# 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 2015 AND APPOINTMENT OF NON-EXECUTIVE DIRECTOR

## FINANCIAL HIGHLIGHTS

The Group recorded revenue of approximately RMB294.5 million for the year ended 31 December 2015, representing a decrease of approximately 30.9% over the revenue of approximately RMB426.1 million for the year ended 31 December 2014.

The Group's total comprehensive loss attributable to owners of the Company increased by approximately 232.1% from approximately RMB78.7 million for the year ended 31 December 2014 to approximately 261.4 million for the year ended 31 December 2015.

## APPOINTMENT OF NON-EXECUTIVE DIRECTOR

The Board hereby announces that Ms. Chau Ching was appointed as a non-executive Director with effect from 30 March 2016.

## 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 2015 and the Group's audited consolidated balance sheet as at 31 December 2015, together with the relevant comparative figures for the year ended 31 December 2014, as follows:

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | *Note* | **Year ended 31 December 2015** *RMB'000* | 2014 *RMB'000* |
|---|---|---|---|
| Revenue | *4* | **294,481** | 426,082 |
| Cost of sales | | **(329,224)** | (425,238) |
| **Gross (loss)/profit** | | **(34,743)** | 844 |
| Distribution expenses | | **(3,034)** | (4,371) |
| Administrative expenses | | **(210,474)** | (55,346) |
| Other income | | **213** | – |
| Other losses – net | *5* | **(12,416)** | (15,761) |
| **Operating loss** | | **(260,454)** | (74,634) |
| Finance income | | **2,453** | 2,673 |
| Finance expenses | | **(24,056)** | (24,491) |
| **Finance expenses – net** | *6* | **(21,603)** | (21,818) |
| **Loss before income tax** | | **(282,057)** | (96,452) |
| Income tax credit | *7* | **18,641** | 14,812 |
| **Loss for the year** | | **(263,416)** | (81,640) |
| **Loss attributable to:** | | | |
| Owners of the Company | | **(261,414)** | (78,661) |
| Non-controlling interests | | **(2,002)** | (2,979) |
| | | **(263,416)** | (81,640) |
| **Other comprehensive income:** | | | |
| <u>Items that may be reclassified to profit or loss</u> | | | |
| Change in value on available-for-sale financial assets | | **80** | (90) |
| Currency translation differences | | **(36)** | 93 |
| **Total comprehensive loss for the year** | | **(263,372)** | (81,637) |
| **Attributable to:** | | | |
| Owners of the Company | | **(261,401)** | (78,743) |
| Non-controlling interests | | **(1,971)** | (2,894) |
| **Total comprehensive loss for the year** | | **(263,372)** | (81,637) |
| **Losses per share for loss attributable to owners of the Company for the year (expressed in RMB per share)** | | | |
| Basic losses per share | *8* | **(0.06)** | (0.02) |
| Diluted losses per share | *8* | **(0.06)** | (0.02) |

## CONSOLIDATED BALANCE SHEET

| | | As at 31 December | |
|---|---|---|---|
| | | **2015** | 2014 |
| | *Note* | ***RMB'000*** | *RMB'000* |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment ("PPE") | | **352,930** | 391,926 |
| Intangible assets | | **61,287** | 131,366 |
| Available-for-sale financial assets | *9* | **432** | 416 |
| Deferred income tax assets | *10* | **8,432** | 8,914 |
| Long-term receivables | *11* | **58,264** | – |
| | | **481,345** | 532,622 |
| **Current assets** | | | |
| Inventories | *12* | **39,796** | 78,785 |
| Trade receivables | *13* | **133,619** | 201,128 |
| Notes receivables | *14* | **91,800** | 31,750 |
| Prepayments and other receivables | | **39,987** | 76,243 |
| Current portion of long-term receivables | | **14,689** | – |
| Financial assets at fair value through profit or loss ("FVTPL") | | **22,895** | – |
| Cash and cash equivalents | | **98,090** | 142,024 |
| Term deposits | | **100,000** | – |
| Restricted bank deposits | | **45,000** | 1,550 |
| | | **585,876** | 531,480 |
| **Total assets** | | **1,067,221** | 1,064,102 |
| **EQUITY** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital and share premium | | **628,066** | 473,696 |
| Reserves | | **64,388** | 65,195 |
| (Accumulated losses)/Retained earnings | | **(68,152)** | 177,900 |
| | | **624,302** | 716,791 |
| **Non-controlling interests** | | **1,426** | 3,397 |
| **Total equity** | | **625,728** | 720,188 |

| | As at 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | ***RMB'000*** | *RMB'000* |
| **LIABILITIES** | | |
| **Non-current liabilities** | | |
| Borrowings | **100,827** | 50,764 |
| Provisions for close down, restoration and environmental costs | **25,759** | 24,654 |
| Deferred income tax liabilities | **2,366** | 21,489 |
| | **128,952** | 96,907 |
| **Current liabilities** | | |
| Borrowings | **170,000** | 171,280 |
| Trade payables | **47,654** | 40,361 |
| Notes payables | **50,000** | 630 |
| Accruals and other payables | **42,388** | 32,315 |
| Dividend payables | **1,337** | 1,259 |
| Current income tax liabilities | **1,162** | 1,162 |
| | **312,541** | 247,007 |
| **Total liabilities** | **441,493** | 343,914 |
| **Total equity and liabilities** | **1,067,221** | 1,064,102 |
| **Net current assets** | **273,335** | 284,473 |
| **Total assets less current liabilities** | **754,680** | 817,095 |

*Notes:*

## 1. GENERAL 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 the Cayman Islands. The address of its registered office is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively the "Group") are principally engaged in iron ore mining and processing, ilmenite ore mining and processing, sales of iron concentrates and titanium concentrates, and finance lease activities 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.

These consolidated financial statements have been approved for issuance by the Board of Directors on 30 March 2016.

## 2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2015:

Amendments from annual improvements to HKFRSs – 2010-2012 Cycle, on HKFRS 8, 'Operating segments', HKAS 16, 'Property, plant and equipment', HKAS 38, 'Intangible assets' and HKAS 24, 'Related party disclosures'.

The adoption of the improvements made in the 2010-2012 Cycle has required additional disclosures in the segment note. Other than that, the remaining amendments do not have a significant financial effect on these consolidated financial statements.

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

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

### (c) New standards 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 2015, 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 P&L. 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. HKFRS 15 is effective for annual periods beginning on or after 1 January 2018 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.

## 3. SEGMENT INFORMATION

### (a) General information

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

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

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

The SEM assesses the performance of the three reportable segments as follows:

(i) Shandong Ishine Mining Industry Co., Ltd. ("Shandong Ishine") and Linyi Luxing Titanium Co., Ltd. ("Luxing Titanium"), which were both incorporated in the PRC and are engaged in iron ore mining and processing, ilmenite ore mining and processing and sales of iron concentrates and titanium concentrates in the PRC;

(ii) Tianjin Ever Grand Financial Leasing Co., Ltd. ("Ever Grand"), which was incorporated in the PRC in 2015 and is principally engaged in finance lease business in the PRC; and

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

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

The amounts of segment information of Shandong Ishine, Luxing Titanium and Ever Grand, 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 SEM.

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

The segment information provided to the SEM for the years ended 31 December 2015 and 2014 is as follows:

| | Shandong Ishine and Luxing Titanium | Ishine International | Ever Grand | Unallocated | Inter-segment elimination | Total |
|---|---|---|---|---|---|---|
| **Year ended 31 December 2015** | | | | | | |
| Revenue | **289,201** | **3,123** | **5,103** | **–** | **(2,946)** | **294,481** |
| Tenement and exploration expenses | **–** | **(2,632)** | **–** | **–** | **–** | **(2,632)** |
| Gross (loss)/profit | **(37,294)** | **491** | **5,006** | **–** | **(2,946)** | **(34,743)** |
| Finance income | **2,353** | **1** | **99** | **–** | **–** | **2,453** |
| Finance costs | **(16,319)** | **(8)** | **1** | **(10,676)** | **2,946** | **(24,056)** |
| Impairment losses | **(136,568)** | **(40)** | **–** | **–** | **–** | **(136,608)** |
| – PPE | **(35,017)** | **–** | **–** | **–** | **–** | **(35,017)** |
| – Intangible assets | **(70,037)** | **–** | **–** | **–** | **–** | **(70,037)** |
| – Available-for-sale financial assets | **–** | **(40)** | **–** | **–** | **–** | **(40)** |
| – Inventories | **(22,001)** | **–** | **–** | **–** | **–** | **(22,001)** |
| – Trade receivables | **(9,513)** | **–** | **–** | **–** | **–** | **(9,513)** |
| Income tax credit | **18,641** | **–** | **–** | **–** | **–** | **18,641** |
| Net loss | **(227,053)** | **(1,938)** | **(424)** | **(34,001)** | **–** | **(263,416)** |
| **Segment assets and liabilities** | | | | | | |
| Total assets | **945,587** | **1,602** | **189,363** | **788,569** | **(857,900)** | **1,067,221** |
| Total liabilities | **533,501** | **2,309** | **4,204** | **114,567** | **(213,088)** | **441,493** |
| **Other information** | | | | | | |
| Depreciation of PPE | **31,499** | **33** | **–** | **19** | **–** | **31,551** |
| Expenditures for non-current assets | **27,637** | **–** | **–** | **16** | **–** | **27,653** |

| | Shandong Ishine and Luxing Titanium | Ishine International | Unallocated | Inter-segment elimination | Total |
|---|---|---|---|---|---|
| **Year ended 31 December 2014** | | | | | |
| Revenue | 423,266 | 2,816 | – | – | 426,082 |
| Tenement and exploration expenses | – | (2,462) | – | – | (2,462) |
| Gross profit | 490 | 354 | – | – | 844 |
| Finance income | 2,634 | 39 | – | – | 2,673 |
| Finance costs | (23,528) | – | (963) | – | (24,491) |
| Impairment losses | (13,518) | (4,324) | – | – | (17,842) |
| – PPE | (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) | (28,707) | – | (81,640) |
| **Segment assets and liabilities** | | | | | |
| Total assets | 1,017,976 | 1,892 | 605,290 | (561,056) | 1,064,102 |
| Total liabilities | 378,837 | 762 | 66,061 | (101,746) | 343,914 |
| **Other information** | | | | | |
| Depreciation of PPE | 37,288 | 136 | 38 | – | 37,462 |
| Expenditures for non-current assets | 61,975 | – | 25 | – | 62,000 |

## 4. REVENUE

| | Year ended 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | ***RMB'000*** | *RMB'000* |
| Production | | |
| – Sales of iron concentrates | **105,500** | 295,072 |
| – Sales of titanium concentrates | **9** | 2,612 |
| Trading | | |
| – Sales of coarse iron powder | **183,692** | 125,582 |
| Others | **5,280** | 2,816 |
| | **294,481** | 426,082 |

## 5. OTHER LOSSES – NET

| | Year ended 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | ***RMB'000*** | *RMB'000* |
| FVTPL – Fair value gains | **236** | – |
| Gain on disposal of PPE | **423** | 405 |
| Government grants | **400** | 983 |
| Loss on issuance of non-listed warrants | **(13,484)** | (17,022) |
| Others | **9** | (127) |
| | **(12,416)** | (15,761) |

## 6. FINANCE EXPENSES – NET

| | Year ended 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | ***RMB'000*** | *RMB'000* |
| Interest expense: | | |
| – Borrowings | **(19,880)** | (21,853) |
| – Provisions: unwinding of discount | **(1,341)** | (1,454) |
| – Discount of bank acceptance notes | **(2,622)** | (2) |
| – Others | **(449)** | (281) |
| Net foreign exchange gains/(losses) | **236** | (901) |
| Finance expenses | **(24,056)** | (24,491) |
| Finance income: | | |
| – Interest income on bank deposits | **2,453** | 2,673 |
| Net finance expenses | **(21,603)** | (21,818) |

## 7. INCOME TAX CREDIT

| | Year ended 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | ***RMB'000*** | *RMB'000* |
| Deferred tax *(Note 10)*: | | |
| Origination and reversal of temporary differences | **18,641** | 14,812 |

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

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

Hong Kong 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 2015 and 2014.

Australia corporation income tax rate 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 2015 and 2014.

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

On 10 December 2015, Shandong Ishine was notified by the Department of Science and Technology of Shandong Province, Shandong Province Finance Bureau, Shandong Provincial Office of State Administration of Taxation and Shandong Local Taxation Bureau, the PRC, that Shandong Ishine will be formally awarded with the National High-Tech Enterprise qualification. National High-Tech Enterprise refers to an enterprise which, within the scope regulated by the Field of High and New Technology with the Key Support by the Country, conducts ongoing research and development as well as transformation of technological achievement, forming the enterprise core intellectual property rights based on which business activities are carried out. Pursuant to the related regulations, Shandong Ishine is entitled to the preferential income tax rate of 15% (25% before the recognition) in respect of corporate income tax. The tax rate for Shandong Ishine will be 15%, effective from 1 January 2016, and the relevant deferred tax balances have been re-measured.

The tax rate for the Company's other PRC subsidiaries, Luxing Titanium and Ever Grand, was 25% for the year ended 31 December 2015.

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

| | Year ended 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | ***RMB'000*** | *RMB'000* |
| **Loss before tax** | **(282,057)** | (96,452) |
| Tax calculated at domestic tax rates applicable to losses in the respective countries | **62,039** | 17,470 |
| Tax effects of: | | |
| – Expenses not deductible for tax purposes | **(133)** | (1,618) |
| – Tax losses for which no deferred income tax asset was recognised | **(18,974)** | (1,040) |
| Re-measurement of deferred tax – change in the tax rate | **(24,291)** | – |
| **Tax credit** | **18,641** | 14,812 |

## 8. LOSSES PER SHARE

### (a) Basic

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

| | Year ended 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | ***RMB'000*** | *RMB'000* |
| Loss attributable to owners of the Company | **(261,414)** | (78,661) |
| Weighted average number of ordinary shares in issue | **4,310,255,180** | 3,647,674,358 |
| Basic losses per share (Expressed in RMB per share) | **(0.06)** | (0.02) |

### (b) Diluted

As at 31 December 2015 and 2014, there were unexercised warrants that would potentially have a dilutive impact in the future but were anti-dilutive due to losses for the years ended 31 December 2015 and 2014. The diluted losses per share were calculated in the same way as basic losses per share.

## 9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

lshine International held 7.8% of the ordinary share capital of Athena Resources Limited ("Athena"), which was a former associate. As at 1 July 2011, Athena ceased to be the Company's associate as the Group no longer demonstrated significant influence due to the dilution of lshine International's equity interests in Athena and resignation of the Group's representative from the board of Athena as director. The movement in available-for-sale financial assets during the year is as follows:

| | As at 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | ***RMB'000*** | *RMB'000* |
| **At 1 January** | **416** | 1,442 |
| Effect of foreign exchange rate changes | **(24)** | (14) |
| Gain/(loss) from revaluation | **80** | (90) |
| Impairment loss (a) | **(40)** | (922) |
| **At 31 December** | **432** | 416 |

(a) The fair value of such financial asset mentioned above has been determined by reference to published quotation in an active market. During the years ended 31 December 2015 and 2014, AUD8,300 and AUD166,000 (equivalent to RMB40,000 and RMB922,000) were recognised as impairment losses on the basis that they were considered as permanent diminution in value.

## 10. DEFERRED INCOME TAX ASSETS AND LIABILITIES

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

| | As at 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | ***RMB'000*** | *RMB'000* |
| Deferred tax assets: | | |
| – Deferred income tax assets to be recovered after more than 12 months | **4,073** | 4,643 |
| – Deferred income tax assets to be recovered within 12 months | **4,359** | 4,271 |
| | **8,432** | 8,914 |
| Deferred tax liabilities: | | |
| – Deferred income tax liabilities to be recovered after more than 12 months | **(2,146)** | (20,770) |
| – Deferred income tax liabilities to be recovered within 12 months | **(220)** | (719) |
| | **(2,366)** | (21,489) |
| Deferred tax assets/(liabilities) (net) | **6,066** | (12,575) |

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

| | Year ended 31 December 2015 *RMB'000* | 2014 *RMB'000* |
|---|---|---|
| **At 1 January** | **(12,575)** | (27,387) |
| Income statement credit *(Note 7)* | **18,641** | 14,812 |
| **At 31 December** | **6,066** | (12,575) |

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

**(a) Deferred income tax assets**

| | Provisions for close down, restoration and environmental costs *RMB'000* | Tax losses *RMB'000* | Impairment losses *RMB'000* | Others *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|
| At 31 December 2013 | 4,152 | – | – | 1,075 | 5,227 |
| Credited to the income statement | 119 | 20,733 | 3,380 | 856 | 25,088 |
| At 31 December 2014 | 4,271 | 20,733 | 3,380 | 1,931 | 30,315 |
| Credited/(charged) to the income statement | 88 | (7,137) | 27,625 | (1,531) | 19,045 |
| **At 31 December 2015** | **4,359** | **13,596** | **31,005** | **400** | **49,360** |

**(b) Deferred income tax liabilities**

| | Depreciation of mining infrastructure *RMB'000* | Fair value adjustment in business combination *RMB'000* | Total *RMB'000* |
|---|---|---|---|
| At 31 December 2013 | (8,648) | (23,966) | (32,614) |
| (Charged)/credited to the income statement | (10,486) | 210 | (10,276) |
| At 31 December 2014 | (19,134) | (23,756) | (42,890) |
| (Charged)/credited to the income statement | (624) | 220 | (404) |
| **At 31 December 2015** | **(19,758)** | **(23,536)** | **(43,294)** |

(i) Pursuant to the PRC corporate income tax ("PRC CIT"), 10% withholding income tax ("WHT") will be levied on foreign investors for dividend distributions from foreign invested enterprises' profit earned after 1 January 2008. For qualified investors incorporated in Hong Kong, a treaty rate of 5% will be applied. As at 31 December 2015, Shandong Ishine, the subsidiary of the Company incorporated in the PRC, with total retained earnings amounting to RMB28,123,000 will be subject to this withholding tax. The Group did not recognise the related deferred tax liabilities of RMB1,406,000 as at 31 December 2015, as the Directors of the Company had foreseen that retained earnings up to 31 December 2015 of Shandong Ishine will not be distributed in the future.

(ii) As at 31 December 2015, the Group did not recognise deferred income tax assets of RMB16,421,000 (2014: RMB14,606,000) in respect of accumulated losses arising from Ishine International amounting to RMB54,738,000 (2014: RMB48,687,000) that can be carried forward indefinitely against future taxable income.

(iii) As at 31 December 2015, the Group did not recognise deferred income tax assets of RMB16,040,000 in respect of losses arising from Shandong Ishine amounting to RMB106,933,000 that can be carried forward against future taxable income in the next 5 years.

(iv) As at 31 December 2015, the Group did not recognise deferred income tax assets of RMB2,336,000 in respect of losses arising from Luxing Titanium amounting to RMB9,345,000 that can be carried forward against future taxable income in the next 5 years.

## 11. LONG-TERM RECEIVABLES

| | **As at 31 December 2015** *RMB'000* |
|---|---|
| **Non-current receivables** | |
| Finance leases – gross receivables | **64,196** |
| Unearned finance income | **(5,932)** |
| | **58,264** |
| **Current receivables** | |
| Finance leases – gross receivables | **18,341** |
| Unearned finance income | **(3,652)** |
| | **14,689** |
| Gross receivables from finance leases: | |
| – No later than 1 year | **18,341** |
| – Later than 1 year and no later than 5 years | **64,196** |
| | **82,537** |
| Unearned future finance income on finance leases | **(9,584)** |
| **Net investment in finance leases** | **72,953** |
| The net investment in finance leases may be analysed as follows: | |
| – No later than 1 year | **14,689** |
| – Later than 1 year and no later than 5 years | **58,264** |
| | **72,953** |

All long-term receivables are due within five years from the end of the year and are carried at amortised cost using the effective interest method. Amortisation of long-term receivables calculated using the effective interest method is recognised in the income statement as part of revenue.

The effective interest rate on long-term receivables was as follows:

| | **Year ended 31 December 2015** |
|---|---|
| Effective interest rate | **5.51%** |

## 12. INVENTORIES

| | **As at 31 December** | |
|---|---|---|
| | **2015** | 2014 |
| | ***RMB'000*** | *RMB'000* |
| Raw materials | | |
| – Iron ore and ilmenite ore | **15,514** | 4,112 |
| – Others | **23,930** | 12,358 |
| Finished goods | **12,702** | 54,972 |
| Spare parts and others | **9,651** | 9,369 |
| Provision for inventory | **(22,001)** | (2,026) |
| | **39,796** | 78,785 |

For the year ended 31 December 2015, the costs of inventories recognised as 'cost of sales' amounted to RMB316,199,000 (2014: RMB337,578,000).

Due to a significant decrease in the market price of iron concentrates and ilmenite concentrates during the year ended 31 December 2015, net realisable value of finished goods with cost of RMB11,964,000 (2014: RMB46,064,000), iron ore with cost of RMB14,158,000 and coarse iron powder for trading with cost of RMB21,350,000, was lower than its cost respectively as at 31 December 2015. A provision of RMB4,699,000 (2014: RMB2,026,000), RMB10,916,000 (2014: nil) and RMB6,386,000 (2014: nil) has been charged to the income statement for finished goods, iron ore and coarse iron powder for trading, respectively, as at 31 December 2015.

The Group reversed RMB2,026,000 of a previous provision for inventory in the year ended 31 December 2015. The Group has sold all the goods that were written down to independent customers in the PRC. The amount reversed has been included in 'cost of sales' in the income statement.

## 13. TRADE RECEIVABLES

| | As at 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | ***RMB'000*** | *RMB'000* |
| Trade receivables | **143,132** | 201,128 |
| Less: allowance for impairment of trade receivables | **(9,513)** | – |
| Trade receivables – net | **133,619** | 201,128 |

As at 31 December 2015 and 2014, the carrying amounts of the Group's trade receivables approximated their fair values.

The majority of the Group's sales are with credit terms of 90 days. As of 31 December 2015, trade receivables of RMB73,597,000 were past due but not impaired (2014: RMB111,316,000). At 31 December 2015 and 2014, the ageing analysis of trade receivables was as follows:

| | As at 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | ***RMB'000*** | *RMB'000* |
| Within 3 months | **63,252** | 89,812 |
| 3 to 6 months | **6,033** | 12,470 |
| 6 months to 1 year | **28,037** | 98,844 |
| Over 1 year | **45,810** | 2 |
| | **143,132** | 201,128 |

As of 31 December 2015, a provision of RMB9,513,000 was provided for impairment of trade receivables. The impaired receivables were mainly due to a significant decrease in the market price of iron pellets and steel in the PRC during the year ended 31 December 2015, which led the main customers into unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered.

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

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

| | **Year Ended 31 December 2015** |
|---|---|
| | ***RMB'000*** |
| At 1 January | **–** |
| Provision for receivables impairment | **9,513** |
| **At 31 December** | **9,513** |

The creation of provision for impaired receivables has been included in the income statement. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the carrying value of trade receivables.

As at 31 December 2015, bank borrowings were secured by trade receivables with carrying amount of RMB60,385,000 (2014: RMB95,634,000).

## 14. NOTES RECEIVABLES

| | **As at 31 December** | |
|---|---|---|
| | **2015** | 2014 |
| | ***RMB'000*** | *RMB'000* |
| Bank acceptance notes | **75,800** | 31,750 |
| Trade acceptance notes | **16,000** | – |
| | **91,800** | 31,750 |

The ageing of bank acceptance notes and trade acceptance notes is within 6 months and 12 months, respectively.

As at 31 December 2015 and 2014, the carrying amount of the Group's notes receivables approximated their fair values.

As at 31 December 2014, bank borrowings were secured by bank acceptance notes with carrying amount of RMB2,000,000.

## 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 iron pellets makers and steel manufacturers located in close proximity. Since 2015, the Group has started to engage in finance lease activities in the PRC.

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.

In April 2015, Tianjin Ever Grand Financial Leasing Co., Ltd. ("Ever Grand") was incorporated in Tianjin, the PRC, and is principally engaged in finance lease business in respect of domestic and overseas purchase of leased properties, disposal and maintenance of leased properties, and consultation and guarantee on lease transactions in the PRC.

The Group possesses mining rights in respect of Yangzhuang Iron Mine (楊莊鐵礦), an iron ore mine located in Qinjiazhuang Village, Yangzhuang Town, Shandong Province, the PRC ("Yangzhuang Iron Mine"), Zhuge Shangyu Ilmenite Mine (諸葛上峪鈦鐵礦), an ilmenite and magnetite mine located in Yishui County, Shandong Province, the PRC ("Zhuge Shangyu Ilmenite Mine"), 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 RMB131.6 million, or 30.9%, to approximately RMB294.5 million for the year ended 31 December 2015, as compared with RMB426.1 million for the year ended 31 December 2014. 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 RMB97.2 million; (2) the decrease in sales of mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder by approximately RMB86.6 million; and (3) the decrease in sales of iron concentrates produced from ilmenite ore of Zhuge Shangyu Ilmenite Mine and ilmenite ore of Luxing Titanium Mine by approximately RMB0.7 million and RMB5.0 million respectively for the year ended 31 December 2015, which was offset by the increase in turnover by approximately RMB58.1 million from trading of coarse iron powder from approximately RMB125.6 million for the year ended 31 December 2014 to RMB183.7 million for the year ended 31 December 2015.

The total comprehensive loss attributable to owners of the Company was approximately RMB261.4 million for the year ended 31 December 2015, representing an increase of approximately RMB182.7 million or approximately 232.1% as compared to that of approximately RMB78.7 million for the year ended 31 December 2014. This was mainly due to (1) the gross profit decreased by approximately RMB35.5 million from the gross profit of approximately RMB0.8 million for the year ended 31 December 2014 to the gross loss of approximately RMB34.7 million for the year ended 31 December 2015. The main reasons for the decline were (i) the decrease in gross profit of iron concentrates produced from mixing iron concentrates purchased from other suppliers and/or produced from the coarse iron powder by approximately RMB14.4 million from the gross profit of approximately RMB2.2 million for the year ended 31 December 2014 to the gross loss of approximately RMB12.2 million for the year ended 31 December 2015; (ii) the decrease in gross profit of iron concentrates produced from the iron ore of Yangzhuang Iron Mine by approximately RMB4.9 million from the gross profit of approximately RMB1.6 million for the year ended 31 December 2014 to the gross loss of approximately RMB3.3 million for the year ended 31 December 2015; and (iii) the decrease in gross profit of trading of coarse iron powder by approximately RMB21.7 million from the gross profit of approximately RMB0.3 million for the year ended 31 December 2014 to the gross loss of approximately RMB21.4 million for the year ended 31 December 2015; (2) the loss from issuance of non-listed warrants of approximately RMB13.5 million. On 1 June 2015, 140,000,000 non-listed warrants were issued at par value of RMB0.0016 each and the exercise price was RMB0.319; and (3) the increase in the impairment loss of assets by approximately RMB118.8 million from approximately RMB17.8 million for the year ended 31 December 2014 to approximately RMB136.6 million for the year ended 31 December 2015.

**Measures adopted by the management in 2015:**

**I. Continuous increase in research and development efforts to support industrial technological upgrade, and transforming into a national high-tech enterprise from a traditional mining company**

1. In 2015, the cooperation with Siberian Branch of the Russian Academy of Sciences achieved significant progress.

Shandong Ishine, a wholly-owned subsidiary of the Group cooperated with Siberian Branch of the Russian Academy of Sciences in researching of advanced technology of "introduction of a new processing technology for efficient extraction of titanium from ilmenite". The cooperation helped solve the technical bottleneck of the Group by efficient use of lean titanium content ilmenite resources, thereby significantly reducing the cost and energy consumption in titanium production and enhancing the comprehensive recovery rate of ilmenite ore. On 14 July 2015, Shandong Ishine entered into the formal cooperation agreement with Siberian Branch of the Russian Academy of Sciences in relation to "Introduction of a New Processing Technology for Efficient Extraction of Titanium from Ilmenite", pursuant to which the two parties shall carry out in-depth cooperation in the introduction of a new processing technology for efficient extraction of titanium from ilmenite.

2. The Group actively enhanced the research support from Institute of Process Engineering of the Chinese Academy of Sciences

   In 2015, based on the so-far achieved results on significant technology, the Group aimed to complete the development and innovation of hydrometallurgy processing of 76%-or-above titanium concentrate as soon as possible. So far, relevant works have progressed well.

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

4. We transformed ourselves into a national high-tech enterprise from a traditional mining company

   In 2015, Shandong Ishine, a wholly-owned subsidiary of the Group, received 7 computer software copyright registration certificates and 5 utility model patent certificates. On 10 December 2015, Shandong Ishine was notified by the Department of Science & Technology of Shandong Province (山東省科學技術廳), Shandong Province Finance Bureau (山東省財政廳), Shandong Provincial Office of State Administration of Taxation (山東省國家稅務局) and Shandong Local Taxation Bureau (山東省地方稅務局) that various approvals were passed, and Shandong Ishine would be formally awarded the national high-tech enterprise qualification. Shandong Ishine has been awarded national certification in enterprise core intellectual property rights, transformation of technological achievement, management and organisation level of research and development and the growth of the operating performance. The Group successfully transformed from a traditional mining company to a national high-tech enterprise, thus laying a solid foundation for the future growth of the sustainable profitability of the Group.

**II. Close response to the industrial incentive policies of the central government and full utilisation of the Group's domestic resource advantages to develop the financial leasing business into a new growth drive of the Group**

In 2015, the Group established a financial leasing company in Tianjin to carry out financial leasing business, including purchasing leased assets in domestic and overseas markets, disposal and maintenance of leased assets, and consultation and guarantee on lease transactions. Currently, the company is operating smoothly.

**III. Active utilisation of re-financing platform to raise fund.**

Taking full advantage of the re-financing platform, the Group placed its new shares in due time and raised approximately RMB153.2 million in 2015. The Group has been continuously broadening its shareholder base and increasing the liquidity of its shares to provide financial support for the Group's development.

**IV. Actively seeking for official support such as advance construction funds from government.**

The Group actively sought support from government based on the relevant national policy. In 2015, the Group received advance construction funds from the government amounting to approximately RMB7.6 million.

**V. Enhancing internal strengths, harmonizing ideas and improving team-building, training and management.**

It was high time for the Group to enhance internal strengths and improve training of the staff due to the stagnant market conditions. The Group planned to eliminate non-profitable mines and entities in due time. Based on the conditions of the market and the operating conditions of the Group, the Group reduced the number of employees by conducting performance evaluation to improve operating efficiency. The Group strived for the transformation and survival of the Group. It encouraged the staff to get rid of unrealistic complaints and the habit of "waiting, dependence and delay" and was dedicated to build a winning team through self-improvement and self-empowerment.

**VI. Improving corporate management system and safety measures.**

Strictly in compliance with relevant safety regulations under the Mineral Resources Law and the Safety Production Law, the Group established and optimised its "3-category" safety production management department and safety management system. It formulated strict production accident prevention and emergency rescue plans. The Group focused on propaganda and education works in respect of safety production. It set up propaganda notice board and alert notice in respect of safety production at living and working places of employees, including walls at plants, car parking area and factories. Over 300 propaganda posters and slogans were placed. Moreover, the Group conducted training and appraisal on all employees in respect of safety production, and created a safety working environment.

**VII. Strengthening the management of prepayments.**

In 2015, the Group started to implement a supplier credit rating system. The Group established a rigorous approval and recognition process for prepayments with strict examination on the terms of purchase contracts, timely issuance and acceptance of invoices and recognition after entering into a transaction. In order to avoid late settlement of prepayments, the Group further strengthened the management's supervision responsibility to follow up prepayments.

## VIII. Continuous pursuit of technological innovation and development of recycling economy.

The Group persists in technology innovation to enhance production efficiency and develop recycling economy. The Group built a picturesque and attractive lake in the mining and production area, which had become a famous view spot well-known for its flourishing and extensive green surroundings of 200,000 sea buckthorns and 6,000 apricot trees and had become the home for flocks of swans and hundreds of thousands of carps and grass carps. The delicate fragrance of red sweet osmanthus and shades of leaves of a rich variety of trees around the lake had also attracted visitors.

Such achievement can only be made through innovation in technology to improve manufacturing efficiency and reduce energy consumption, therefore accomplishing sustainable recycled economy.

Taking reduction of water consumption as an example, the company's application of technology of draining residual ores achieved "zero emission" of industrial waste water, making us the first domestic mining company to get rid of tailing dam and achieve the recycle of industrial waste water. The implementation of water recycle projects effectively reduced water consumption. With such achievement, the company was granted a patent certificate for draining tailing system by the State Intellectual Property Office in 2012 and was recognised as the "Highlighted and Demonstrative Project of Draining Tailing in Shandong Province" by the Land and Resources Department of Shandong Province.

## IX. Mergers and acquisitions.

In 2015, the Group continued to make great efforts in planning and implementation of a comprehensive industrial chain, including mining and processing of ilmenite ore and production of titanium concentrates, high titanium slag, titanium tetrachloride and sponge titanium. Apart from the above-mentioned internal research and development of production technology, the cooperation with Chinese Academy of Sciences and the technology transfer cooperation with the Siberian Branch of the Russian Academy of Sciences under the leadership of the Ministry of Science and Technology of China, the Company also conducted a number of due diligence and selection projects in regard to potential mergers and acquisitions of enterprises in the whole titanium business to seize every possible chance of mergers and acquisitions and business opportunities.

## X. Research on clean energy.

In 2015, as a listed resources holdings company, the Group conducted an in-depth research on new clean energy advocated by national policies, such as wind power and solar power. The Group also cooperated with state-owned enterprises and competent new energy companies on the research towards the feasibility of new energy. Based on the particular geographic location of its mines and availability of resources such as wind and solar energy, the Group planned to enter the clean energy industry at a proper time. Meanwhile, a research towards whether the Group can develop into a national competitor with great potential in the sector was being conducted. If there are feasible plans and well-defined targets, the Group will seize every possible chance to become more competent to maximise returns for investors.

## OPERATION OVERVIEW AND CAPITAL EXPENDITURE

In the new economic environment, the Group has planned its business layouts, resolved to seize newly emerged opportunities in the markets and performed detailed analysis on upstream and downstream activities of iron and ilmenite ore product industry in order to adopt more accurate industrial positioning and development strategies. Meanwhile, as a listed resources holdings company with a strong sense of accountability towards investors, the Group focuses on China's resource strategies and policies under the new economic norm, and actively seeks new directions of investment in resources and formulates a new industrial plan for new clean energy, laying foundation for future development.

### I. Production and operation

In the coming year, the Group will still insist on the development direction of relying on iron concentrates as basis and focusing on titanium concentrates. The Group will analyze the operational risk in depth, carefully judge the timing of trading activity, implement production plans in a timely manner and seize potential trading opportunities in order to maximize value 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.

According to market conditions, the Group plans to mine and process approximately 1.4Mt of iron ores and produce approximately 0.20Mt of 65% iron concentrates in 2015. As there is a market downturn in 2015, the Group has further maintained its mines and protected resources by controlling production and processing volume. Meanwhile, the Group will continue to implement the comprehensive utilisation of residual ores and improve overall benefits of maintaining green environment in Yangzhuang Iron Mine. The Group invested approximately RMB6.1 million in Yangzhuang Iron Mine in 2015.

Approximately 0.44Mt and 0.15Mt of iron ores were mined and processed respectively and 0.02Mt of 65% iron concentrates were produced from Yangzhuang Iron Mine in 2015.

There was no exploration activity carried out in Yangzhuang Iron Mine in 2015.

#### 2. Zhuge Shangyu Ilmenite Mine

Currently, the Group possesses mining rights of Zhuge Shangyu Ilmenite Mine with an approved annual production scale of 0.4Mt.

The Group rented an iron ore processing plant and installed a new titanium processing line in it in 2013, which is now in production and operation. The Group will use the production line as a platform to strengthen cooperation with national scientific research institutions in order to improve processing technology for extraction of titanium, control production costs and enhance the comprehensive recovery rate of ilmenite ore.

Due to a market downturn, the Group has suspended its investment in the 2.0Mt production line in Zhuge Shangyu Ilmenite Mine in 2013. The Group invested approximately RMB2.1 million in Zhuge Shangyu Ilmenite Mine in 2015.

In 2015, there was no exploration, mining or processing activity carried out in Zhuge Shangyu Ilmenite Mine.

**3. Qinjiazhuang Ilmenite Mine**

In 2015, the Group intended to determine whether to invest in and conduct production activities in Qinjiazhuang Ilmenite Mine based on future market changes.

Due to a market downturn in 2015, there was no exploration, investment or production activity carried out in Qinjiazhuang Ilmenite Mine.

**4. Luxing Titanium Mine**

Currently, the Group possesses mining rights of Luxing Titanium Mine with an approved annual production scale of 1.5 Mt.

Based on market conditions in 2015, the Group has set its basic business objectives as protecting resources instead of selling-off and maintaining the interest of shareholders. The Group will decide whether to mine and process its own mines based on future profitability.

Due to a market downturn in 2015, the Group invested approximately RMB0.06 million in Luxing Titanium Mine. There was no exploration, mining or processing activity carried out in Luxing Titanium Mine.

**5. Gaozhuang Shangyu Ilmenite Mine**

In 2015, there was no capital expenditure and no exploration and mining activity carried out in Gaozhuang Shangyu Ilmenite Mine.

**6. Bashan Iron Mine**

In 2015, there was no capital expenditure and no exploration and mining activity carried out in Bashan Iron Mine.

**II. Business relating to capital markets and others**

1. In order to fully capitalize on the re-financing platform, the Group placed its new shares in due time, continuously broadening its shareholder base, increasing the liquidity of its shares and providing financial support to potential merger and acquisition projects, if any, or extension of the Group's industrial chain of titanium products.

   In 2015, the Group utilized the re-financing platform to place its shares and raised approximately RMB153.2 million.

2. The Group always follows the industrial incentive policies of the central government. In order to capitalize on its domestic resources and advantages, the Group plans to engage in financial leasing business and funding business in due course, so as to turn the new businesses into new growth drivers for the Group.

In 2015, the Company established a financial leasing company in Tianjin, the PRC, to carry out financial leasing business in respect of purchase of leased properties in domestic and overseas markets, disposal and maintenance of leased properties, as well as consultation and guarantee on leasing transactions. The company is now in normal operation.

## III. Technological innovation and other businesses

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

   In 2015, the research on new techniques was conducted orderly.

2. The Group actively expands the research support from 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.

   In 2015, the research on hydrometallurgy processing of 76%-or-above titanium concentrate cooperate with Institute of Process Engineering of the Chinese Academy of Science is in progress, and relevant works have progressed well.

3. The Group actively advances the cooperation with Siberian Branch of the Russian Academy of Sciences to introduce new technology to efficiently extract titanium from ilmenite ores.

   In 2015, the cooperation with Siberian Branch of the Russian Academy of Sciences achieved significant progress. On 14 July 2015, Shandong Ishine, a wholly-owned subsidiary of the Group, entered into the formal cooperation agreement with Siberian Branch of the Russian Academy of Sciences in relation to "Introduction of a New Processing Technology for Efficient Extraction of Titanium from Ilmenite", pursuant to which the two parties shall carry out in-depth cooperation in the introduction of a new processing technology for efficient extraction of titanium from ilmenite.

4. The Group transformed into a national high-tech enterprise from a traditional mining company.

   In 2015, Shandong Ishine, a wholly-owned subsidiary of the Group, received 7 computer software copyright registration certificates and 5 utility model patent certificates. On 10 December 2015, Shandong Ishine was notified by the Department of Science & Technology of Shandong Province (山東省科學技術廳), Shandong Province Finance Bureau (山東省財政廳), Shandong Provincial Office of State Administration of Taxation (山東省國家稅務局) and Shandong Local Taxation Bureau (山東省地方稅務局) that various approvals were passed, and Shandong Ishine would be formally awarded the national high-tech enterprise qualification. Shandong Ishine had been awarded national certification in enterprise core intellectual property rights, transformation of technological achievement, management and organisation level of research and development and the growth of the operating performance. The Group successfully transformed from a traditional mining company to a national high-tech enterprise, thus laying a solid foundation for the future growth of the sustainable profitability of the Group.

## IV. Fuel oil business

To explore new business opportunities in 2015, the Group plans to engage in import and sales of fuel oil based on market conditions to develop new profit drivers for the Group.

Due to market conditions, the Group did not engage in import and sales of fuel oil in 2015.

## V. Expansion in clean energy business

In 2015, the Group focused on investigation and research on national polices in respect of new clean energy such as wind power and solar energy. Based on the natural characteristics such as geography and landform of its mines, the Group selectively cooperated with professional state-owned enterprises and well-established companies to outline a specific blueprint for resource development. The Group plans to steadily expand utilization of sustainable and renewable energy such as wind power and solar energy in idle areas available for use of the Group's mines in the future to reduce production costs and increase economic benefit as well as to develop a new business with economic growth.

To conclude, in 2015, the Group will selectively adjust its working plans in a timely manner in response to changes of market conditions, make more efforts to retain and foster talents, and endeavor to implement and evaluate the plans in order to pursue long-term development of the Group. The Group will try its best to maximize long-term and sustainable value for investors.

## RESOURCES AND RESERVES OF MINES

The mines and projects owned by the Group have significant iron and titanium ore reserves and resources. According to the report of the independent technical adviser Micromine Consulting Services ("Micromine"), as at November 2011 as disclosed in the prospectus of the Company dated 17 April 2012, the total aggregate proved and probable reserve of ore in the Yangzhuang Iron Mine was approximately 43.93 Mt at an average grade of approximately 24.58% TFe (total iron); the total proved and probable reserve of ore in the Zhuge Shangyu Ilmenite Mine was approximately 546.29 Mt at an average grade of approximately 5.69% $T_iO_2$ and approximately 12.81% TFe (total iron); whereas the total proved and probable reserve of ore in the Qinjiazhuang Ilmenite Project was approximately 86.63 Mt at an average grade of approximately 4.50% $T_iO_2$ and approximately 13.56% TFe (total iron).

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

### Yangzhuang Iron Mine

1. Resource reporting cutoff grade: 15% Tfe

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

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

4. Stope design parameters are 50 metres in length by approximately 16 metres wide (matching the thickness of the 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: 48 m
   Minimum width of Block: 8 m
   Pillar between Blocks: 6 m
   Crown Pillar: 5 m
   Distance between levels: 60 m

Reason for the changes in the resources and reserves estimates:

During the period from November 2011 to December 2013, reserves is reduced by 4.6 Mt due to 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 0.27 Mt grading 5.69% $T_iO_2$ and 12.78% TFe compared to reported production of 0.26 Mt 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 50 m to 60 m.

Reason for the changes in the resources and reserves estimates:

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

**Qinjiazhuang Ilmenite Project**

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

There was no exploration or mining activity carried out in Qinjiazhuang Ilmenite Project from 1 January 2014 to 31 December 2015.

Based on (1) the resources and reserves under the JORC for the Yangzhuang Iron Mine, Zhuge Shangyu Ilmenite Mine and Qinjiazhuang Ilmenite Project as at November 2011 as disclosed in the prospectus of the Company dated 17 April 2012; and (2) the estimated amount of ores mined by the Group from November 2011 to December 2013, the Group's estimated resources and reserves as at 31 December 2015 were as follows:

JORC ore reserve estimate as of 31 December 2015: ***(Note: JORC ore reserves as of 31 December 2013 less exploration during the period from 1 January 2014 to 31 December 2015)***

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

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

JORC ore reserve estimate as of 31 December 2014: ***(Note: JORC ore reserves as of 31 December 2013 less exploration during the period from 1 January 2014 to 31 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 256.29 Mt is underground reserves.

Yangzhuang Iron Mine resources estimate as of 31 December 2015: ***(Note: JORC mineral resources as of 31 December 2013 less exploration during the period from 1 January 2014 to 31 December 2015)***

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

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

Zhuge Shangyu Ilmenite Mine resources estimate as of 31 December 2015: ***(Note: JORC mineral resources as of 31 December 2013 less exploration during the period from 1 January 2014 to 31 December 2015)***

| **Resources Category** | **Resources Tonnes** *(Mt)* | **SG** *(t/m³)* | **$T_iO_2$** *(%)* | **TFe** *(%)* |
|---|---|---|---|---|
| Measured | 372.8 | 3.19 | 6.23 | 14.04 |
| Indicated | 261.0 | 3.13 | 6.14 | 14.18 |
| **Total Measured and Indicated** | 632.8 | 3.17 | 6.19 | 14.10 |
| Inferred | 4.0 | 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 2015: ***(Note: JORC mineral resources as of 31 December 2013, there was no mining activity or exploration activity carried out during 2014 and 2015)***

| **Resources Category** | **Tonnes** *(Mt)* | **SG** *($t/m^3$)* | **$T_iO_2$** *(%)* | **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 46.4 Mt 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 57.2 Mt 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 12.8 Mt.

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

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

The mining licence permits a production scale of 1.5 Mt 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 2015: ***(Note: Resources and reserves estimate from an updated verification report completed by the 8th Institute of Geology and Mineral Exploration of Shandong Province as of 31 December 2013 less exploration during the period from 1 January 2014 to 31 December 2015)***

| **Resources and Reserves Category** | **Luxing Titanium Mine** |
|---|---|
| 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 2014: ***(Note: Resources and reserves estimate from an updated verification report completed by the 8th Institute of Geology and Mineral Exploration of Shandong Province as of 31 December 2013 less exploration during the period from 1 January 2014 to 31 December 2014)***

| **Resources and Reserves Category** | **Luxing Titanium Mine** |
|---|---|
| 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 |

**Gaozhuang Shangyu Ilmenite Project**

Gaozhuang Shangyu Ilmenite Project is located in Yishui County and Yinan County of Shandong Province, the PRC. Shangdong Ishine has engaged an independent third party surveying agency to conduct preliminary exploration work in the Gaozhuang Shangyu Ilmenite Project and the work was completed in 2012. It has exploration rights over area of approximately 1.53 $km^2$, with the exploration term expiring in March 2017. According to Titanium Mine Detailed Survey Report in respect of the project, it was estimated that the exploration area had approximately 46.0 Mt of resources of Type 332 and 333 of ilmenite ores as at 2 September 2012 under PRC classification standard with an average grading of iron and titanium contents of approximately 12.4% and 6.8%. As there is no change in resources and reserves from October 2012 to December 2015, the Group did not have any plan to carry out mining work or other expansion plan.

## EXPLORATION LICENCES IN AUSTRALIA

As at 31 December 2015, Ishine International owns 6 granted exploration licences located in Western Australia and 2 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 120 km north of Mt Isa in north-west Queensland and comprises two tenements (EPM15933 and EPM15986) covering an area of 103.6 km$^2$ . Seven diamond drillholes (totalling 921.80 m) were drilled on tenement EPM15986 on previously identified versatile time domain electromagnetic survey ("VTEM") anomalies 5 km 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.

Ishine international had not carried out other exploration activity in Australia during 2015.

The tenement expenditure was RMB2.6 million (approximately AUD0.5 million) and the capitalised tenement acquisition cost for Mt Watson was RMB3.3 million (approximately 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, 126 km$^2$ | Active | NA | Nickel, Copper, Cobalt |
| E77/1786 | Ishine International | 22-Mar-11 | 21-Mar-16 | 70 Blocks Merredin, Narembeen and Yilgarn Shires, 204 km$^2$ | Active | NA | Iron |
| E37/1073 | Ishine International | 21-Jul-11 | 20-Jul-16 | 33 Blocks Laverton and Leonora Shires, 99 km$^2$ | Active | NA | Nickel, Gold |
| E39/1582 | Ishine International | 27-Apr-12 | 26-Apr-17 | 6 Blocks Laverton, 18 km$^2$ | Active | NA | Nickel, Gold |

| Tenement | Registered holder/ applicant | Grant date | Expiry Date | Area size and locality | Current status | Status of renewal of tenement (if expiring within 1 year) | Target minerals |
|---|---|---|---|---|---|---|---|
| E37/1074 | Ishine International | 14-Sep-11 | 13-Sep-16 | 4 Blocks Leonora Shire, 10 $km^2$ | Active | NA | Nickel, Gold |
| E80/4619 | Ishine International | 25-Sep-12 | 24-Sep-17 | 16 Blocks Moola Bulla and Kimberley, 52 $km^2$ | Active | NA | Nickel, Copper, Gold |

South Australia

| 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 |
|---|---|---|---|---|---|---|---|
| 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 |

## 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 | |
|---|---|---|
| | **2015** | 2014 |
| | ***Kt*** | *Kt* |
| **Production Volume** | | |
| Feed tonnage | **442** | 2,280 |

| | Year ended 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | ***RMB'000*** | *RMB'000* |
| **Mining Costs** | | |
| Workforce employment | **11,639** | 51,132 |
| Transportation | **3,889** | 17,087 |
| Fuel, electricity, water and other services | **1,540** | 6,767 |
| Non-income taxes, royalties and other governmental charges | **2,042** | 14,555 |
| Subtotal | **19,110** | 89,541 |
| **Processing Costs** | | |
| Workforce employment | **1,630** | 21,114 |
| Consumables | **1,129** | 15,816 |
| Fuel, electricity, water and other services | **6,909** | 51,510 |
| Administration | **2,631** | 11,279 |
| Transportation | **606** | 6,199 |
| Non-income taxes, royalties and other governmental charges | **8** | 684 |
| Subtotal | **12,913** | 106,602 |
| ***Total Mining and Processing Costs*** | **32,023** | 196,143 |
| **Management Expenses** | | |
| Environmental protection and monitoring | **5,397** | 6,402 |
| Other administration cost | **43,230** | 46,807 |
| Product marketing and transportation | **1,650** | 1,820 |
| Non-income taxes, royalties and other governmental charges | **256** | 316 |
| Subtotal | **50,533** | 55,345 |
| ***Total Operating Expenses*** | **82,556** | 251,488 |
| **Other Costs** | | |
| Depreciation and Amortisation | **28,093** | 27,558 |
| ***Total Production Costs*** | **110,649** | 279,046 |

## CONTRACTS AND COMMITMENTS

The Group has signed 8 new contracts with a total amount of RMB1.1 million during 2015. The details are summarised as below:

**Yangzhuang Iron Mine**

| **Type of contracts** | **Number of contracts signed** | **Total amount** *RMB million* |
|---|---|---|
| (i) Equipment suppliers | 1 | 0.2 |
| (ii) Technical service | 5 | 0.1 |
| **Total** | 6 | 0.3 |

**Zhuge Shangyu Ilmenite Mine**

| **Type of contracts** | **Number of contracts signed** | **Total amount** *RMB million* |
|---|---|---|
| (i) Technical service | 2 | 0.8 |

## FINANCIAL REVIEW

For the year ended 31 December 2015, the Group recorded revenue of approximately RMB294.5 million as compared with approximately RMB426.1 million for the year ended 31 December 2014, representing a decrease of approximately 30.9%. For the year ended 31 December 2015, approximately 62.4% of total sales were derived from trading of coarse iron powder, while the remaining approximately 35.8% of the Group's total sales consisted of the sales of iron concentrates and titanium concentrates produced by the Group's processing plants. The Group mainly sold iron concentrates and titanium concentrates produced by the Group to iron pellets and steel producers in Shandong Province, the PRC. In addition to the above customers of iron and titanium concentrates, the Group sold coarse iron powder to other customers engaged in trading and manufacturing of iron-related products in the PRC.

## PRICES OF THE GROUP'S PRODUCTS

### Iron Concentrates

The unit price of approximately 57% and 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 57% and 65% iron concentrates for the year ended 31 December 2015 was RMB433.5 and RMB479.3 per tonne respectively, representing a decrease of approximately 33.0% and 42.4% as compared with the average unit selling price of approximately RMB647.3 and RMB831.4 per tonne respectively for the year ended 31 December 2014. Such decrease was mainly due to the continuous slowdown of China's economy for the year ended 31 December 2015.

### Titanium Concentrates

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

For the year ended 31 December 2015, the Group did not produce any titanium concentrates.

### Revenue

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

| | **The year ended 31 December 2015** | | The year ended 31 December 2014 | |
|---|---|---|---|---|
| | ***RMB'000*** | | *RMB'000* | |
| **Revenue** | | | | |
| **Sales of iron concentrates produced by the Group** | | | | |
| – from iron ore of Yangzhuang Iron Mine (65% iron concentrates) | **48,164** | **16.4%** | 145,318 | 34.1% |
| – from ilmenite ore of Zhuge Shangyu Ilmenite Mine (57% iron concentrates) | **1,213** | **0.4%** | 1,960 | 0.5% |
| – from ilmenite ore of Luxing Titanium Mine (57% iron concentrates) | **4,168** | **1.4%** | 9,204 | 2.2% |
| – from mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder (65% iron concentrates) | **51,955** | **17.6%** | 138,590 | 32.5% |
| | **105,500** | **35.8%** | 295,072 | 69.3% |
| **Sales of titanium concentrates produced by the Group** | | | | |
| – from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates) | **9** | **0.0%** | 2,612 | 0.6% |
| **Sales from trading activities** | | | | |
| – from coarse iron powder | **183,692** | **62.4%** | 125,582 | 29.5% |
| **Others** | **5,280** | **1.8%** | 2,816 | 0.6% |
| | **294,481** | **100%** | 426,082 | 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 2015** ***(Kt)*** | The year ended 31 December 2014 *(Kt)* |
|---|---|---|
| **Sales volume of iron concentrates produced by the Group** | | |
| – from iron ore of Yangzhuang Iron Mine (65% iron concentrates) | **98.5** | 185.4 |
| – from ilmenite ore of Zhuge Shangyu Ilmenite Mine (57% iron concentrates) | **2.3** | 2.9 |
| – from ilmenite ore of Luxing Titanium Mine (57% iron concentrates) | **10.1** | 14.4 |
| – from mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder (65% iron concentrates) | **110.4** | 156.0 |
| | **221.3** | 358.7 |
| **Sales volume of titanium concentrates produced by the Group** | | |
| – from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates) | **0.01** | 3.2 |
| **Sales volume of trading activities** | | |
| – from coarse iron powder | **417.0** | 241.0 |
| | **638.3** | 602.9 |

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

| | **The year ended 31 December 2015** | | The year ended 31 December 2014 | |
|---|---|---|---|---|
| | ***(Kt)*** | ***(approximately)*** | *(Kt)* | *(approximately)* |
| **Iron concentrates produced by the Group** | | | | |
| Amount of iron concentrates produced from iron ore of Yangzhuang Iron Mine (65% iron concentrates) | **22.9** | **16.2%** | 226.1 | 56.6% |
| Amount of iron concentrates produced from ilmenite ore of Zhuge Shangyu Ilmenite Mine (57% iron concentrates) | **–** | **–** | 4.5 | 1.1% |
| Amount of iron concentrates produced from ilmenite ore of Luxing Titanium Mine (57% iron concentrates) | **–** | **–** | 16.6 | 4.1% |
| Amount of mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder (65% iron concentrates) | **118.5** | **83.8%** | 152.4 | 38.2% |
| | **141.4** | **100%** | 399.6 | 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% |
| Amount of titanium concentrates produced from ilmenite ore of Luxing Titanium Mine – 20%-30% titanium concentrates | **–** | **–** | 4.1 | 37.6% |
| | **–** | **–** | 10.8 | 100% |

During 2015, the Group has strategically reduced the sales and production of iron concentrates and titanium concentrates during the downturn of the steel market, in order to protect the resources of the Group. For the year ended 31 December 2015, revenue is mainly derived from sales of coarse iron powder to the Group's trading customers. Revenue is also derived from sales of iron concentrates produced by the Group.

The Group's revenue decreased by approximately RMB131.6 million, or 30.9%, to approximately RMB294.5 million for the year ended 31 December 2015, as compared with RMB426.1 million for the year ended 31 December 2014. 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 RMB97.2 million; (2) the decrease in sales of mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder by approximately RMB86.6 million; and (3) the decrease in sales of iron concentrates produced from ilmenite ore of Zhuge Shangyu Ilmenite Mine and ilmenite ore of Luxing Titanium Mine by approximately RMB0.7 million and RMB5.0 million respectively for the year ended 31 December 2015, which was offset by the increase in turnover by approximately RMB58.1 million from trading of coarse iron powder from approximately RMB125.6 million for the year ended 31 December 2014 to RMB183.7 million for the year ended 31 December 2015.

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 downturn of the steel market.

Sales derived from mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder dropped by approximately 62.5% from approximately RMB138.6 million for the year ended 31 December 2014 to approximately RMB52.0 million for the year ended 31 December 2015 mainly as a result of the slowdown of China's economy, 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 mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder.

The entire iron and steel market has demonstrated an ongoing downward moving trend as the economy in China continued to remain sluggish. The management has restructured the sales mix of products and increased trading activities. The total sales generated from trading activities significantly increased by approximately 46.3%, which was mainly due to the increase of trading turnover of coarse iron powder from approximately RMB125.6 million for the year ended 31 December 2014 to approximately RMB183.7 million for the year ended 31 December 2015.

## 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 2015** *RMB'000* | | The year ended 31 December 2014 *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) | **51,464** | **15.6%** | 143,746 | 33.8% |
| – from ilmenite ore of Zhuge Shangyu Ilmenite Mine (57% iron concentrates) | **1,287** | **0.4%** | 2,401 | 0.6% |
| – from ilmenite ore of Luxing Titanium Mine (57% iron concentrates) | **4,515** | **1.4%** | 12,040 | 2.8% |
| – from mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder (65% iron concentrates) | **64,106** | **19.5%** | 136,433 | 32.1% |
| | **121,372** | **36.9%** | 294,620 | 69.3% |
| **Cost of sales of titanium concentrates produced by the Group** | | | | |
| – from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates) | **8** | **0.0%** | 2,869 | 0.7% |
| **Cost of sales of trading activities** | | | | |
| – from coarse iron powder | **205,115** | **62.3%** | 125,287 | 29.4% |
| **Others** | **2,729** | **0.8%** | 2,462 | 0.6% |
| | **329,224** | **100%** | 425,238 | 100% |

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

Total cost of sales decreased by approximately RMB96.0 million, or approximately 22.6%, to RMB329.2 million for the year ended 31 December 2015, as compared with 425.2 million for the year ended 31 December 2014. Such decrease was consistent with the decrease in the Group's revenue during the year ended 31 December 2015, 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 Ilmenite Mine and ilmenite ore of Luxing Titanium Mine by 91.8Kt for the year ended 31 December 2015; and (2) the decrease in sales volume of iron concentrates produced from mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder by 45.6 Kt for the year ended 31 December 2015.

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

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

| | **The year ended 31 December 2015** | | The year ended 31 December 2014 | |
|---|---|---|---|---|
| | ***RMB'000*** | | *RMB'000* | |
| **Gross (loss)/profit** | | | | |
| **Gross (loss)/profit of iron concentrates produced by the Group** | | | | |
| – from iron ore of Yangzhuang Iron Mine (65% iron concentrates) | **(3,300)** | **9.5%** | 1,572 | 186.3% |
| – from ilmenite ore of Zhuge Shangyu Ilmenite Mine (57% iron concentrates) | **(74)** | **0.2%** | (441) | (52.3)% |
| – from ilmenite ore of Luxing Titanium Mine (57% iron concentrates) | **(347)** | **1.0%** | (2,835) | (335.9)% |
| – from mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder (65% iron concentrates) | **(12,151)** | **35.0%** | 2,155 | 255.3% |
| | **(15,872)** | **45.7%** | 451 | 53.4% |
| **Gross (loss)/profit of titanium concentrates produced by the Group** | | | | |
| – from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates) | **1** | **0.0%** | (256) | (30.3)% |
| **Gross (loss)/profit of trading activities** | | | | |
| – from coarse iron powder | **(21,423)** | **61.7%** | 296 | 35.1% |
| **Others** | **2,551** | **(7.4)%** | 353 | 41.8% |
| | **(34,743)** | **100%** | 844 | 100% |

| | The year ended 31 December 2015 *RMB'000* | The year ended 31 December 2014 *RMB'000* |
|---|---|---|
| **Gross (loss)/profit margin** | | |
| **Gross (loss)/profit margin of iron concentrates** | | |
| – from iron ore of Yangzhuang Iron Mine (65% iron concentrates) | **(6.9)%** | 1.1% |
| – from ilmenite ore of Zhuge Shangyu Ilmenite Mine (57% iron concentrates) | **(6.1)%** | (22.5)% |
| – from ilmenite ore of Luxing Titanium Mine (57% iron concentrates) | **(8.3)%** | (30.8)% |
| – from mixing iron concentrates purchase from other suppliers and/or produced from coarse iron powder (65% iron concentrates) | **(23.4)%** | 1.6% |
| **Gross profit/(loss) margin of titanium concentrates** | | |
| – from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates) | **11.1%** | (9.8)% |
| **Gross (loss)/profit margin of trading activities of coarse iron powder** | **(11.7)%** | 0.2% |
| **Others** | **48.3%** | 12.5% |
| **Overall gross (loss)/profit margin** | **(11.8)%** | 0.2% |

Gross profit decreased by approximately RMB35.5 million from the gross profit of approximately RMB0.8 million for the year ended 31 December 2014 to the gross loss of approximately RMB34.7 million for the year ended 31 December 2015. The main reasons for the decline were (1) the decrease in gross profit of iron concentrates produced from mixing iron concentrates purchased from other suppliers and/or produced from the coarse iron powder by approximately RMB14.4 million from the gross profit of approximately RMB2.2 million for the year ended 31 December 2014 to the gross loss of approximately RMB12.2 million for the year ended 31 December 2015; (2) the decrease in gross profit of iron concentrates produced from the iron ore of Yangzhuang Iron Mine by approximately RMB4.9 million from the gross profit of approximately RMB1.6 million for the year ended 31 December 2014 to the gross loss of approximately RMB3.3 million for the year ended 31 December 2015; and (3) the decrease in gross profit of trading of coarse iron powder by approximately RMB21.7 million from the gross profit of approximately RMB0.3 million for the year ended 31 December 2014 to the gross loss of approximately RMB21.4 million for the year ended 31 December 2015.

Overall gross profit margin decreased from 0.2% to gross loss margin of 11.8% for the year ended 31 December 2015 as compared with that for the year ended 31 December 2014. The decrease in overall gross profit margin was primarily due to the sluggish global economy, especially the economic slowdown and the decrease in domestic demand in China, together with a substantial increase in production volume of the four largest mining companies in the world, which increased the supply of iron ore products and resulted in the decline of the price. The average unit selling price of the 65% iron concentrates declined by 42.4% from approximately RMB831.4 per tonne for the year ended 31 December 2014 to approximately RMB479.3 per tonne for the year ended 31 December 2015.

**Other losses, net**

The Group's other losses were approximately RMB12.4 million for the year ended 31 December 2015 as compared with that of approximately RMB15.8 million for the year ended 31 December 2014, which was mainly due to a decrease in the loss from issuance of non-listed warrants from approximately RMB17.0 million for the year ended 31 December 2014 to approximately RMB13.5 million for the year ended 31 December 2015. On 1 June 2015, 140,000,000 non-listed warrants were issued at par value of RMB0.0016 each and the exercise price was RMB0.319.

**Finance costs, net**

Net finance costs mainly represented interest expense on bank loans, bonds, and discount of bank acceptance notes of the Group, offset by interest income on bank deposits. Finance costs decreased from approximately RMB21.8 million for the year ended 31 December 2014 to approximately RMB21.6 million for the year ended 31 December 2015.

**Total comprehensive loss**

The total comprehensive loss attributable to owners of the Company was approximately RMB261.4 million for the year ended 31 December 2015, representing an increase of approximately RMB182.7 million or approximately 232.1% as compared to that of approximately RMB78.7 million for the year ended 31 December 2014. This was mainly due to (1) the gross profit decreased by approximately RMB35.5 million from the gross profit of approximately RMB0.8 million for the year ended 31 December 2014 to the gross loss of approximately RMB34.7 million for the year ended 31 December 2015. The main reasons for the decline were (i) the decrease in gross profit of iron concentrates produced from mixing iron concentrates purchased from other suppliers and/or produced from the coarse iron powder by approximately RMB14.4 million from the gross profit of approximately RMB2.2 million for the year ended 31 December 2014 to the gross loss of approximately RMB12.2 million for the year ended 31 December 2015; (ii) the decrease in gross profit of iron concentrates produced from the iron ore of Yangzhuang Iron Mine by approximately RMB4.9 million from the gross profit of approximately RMB1.6 million for the year ended 31 December 2014 to the gross loss of approximately RMB3.3 million for the year ended 31 December 2015; and (iii) the decrease in gross profit of trading of coarse iron powder by approximately RMB21.7 million from the gross profit of approximately RMB0.3 million for the year ended 31 December 2014 to the gross loss of approximately RMB21.4 million for the year ended 31 December 2015; (2) the loss from issuance of non-listed warrants of approximately RMB13.5 million. On 1 June 2015, 140,000,000 non-listed warrants were issued at par value of RMB0.0016 each and the exercise price was RMB0.319; and (3) the increase in the impairment loss of assets by approximately RMB118.8 million from approximately RMB17.8 million for the year ended 31 December 2014 to approximately RMB136.6 million for the year ended 31 December 2015.

**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 2015 was exploration activities. Net loss incurred by Ishine International for the year ended 31 December 2015 was approximately RMB1.9 million as compared to net loss of approximately RMB7.6 million for the year ended 31 December 2014.

## CAPITAL STRUCTURE

The Company's issued share capital as at 31 December 2015 is HK$8,853,715.84 divided into 4,426,857,920 shares with par value of HK$0.002 each.

The Group adopts a prudent treasury policy, and its gearing ratio (calculated as total borrowings divided by the aggregate amount of total equity and total borrowings) as at 31 December 2015 was approximately 30.2% (as at 31 December 2014: approximately 23.6%). The current ratio (calculated as current assets divided by current liabilities) as at 31 December 2015 was approximately 1.9 times (as at 31 December 2014: approximately 2.2 times).

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2015, the total amount of the borrowings of the Group was approximately RMB270.8 million (as at 31 December 2014: approximately RMB222.0 million). The Group settled borrowings in the amount of approximately RMB217.6 million for the year ended 31 December 2015. The Group's cash and bank balances amounted to approximately RMB98.1 million as at 31 December 2015 (as at 31 December 2014: approximately RMB142.0 million).

## MATERIAL ACQUISITIONS OR DISPOSALS

There was no material acquisition, disposal or investment by the Group during the year ended 31 December 2015.

## FUND RAISING ACTIVITIES AND ISSUANCE OF SHARES

On 1 March 2015, the Company entered into a subscription agreement (as supplemented by a supplemental deed dated 2 March 2015) with X. Mining Resources Group Limited (the "**Subscriber**") for the subscription by the Subscriber of (i) 392,000,000 new shares of HK$0.002 each in the capital of the Company ("**Shares**") at the subscription price of RMB0.304 (equivalent to approximately HK$0.384) per Share ("**Share Subscription**"); and (ii) 140,000,000 units of unlisted warrants at the issue price of RMB0.016 (equivalent to approximately HK$0.02) per warrant ("**Warrant Subscription**").

The Share Subscription was completed on 16 March 2015, and 392,000,000 subscription Shares were issued pursuant to the general mandate granted by the shareholders of the Company at the extraordinary general meeting held on 27 October 2014. A net proceeds from the Share Subscription of HK$150,000,000 was raised. The net price per subscription Share was approximately HK$0.383. As at the date of this announcement, the proceeds were not yet utilized.

The warrants conferring its holder the right to subscribe for an aggregate of 140,000,000 Shares at the subscription price (subject to adjustments) of RMB0.319 (equivalent to approximately HK$0.402) per Share for a period of 12 months commencing from the date of issuance of the warrants. The Warrant Subscription was approved by the shareholders of the Company at the extraordinary general meeting held on 27 May 2015, and was completed on 1 June 2015. A net proceeds of approximately HK$2,750,000 from the Warrant Subscription in respect of the issuance of the warrant at the issue price of RMB0.016 was raised. As at the date of this announcement, the net proceeds were not yet utilized.

For further details of the above Share Subscription and Warrant Subscription, please refer to the announcement of the Company dated 2 March 2015 and the circular of the Company dated 11 May 2015.

During the year ended 31 December 2015, an aggregate of 127,000,000 Shares have been issued upon exercise of the subscription rights attaching to the warrants issued by the Company on 17 July 2014 at the adjusted exercise price of HK$0.338 per Share. 289,500,000 units of unexercised warrants were expired on 17 July 2015. A further net proceeds of approximately HK$42.8 million (i.e. approximately HK$0.337 per Share) was raised. The aggregate nominal value of the warrants converted into ordinary shares during the year ended 31 December 2015 was HK$254,000. 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 Ever Grand, operating in the PRC, and Ishine International, operating in Australia, are four major subsidiaries of the Company. Almost all of the transactions of Shandong Ishine, Luxing Titanium and Ever Grand, 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 2015, bank borrowings of RMB100 million were secured by the mining right of Shandong Ishine, in Shandong Province, the PRC.

As at 31 December 2015, bank borrowings of RMB40 million were secured by the mining right and trade receivables of Shandong Ishine, in Shandong Province, the PRC, and trade receivables with carrying amount of RMB60.4 million.

## 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 2015 was approximately RMB2.4 million (equivalent to approximately AUD 0.5 million) compared to approximately RMB8.8 million as at 31 December 2014 (equivalent to approximately AUD1.8 million).

As at 31 December 2015, Shandong Ishine has capital commitments of approximately RMB5.8 million (as at 31 December 2014: RMB5.9 million) for property, plant and equipment. These commitments have been made during the year ended 31 December 2015 but have not been paid.

## EMPLOYEE BENEFITS AND REMUNERATION POLICIES

As at 31 December 2015, the Group had a total of 212 employees (as at 31 December 2014: 427 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 2015, staff costs (including Directors' remunerations) amounted to approximately RMB14.2 million (2014: approximately RMB24.1 million).

## CONTINGENT LIABILITIES

As at 31 December 2015, the Group has no material contingent liabilities.

## USE OF 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 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.

## 2016 DEVELOPMENT AND FUTURE PLANS

### I. Production and operation

#### 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 will decide whether to mine and process its own mines based on the market conditions. It will analyse operating risks and judge the timing for trading, and based on profitability to decide on whether to process with part of coarse powders purchased from other suppliers.

#### 2. Zhuge Shangyu Ilmenite Mine

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

The Group has rented an 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 for testing to continue to strengthen the cooperation with national scientific and research institutions, such as the Chinese Academy of Sciences, in order to improve titanium processing techniques and control production costs and enhance the value of ilmenite ore.

If the market recovers, the Group will increase its investment in the 2.0 Mt processing line and production line in the mine since 2013 and commence operation in the current year. If the market remains stagnant and less profitable or not profitable at all, the Group will reduce its investments. The construction schedule of the mine will be based on the market conditions.

#### 3. Qinjiazhuang Ilmenite

In 2016, the Group will determine whether it 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 2016. The Group will decide to mine and process its own mines based on profitability.

## II. New business relating to clean energy

The Group will actively seek for new breakthrough on the basis of maintaining the existing mines. It will invest in construction of photovoltaic project to achieve new progress in the development of clean energy business.

In 2016, the Group may take advantages of the unique locations of its own mines and availability of resources such as solar energy in the investment and construction of the new clean energy industry as encouraged by national policies, so as to achieve breakthrough in profit growth.

## III. Business relating to capital markets and others

1. Capitalising on the platform of re-financing, the Company will continue to expand shareholder base, thus 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 will strive to make new businesses the new sources of economic growth for the listed group.

## IV. Technological innovation and other business

Based on innovation of existing technology, the Group adheres and commits to technological innovation.

1. In 2016, the approved establishment of Shandong Ishine Mining Academician Workstation will become 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 will actively expand the research support from the Institute of Process Engineering of the Chinese Academy of Sciences in order to complete the development of hydrometallurgy processing of 76%-or-above titanium concentrate as soon as possible on the basis of the periodic significant technological results.

3. The Group will 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.

## V. Fuel oil business

In 2016, the Group will analyse the market thoroughly with reference to the market conditions of fuel oil, to determine whether to engage in import and sales of fuel oil, in order to grow new profit for the Group.

## VI. Maintenance of green mines

The Group will focus on greening of the mining area and ecological environment restoration of mines. It will strive to strike a balance between resources development and environmental protection, thereby ensuring a high greening rate in mining area and maintaining a pleasant ecological environment. The Group will aim at meeting the basic standards of scientific mining, highly efficient resources utilisation, standardised management, environmentally friendly production techniques and ecological mining environment, so as to achieve unified coordination between resource, environment and social benefits in mining development. It will strive to establish green mining practices, harmonious community and circular economy. By comprehensively improving resources utilisation rate and technology innovation, conserving energy and reducing emissions, protecting ecological environment and establishing corporate culture, the Group will continue to maintain sustainable national green mines with proper structure, sound management and function systems, and significant social, economic and environment benefits.

## VII. Harmonious community development:

The Group sets its target on establishing a good enterprise-local cooperation relationship and seeking a win-win cooperation model, which will enable the enterprise development to drive the local social and economic development, thereby creating a harmonious and stable mining environment. The Group will insist on its philosophy to place equal emphasis on profit and morality, and strive to contribute to society. It is driven by a strong sense of social responsibility to support charitable and social causes, which helps establish its excellent corporate image.

## VIII. Culture building of mining company:

The Group will enhance the internal promotion of green mining. It will practise green mining throughout the daily operation of the mines and incorporate its corporate culture in daily management. It will educate its employees on the culture of the Group so that the idea will integrate into their practices without them knowing. The Group will offer a wide range of activities to enhance staff quality and in turn improve the core competitiveness of the Company. It will establish a comprehensive skills training system and organise regular trainings with the aim to enhance the professional skills of staff. The Company sees occupational skills training as the driving force of corporate development, meanwhile, it will enhance the people-oriented staff management by focusing on improving the staff quality as well as work efficiency and quality.

The plans and measures for 2016 are set out above. The Group will timely adjust its working plan in due course based on market change in the upcoming year. It will strive to maintain green mines and actively seek for new sources of profit growth, with a view to reward the shareholders and enhance investors' confidence.

## FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: 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 ("2016 AGM") to be held on Monday, 23 May 2016, the register of members of the Company will be closed from Friday, 20 May 2016 to Monday, 23 May 2016, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2016 AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 19 May 2016.

## 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 2015.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding Directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Having made specific enquiry of all Directors, the Company confirmed that all Directors had complied with the required standard set out in the Model Code throughout the year ended 31 December 2015.

## 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 Listing Rules as its own code of corporate governance.

In the opinion of the Directors, the Company was in compliance with all the relevant code provisions set out in the CG Code throughout the year ended 31 December 2015.

## 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 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 2015 before such documents were tabled for the Board's review and approval, and is of the opinion that such documents are complied with the applicable accounting standards, the Listing Rules and other applicable legal requirements and that adequate disclosures have been made.

## APPOINTMENT OF NON-EXECUTIVE DIRECTOR

The Board also announces that Ms. Chau Ching ("Ms. Chau") was appointed as a non-executive Director with effect from 30 March 2016.

**Ms. Chau**, aged 46, graduated from Hangzhou University (now known as Zhejiang University) with bachelor's degree in Tourism Economic in 1991. Ms. Chau has over 20 years in the business of tourism, import and export of textile products and foodstuff, international trading of iron ore and steel products, bulk carrier chartering business, property investment and management as well as resources investment holding business.

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

Ms. Chau has now been acted as company secretary of the Hong Kong subsidiary of Shandong Energy Group-Rocklands Richfield (Hong Kong) Limited. She has also been acted as general manager and director for her serviced company and its several related companies as per above and is responsible for management of daily operation of several investment business in respect of resources holding, property investment and management, tourism and retirement resort by her serviced company in China, Hong Kong, Australia and Papua New Guinea. Ms. Chau does not hold directorship in other listed public companies during the past three years.

Ms. Chau entered into a service agreement with the Company on 30 March 2016 for a term of two years commencing from 30 March 2016 unless terminated by not less than three months' notice in writing served by either party on the other. She is subject to re-election at the next following annual general meeting of the Company after her appointment and thereafter subject to retirement by rotation and re-election at least once in every three years in accordance with the articles of association of the Company. She is entitled to a director's remuneration of HK$72,000 per annum, which is determined by the Board with reference to the recommendation from the remuneration committee of the Company, the duties and responsibilities of Ms. Chau and the prevailing market conditions.

Ms. Chau is not connected with any Directors, senior management or substantial shareholders or the controlling shareholders (has the meaning as defined under the Listing Rules) of the Company. Ms. Chau is interested in 20,468,000 shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and she does not hold any other position with the Company or any of its subsidiaries as at the date of this announcement.

Save as disclosed herein, there are no other matters relating to the appointment of Ms. Chau that need to be brought to the attention of the shareholders of the Company or are required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

The Board would like to express its welcome to Ms. Chau for her joining the Board.

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

Hong Kong, 30 March 2016

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