENSE)

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Current tax	**–**	(19,943)
Deferred tax	**14,812**	(3,684)
	14,812	(23,627)

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 Act 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 2014 and 2013.

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 2014 and 2013.

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	
	2014	2013
	RMB'000	*RMB'000*
(Loss)/Profit before income tax credit/(expense)	**(96,452)**	132,734
Tax credit/(expense) calculated at statutory tax rates	**17,470**	(35,180)
Tax effects of:		
Income not subject to tax	**–**	15,081
Expenses not deductible for taxation purposes	**(1,618)**	(1,572)
Tax losses for which no deferred income tax asset was recognised	**(1,040)**	(1,955)
Income tax credit/(expense)	**14,812**	(23,627)

8. DIVIDENDS

On 26 March 2013, a dividend of HK$2,880,000 (equivalent to RMB2,297,000) was recommended by the directors of the Company, and lately approved by the shareholders at the annual general meeting ("AGM") held on 14 May 2013. It was paid out of the share premium account of the Company.

The dividends paid in 2014 were RMB1,038,000.

The directors of the Company resolved not to recommend a dividend in respect of the year ended 31 December 2014.

9. (LOSSES)/EARNINGS PER SHARE

The basic and diluted (losses)/earnings per share is calculated based on the (loss)/profit attributable to shareholders of the Company for each of the years ended 31 December 2014 and 2013.

(a) Basic

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
(Loss)/Profit attributable to owners of the Company	**(78,661)**	111,214
Adjusted weighted average number of shares in issue	**3,647,674,358**	3,604,357,920
Basic (losses)/earnings per share (Expressed in RMB per share)	**(0.02)**	0.03

(b) Diluted

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
(Loss)/Profit attributable to owners of the Company	**(78,661)**	111,214
Weighted average number of shares in issue	**3,647,674,358**	3,604,357,920
Adjustment for unexercised warrants	**124,361,601**	–
Adjusted weighted average number of shares in issue	**3,772,035,959**	3,604,357,920
Diluted (losses)/earnings per share (Expressed in RMB per share)	**(0.02)**	0.03

10. TRADE RECEIVABLES

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Trade receivables	**201,128**	190,447

The Group's sales are mainly made on credit terms of 90 days. As at 31 December 2014 and 2013, the carrying amounts of trade receivables approximated their fair values.

Aging analysis of trade receivables as at 31 December 2014 and 2013 is as follows:

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Less than 3 months	**89,812**	164,614
3 months to 6 months	**12,470**	24,249
6 months to 1 year	**98,844**	1,554
1 year and above	**2**	30
	201,128	190,447

All the Group's trade receivables were denominated in RMB as at 31 December 2014 and 2013. There was no provision for trade receivables as at 31 December 2014 and 2013. The maximum exposure to credit risk at the balance sheet date was the carrying value of the trade receivables.

As at 31 December 2014, trade receivables with carrying amount of RMB95,634,000 were pledged as collaterals against the Group's bank borrowings.

As at 31 December 2014 and 2013, trade receivables of RMB111,316,000 and RMB25,833,000 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	
	2014	2013
	RMB'000	*RMB'000*
Notes receivables		
– bank acceptance notes	**31,750**	206,188

The aging of notes receivables is within 6 months. As at 31 December 2014 and 2013, the carrying amounts of notes receivables approximated their fair values.

As at 31 December 2014, bank acceptance notes with carrying amount of RMB2,000,000 were pledged as collaterals against the Group's bank borrowings.

12. TRADE PAYABLES

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Trade payables	**40,361**	73,749

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

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Less than 6 months	**19,941**	43,487
6 months to 1 year	**9,010**	21,574
1 year and above	**11,410**	8,688
	40,361	73,749

As at 31 December 2014 and 2013, the carrying amounts of trade payables were dominated in RMB and approximated their fair values.

13. NOTES PAYABLES

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Notes payables		
– Bank acceptance notes	**630**	14,786

The aging of notes payables is within 6 months.

As at 31 December 2014 and 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 in Shandong Province, the People's Republic of China (the "PRC" or "China"). Since 2013, the Group has started to engage in ilmenite ore mining and ilmenite ore processing to produce 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 indirect 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 (諸葛上峪鈦鐵礦), 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 RMB241.8 million, or 36.2%, to approximately RMB426.1 million for the year ended 31 December 2014, as compared with RMB667.9 million for the year ended 31 December 2013. 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 RMB126.4 million; (2) the decrease in the consolidation of sales of iron concentrates produced from ilmenite ore of Zhuge Shangyu and ilmenite ore of Luxing Titanium Mine by approximately RMB1.8 million and RMB59.3 million respectively for the year ended 31 December 2014; (3) 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 RMB42.5 million, and (4) the decrease in turnover by approximately RMB10.4 million from trading of coarse iron powder from approximately RMB136.0 million for the year ended 31 December 2013 to RMB125.6 million for the year ended 31 December 2014.

The total comprehensive loss attributable to owners of the Company was approximately RMB78.7 million for the year ended 31 December 2014, representing a decrease of approximately RMB188.4 million or approximately 171.8% as compared with total comprehensive income attributable to owners of the Company of RMB109.7 million for the year ended 31 December 2013. 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; (2) the gross profit decreased by approximately RMB142.9 million, or approximately 99.4% from approximately RMB143.7 million for the year ended 31 December 2013 to approximately RMB0.8 million for the year ended 31 December 2014. The main reasons for the decline were (i) the decrease in gross profit of iron concentrates produced from the iron ore of Yangzhuang Iron Mine by approximately RMB113.3 million from approximately RMB114.9 million for the year ended 31 December 2013 to approximately RMB1.6 million for the year ended 31 December 2014; (ii) 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 RMB15.1 million from approximately RMB17.3 million for the year ended 31 December 2013 to approximately RMB2.2 million for the year ended 31 December 2014; and (iii) the decrease in gross profit of trading of coarse iron powder by approximately RMB6.4 million from approximately RMB6.7 million for the year ended 31 December 2013 to approximately RMB0.3 million for the year ended 31 December 2014; (3) the loss from issuance of non-listed warrants of approximately RMB17.0 million. On 17 July 2014, 144,000,000 non-listed warrants were issued at par value of HK$0.01 each and the exercise price was HK$1.69; and (4) increase in the impairment loss of assets by approximately RMB17.1 million from approximately RMB0.7 million for the year ended 31 December 2013 to approximately RMB17.8 million for the year ended 31 December 2014.

Measures adopted by the management in 2014

In response to the global iron concentrate market downturn in 2014, the management of the Group carried out their work with the concept of accelerating the transformation of titanium business, improving technological competitiveness, strengthening internal control and broadening sources of income and reducing expenditures and implemented the following measures:

I. Sticking to the Group development strategy: to accelerate the strategic transformation of titanium business

Since the 18th CPC National Congress, the national strategy is to continuously adjust the industry structure in economy, and as encouraged by the government, to strengthen manufacturing industry, especially the capacity of facility manufacturing industry. In light of this, the implementation of national strategies to build a strong navy, air force and aerospace enables the application of titanium materials to become the mainstream of material application. In this regard, the Group initially obtained resources and support from the government, and made positive exploration, research and integration in various aspects including the design of titanium materials whole process industry and merger of companies of the titanium materials industry chain. During the year, the Group relies on iron concentrate as the basis and titanium concentrate as the key direction to gradually implemented.

II. With global horizons: to strengthen cooperation with scientific and research institutions, improve titanium processing techniques and enhance the Group's core competitiveness

1. The Group cooperates with the Institute of Process Engineering of the Chinese Academy of Sciences on researching and developing new mineral processing techniques of Zhuge Shangyu Ilmenite Mine of the Group through various experiments and has achieved periodic results. If such results are implemented successfully, it will improve the average grade of concentrates produced by Zhuge Shangyu Ilmenite Mine and reduce product cost.

2. The Group entered into a Letter of Intent with the Siberian Division of the Russian Academy of Science in relation to the plan to introduce a new technique to efficiently extract titanium from ilmenite mines. The preliminary work of such technique has been reviewed by the Ministry of Science and Technology of the PRC. Such plan is the technological cooperation between nations in respect of dealing with key problems of raising the metallurgy recovery rate of 80% of the titanium of the industry to 95% or above.

3. Shandong Ishine Mining Industry Co., Ltd., an indirect wholly-owned subsidiary of the Group, was approved to establish the Shandong Province Academician Workstation, which will establish Shandong Ishine Mining Academician Workstation with academicians from the Chinese Academy of Sciences to jointly conduct research on new techniques related to hydrometallurgy processing of ilmenite and associated elements with furnace method.

III. To issue warrants and corporate bonds when appropriate, to increase liquidity in the capital market, to enhance the Company's financial strength, so as to lay both shareholders and capital foundations for the Group's long-term development.

IV. Market-oriented: to timely grasp information on market prices, to increase trading, to reduce self-produced products, to control risks and avoid a decrease in operating profit as a result of lower market prices and to maximise the conservation of resources of the Company's own mines.

The iron concentrates market has continued to remain sluggish since 2014. Despite no sign of a decline in market demand, the lower product prices result in low profitability. The business department of the Company delivered daily market briefs by collecting market information through internet and customer channels in order to keep up with market changes and conduct market analysis and guide production and trading and sales. For this purpose, it reduced production capacity moderately while moderately increasing production and inventories if the cash flow of the Company was sufficient and protected crude ores resources.

V. To improve labour productivity of all employees, to reduce wastes while exploiting potentials, and to lower operation costs.

In response to economic downturn, the management of the Group adopted certain counter measures in respect of internal control:

1. To effectively control human resource expenses at approximately RMB10.7 million by planned layoffs and salary reduction of all employees.

2. To reduce expenses by approximately RMB7.9 million by implementing measures to control travelling expenses and vehicles. Though the amount of savings achieved by the above measures was limited, under the strong leadership of the management, which signalled its philosophy of broadening sources of income and reducing expenditures to the enterprises within the Group, the Group as a whole achieved significant results by expanding income source and reducing costs in each process from procurement to production and sales.

VI. To repay loans, to reduce discounting of bills, and to reduce finance cost.

The finance cost was reduced by approximately RMB8.1 million from approximately RMB29.9 million for 2013 to approximately RMB21.8 million for 2014, which was mainly due to (1) the decrease in bank loans by approximately RMB38.7 million to approximately RMB171.3 million as at 31 December 2014 from approximately RMB210.0 million for the corresponding period last year, which led to a decrease in interest expense by approximately RMB2.7 million accordingly; and (2) the decrease in interest expense by RMB3.2 million as a result of significant decrease of discounting of bank acceptance bills.

VII. To strengthen supervision and management and to perform the functions of risk control.

The Company strengthened supervision and management over each session of its business. In particular, it controlled its contract management by seriously examining and strictly checking all agreements and contracts of the Company, including examining and countersigning all of the Company's purchase contracts of raw materials and accessories, purchase contracts from external mines and purchase contracts of fixed assets and construction of infrastructural projects, etc., auditing material or large economic contracts and agreements of the Company and monitoring the performance of such contracts. The audit and supervision department tracked and participated in the monitoring work in relation to bulk purchase of equipment and materials and price enquiries and comparisons during the entire process, regulated the execution and examination of contracts in strict compliance with "Measures for Administration of Corporate Contracts" so as to avoid potential risks. No breach of contracts has occurred since this year and risk control functions were well performed.

VIII. Attach importance to the culture of safe production of mines and to accelerate construction of the supporting infrastructure

1. A safety culture corridor, staff education rooms and propaganda signs were established in the mines to enhance staff education and improve the overall quality of the staff.

2. A monitoring and testing system was established to achieve a real-time supervision over the whole production process, in order to better eliminate rule violations and enhance management and production safety;

3. An underground workers positioning system, underground dual-circuit communication system and underground voice alarm system were established to provide further guarantee for production safety; and

4. A Dispatching Office and Dispatching Station was established with designated persons on duty 24 hours a day to timely dispatch safety production at each session of production in order to ensure production safety.

IX. To strengthen social responsibility, and to realise a unified coordination between resource, environment and social benefits in mining development

1. The effort on technology innovation and the comprehensive utilisation rate of tailings and recycling rate of iron ore mining were improved;

2. The Group focused on greening of the mining area and ecological environment recovery and management of mines, striving to strike a balance between resources development and environmental protection, ensuring a high greening rate in mining area and maintaining a pleasant ecological environment; and

3. Through establishing a good enterprise-local cooperation relationship and seeking a win-win cooperation model, enables the enterprise development to drive the local social and economic development, creating a harmonious and stable mining environment.

By comprehensively improving resources utilisation rate and technology innovation, conserving energy and reducing emissions, protecting ecological environment and establishing corporate culture, the Group continued to maintain sustainable national green mines with proper structure, sound management and function systems, and significant social, economic and environment benefits.

OPERATION OVERVIEW AND CAPITAL EXPENDITURE

Yangzhuang Iron Mine

The Group currently possesses a mining permit of Yangzhuang Iron Mine with an approved annual mining production scale of 2.3Mt. 1.8Mt of iron ores were actually mined during 2014 from Yangzhuang Iron Mine.

Normally, the Group plans to mine and process approximately 2.0 Mt of iron ores and produce approximately 330 Kt of 65% iron concentrates. Due to market downturn and the price of iron powders dropped in 2014, the Group exercised appropriate control on production and processing, maintained storage of ores, further strengthened mining engineering work and provided proper maintenance to the mines, in order to be well-prepared for the production in a booming market. Meanwhile, the Group continued to enhance the comprehensive utilisation of tailing resources, so as to improve the overall benefits from maintaining green mines. During 2014, the Group invested approximately RMB28.8 million into Yangzhuang Mine. Approximately 1.7 Mt of iron ores were processed and 226 Kt of 65% iron concentrates were produced.

The technology improvement plan for Yangzhuang Iron Mine, which commenced from 2013 and aimed to reduce the processing cost of iron ores, has completed during the first half of 2014.

There was no exploration activity carried out in this mining area during 2014.

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). 0.2Mt of ores were actually mined during 2014 from Zhuge Shangyu Ilmenite Mine.

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

In 2013, the Company rented an iron ore processing plant and installed in it a titanium processing line, which is now put into production and operation. During 2014, approximately 0.2 Mt of titanium ores were processed and approximately 5Kt of 57% iron concentrates and approximately 7Kt of 46% titanium concentrates were produced. Through strengthening further cooperation with national scientific and research institutes under the platform of this production line, the Group improved titanium processing techniques and controlled 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, which was carried out in 2013; if it is less profitable or not profitable at all, the Group will slow down 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. Due to a market downturn, the Group slowed its investment in the 2.0Mt processing line and production line in Zhuge Shangyu Ilmenite Mine, which was carried out by the Group with an investment amount of approximately RMB6.9 million in 2013 and has yet to be finished.

There was no exploration activity carried out in Zhuge Shangyu Ilmenite Mine during 2014.

Qinjiazhuang Ilmenite Project

In 2014, the Group determined the investment and production activities in Qinjiazhuang Ilmenite according to the changes in market conditions and the effectiveness and the cost of the titanium selection test conducted by Luxing Titanium. Due to a market downturn since 2014, Qinjiazhuang Ilmenite Project, which was invested by the Group with an amount of approximately RMB0.9 million, has yet to be put into production.

There was no exploration and mining activity carried out in this mining area during 2014.

Luxing Titanium Mine

Luxing Titanium Mine currently possesses a mining permit with an approved annual mining production scale of 1.5Mt. Approximately 0.3Mt ores were actually mined by Luxing Titanium during 2014.

The Company planned to mine and process approximately 1.0Mt ilmenite ores and to produce 60 Kt of 57% iron concentrates and 30 Kt of 20-30% titanium concentrates in 2014.

In 2014, with market downturn, the Company adjusted the processing and production of ilmenite ores depending on market changes. The Company focused on ilmenite tailings purification technology test and studied on reducing the production cost in order to achieve new breakthroughs in cost-saving. In 2014, the Group invested an amount of approximately RMB5.7 million in Luxing Titanium in line with a downturn market, processed approximately 0.3 Mt of titanium ores and produced approximately 17 Kt of 57% iron concentrates and approximately 4 Kt of 20% to 30% titanium concentrates.

There was no exploration activity carried out in Luxing Titanium Mine during 2014.

In conclusion, during 2014, the Group timely adjusted the production plans in line with the market situation and protect its resources and strived for long-term and sustainable economic benefits of the Group, and ensured to maximize the long-term and sustainable interests of the investors.

Gaozhuang Shangyu Ilmenite Project

There was no capital expenditure incurred in this mining area in 2014.

There was no mining activity and exploration activity carried out in this mining area in 2014.

Bashan Iron Project

There was no capital expenditure incurred in this mining area in 2014.

There was no mining activity and exploration activity carried out in this mining area in 2014.

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% T_iO_2 and approximately 12.81% TFe (total iron); whereas the total proved and probable reserve of ore in our Qinjiazhuang Ilmenite Project was approximately 86.63Mt at an average grade of approximately 4.50% T_iO_2 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 4.6Mt due to the mining activities.

Zhuge Shangyu Ilmenite Mine

1. Resource reporting cutoff grade: 9.2% T_iO_2 equivalent

2. Underground Resources and Reserves remain unchanged from the previous (2012) Micromine estimate.

3. Mineral resources are inclusive of the ore reserve.

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

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

6. The Open Pit Ore Reserve block model depletion for the Zhuge Shangyu resource was 0.27Mt grading 5.69% TiO2 and 12.78% TFe compared to reported production of 0.26Mt grading 6.75% T_iO_2 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 was no difference in resources and reserves. During the period from September 2013 to December 2014, reserves is reduced by 0.27Mt due to the mining activities.

Qinjiazhuang 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. Micromine has concluded that there has been no material change to the Mineral Resources and Reserves for the Qinjiazhaung Ilmenite Project, which remains the same as those published in the previous Micromine report dated 17 April 2012. During the period from January 2014 to December 2014, there was no mining activity and exploration activity carried out in Qinjiazhuang Ilmenite Project.

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 2014 were as follows:

JORC Mineral Resources as of 31 December 2014: ***(Note: JORC mineral resources as of 31 December 2013 less exploration during the period from January 2014 to December 2014)***

	Yangzhuang Iron Mine	**Zhuge Shangyu Ilmenite Mine**	**Qinjiazhuang Ilmenite Project**
Ore reserves (Mt)			
– proved	6.30	199.60	45.33
– probable	31.20	346.20 *(Note)*	41.30
Total ore reserves	37.50	545.80	86.63

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

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 (T_iO_2) (%)			
– proved	N/A	5.76	4.52
– probable	N/A	5.65	4.48
Average grade of total titanium dioxide (T_iO_2) (%)	N/A	5.69	4.50

JORC Ore Reserve Estimate as of 31 December 2013:

	Yangzhuang Iron Mine	**Zhuge Shangyu Ilmenite Mine**	**Qinjiazhuang Ilmenite Project**
Ore reserves (Mt)			
– proved	8.10	199.80	45.33
– probable	31.20	346.20 *(Note)*	41.30
Total ore reserves	39.30	546.00	86.63

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

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

Resources Category	**Resources** *(Mt)*	**SG** *(t/m^3)*	**TFe** *(%)*	**mFe** *(%)*
Measured	11.7	3.25	26.0	10.6
Indicated	50.1	3.25	26.8	10.4
Total Measured and Indicated	61.8	3.25	26.6	10.4
Inferred	17.6	3.22	24.6	8.7
Total Resources	79.4	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 Resources Estimate as of 31 December 2014: ***(Note: JORC mineral resources as of 31 December 2013 less exploration during the period from January 2014 to December 2014)***

Resources Category	**Resources Tonnes** *(Mt)*	**SG** *(t/m^3)*	**TiO_2** *(%)*	**TFe** *(%)*
Measured	372.8	3.19	6.23	14.04
Indicated	261	3.13	6.14	14.18
Total Measured and Indicated	632.8	3.17	6.19	14.10
Inferred	4	3.13	5.92	15.03
Total Resources	636.8	3.16	6.19	14.10

Qinjiazhuang Ilmenite Project Resources Estimate as of 31 December 2014: ***(Note: JORC mineral resources as of 31 December 2013, there was no mining activity and exploration activity carried out during 2014)***

Resources 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 km^2. According to a resources and reserves verification report in respect of the mine, it was estimated that 0.557 km^2 of the mining area had approximately 46.4Mt 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 km^2 of the mining area had approximately 57.2Mt 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 km^2 to 0.829 km^2; and the mining depth is changed from +254.7 meters +150 meters to +255 meters +68 meters, which lead to an increase in the reserves by 12.8Mt.

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

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

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

Resources and Reserves Estimate as of 31 December 2014: ***(Note: Resources and Reserves Estimate from an update verification report which was completed by the 8th Institute of Geology and Mineral Exploration of Shandong Province as of 31 December 2013 less exploration during the period from January 2014 to December 2014)***

Resources and Reserves Category	**Luxing Titanium**
Resources and reserves of Type 333 or above of ilmenite ores (Mt) (under PRC classification standard)	56.9
Average grade of total iron (TFe) (%)	14.5
Average grade of total titanium dioxide (T_iO_2) (%)	6.6

Resources and Reserves Estimate as of 31 December 2013:

Resources and Reserves Category	**Luxing Titanium**
Resources and reserves of Type 333 or above of ilmenite ores (Mt) (under PRC classification standard)	57.2
Average grade of total iron (TFe) (%)	14.5
Average grade of total titanium dioxide (T_iO_2) (%)	6.6

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 km^2, with the exploration term expiring on 28 March 2015. The renewal of exploration license is still in the progress. According to Titanium Mine Detailed Survey Report in respect of the mine, it was estimated that the exploration area had approximately 46.0Mt 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 2014, Ishine International owns 8 granted exploration Licences located in Western Australia and 3 granted exploration Licences located in South Australia, 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 RMB2.0 million (AUD0.4 million) and the capitalised tenement acquisition cost for Mt Watson was RMB3.0 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
E77/1786	Ishine International	22-Mar-11	21-Mar-16	70 Blocks Merredin, Narembeen and Yilgarn Shires, 204km^2	Active	NA	Iron
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
E80/4619	Ishine International	25-Sep-12	24-Sep-17	16 Blocks Moola Bulla and Kimberley, 52km^2	Active	NA	Nickel, Copper, Gold

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
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
EL4833 (ELA-259/10)	Ishine International	20-Jan-12	19-Jan-16	969 km^2 Finniss Springs Area	Active	NA	Uranium

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	
	2014	2013
	Kt	*Kt*
Production Volume		
Feed tonnage	**2,280**	3,758

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Mining Costs		
Workforce employment	**51,132**	56,291
Transportation	**17,087**	18,811
Fuel, electricity, water and other services	**6,767**	7,892
Non-income taxes, royalties and other governmental charges; and	**14,555**	18,511
Subtotal	**89,541**	101,505
Processing Costs		
Workforce employment	**21,114**	25,939
Consumables	**15,816**	18,375
Fuel, electricity, water and other services	**51,510**	61,962
Administration	**11,279**	13,568
Transportation	**6,199**	7,978
Non-income taxes, royalties and other governmental charges; and	**684**	711
Subtotal	**106,602**	128,533
Total Mining and Processing Cost	**196,143**	230,038
Management Expenses		
Environmental protection and monitoring	**6,402**	4,631
Other administration cost	**46,807**	39,525
Product marketing and transport	**1,820**	2,370
Non-income taxes, royalties and other governmental charges; and	**316**	1,434
Subtotal	**55,345**	47,960
Total Operating Expenses	**251,488**	277,998
Other Costs		
Depreciation and Amortisation	**27,558**	37,981
Total Production Cost	**279,046**	315,979

CONTRACTS AND COMMITMENTS

The Company has signed 42 new contracts with a total amount of RMB28.1 million during 2014. The details are summarised as below:

Yangzhuang Iron Mine

Type of contracts	Number of contracts signed	Total amount *RMB million*
(i) Equipment suppliers	7	1.4
(ii) Technical service	10	0.4
(iii) Ramp extension project	2	21.1
Total	19	22.9

Zhuge Shangyu Ilmenite Mine

Type of contracts	Number of contracts signed	Total amount *RMB million*
(i) Equipment suppliers	6	0.3
(ii) Technical service	8	3.3
Total	14	3.6

Qinjiazhuang Ilmenite Project

Type of contracts	Number of contracts signed	Total amount *RMB million*
(i) Technical service	5	0.9
Total	5	0.9

Luxing Titanium Mine

Type of contracts	Number of contracts signed	Total amount *RMB million*
(i) Equipment suppliers	2	0.4
(ii) Technical service	2	0.3
Total	4	0.7

FINANCIAL REVIEW

For the year ended 31 December 2014, the Group recorded revenue of approximately RMB426.1 million as compared with approximately RMB667.9 million for the year ended 31 December 2013, representing a decrease of approximately 36.2%. For the year ended 31 December 2014, approximately 69.9% 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 29.5% 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 2014 was RMB831.4 per tonne, representing an decrease of approximately 12.8% as compared with the average unit selling price of approximately RMB953.4 per tonne for the year ended 31 December 2013. Such decrease was mainly due to the downturn of China's economy for the year ended 31 December 2014.

Titanium Concentrates

Since 2014, 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 2014, the Group produced approximately 4.1 Kt and approximately 6.7 Kt of titanium concentrates with approximately 20%-30% and 46% titanium content respectively. The average unit selling price of the 46% titanium concentrates was approximately RMB809.8 per tonne. The Group did not sell any titanium concentrates with approximately 20%-30% titanium content.

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 for the periods indicated:

	The year ended 31 December 2014 RMB'000		The year ended 31 December 2013 RMB'000	
Revenue				
Sales of iron concentrates produced by the Group				
– from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	**145,318**	**34.1%**	271,710	40.7%
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (57% iron concentrates)	**1,960**	**0.5%**	3,786	0.6%
– from ilmenite ore of Luxing Titanium Mine (57% iron concentrates)	**9,204**	**2.2%**	68,492	10.2%
– from mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder (65% iron concentrates)	**138,590**	**32.5%**	181,148	27.1%
	295,072	**69.3%**	525,136	78.6%
Sales of titanium concentrates produced by the Group				
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	**2,612**	**0.6%**	598	0.1%
– from ilmenite ore of Luxing Titanium Mine				
– 20%-30% titanium concentrates	**–**	**–**	3,799	0.6%
– 46% titanium concentrates	**–**	**–**	2,357	0.3%
	2,612	**0.6%**	6,754	1.0%
Sales of trading activities				
– from coarse iron powder	**125,582**	**29.5%**	136,014	20.4%
Others	**2,816**	**0.6%**	–	–
	426,082	**100%**	667,904	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 2014 *(Kt)*	The year ended 31 December 2013 *(Kt)*
Sales volume of iron concentrates produced by the Group		
– from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	**185.4**	285.3
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (57% iron concentrates)	**2.9**	5.9
– from ilmenite ore of Luxing Titanium Mine (57% iron concentrates)	**14.4**	102.0
– from mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder (65% iron concentrates)	**156.0**	189.7
	358.7	582.9
Sales volume of titanium concentrates produced by the Group		
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	**3.2**	0.7
– from ilmenite ore of Luxing Titanium Mine		
– 20%-30% titanium concentrates	**–**	19.9
– 46% titanium concentrates	**–**	2.8
	3.2	23.4
Sales volume of trading activities		
– from coarse iron powder	**241.0**	196.0
	602.9	802.3

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

	The year ended 31 December 2014 *(Kt)*	***(approximately)***	The year ended 31 December 2013 *(Kt)*	*(approximately)*
Iron concentrates produced by the Group				
Amount of iron concentrates produced from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	**226.1**	**56.6%**	327.9	53.8%
Amount of iron concentrates produced from ilmenite ore of Zhuge Shangyu Ilmenite Mine (57% iron concentrates)	**4.5**	**1.1%**	6.3	1.0%
Amount of iron concentrates produced from ilmenite ore of Luxing Titanium Mine (57% iron concentrates)	**16.6**	**4.1%**	91.2	15.0%
Amount of iron concentrates produced from coarse iron powder purchased from other suppliers (65% iron concentrates)	**152.4**	**38.2%**	184.3	30.2%
	399.6	**100%**	609.7	100%
Titanium concentrates produced by the Group				
Amount of titanium concentrates produced from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	**6.7**	**62.4%**	7.2	17.9%
Amount of titanium concentrates produced from ilmenite ore of Luxing Titanium Mine				
– 20%-30% titanium concentrates	**4.1**	**37.6%**	29.3	72.9%
– 46% titanium concentrates	**–**	**–**	3.7	9.2%
	4.1	**37.6%**	33.0	82.1%
	10.8	**100%**	40.2	100%

Revenue from sales of iron concentrates and titanium concentrates produced by the Group represents approximately 69.3% and 0.6% respectively of the Group's total revenue for the year ended 31 December 2014. The Group also sourced coarse iron powder for on sale to its trading customers.

The Group's revenue decreased by approximately RMB241.8 million, or 36.2%, to approximately RMB426.1 million for the year ended 31 December 2014, as compared with RMB667.9 million for the year ended 31 December 2013. 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 RMB126.4 million; (2) the decrease in sales of iron concentrates produced from ilmenite ore of Zhuge Shangyu and ilmenite ore of Luxing Titanium Mine by approximately RMB1.8 million and RMB59.3 million respectively for the year ended 31 December 2014; (3) 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 RMB42.5 million; and (4) the decrease in turnover by approximately RMB10.4 million from trading of coarse iron powder from approximately RMB136.0 million for the year ended 31 December 2013 to RMB125.6 million for the year ended 31 December 2014.

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 decreased the production volume and sales volume and increased the inventory during the steel market downturn.

Sales derived from the mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder dropped by approximately 23.5% from approximately RMB181.1 million for the year ended 31 December 2013 to approximately RMB138.6 million for the year ended 31 December 2014 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 7.7% which was mainly due to the decrease of trading turnover of coarse iron powder from approximately RMB136.0 million for year ended 31 December 2013 to approximately RMB125.6 million for the year ended 31 December 2014. 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 for the periods indicated:

	The year ended 31 December 2014 *RMB'000*		The year ended 31 December 2013 *RMB'000*	
Cost of Sales				
Cost of sales of iron concentrates produced by the Group				
– from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	**143,746**	**33.8%**	156,766	29.9%
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (57% iron concentrates)	**2,401**	**0.6%**	3,663	0.7%
– from ilmenite ore of Luxing Titanium Mine (57% iron concentrates)	**12,040**	**2.8%**	63,738	12.2%
– from mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder (65% iron concentrates)	**136,433**	**32.1%**	163,850	31.2%
	294,620	**69.3%**	388,017	74.0%
Cost of sales of titanium concentrates produced by the Group				
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	**2,869**	**0.7%**	596	0.1%
– from ilmenite ore of Luxing Titanium Mine				
– 20%-30% titanium concentrates	**–**	**–**	3,538	0.7%
– 46% titanium concentrates	**–**	**–**	2,278	0.4%
	2,869	**0.7%**	6,412	1.2%
Cost of sales of trading activities				
– from coarse iron powder	**125,287**	**29.4%**	129,277	24.7%
Others	**2,462**	**0.6%**	539	0.1%
	425,238	**100%**	524,245	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 RMB99.0 million, or approximately 18.9%, to RMB425.2 million for the year ended 31 December 2014, as compared with RMB524.2 million for the year ended 31 December 2013. Such decrease was consistent with the decrease in the Group's revenue during the year ended 31 December 2014, which was mainly due to (1) the decrease in the sales volume of iron concentrates produced from iron ore of Yangzhuang Iron Mine, ilmenite ore of Zhuge Shangyu and ilmenite ore of Luxing Titanium Mine by 190.5 Kt for the year ended 31 December 2014; (2) the decrease in the sales volume of titanium concentrates produced from ilmenite ore of Zhuge Shangyu and ilmenite ore of Luxing Titanium Mine by 20.2 Kt for the year ended 31 December 2014; and (3) 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 33.7 Kt for the year ended 31 December 2014.

Gross profit and gross profit margin

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

	The year ended 31 December 2014		The year ended 31 December 2013	
	RMB'000		*RMB'000*	
Gross profit				
Gross profit of iron concentrates produced by the Group				
– from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	**1,572**	**186.3%**	114,944	80.0%
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (57% iron concentrates)	**(441)**	**(52.3)%**	123	0.1%
– from ilmenite ore of Luxing Titanium Mine (57% iron concentrates)	**(2,835)**	**(335.9)%**	4,754	3.3%
– from mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder (65% iron concentrates)	**2,155**	**255.3%**	17,298	12.1%
	451	**53.4%**	137,119	95.5%
Gross profit of titanium concentrates produced by the Group				
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	**(256)**	**(30.3)%**	2	0.0%
– from ilmenite ore of Luxing Titanium Mine				
– 20%-30% titanium concentrates	**–**	**–**	261	0.2%
– 46% titanium concentrates	**–**	**–**	79	0.0%
	(256)	**(30.3)%**	342	0.2%
Gross profit of trading activities				
– from coarse iron powder	**296**	**35.1%**	6,737	4.7%
Others	**353**	**41.8%**	(539)	(0.4)%
	844	**100%**	143,659	100%

	The year ended 31 December 2014	The year ended 31 December 2013
Gross profit margin		
Gross profit margin of iron concentrates		
– from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	**1.1%**	42.3%
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (57% iron concentrates)	**(22.5)%**	3.2%
– from ilmenite ore of Luxing Titanium Mine (57% iron concentrates)	**(30.8)%**	6.9%
– from mixing iron concentrates purchase from other suppliers and/or produced from coarse iron powder (65% iron concentrates)	**1.6%**	9.5%
Gross profit margin of titanium concentrates		
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	**(9.8)%**	0.3%
– from ilmenite ore of Luxing Titanium Mine		
– 20%-30% titanium concentrates	**–**	6.9%
– 46% titanium concentrates	**–**	3.4%
Gross profit margin of trading activities		
from coarse iron powder	**0.2%**	5.0%
Overall gross profit margin	**0.2%**	21.5%

Gross profit decreased by approximately RMB142.9 million, or approximately 99.4% from approximately RMB143.7 million for the year ended 31 December 2013 to approximately RMB0.8 million for the year ended 31 December 2014. The main reasons for the decline were (1) the decrease in gross profit of iron concentrates produced from the iron ore of Yangzhuang Iron Mine by approximately RMB113.3 million from approximately RMB114.9 million for the year ended 31 December 2013 to approximately RMB1.6 million for the year ended 31 December 2014; (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 RMB15.1 million from approximately RMB17.3 million for the year ended 31 December 2013 to approximately RMB2.2 million for the year ended 31 December 2014; and (3) the decrease in gross profit of trading of coarse iron powder by approximately RMB6.4 million from approximately RMB6.7 million for the year ended 31 December 2013 to approximately RMB0.3 million for the year ended 31 December 2014.

Overall gross profit margin decreased from 21.5% to 0.2% for the year ended 31 December 2014 as compared with that for the year ended 31 December 2013. The decrease in overall gross profit margin was primarily due to (1) the decline in average unit selling price of 65% concentrates by 12.8% from approximately RMB953.4 per tonne for the year ended 31 December 2013 to approximately RMB831.4 per tonne for the year ended 31 December 2014. Such decline was mainly due to the downturn of the PRC economy for the year ended 31 December 2014; and (2) due to the decline in production volume of the 65% Iron concentrates by approximately 31.0% from approximately 327.9Kt for the year ended 31 December 2013 to approximately 226.1Kt for the year ended 31 December 2014, the unit cost of sale of the 65% Iron concentrates increased by approximately RMB225.6, or approximately 41.1% from approximately RMB549.5 for the year ended 31 December 2013 to approximately RMB775.1 for the year ended 31 December 2014.

Selling and distribution costs

Selling and distribution costs decreased by approximately 65.1% from approximately RMB12.5 million for the year ended 31 December 2013 to approximately RMB4.4 million for the year ended 31 December 2014. This was primarily due to the decrease 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 2014 *RMB'000*	The year ended 31 December 2013 *RMB'000*
Transportation costs	**4,371**	12,521
Other expenses	**–**	–
	4,371	12,521

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 2014 *RMB'000*	The year ended 31 December 2013 *RMB'000*
Employee benefits	**11,156**	14,001
Other tax and surcharges	**316**	1,434
Depreciation and amortisation	**9,522**	9,001
Professional fees	**6,032**	4,801
Travelling expenses	**1,536**	2,002
Entertainment expenses	**1,754**	2,161
Vehicle fees	**1,820**	2,370
Office fees	**1,292**	849
Impairment losses	**17,842**	744
Other expenses	**4,076**	10,597
Total	**55,346**	47,960

Administrative expenses increased by approximately RMB7.3 million from approximately RMB48.0 million for the year ended 31 December 2013 to approximately RMB55.3 million for the year ended 31 December 2014. Such increase was mainly due to the increase in the impairment loss by approximately RMB17.1 million from approximately RMB0.7 million for the year ended 31 December 2013 to approximately RMB17.8 million for the year ended 31 December 2014, which consisted of (1) impairment provision of approximately RMB6.7 million and RMB4.8 million for mining rights and Property, Plants and Equipment in Luxing Titanium respectively; (2) the impairment loss of approximately RMB3.4 million (equivalent to approximately AUD613,053) for the Mt. Watsons project resulting from the decision of the board of Shine International to stop pursuing further interest in Mt. Watsons project; and (3) the impairment loss of approximately RMB0.9 million (equivalent to approximately AUD166,000) of the listed shares held in Athena Resources Limited due to the fair value loss recognised on the basis that it was considered as a permanent diminution in value. Those losses were offset by implementing the cost cutting measures (a) to reduce employee benefit by approximately RMB2.8 million; and (b) to reduce other expenses by approximately RMB6.5 million.

Other (losses)/gains, net

The Group made other loss of approximately RMB15.8 million for the year ended 31 December 2014 as compared with a gain of approximately RMB79.5 million for the year ended 31 December 2013, 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; (2) the PRC government grant of RMB19.4 million upon the recognition of the achievement in the areas of social responsibilities and integrated utilisation of resources during the year ended 31 December 2013, as compared to RMB1.0 million during the year ended 31 December 2014; and (3) the loss from issuance of non-listed warrants of approximately RMB17.0 million. On 17 July 2014, 144,000,000 non-listed warrants were issued at par value of HK$0.01 each and the exercise price was HK$1.69.

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 RMB29.9 million for the year ended 31 December 2013 to approximately RMB21.8 million for the year ended 31 December 2014 by approximately 27.1%, which was mainly due to (1) the decrease in interest expense on bank loans balance by approximately RMB2.7 million from approximately RMB24.6 million as at 31 December 2013 to approximately RMB21.9 million as at 31 December 2014; and (2) the decrease in interest expense on discount of bank acceptance notes by approximately RMB3.2 million.

Total comprehensive loss/income

Total comprehensive income decreased from approximately RMB106.9 million for the year ended 31 December 2013 to a total comprehensive loss of approximately RMB81.6 million for the year ended 31 December 2014 by 176.4%, 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; (2) the gross profit decreased by approximately RMB142.9 million, or approximately 99.4% from approximately RMB143.7 million for the year ended 31 December 2013 to approximately RMB0.8 million for the year ended 31 December 2014. The main reasons for the decline were (i) the decrease in gross profit of iron concentrates produced from the iron ore of Yangzhuang Iron Mine by approximately RMB113.3 million from approximately RMB114.9 million for the year ended 31 December 2013 to approximately RMB1.6 million for the year ended 31 December 2014; (ii) 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 RMB15.1 million from approximately RMB17.3 million for the year ended 31 December 2013 to approximately RMB2.2 million for the year ended 31 December 2014; and (iii) the decrease in gross profit of trading of coarse iron powder by approximately RMB6.4 million from approximately RMB6.7 million for the year ended 31 December 2013 to approximately RMB0.3 million for the year ended 31 December 2014; (3) the loss from issuance of non-listed warrants of approximately RMB17.0 million. On 17 July 2014, 144,000,000 non-listed warrants were issued at par value of HK$0.01 each and the exercise price was HK$1.69; and (4) increase in the impairment loss of assets by approximately RMB17.1 million from approximately RMB0.7 million for the year ended 31 December 2013 to approximately RMB17.8 million for the year ended 31 December 2014.

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 2014 *RMB'000*	As at 31 December 2013 *RMB'000*
Raw materials		
– Iron ores and ilmenite ore	**4,112**	1,406
– Other raw materials	**12,358**	1,431
Finished goods	**54,972**	26,161
Spare parts and others	**9,369**	6,606
Provision for inventory	**(2,026)**	–
Total	**78,785**	35,604

The balance of inventories increased by approximately RMB43.2 million mainly due to the increase in finished goods of approximately RMB28.8 million. The management strategically increased the inventory during the steel market downturn. The raw materials will then be processed into iron concentrates and will be sold to the downstream iron and steel manufacturers when the market recovers.

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 2014 and 2013 was as follows:

	As at 31 December 2014 *RMB'000*	As at 31 December 2013 *RMB'000*
Trade receivables		
– Less than 3 months	**89,812**	164,614
– 3 months to 6 months	**12,470**	24,249
– 6 months to 1 year	**98,844**	1,554
– 1 year and above	**2**	30
Total	**201,128**	190,447

Trade receivables increased from approximately RMB190.4 million as at 31 December 2013 to approximately RMB201.1 million as at 31 December 2014.

As the downstream iron and steel manufacturers took longer time to settle amount due to the Group as a result of the sluggish iron and steel market.

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 2014 *RMB'000*	As at 31 December 2013 *RMB'000*
Notes receivables		
– Bank acceptance notes	**31,750**	206,188

Notes receivables decreased from approximately RMB206.2 million as at 31 December 2013 to approximately RMB31.8 million as at 31 December 2014 mainly due to the decrease in revenue from selling of iron concentrates and trading of coarse iron powder for the year ended 31 December 2014 and the beginning balance of the note receivables were collected on the maturity date.

Trade payables

	As at 31 December 2014 *RMB'000*	As at 31 December 2013 *RMB'000*
Trade payables	**40,361**	73,749

Trade payables decreased from approximately RMB73.7 million as at 31 December 2013 to approximately RMB40.4 million as at 31 December 2014.

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 2014 *RMB'000*	As at 31 December 2013 *RMB'000*
Non-current		
– Bonds	**50,764**	–
Current		
– Bank borrowings	**171,280**	110,000
– Short-term portion of non-current borrowings	**–**	100,000
	171,280	210,000
Total	**222,044**	210,000

Total bank borrowings as at 31 December 2014 increased to approximately RMB222.0 million from approximately RMB210.0 million as at 31 December 2013.

As at 31 December 2014, bank borrowings of RMB1.28 million were pledged by the Group's notes receivables with carrying amount of RMB2.0 million and guaranteed by the controlling shareholder of the Company, an executive Director and chairman of the Company, Mr. Li Yunde.

As at 31 December 2014, bank borrowings of RMB90.0 million were pledged by the Group's trade receivables with carrying amount of RMB95.6 million and guaranteed by Yishui Hesheng Minerals Co., Ltd., Ms. Zhang Limei and Mr. Li Yunde.

Borrowings of RMB20.0 million were jointly guaranteed by Linyi Runxing Investment Co., Ltd. and Mr. Li Yunde; borrowings of RMB30.0 million were guaranteed by Yishui Hesheng Minerals Co., Ltd. and Mr. Li Yunde; and also, borrowings of RMB30.0 million were guaranteed by Yishui Hesheng Minerals Co., Ltd..

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 ASX. The principal activity in 2014 was exploration activities. Net loss incurred by Ishine International for the year ended 31 December 2014 was approximately RMB7.6 million as compared to net loss of approximately RMB7.5 million for the year ended 31 December 2013.

CAPITAL STRUCTURE

The Company's issued share capital as at 31 December 2014 is HK$7,815,715.84 divided into 3,907,857,920 shares with par value of HK$0.002 each.

The shareholders of the Company approved at the extraordinary general meeting of the Company held on 27 October 2014 the sub-division of every issued and unissued share of HK$0.01 each in the share capital of the Company into 5 shares of HK$0.002 each (the "Share Subdivision"). The Share Subdivision became effective on 28 October 2014.

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 2014 was approximately 23.6% (as at 31 December 2013: approximately 23.0%). The current ratio (calculated as current assets divided by current liabilities) as at 31 December 2014 was approximately 2.2 times (as at 31 December 2013: approximately 1.6 times).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2014, the total amount of the borrowings of the Group was approximately RMB222.0 million (as at 31 December 2013: approximately RMB210.0 million). The Group settled borrowings in the amount of approximately RMB584.1 million for the year ended 31 December 2014. The Group's cash and bank balances amounted to approximately RMB142.0 million (as at 31 December 2013: approximately RMB64.1 million).

MATERIAL ACQUISITIONS OR DISPOSALS

There was no material acquisition, disposal or investment by the Group during the year ended 31 December 2014.

PLACING OF UNLISTED WARRANTS UNDER GENERAL MANDATE

On 24 June 2014, the Company entered into a placing agreement with Guangdong Securities Limited as placing agent for the placing of up to 144,000,000 warrants of the Company at the placing price of HK$0.01 per warrant. The initial subscription price of the warrant is HK$1.69 per warrant share (subject to adjustment). The aggregate of initial subscription price and the placing price of the warrant was HK$1.7. The closing price of the shares of the Company was HK$1.35 per share as quoted on the Stock Exchange on the date of the placing agreement. The placing was completed on 17 July 2014 and an aggregate of 144,000,000 units of unlisted warrants were issued to more than six investors. The warrants confers its holders the right to subscribe for shares during a period of 12 months commencing from 17 July 2014. The warrant shares to be issued pursuant thereto shall be issued and allotted under the general mandate to issue shares granted to the Directors at the annual general meeting of the Company held on 30 May 2014. The Company raised a proceed of HK$1 million from the issue of the warrants and had been utilised as general working of the Group. The placing of warrants would enhance the capital and shareholders' base of the Company.

Upon the share subdivision of every 1 share of HK$0.01 each into 5 shares of HK$0.002 each became effective on 28 October 2014, the number of warrants have been adjusted and the subscription price has been adjusted to HK$0.338 per warrant share pursuant to the terms of the warrants and had been reviewed and confirmed by the auditor of the Company.

As at 31 December 2014, an aggregate of 303,500,000 shares of HK$0.002 each have been issued upon exercise of the subscription rights attaching to the warrants, and 416,500,000 units of warrants remain outstanding. A further net proceeds of approximately HK$102 million (i.e. approximately HK$0.336 per share) was raised. The aggregate nominal value of the warrant shares issued is HK$607,000. The Company has utilised the net proceeds as general working capital of the Group.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGING

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 2014, bank borrowings of RMB1.28 million were pledged by the Group's notes receivables with carrying amount of RMB2.0 million and guaranteed by the controlling shareholder of the Company, an executive Director and chairman of the Company, Mr. Li Yunde.

As at 31 December 2014, bank borrowings of RMB90.0 million were pledged by the Group's trade receivables with carrying amount of RMB95.6 million and guaranteed by Yishui Hesheng Minerals Co., Ltd., Ms. Zhang Limei and Mr. Li Yunde.

EXPLORATION COMMITMENTS AND CAPITAL COMMITMENTS

Ishine International has obligations under its exploration licence 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 2014 was approximately RMB8.8 million (equivalent to approximately AUD1,753,000.0) compared to approximately RMB14.4 million as at 31 December 2013 (equivalent to approximately AUD2,653,000.0).

As at 31 December 2014, Shandong Ishine has capital commitments of approximately RMB5.9 million (as at 31 December 2013: RMB8.6 million) for properties, plant and equipment. These commitments have been made during the year ended 31 December 2014 but have not been paid.

EMPLOYEE BENEFITS AND REMUNERATION POLICIES

As at 31 December 2014, the Group had a total of 427 employees (as at 31 December 2013: 649 employees). 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 2014, staff costs (including Directors' remunerations) amounted to approximately RMB24.1 million (2013: approximately RMB34.8 million).

CONTINGENT LIABILITIES

As at 31 December 2014, 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 an announcement on 7 February 2013 (the "Announcement") in relation to, among others, change in use of IPO proceeds. However, the Company also made a clarification announcement on 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, please refer to the announcement of the Company dated 3 April 2013.

2015 DEVELOPMENT AND FUTURE PLANS

Under a new economic environment, the Group determines its industrial layout and resolves that it should seize the newly emerged opportunities in the industry. Having analysed all upstream and downstream ilmenite industry chain activities, the Group adopts more accurate industrial positioning and development strategies, thus laying solid foundation for future development. Having conducted market research and analysing all the data comprehensively, the management formulates the following development plans:

I. PRODUCTION AND OPERATION

The Group still relies on iron concentrate as the basis and titanium concentrate as the key direction since the beginning of the new year. It analyses its operating risks in depth and carefully judges the timing for trading. It will timely implement its production plan and seizes the possible trading opportunities, thus maximizing the benefit of the Group.

1. Yangzhuang Iron Mine

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

The Group plans to mine and process approximately 1.4 Mt of iron ores and to produce approximately 0.20 Mt of 65% iron concentrates in 2015 due to market factors. If there is a market downturn in 2015, the Group will further strengthen its mining projects, maintain its own mines and protect resources by appropriately controlling the production and processing, in order to be well-prepared for the production in a boom market. The Group will determine if it will process with part of coarse powders purchased from other suppliers based on profitability to capitalise the production equipment. 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.

2. 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 1.2 Mt).

The Group has rented an iron ore processing plant and installed a new titanium processing line in it in 2013. It is currently in production and operation. 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 costs and enhance the value of ilmenite ore.

If the market recovers, the Group will increase its investment in the 2.0 Mt processing line and production line in Zhuge Shangyu Ilmenite Mine in 2013. If it is less profitable or not profitable at all, the Group will reduce its investments. The Group will decide to mine and process its own mines based on the market conditions.

3. Qinjiazhuang Ilmenite

In 2015, the Group will determine whether its will make investment in or conduct production activities at Qinjiazhuang Ilmenite based on market changes.

4. Luxing Titanium

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

The Group has set its basic business objectives as protecting resources against resource sell-off and for the interest of shareholders based on the market conditions in 2015. The Group will decide to mine and process its own mines based on profitability.

II. BUSINESS RELATING TO CAPITAL MARKETS AND OTHERS

1. Capitalising on the platform of re-financing, the Company placed its new shares at due time, thus continuously broadening its shareholder base and enhancing the liquidity of its shares. Potential merger and acquisition projects, if any, or extension of the Titanium industry chain may be financed.

2. The Group always follows the industrial encouragement policy of the central government. Capitalising on its domestic resources and advantages, the Group plans to engage in the financial leasing business and the fund investment and financing business in due course and strive to make new businesses the new economic growth for the listed group.

III. TECHNOLOGICAL INNOVATION AND OTHER BUSINESS

1. In 2015, Shandong Ishine Mining Academician Workstation has been approved for establishment as the basis of closer industry-university-research cooperation for joint research on new techniques relating to hydrometallurgy processing of ilmenite and associated elements with furnace method.

2. The Group actively expands the research support from the Institute of Process Engineering of the Chinese Academy of Sciences in order to complete hydrometallurgy processing of 76%-or- above titanium concentrate as soon as possible on the basis of the periodic significant technological results.

3. The Group actively advance the cooperation with the Siberian Division of the Russian Academy of Science in relation to introduction of a new technique to efficiently extract titanium from ilmenite mines.

IV. FUEL OIL BUSINESS

In 2015, the Group will explore new business opportunities. The Group plans to engage in import and sales of fuel oil based on the market conditions to grow new profit for the Group.

The plans and measures for 2015 are set out above. Since the beginning of the new year, the Group will timely adjust its working plan in due course based on market changes. The Group will make every effort to expand its talent reserve and nurture talents, and try its best to implement and review its plan with a view to sustain long term corporate development, thus ensuring the maximisation of the long-term and sustainable interest of investors with all its efforts.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2014 (2013: Nil).

CLOSURE OF REGISTER OF MEMBERS

For determining the identity of the Shareholders to attend and vote at the annual general meeting of the Company ("2015 AGM") to be held on Wednesday, 27 May 2015, the register of members of the Company will be closed from Tuesday, 26 May 2015 to Wednesday, 27 May 2015, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2015 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 Monday, 25 May 2015.

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 2014.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Company confirmed that all Directors had complied with the required standard set out in the Model Code throughout the year ended 31 December 2014.

CORPORATE GOVERNANCE CODE

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

In the opinion of the Directors, 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 2014.

Code provision A.6.7 of the CG Code requires that the independent non-executive Directors of the Company should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Lin Chu Chang, being an independent non-executive Director, did not attend the extraordinary general meeting of the Company held on 27 October 2014 due to his engagement in his own official business.

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 of the Audit Committee), Mr. Li Xiaoyang and Mr. Zhang Jingsheng. The Audit Committee is mainly responsible for the relationship with the Company's auditor, review of the Company's financial information and monitoring of the Company's financial reporting system and internal control procedures. The Audit Committee has reviewed this announcement and the audited annual financial statements for the year ended 31 December 2014 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.

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

Hong Kong, 27 March 2015

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