大愛無疆 · 德行天下

Add New Energy Investment Holdings Group Limited
愛德新能源投資控股集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 02623)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS

The Group recorded revenue of approximately RMB58.2 million for the year ended 31 December 2016, representing a decrease of approximately 80.2% over the revenue of approximately RMB294.5 million for the year ended 31 December 2015.

The Group's total comprehensive loss attributable to owners of the Company decreased by approximately 55.3% from approximately RMB261.4 million for the year ended 31 December 2015 to approximately RMB116.9 million for the year ended 31 December 2016.

ANNUAL RESULTS

The board ("the Board") of directors (the "Directors") of Add New Energy Investment Holdings Group 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 2016 and the Group's audited consolidated balance sheet as at 31 December 2016, together with the relevant comparative figures for the year ended 31 December 2015, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December **2016** ***RMB'000***	 2015 *RMB'000*
Revenue	*4*	**58,248**	294,481
Cost of sales		**(56,207)**	(329,224)
Gross profit/(loss)		**2,041**	(34,743)
Distribution expenses		**(249)**	(3,034)
Administrative expenses		**(88,324)**	(210,474)
Other (loss)/income		**(332)**	213
Other gains/(losses) – net	*5*	**1,716**	(12,416)
Operating loss		**(85,148)**	(260,454)
Finance income		**2,995**	2,453
Finance expenses		**(27,447)**	(24,056)
Finance expenses – net	*6*	**(24,452)**	(21,603)
Loss before income tax		**(109,600)**	(282,057)
Income tax (expense)/credit	*7*	**(8,455)**	18,641
Loss for the year		**(118,055)**	(263,416)
Loss attributable to:			
Owners of the Company		**(117,240)**	(261,414)
Non-controlling interests		**(815)**	(2,002)
		(118,055)	(263,416)
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Change in value on available-for-sale financial assets		**1,190**	80
Currency translation differences		**(90)**	(36)
Total comprehensive loss for the year		**(116,955)**	(263,372)
Attributable to:			
Owners of the Company		**(116,907)**	(261,401)
Non-controlling interests		**(48)**	(1,971)
Total comprehensive loss for the year		**(116,955)**	(263,372)
Losses per share for loss attributable to owners of the Company for the year (expressed in RMB per share)			
Basic losses per share	*8*	**(0.03)**	(0.06)
Diluted losses per share	*8*	**(0.03)**	(0.06)

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2016 RMB'000	2015 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment ("PPE")		**302,137**	352,930
Intangible assets		**58,150**	61,287
Available-for-sale financial assets	*9*	**1,665**	432
Deferred income tax assets	*10*	**15,044**	8,432
Long-term receivables		**–**	58,264
Other non-current assets	*11*	**7,370**	–
		384,366	481,345
Current assets			
Inventories	*12*	**32,275**	39,796
Trade receivables	*13*	**77,419**	133,619
Notes receivables	*14*	**7,000**	91,800
Prepayments and other receivables		**133,775**	39,987
Current portion of long-term receivables		**–**	14,689
Financial assets at fair value through profit or loss ("FVPL")		**–**	22,895
Cash and cash equivalents		**120,354**	98,090
Term deposits		**100,000**	100,000
Restricted bank deposits		**28,308**	45,000
		499,131	585,876
Total assets		**883,497**	1,067,221
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium		**644,393**	628,066
Reserves		**66,726**	64,388
Accumulated losses		**(185,209)**	(68,152)
		525,910	624,302
Non-controlling interests		**5,247**	1,426
Total equity		**531,157**	625,728

	Note	As at 31 December 2016 RMB'000	2015 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings		**111,412**	100,827
Provisions for close down, restoration and environmental costs		**26,992**	25,759
Deferred income		**501**	–
Deferred income tax liabilities		**17,433**	2,366
		156,338	128,952
Current liabilities			
Borrowings		**100,000**	170,000
Trade payables	*15*	**19,447**	47,654
Notes payables		**20,000**	50,000
Accruals and other payables		**55,354**	42,388
Dividend payables		**–**	1,337
Current portion of long-term liabilities		**39**	–
Current income tax liabilities		**1,162**	1,162
		196,002	312,541
Total liabilities		**352,340**	441,493
Total equity and liabilities		**883,497**	1,067,221
Net current assets		**303,129**	273,335
Total assets less current liabilities		**687,495**	754,680

Notes:

1. GENERAL INFORMATION

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

On 10 June 2016, the Board of Directors proposed to change the name from "China Zhongsheng Resources Holdings Limited" to "Add New Energy Investment Holdings Group Limited", the present one, which has been passed as a special resolution at an extraordinary general meeting of the Company held on 15 July 2016 ("EGM"), to better reflect the Company's strategic business plans to expand into clean energy, water and soil pollution treatment businesses, to continue the development of iron and titanium concentrates, and to establish the full titanium industrial chain.

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, the establishment of the full titanium industrial chain and finance lease activities in the People's Republic of China (the "PRC") and exploration of metal reserves in Australia. In the future, the Group will also develop businesses in clean energy, water and soil pollution treatment in the PRC. The Company listed its shares on the Main Board of The Stock Exchange of Hong Kong Limited on 27 April 2012.

The directors considered Hongfa Holdings Limited ("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 2017.

2. CHANGES IN ACCOUNTING POLICIES 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 2016:

- Clarification of acceptable methods of depreciation and amortisation – Amendments to HKAS 16 And HKAS 38
- Annual improvements to HKFRSs 2012 – 2014 cycle, and
- Disclosure initiative – amendments to HKAS 1.

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016 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:

(i) HKFRS 9, 'Financial instruments'

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

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

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

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

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

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed HKFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Group does not intend to adopt HKFRS 9 before its mandatory date.

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

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

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

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

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

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

At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

(iii) ***HKFRS 16, 'Leases'***

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

The accounting for lessors will not significantly change.

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

There are no other 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, sales of iron concentrates and titanium concentrates and the establishment of the full titanium industrial chain in the PRC;

(ii) Tianjin Ever Grand Financial Leasing Co., Ltd. ("Ever Grand"), which was incorporated in the PRC and is principally engaged in finance lease business; 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 measurement of profit or loss, assets and liabilities of the operating segments are the same as those described in the summary of significant accounting policies. The amounts of segment information of Shandong Ishine, Luxing Titanium and Ever Grand, are denominated in RMB while those for Ishine International are denominated in AUD. 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"), Active Fortune Group Limited ("Active Fortune")) and Yishui Shengrong New Energy Limited ("Yishui Shengrong") in the Group are presented as 'Unallocated' in the segment information.

The segment information provided to the SEM for the years ended 31 December 2016 and 2015 is as follows:

	Shandong Ishine and Luxing Titanium	Ishine International	Ever Grand	Unallocated	Inter-segment elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2016						
Revenue	**55,838**	**369**	**5,492**	**–**	**(3,451)**	**58,248**
Tenement and exploration expenses	**–**	**(289)**	**–**	**–**	**–**	**(289)**
Gross profit	**22**	**80**	**5,390**	**–**	**(3,451)**	**2,041**
Finance income	**2,983**	**–**	**12**	**–**	**–**	**2,995**
Finance expenses	**(11,647)**	**76**	**2**	**(18,249)**	**2,371**	**(27,447)**
Impairment losses	**(30,816)**	**–**	**–**	**–**	**–**	**(30,816)**
– PPE	**(36,163)**	**–**	**–**	**–**	**–**	**(36,163)**
– Intangible assets	**(3,137)**	**–**	**–**	**–**	**–**	**(3,137)**
– Inventories	**8,629**	**–**	**–**	**–**	**–**	**8,629**
– Trade receivables	**(145)**	**–**	**–**	**–**	**–**	**(145)**
Income tax expense	**(8,455)**	**–**	**–**	**–**	**–**	**(8,455)**
Net loss	**(84,366)**	**(669)**	**(1,466)**	**(31,554)**	**–**	**(118,055)**
Segment assets and liabilities						
Total assets	**792,974**	**7,564**	**188,607**	**776,711**	**(882,359)**	**883,497**
Total liabilities	**353,918**	**1,784**	**4,914**	**126,196**	**(134,472)**	**352,340**
Other information						
Depreciation of PPE	**(21,844)**	**(7)**	**–**	**(11)**	**–**	**(21,862)**
Expenditures for non-current assets	**6,928**	**–**	**–**	**871**	**–**	**7,799**

	Shandong Ishine and Luxing Titanium	Ishine International	Ever Grand	Unallocated	Inter-segment elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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 expenses	(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

4. REVENUE

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Production		
– Sales of iron concentrates	**3,591**	105,500
– Sales of titanium concentrates	**6,781**	9
Trading		
– Sales of coarse iron powder	**44,386**	183,692
Rental		
– Finance lease	**3,122**	2,157
Others	**368**	3,123
	58,248	294,481

5. OTHER GAINS/(LOSSES) – NET

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
FVPL – fair value gains	**–**	236
(Losses)/gains on disposal of PPE	**(323)**	423
Government grants	**2,117**	400
Loss on issuance of unlisted warrants	**–**	(13,484)
Others	**(78)**	9
	1,716	(12,416)

6. FINANCE EXPENSES – NET

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Interest expense:		
– Borrowings	**(19,843)**	(19,880)
– Provisions: unwinding of discount	**(1,406)**	(1,341)
– Discount of bank acceptance notes	**(907)**	(2,622)
– Others	**(245)**	(449)
Net foreign exchange (losses)/gains	**(5,046)**	236
Finance expenses	**(27,447)**	(24,056)
Finance income:		
– Interest income on bank deposits	**2,995**	2,453
Net finance expenses	**(24,452)**	(21,603)

7. INCOME TAX (EXPENSE)/CREDIT

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Deferred tax *(Note 10)*:		
Origination and reversal of temporary differences	**(8,455)**	18,641

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 2016 and 2015.

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 2016 and 2015.

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.

In December 2015, Shandong Ishine was awarded with the National High-Tech Enterprise qualification. Pursuant to the related regulations, Shandong Ishine was entitled to the income tax rate of 15%, effective from 1 January 2016, and the relevant deferred tax balances have been re-measured as at 31 December 2015.

The tax rate for the Company's other PRC subsidiaries, Luxing Titanium and Ever Grand, was 25% for the year ended 31 December 2016.

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	
	2016	2015
	RMB'000	*RMB'000*
Loss before tax	**(109,600)**	(282,057)
Tax calculated at domestic tax rates applicable to losses in the respective countries	**13,069**	62,039
Tax effects of:		
– Expenses not deductible for tax purposes	**(162)**	(133)
– Tax losses for which no deferred income tax asset was recognised	**(11,536)**	(18,974)
Re-measurement of deferred tax – change in the tax rate	**–**	(24,291)
Reversal of deferred income tax assets recognised in prior years *(Note 10(b))*	**(9,826)**	–
Tax (charge)/credit	**(8,455)**	18,641

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	
	2016	2015
	RMB'000	*RMB'000*
Loss attributable to owners of the Company	**(117,240)**	(261,414)
Weighted average number of ordinary shares in issue	**4,468,948,029**	4,310,255,180
Basic losses per share (Expressed in RMB per share)	**(0.03)**	(0.06)

(b) Diluted

As at 31 December 2016, there were no dilutive instruments of the Company.

As at December 2015, there were unexercised warrants that would potentially have a dilutive impact in the future but were anti-dilutive due to the losses for the year ended 31 December 2015.

For the years ended 31 December 2016 and 2015, 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", a company listed in Australian Securities Exchange), 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	
	2016	2015
	RMB'000	*RMB'000*
At 1 January	**432**	416
Effect of foreign exchange rate changes	**43**	(24)
Gain from revaluation	**1,190**	80
Impairment loss (a)	**–**	(40)
At 31 December	**1,665**	432

(a) The fair value of such financial asset mentioned above has been determined by reference to published quotation in an active market. During the year ended 31 December 2015, AUD8,300 (equivalent to RMB40,000) were recognised as impairment loss 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	
	2016	2015
	RMB'000	*RMB'000*
Deferred tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	**14,152**	4,073
– Deferred income tax assets to be recovered within 12 months	**892**	4,359
	15,044	8,432
Deferred tax liabilities:		
– Deferred income tax liabilities to be recovered after more than 12 months	**(17,393)**	(2,146)
– Deferred income tax liabilities to be recovered within 12 months	**(40)**	(220)
	(17,433)	(2,366)
Deferred tax (liabilities)/assets (net)	**(2,389)**	6,066

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

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
At 1 January	**6,066**	(12,575)
(Charge)/credit to income statement	**(8,455)**	18,641
At 31 December	**(2,389)**	6,066

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

(a) Deferred income tax assets

	Provisions for close down, restoration and environmental costs	**Tax losses**	**Impairment losses**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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
Credited/(charged) to the income statement	291	(9,826)	2,307	(339)	(7,567)
At 31 December 2016	**4,650**	**3,770**	**33,312**	**61**	**41,793**

(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 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)
Charged to the income statement	(888)	–	(888)
At 31 December 2016	**(20,646)**	**(23,536)**	**(44,182)**

(i) Pursuant to the PRC corporate income tax law ("PRC CIT Law"), 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 2016, Shandong Ishine, the subsidiary of the Company incorporated in the PRC, with total retained earnings amounting to RMB35,504,000 will be subject to this withholding tax. The Group did not recognise the related deferred tax liabilities of RMB1,775,000 as at 31 December 2016, as the directors of the Company had foreseen that retained earnings up to 31 December 2016 of Shandong Ishine will not be distributed in the future.

(ii) As at 31 December 2016, the Group did not recognise deferred income tax assets of RMB16,622,000 (2015: RMB16,421,000) in respect of accumulated losses arising from Ishine International amounting to RMB55,407,000 (2015: RMB54,738,000) that can be carried forward indefinitely against future taxable income.

(iii) As at 31 December 2016, the Group did not recognise deferred income tax assets of RMB24,693,000 (2015: RMB16,040,000) in respect of accumulated losses arising from Shandong Ishine amounting to RMB164,620,000 (2015: RMB106,933,000), that can be carried forward against future taxable income in the next 5 years.

(iv) As at 31 December 2016, the Group did not recognise deferred income tax assets of RMB4,619,000 (2015: RMB2,336,000) in respect of accumulated losses arising from Luxing Titanium amounting to RMB18,474,000 (2015: RMB9,345,000), that can be carried forward against future taxable income in the next 5 years.

(v) As at 31 December 2016, in accordance with the earnings forecast, the Group reversed deferred income tax assets of RMB9,826,000 recognised for tax losses arising from Shandong Ishine in prior years, the amount reserved has been included in 'income tax expense' in the consolidated statement of comprehensive income.

11. OTHER NON-CURRENT ASSETS

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Land restoration deposits	**3,790**	–
Prepaid taxes	**3,580**	–
	7,370	–

12. INVENTORIES

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Raw materials		
– Iron ore and ilmenite ore	**12,428**	15,514
– Others	**5,228**	23,930
Finished goods	**5,067**	12,702
Spare parts and others	**9,552**	9,651
Provision for inventory	**–**	(22,001)
	32,275	39,796

For the year ended 31 December 2016, the costs of inventories recognised as 'cost of sales' amounted to RMB53,307,000 (2015: RMB316,199,000).

In the year ended 31 December 2016, upon sale of inventories with higher selling price, the Group reversed RMB10,984,000 of previous provision for inventory, the amount reversed has been included in 'cost of sales' in the consolidated statement of comprehensive income.

In the year ended 31 December 2016, upon consuming iron ore to produce iron concentrate, the Group reversed RMB2,388,000 of previous provision for inventory, the amount reversed has been included in 'finished goods' in the consolidated balance sheet.

Due to an increase in the market price of iron concentrates, the Group reversed RMB8,629,000 of the previous provision for inventory as at 31 December 2016.

13. TRADE RECEIVABLES

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**87,077**	143,132
Less: allowance for impairment of trade receivables	**(9,658)**	(9,513)
Trade receivables – net	**77,419**	133,619

As at 31 December 2016 and 2015, 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 2016, trade receivables of RMB74,362,000 were past due but not impaired (2015: RMB73,597,000). At 31 December 2016 and 2015, the ageing analysis of trade receivables was as follows:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Within 3 months	**3,057**	63,252
3 to 6 months	**–**	6,033
6 months to 1 year	**2,344**	28,037
Over 1 year	**81,676**	45,810
	87,077	143,132

As of 31 December 2016, a provision of RMB9,658,000 (2015: RMB9,513,000) was provided for impairment of trade receivables.

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	
	2016	2015
	RMB'000	*RMB'000*
At 1 January	**9,513**	–
Provision for trade receivables impairment	**145**	9,513
At 31 December	**9,658**	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 2016, no trade receivables were secured as collateral for bank borrowings (2015: bank borrowings were secured by trade receivables with carrying amount of RMB60,385,000).

14. NOTES RECEIVABLES

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Bank acceptance notes	**7,000**	75,800
Trade acceptance notes	**–**	16,000
	7,000	91,800

The ageing of bank acceptance notes is within 12 months and 6 months as at 31 December 2016 and 2015, respectively.

As at 31 December 2016 and 2015, the carrying amounts of the Group's notes receivables approximated their fair values.

15. TRADE PAYABLES

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Trade payables	**19,447**	47,654

At 31 December 2016 and 2015, the ageing analysis of trade payables was as follows:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Within 6 months	**8,192**	23,543
6 months to 1 year	**958**	9,203
Over 1 year	**10,297**	14,908
	19,447	47,654

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

As at 31 December 2016 and 2015, the carrying amounts of trade payables approximated their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The principal activities of the Group are iron and ilmenite ore exploration, iron ore and ilmenite ore mining, iron ore processing to produce iron concentrates and titanium concentrates and trading of iron concentrates in Shandong Province, the People's Republic of China (the "PRC" or "China"). Since 2013, the Group has started to engage in ilmenite ore mining and ilmenite ore processing to produce and sell iron concentrates and titanium concentrates, and establish the full titanium industrial chain 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 and sell 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"), 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 Company actively responded to the government's call and seized the opportunities provided by national policies by developing clean energy such as wind power, photovoltaic power and solar thermal power into new economic growth points, which have made substantial progress. In order to better reflect the Company's strategic business plan and expanding into new business including (but not limited to) clean energy business, water pollution treatment business and soil pollution treatment business, sticking to the development of iron and titanium concentrates business, deepening and expanding the building of whole industrial chain of titanium products including sponge titanium and high purity titanium.

The Group's revenue decreased by approximately RMB236.3 million, or approximately 80.2%, to approximately RMB58.2 million for the year ended 31 December 2016, as compared with approximately RMB294.5 million for the year ended 31 December 2015. The decrease in revenue was primarily due to (1) the decrease in turnover by approximately RMB139.3 million from trading of coarse iron powder; (2) the decrease in sales of iron concentrates produced from iron ore of Yangzhuang Iron Mine by approximately RMB44.6 million; (3) the decrease in sales of mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder by approximately RMB52.0 million; and (4) 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 RMB1.2 million and RMB4.2 million respectively for the year ended 31 December 2016, which was offset by the increase in sales of titanium concentrates produced from ilmenite ore of Zhuge Shangyu Ilmenite Mine and ilmenite ore of Luxing Titanium Mine by approximately RMB6.2 million and RMB0.6 million respectively for the year ended 31 December 2016.

The total comprehensive loss attributable to owners of the Company was approximately RMB116.9 million for the year ended 31 December 2016, representing a decrease of approximately RMB144.5 million or approximately 55.3% as compared to that of approximately RMB261.4 million for the year ended 31 December 2015. This was mainly due to (1) the gross profit increased by approximately RMB36.7 million from the gross loss of approximately RMB34.7 million for the year ended 31 December 2015 to the gross profit of approximately RMB2.0 million for the year ended 31 December 2016. The main reasons for the increase were (i) the decrease in gross loss of iron concentrates produced from mixing iron concentrates purchased from other suppliers and/or produced from the coarse iron powder by approximately RMB12.2 million from the gross loss of approximately RMB12.2 million for the year ended 31 December 2015 to nil for the year ended 31 December 2016; (ii) the increase in gross profit of iron concentrates produced from the iron ore of Yangzhuang Iron Mine by approximately RMB3.5 million from the gross loss of approximately RMB3.3 million for the year ended 31 December 2015 to the gross profit of approximately RMB0.2 million for the year ended 31 December 2016; and (iii) the decrease in gross loss of trading of coarse iron powder by approximately RMB20.9 million from the gross loss of approximately RMB21.4 million for the year ended 31 December 2015 to the gross loss of approximately RMB0.5 million for the year ended 31 December 2016; (2) the decrease in the loss from issuance of unlisted warrants from approximately RMB13.5 million for the year ended 31 December 2015 to nil for the year ended 31 December 2016. On 1 June 2015, 140,000,000 unlisted warrants were issued at par value of RMB0.0016 each and the exercise price was RMB0.319; and (3) the decrease in the impairment loss of assets by approximately RMB105.8 million from approximately RMB136.6 million for the year ended 31 December 2015 to approximately RMB30.8 million for the year ended 31 December 2016.

Measures adopted by the management in 2016:

I. In response to the current global economic downturn, the Group conducted research on its key businesses and sorted them accordingly and made some adjustment to its strategies with preliminary results achieved.

(I) Sticking to the development of titanium business, and adjusting iron concentrates production in a timely manner.

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. Based on internal research and development of production, the Group made certain progresses in the research and development cooperation with Chinese Academy of Sciences and the technology transfer cooperation with the Russian Academy of Sciences. The Group also conducted three due diligence activities and project selection activities in regard to potential mergers and acquisitions of enterprises in the whole titanium business or other ways of cooperation, and preliminarily established a practicable planning by which the Group has been seeking for good investment opportunities.

As for the iron concentrate business, the Group adjusted and implemented its production plan in due course based on market changes and needs, and protected the interest of its shareholders and investors.

(II) Expanding into clean energy business with preliminary results achieved.

The Group also conducted a feasibility study in respect of the policy from the central government that qualified private enterprises are encouraged to engage in the wind energy and photovoltaic electricity business. Where possible, the Company would leverage the resources of large state-owned enterprises and professional listed groups to obtain the planning permit and grid access to the state grid and to expand into the new clean energy business. In September 2016, Shandong Ishine completed the acquisition of Yishui Shengrong New Energy Limited (沂水盛榮新能源有限公司) ("Yishui Shengrong"). Yishui Shengrong owns a 49,900 – kilowatt wind power project located in Eshan, Yangzhuang Township, Yishui County, Linyi City, Shandong, the PRC which won a place in the 2016 Project Arrangement for Wind Power Development and Construction in Shandong (山東省2016年風電開發建設項目安排情況) issued by Shandong Development and Reform Commission on 17 May 2016.

The acquisition actively helped the Group to tap into the wind power business, and will broaden the revenue stream and bring return to shareholders.

On 30 September 2016, Shandong Ishine entered into a legally binding district exclusive strategic cooperation agreement with State Power Investment Corporation Shandong Energy Development Company Limited (國家電投集團山東能源發展有限公司) ("Shandong Energy"), pursuant to which Shandong Ishine and Shandong Energy shall carry out comprehensive cooperation in onshore wind power, energy facilities in integrative park, distributed energy and solar thermal comprehensive energy engineering application by way of cooperative development, construction and operation.

The entering into of the agreement to strategically cooperate with Shandong Energy is the first project after acquisition of Yishui Shengrong, to further implement the Group's strategic decision on industrial transformation of wind power, photovoltaic power plants and solar thermal power generation and heating projects.

(III) Expanding into water pollution treatment business.

In second half of 2015, the Ministry of Environmental Protection of the PRC published the "Water Pollution Treatment Action Plan" which indicated that water pollution treatment shall not be taken lightly. The implementation of "Water Pollution Treatment Action Plan" brought great opportunities for the market of water pollution treatment. The Group's application of technology of draining residual ores achieved "zero emission" of industrial waste water, making it 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, Shandong Ishine 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. The Group planned to improve the technology and solutions for treatment of complex water quality based on its existing patent and technology as well as past successful experience and by further introducing new microbial technology. In addition, the Group also developed the above said patent and the most advanced water treatment technology into external business and was able to contract projects for the water treatment of river channels in the PRC and other possible water treatment projects.

(IV) Expanding soil pollution treatment business using microbial technology with preliminary results achieved.

In order to solve soil pollution problems, the Ministry of Environmental Protection of the PRC has drafted the "Soil Pollution Treatment Action Plan" which shall be implemented after the completion of reporting and approval procedures. Soil pollution treatment has always been taken seriously by the society and, together with the treatment of air pollution and water pollution, constitutes three environmental treatment action plans in the PRC. The Group planned to use the latest microbial technology to extract and synthesise the trace amount of titanium contained in the residual ores in Shandong Ishine together with the humic acid contained in the coal residual ores into microbial fertiliser, which contributes to solving the problems of soil compaction, pesticide and fertilizer residue and heavy metals contamination. In the second half of 2016, the Company mastered the technique of efficient and high quality microbial fertilizer.

II. Changing the company name from China Zhongsheng Resources Holdings Limited to Add New Energy Investment Holdings Group Limited.

Great love knows no boundary, noble virtue conquers all fences. The change of company name reflects the main direction of business development, which is developing new clean energy improving the entire living environment of human beings, as well as improving water and soil resources through cutting-edge technology and deepening the expansion of basic resources closely related to human destiny such as iron and titanium, all aiming to thoroughly remedy the deficiency of the excessive reliance on resources and the single products structure of the Company so as to improve the Company's risk resistance. The change of name brought an innovation of concept and the implementation of development strategy, which will certainly promote development of all business segments of the Company.

III. Further strengthening the management of trade receivables, facilitating payment collection and risk prevention.

In 2016, the business department accepted advance payments for selling so as to prevent further bad debts. In order to strengthen the management on trade receivables, the salesmen would push the collection of the invoiced payment amount once the business department dispatched the goods, especially for the overdue trade receivables. Particulars such as the client's name, transaction amount, reason for non-payment should be reported to the responsible manager and financial department during payment collection so as to take measures accordingly. The financial department arranged part-time controllers for trade receivables, who should be responsible for payment collection and account statement reconciliation. The controllers should be committed to the trade receivables management, closely monitor the collection progress of and changes in trade receivables and complete ageing analysis. Extra attention should be paid to overdue trade receivables. Specific analysis should be conducted on specific clients on their recent operation and working capital status so as to adjust their credit ratings in a timely manner and then report to the business department for handling and collection under respective deadlines.

As at 31 December 2016, trade receivables decreased by approximately RMB56.2 million as compared to the beginning of the year.

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 2016, the Group received advance construction funds and government grants from the government amounting to approximately RMB10.4 million.

V. Downsizing and pay cuts to reduce operating cost.

In view of continued downturn of global resources and commodity markets and due to our over-reliance on resources and undiversified products, the performance of the Company was poor. In order to get rid of the downturn in a short period of time, the Company took initiatives to reduce its operating costs. By reducing the total number of staff through layoffs and general pay cuts, the Company reduced the pressure on personnel expense in order to alleviate its economic pressure to overcome the difficulties in operation. Aiming to improve the allocation between the staff and positions, the Company selected the superior and eliminated the inferior to create positions available for excellent talents so as to improve the quality of human resources. As of 31 December 2016, the number of staff decreased by 47 as compared to the end of last year, saving cost of human resources of approximately RMB6.0 million.

VI. Taking initiatives to reduce non-production expenses and management cost.

Facing the current economic condition, the Company adhered to the principle of austerity at all levels. By further enhancing a series of management rules for savings and consumption reduction, the Company further reduced the operating cost and also plugged the management loopholes and eliminated redundant expenses. In 2016, by taking further measures on controlling travelling, vehicles, office and entertainment expenses, expenses decreased by approximately RMB2.1 million.

VII. Adhering to the management philosophy of "people-oriented", improving education and training, maintaining stable workforce as well as protecting, motivating and utilising the enthusiasm and creativity of the staff.

In order to establish harmonious labour relations and safeguard the legitimate rights of workers, all staff enjoyed equality in career development opportunities under diversified job allocation and management. In response to the ever-changing needs of external market and internal management, the Company rationalised its staff allocation according to different gender, age and experience with respect to job requirements. The Company maintained a certain percentage of core staff so as to devote its limited human resources into its core business and management for growth in business volume, corporate transformation and project requirements. The Company also strengthened its education and training to set up an excellent learning team and established a sound personnel mechanism and a platform for fair competition so as to give full scope to the talents.

OPERATION OVERVIEW AND CAPITAL EXPENDITURE

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.

In 2016, the Group planned to decide whether to mine and process its own mines based on the market conditions. It analysed operating risks and judged the timing for trading, and based on profitability to decide whether to process with part of coarse powders purchased from other suppliers. The price of iron ore concentrates has showed an upward trend since the second half of 2016, while the iron ore processed and iron concentrates with 65% iron content produced during the whole year amounted to approximately 0.08 Mt and 0.011 Mt, respectively.

In 2016, the Group invested approximately RMB0.7 million in Yangzhuang Iron Mine. Due to the market condition, there was no exploration and mining activity carried out in the mine.

2. **Zhuge Shangyu Ilmenite Mine**

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

The Group rented an ore processing plant and installed a new titanium processing line in it in 2013. The Group 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.

The Group has decided its investment amount in the 2.0 Mt processing line and production line in the mine based on the market conditions since 2013. If the market remains stagnant and less profitable or not profitable at all, the Company will reduce its investments. The construction schedule of the mine will be based on the market conditions.

In 2016, the Group invested approximately RMB4.0 million in processing line and production line as well as infrastructure in Zhuge Shangyu Ilmenite Mine. Due to the market condition, there was no exploration, mining or processing activity carried out in the mine.

3. **Qinjiazhuang Ilmenite Mine**

In 2016, the Group was determining whether it will make investment in or conduct production activities at Qinjiazhuang Ilmenite based on market changes.

Due to the market condition, there was no capital expenditure and no exploration and mining activity carried out in the mine in 2016.

4. **Luxing Titanium**

Luxing Titanium currently possesses a mining permit with an 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 whether to mine and process its own mines based on profitability.

In 2016, the Group invested approximately RMB0.1 million in Luxing Titanium. Due to the market condition, there was no exploration, mining or processing activity carried out in the mine.

5. **Gaozhuang Shangyu Ilmenite Mine**

In 2016, there was no capital expenditure and no exploration and mining activity carried out in the mine.

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 wind power projects by taking full advantages of particular geographic location of its mines and availability of resources such as wind energy to achieve new progress in the development of clean energy business.

In 2016, the Group conducted a feasibility study in respect of the policy from the central government that qualified private enterprises are encouraged to engage in the wind energy and photovoltaic electricity business. The Group actively responded to the government's call to seize the opportunities arising from national policies by developing clean energy such as wind power, photovoltaic power and solar thermal power as new sources of economic growth. In September 2016, Shandong Ishine completed the acquisition of Yishui Shengrong. Yishui Shengrong owns a 49,900 – kilowatt wind power project located in Eshan, Yangzhuang Township, Yishui County, Linyi City, Shandong, which won a place in the 2016 Project Arrangement for Wind Power Development and Construction in Shandong (山東省2016年風電開發建設項目安排情況) issued by Shandong Development and Reform Commission on 17 May 2016.

The acquisition actively helped the Group to tap into the wind power business and will broaden the revenue stream and bring return to shareholders.

In 2016, the Group invested approximately RMB0.8 million in the wind power project of Yishui Shengrong.

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.

   In 2016, the Group placed its shares by exploiting the platform of re-financing and received proceeds of approximately RMB27.4 million.

2. The Group closely 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.

   In 2016, the Company engaged in financial leasing business through a financial leasing company established in Tianjin.

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 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.

   In 2016, research on new techniques had been progressing in an orderly manner.

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 and innovation of hydrometallurgy processing of 76%-or-above titanium concentrate as soon as possible on the basis of the periodic significant technological results.

   In 2016, the Group has cooperated with the Institute of Process Engineering of the Chinese Academy of Sciences in respect of the research and development in new processing techniques of Zhuge Shangyu Ilmenite Mine of the Group. On the basis of periodic achievements obtained through several experiments, the research and development and innovation of hydrometallurgy processing of titanium concentrate had been progressing in an orderly manner.

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.

   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. The new processing technology for efficient extraction of titanium introduced pursuant to the cooperation agreement was in international leading position. The new processing technology, along with the rich titanium resources of the Group, shall significantly improve the value of the titanium ores of the Group and help solve the technical bottleneck of the Group for efficient use of lean-titanium ilmenite resources. In 2016, the cooperation of the both parties had been progressing in an orderly manner.

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 increase new profit for the Group.

In 2016, due to market conditions, there was no import and sale of fuel oil.

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 organize 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.

IX. Ecological restoration

The Group will make further effort on ecological protection and restoration in order to achieve timely restoration and lessen the ecological damage caused by the construction and operation as much as possible. The Group will implement it as a measure of "new techniques directing the old techniques". The Group will complete the project construction, operating ecological protection, restoration and rebuilding for eradicating the negative ecological impacts brought by the mining of mines.

X. Safety in production of mines

The Group will facilitate the safety education for workers continuously, enhance the general quality of workers, and maintain various systems of monitoring, inspection, positioning, underground dual-circuit communication and underground voice alarm for the purpose of real-time monitoring the whole production process and guarantee the safety in production of mines.

In conclusion, the Group adjusted its work plan in a timely manner in response to market changes in 2016. The Group continued to deepen and expand the iron and titanium concentrates business and actively explored clean energy business. It further strengthened its work in relation to comprehensive utilisation of resources, recycling economy and green mines, thereby laying a solid foundation for rapid growth of the Group in the future.

RESOURCES AND RESERVES OF MINES

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

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

Yangzhuang Iron Mine

1. Resource reporting cutoff grade: 15% TFe

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

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

4. Stope design parameters are 50 metres in length by approximately 16 metres wide (matching the thickness of the 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 approximately 4.6 Mt due to mining activities.

Zhuge Shangyu Ilmenite Mine

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

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

3. Mineral resources are inclusive of the ore reserve.

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

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

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

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

Reason for the changes in the resources and reserves estimates:

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

Qinjiazhuang Ilmenite Project

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

There was no exploration or mining activity carried out in Qinjiazhuang Ilmenite Project from 1 January 2014 to 31 December 2016.

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 2016 were as follows:

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

	Yangzhuang Iron Mine	**Zhuge Shangyu Ilmenite Mine**	**Qinjiazhuang Ilmenite Project**
Ore reserves (Mt)			
– proved	5.86	199.60	45.33
– probable	31.20	346.20 *(Note)*	41.30
Total ore reserves	37.06	545.80	86.63
Grade of total iron (TFe) (%)			
– proved	24.15	12.78	13.50
– probable	24.65	12.83	13.61
Average grade of total iron (TFe) (%)	24.55	12.82	13.56
Grade of titanium dioxide (TiO_2) (%)			
– proved	N/A	5.76	4.52
– probable	N/A	5.65	4.48
Average grade of total titanium dioxide (TiO_2) (%)	N/A	5.69	4.50

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

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

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

Yangzhuang Iron Mine resources estimate as of 31 December 2016: ***(Note: JORC mineral resources as of 31 December 2013 less exploration during the period from 1 January 2014 to 31 December 2016)***

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 2016: ***(Note: JORC mineral resources as of 31 December 2013 less exploration during the period from 1 January 2014 to 31 December 2016)***

Resources Category	**Resources** *(Mt)*	**SG** *(t/m³)*	**TiO_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 2016: ***(Note: JORC mineral resources as of 31 December 2013, there was no mining activity or exploration activity carried out from 1 January 2014 to 31 December 2016):***

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

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 approximately 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 approximately 2.17 Mt.

3. During the years from 2010 to 2013, reserves is reduced by approximately 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 2016: ***(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 2016)***

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 (TiO_2) (%)	6.6

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 (TiO_2) (%)	6.6

Gaozhuang Shangyu Ilmenite Project

Gaozhuang Shangyu Ilmenite Project is located in Yishui County and Yinan County of Shandong Province, the PRC. Shandong Ishine has engaged an independent third party surveying agency to conduct preliminary exploration work in the Gaozhuang Shangyu Ilmenite Project and the work was completed in 2012. It has exploration rights over area of approximately 1.53 km^2, with the exploration term expiring in March 2019. According to Titanium Mine Detailed Survey Report in respect of the project, it was estimated that the exploration area had approximately 46.0 Mt of resources of Type 332 and 333 of ilmenite ores as at 2 September 2012 under PRC classification standard with an average grading of iron and titanium contents of approximately 12.4% and 6.8%. As there is no change in resources and reserves from October 2012 to December 2016, the Group did not have any plan to carry out mining work or other expansion plan.

EXPLORATION LICENCES IN AUSTRALIA

As at 31 December 2016, Ishine International owns 1 granted exploration licences located in Western 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 2016.

The tenement expenditure was RMB0.3 million (approximately AUD0.06 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
E39/1582	Ishine International	27-Apr-12	26-Apr-17	6 Blocks Laverton, 18 km^2	Active	N/A	Nickel, Gold

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	
	2016	2015
	Kt	*Kt*
Production Volume		
Feed tonnage	**–**	442

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Mining Costs		
Workforce employment	**–**	11,639
Transportation	**–**	3,889
Fuel, electricity, water and other services	**–**	1,540
Non-income taxes, royalties and other governmental charges	**–**	2,042
Subtotal	**–**	19,110
Processing Costs		
Workforce employment	**317**	1,630
Consumables	**598**	1,129
Fuel, electricity, water and other services	**2,159**	6,909
Administration	**85**	2,631
Transportation	**177**	606
Non-income taxes, royalties and other governmental charges	**–**	8
Subtotal	**3,336**	12,913
Total Mining and Processing Costs	**3,336**	32,023

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Management Expenses		
Environmental protection and monitoring	**3,195**	5,397
Other administration cost	**33,210**	43,230
Product marketing and transportation	**1,034**	1,650
Non-income taxes, royalties and other governmental charges	**203**	256
Subtotal	**37,642**	50,533
Total Operating Expenses	**40,978**	82,556
Other Costs		
Depreciation and Amortisation	**20,029**	28,093
Total Production Costs	**61,007**	110,649

CONTRACTS AND COMMITMENTS

The Group has signed 16 new contracts with a total amount of approximately RMB8.0 million during 2016. The details are summarised as below:

Yangzhuang Iron Mine

Type of contracts	**Number of contracts signed**	**Total amount**
		RMB million
(i) Equipment suppliers	3	0.1
(ii) Technical service	3	0.4
(iii) Construction	1	0.5
Total	7	1.0

Zhuge Shangyu Ilmenite Mine

Type of contracts		Number of contracts signed	Total amount *RMB million*
(i)	Equipment suppliers	2	6.1
(ii)	Construction	2	0.1
Total		4	6.2

Yishui Shengrong

Type of contracts		Number of contracts signed	Total amount *RMB million*
(i)	Equipment suppliers	1	0.2
(ii)	Technical service	4	0.6
Total		5	0.8

FINANCIAL REVIEW

For the year ended 31 December 2016, the Group recorded revenue of approximately RMB58.2 million as compared with approximately RMB294.5 million for the year ended 31 December 2015, representing a decrease of approximately 80.2%. For the year ended 31 December 2016, approximately 76.2% of total sales were derived from trading of coarse iron powder, while the remaining approximately 17.8% of the Group's total sales consisted of the sales of iron concentrates and titanium concentrates produced by the Group's processing plants. The Group mainly sold iron concentrates and titanium concentrates produced by the Group to iron pellets and steel producers in Shandong Province, the PRC. In addition to the above customers of iron and titanium concentrates, the Group sold coarse iron powder to other customers engaged in trading and manufacturing of iron-related products in the PRC.

PRICES OF THE GROUP'S PRODUCTS

Iron Concentrates

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

The Group's average unit selling price of 65% iron concentrates for the year ended 31 December 2016 was approximately RMB451.5 per tonne, representing a decrease of approximately 5.8% as compared with the average unit selling price of approximately RMB479.3 per tonne respectively for the year ended 31 December 2015. Such decrease was mainly due to the continuous slowdown of China's economy for the year ended 31 December 2016.

Titanium Concentrates

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

The Group's average unit selling price of 46% ilmenite concentrates for the year ended 31 December 2016 was approximately RMB 619.1 per tonne.

Revenue

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

	Year ended 31 December 2016 *RMB'000*		Year ended 31 December 2015 *RMB'000*	
Revenue				
Sales of iron concentrates produced by the Group				
– from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	**3,591**	**6.2%**	48,164	16.4%
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (57% iron concentrates)	**–**	**–**	1,213	0.4%
– from ilmenite ore of Luxing Titanium Mine (57% iron concentrates)	**–**	**–**	4,168	1.4%
– from mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder (65% iron concentrates)	**–**	**–**	51,955	17.6%
	3,591	**6.2%**	105,500	35.8%
Sales of titanium concentrates produced by the Group				
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	**6,180**	**10.6%**	9	0.0%
– from ilmenite ore of Luxing Titanium Mine (46% titanium concentrates)	**601**	**1.0%**	–	–
	6,781	**11.6%**	9	0.0%
Sales from trading activities				
– from coarse iron powder	**44,386**	**76.2%**	183,692	62.4%
Income from Ever Grand	**3,122**	**5.4%**	2,157	0.7%
Others	**368**	**0.6%**	3,123	1.1%
	58,248	**100%**	294,481	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:

	Year ended 31 December 2016 ***(Kt)***	Year ended 31 December 2015 *(Kt)*
Sales volume of iron concentrates produced by the Group		
– from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	**8.0**	98.5
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (57% iron concentrates)	**–**	2.3
– from ilmenite ore of Luxing Titanium Mine (57% iron concentrates)	**–**	10.1
– from mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder (65% iron concentrates)	**–**	110.4
	8.0	221.3
Sales volume of titanium concentrates produced by the Group		
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	**9.9**	0.01
– from ilmenite ore of Luxing Titanium Mine (46% titanium concentrates)	**1.0**	–
	10.9	0.0
Sales volume of trading activities		
– from coarse iron powder	**114.9**	417.0
	133.8	638.3

The following table shows the Group's total production volumes of iron concentrates by types of materials used, and the Group did not produce any titanium concentrates for the years ended 31 December 2016 and 2015.

	Year ended 31 December 2016		Year ended 31 December 2015	
	(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)	**11.4**	**100.0%**	22.9	16.2%
Amount of mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder (65% iron concentrates)	**–**	**–**	118.5	83.8%
	11.4	**100.0%**	141.4	100%

During 2016, 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 2016, revenue is mainly derived from sales of coarse iron powder to the Group's trading customers. Revenue is also derived from sales of iron concentrates and titanium concentrates produced by the Group.

The Group's revenue decreased by approximately RMB236.3 million, or approximately 80.2%, to approximately RMB58.2 million for the year ended 31 December 2016, as compared with approximately RMB294.5 million for the year ended 31 December 2015. 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 RMB44.6 million; (2) the decrease in sales of mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder by approximately RMB52.0 million; (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 RMB1.2 million and RMB4.2 million respectively for the year ended 31 December 2016; and (4) the decrease in turnover by approximately RMB139.3 million from trading of coarse iron powder.

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 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 100.0% from approximately RMB52.0 million for the year ended 31 December 2015 to nil for the year ended 31 December 2016 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 demand in iron and steel market become sluggish as the economy in China slowdown. The management has decided to decrease the trading activities for the year ended 31 December 2016. The total sales generated from trading activities significantly decreased by approximately 75.8%, which was mainly due to the decrease of trading turnover of coarse iron powder from approximately RMB183.7 million for the year ended 31 December 2015 to approximately RMB44.4 million for the year ended 31 December 2016.

Cost of Sales

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

	Year ended 31 December 2016 *RMB'000*		Year ended 31 December 2015 *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)	**3,386**	**6.0%**	51,464	15.6%
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (57% iron concentrates)	**–**	**–**	1,287	0.4%
– from ilmenite ore of Luxing Titanium Mine (57% iron concentrates)	**–**	**–**	4,515	1.4%
– from mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder (65% iron concentrates)	**–**	**–**	64,106	19.5%
	3,386	**6.0%**	121,372	36.9%
Cost of sales of titanium concentrates produced by the Group				
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	**6,823**	**12.2%**	8	0.0%
– from ilmenite ore of Luxing Titanium Mine (46% titanium concentrates)	**737**	**1.3%**	–	–
	7,560	**13.5%**	8	0.0%
Cost of sales of trading activities				
– from coarse iron powder	**44,870**	**79.8%**	205,115	62.3%
Costs from Ever Grand	**103**	**0.2%**	97	0.0%
Others	**288**	**0.5%**	2,632	0.8%
	56,207	**100%**	329,224	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 RMB273.0 million, or approximately 82.9%, to approximately RMB56.2 million for the year ended 31 December 2016, as compared with approximately 329.2 million for the year ended 31 December 2015. Such decrease was consistent with the decrease in the Group's revenue during the year ended 31 December 2016, which was mainly due to (1) the decrease in sales volume from trading coarse iron powder by approximately 302.1 Kt for the year ended 31 December 2016; (2) 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 approximately 102.9 Kt for the year ended 31 December 2016; and (3) 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 approximately 110.4Kt for the year ended 31 December 2016.

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

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

	Year ended 31 December 2016		Year ended 31 December 2015	
	RMB'000		*RMB'000*	
Gross profit/(loss)				
Gross profit/(loss) of iron concentrates produced by the Group				
– from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	**205**	**10.0%**	(3,300)	9.5%
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (57% iron concentrates)	**–**	**–**	(74)	0.2%
– from ilmenite ore of Luxing Titanium Mine (57% iron concentrates)	**–**	**–**	(347)	1.0%
– from mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder (65% iron concentrates)	**–**	**–**	(12,151)	35.0%
	205	**10.0%**	(15,872)	45.7%
Gross (loss)/profit of titanium concentrates produced by the Group				
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	**(643)**	**(31.5%)**	1	0.0%
– from ilmenite ore of Luxing Titanium Mine (46% titanium concentrates)	**(136)**	**(6.6%)**	–	–
	(779)	**(38.1%)**	1	0.0%
Gross loss of trading activities				
– from coarse iron powder	**(484)**	**(23.7%)**	(21,423)	61.7%
Gross profit from Ever Grand	**3,019**	**147.9%**	2,060	6.0%
Others	**80**	**3.9%**	491	1.4%
	2,041	**100%**	(34,743)	100%

	Year ended 31 December 2016	Year ended 31 December 2015
Gross profit/(loss) margin		
Gross profit/(loss) margin of iron concentrates		
– from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	**5.7%**	(6.9)%
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (57% iron concentrates)	**–**	(6.1)%
– from ilmenite ore of Luxing Titanium Mine (57% iron concentrates)	**–**	(8.3)%
– from mixing iron concentrates purchase from other suppliers and/or produced from coarse iron powder (65% iron concentrates)	**–**	(23.4)%
Gross (loss)/profit margin of titanium concentrates		
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	**(10.4%)**	11.1%
– from ilmenite ore of Luxing Titanium Mine (46% titanium concentrates)	**(22.6%)**	–
Gross loss margin of trading activities of coarse iron powder	**(1.1%)**	(11.7)%
Gross profit margin from Ever Grand	**96.7%**	95.5%
Others	**21.7%**	15.7%
Overall gross profit/(loss) margin	**3.5%**	(11.8)%

Gross profit increased by approximately RMB36.7 million from the gross loss of approximately RMB34.7 million for the year ended 31 December 2015 to the gross profit of approximately RMB2.0 million for the year ended 31 December 2016. The main reasons for the increase were (1) the increase in gross profit of iron concentrates produced from the iron ore of Yangzhuang Iron Mine by approximately RMB3.5 million from the gross loss of approximately RMB3.3 million for the year ended 31 December 2015 to the gross profit of approximately RMB0.2 million for the year ended 31 December 2016; (2) the decrease in gross loss of trading of coarse iron powder by approximately RMB20.9 million from the gross loss of approximately RMB21.4 million for the year ended 31 December 2015 to the gross loss of approximately RMB0.5 million for the year ended 31 December 2016; and (3) the decrease in gross loss of iron concentrates produced from mixing iron concentrates purchased from other suppliers and/or produced from the coarse iron powder by approximately RMB12.2 million from the gross loss of approximately RMB12.2 million for the year ended 31 December 2015 to nil for the year ended 31 December 2016.

Overall gross profit margin increased from gross loss margin of 11.8% for the year ended 31 December 2015 to gross profit margin of 3.5% for the year ended 31 December 2016. The increase in overall gross profit margin was primarily due to the gradually pickup of the domestic economic growth rate and the impact of the real estate control policy in PRC. In the second half of 2016, the domestic steel industry market has gradually recovered and the price of the iron concentrates has begun to rise.

Other gains/(losses), net

The Group's other gains were approximately RMB1.7 million for the year ended 31 December 2016 as compared with other losses of approximately RMB12.4 million for the year ended 31 December 2015, which was mainly due to the decrease in the loss from issuance of unlisted warrants from approximately RMB13.5 million for the year ended 31 December 2015 to nil for the year ended 31 December 2016. On 1 June 2015, 140,000,000 unlisted warrants were issued at par value of RMB0.0016 each and the exercise price was RMB0.319.

Finance expenses, net

Net finance expenses mainly represented interest expense on bank loans, bonds, and discount of bank acceptance notes of the Group, offset by interest income on bank deposits. Finance expenses increased from approximately RMB21.6 million for the year ended 31 December 2015 to approximately RMB24.5 million for the year ended 31 December 2016.

Total comprehensive loss

The total comprehensive loss attributable to owners of the Company was approximately RMB116.9 million for the year ended 31 December 2016, representing a decrease of approximately RMB144.5 million or approximately 55.3% as compared to that of approximately RMB261.4 million for the year ended 31 December 2015. This was mainly due to (1) the gross profit increased by approximately RMB36.7 million from the gross loss of approximately RMB34.7 million for the year ended 31 December 2015 to the gross profit of approximately RMB2.0 million for the year ended 31 December 2016. The main reasons for the increase were (i) the decrease in gross loss of iron concentrates produced from mixing iron concentrates purchased from other suppliers and/or produced from the coarse iron powder by approximately RMB12.2 million from the gross loss of approximately RMB12.2 million for the year ended 31 December 2015 to nil for the year ended 31 December 2016; (ii) the increase in gross profit of iron concentrates produced from the iron ore of Yangzhuang Iron Mine by approximately RMB3.5 million from the gross loss of approximately RMB3.3 million for the year ended 31 December 2015 to the gross profit of approximately RMB0.2 million for the year ended 31 December 2016; and (iii) the decrease in gross loss of trading of coarse iron powder by approximately RMB20.9 million from the gross loss of approximately RMB21.4 million for the year ended 31 December 2015 to the gross loss of approximately RMB0.5 million for the year ended 31 December 2016; (2) the decrease in the loss from issuance of unlisted warrants from approximately RMB13.5 million for the year ended 31 December 2015 to nil for the year ended 31 December 2016. On 1 June 2015, 140,000,000 unlisted warrants were issued at par value of RMB0.0016 each and the exercise price was RMB0.319; and (3) the decrease in the impairment loss of assets by approximately RMB105.8 million from approximately RMB136.6 million for the year ended 31 December 2015 to approximately RMB30.8 million for the year ended 31 December 2016.

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 2016 was exploration activities. Net loss incurred by Ishine International for the year ended 31 December 2016 was approximately RMB0.7 million as compared to net loss of approximately RMB1.9 million for the year ended 31 December 2015.

CAPITAL STRUCTURE

The Company's issued share capital as at 31 December 2016 is HK$9,232,759.84 divided into 4,616,379,920 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 2016 was approximately 28.5% (as at 31 December 2015: approximately 30.2%). The current ratio (calculated as current assets divided by current liabilities) as at 31 December 2016 was approximately 2.5 times (as at 31 December 2015: approximately 1.9 times).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, the total amount of the borrowings of the Group was approximately RMB211.4 million (as at 31 December 2015: approximately RMB270.8 million). The Group settled borrowings in the amount of approximately RMB170.0 million for the year ended 31 December 2016. The Group's cash and bank balances amounted to approximately RMB120.4 million as at 31 December 2016 (as at 31 December 2015: approximately RMB98.1 million).

MATERIAL ACQUISITIONS OR DISPOSALS

There was no material acquisition, disposal or investment by the Group during the year ended 31 December 2016.

FUND RAISING ACTIVITIES AND ISSUANCE OF SHARES

On 1 August 2016, the Company entered into a placing agreement with Chaoshang Securities Limited (the "Placing Agent") in relation to the placing of placing shares. Pursuant to the placing agreement, the Company has conditionally agreed to place up to 600,000,000 placing shares at the placing price of RMB0.0944 (equal to HKD0.11) per placing share. The placing was completed on 24 August 2016, an aggregate of 121,800,000 placing shares have been placed to six placees who are independent third parties, at the placing price. The net proceeds from the placing was approximately HKD12,700,000, and intended to be used for general working capital of the Group and for funding investment opportunities as may be identified from time to time, and no part of the said proceeds have been utilized as at the date of this announcement.

On 31 August 2016, the Company entered into another placing agreement with the Placing Agent, pursuant to which the Company has conditionally agreed to place up to 400,000,000 placing shares at the placing price of RMB0.107 (equal to HKD0.124) per placing share. The placing was completed on 21 September 2016, an aggregate of 97,250,000 placing shares have been placed to not less than six places who are independent third parties, at the placing price. The net proceeds from the placing was approximately HKD11,500,000, and intended to be used for general working capital of the Group and for funding investment opportunities as may be identified from time to time, and no part of the said proceeds have been utilized as at the date of this announcement.

For further details of the above share placements, please refer to the announcements of the Company dated 24 August 2016 and 21 September 2016.

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 are denominated and settled in their functional currency RMB, while those for Ishine international are denominated and settled in its functional currency AUD.

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 2016, bank borrowings of RMB100.0 million were secured by a mining right of Shandong Ishine, in Shandong Province, the PRC.

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 2016 was approximately RMB0.2 million (equivalent to approximately AUD 0.03 million) compared to approximately RMB2.4 million as at 31 December 2015 (equivalent to approximately AUD0.5 million).

As at 31 December 2016, Shandong Ishine has capital commitments of approximately RMB5.7 million (as at 31 December 2015: RMB5.8 million) for property, plant and equipment. These commitments have been made during the year ended 31 December 2016 but have not been paid.

EMPLOYEE BENEFITS AND REMUNERATION POLICIES

As at 31 December 2016, the Group had a total of 165 employees (as at 31 December 2015: 212 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 2016, staff costs (including Directors' remunerations) amounted to approximately RMB8.2 million (2015: approximately RMB14.2 million).

CONTINGENT LIABILITIES

As at 31 December 2016, the Group has no material contingent liabilities.

2017 DEVELOPMENT AND FUTURE PLANS

By closely following market changes, the Group will stick to the development of titanium business, adjust titanium and iron concentrates production in a timely manner and further expand new energy business so as to protect the interests of shareholders and investors.

I. Continue sparing no efforts to develop titanium business

The Group will continue 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, the Group will continue to enhance the research and development cooperation with Chinese Academy of Sciences and the technology transfer cooperation with the Russian Academy of Sciences, make timely investment in response to market demands and strive to transform above-mentioned technical advantage into productivity, with an aim to improve the profitability of the Company.

II. Further expanding into new business relating to clean energy

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

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

In order to solve soil pollution problems, the Ministry of Environmental Protection of the PRC has drafted and implemented the “Soil Pollution Treatment Action Plan”. By transforming and making use of the technique of efficient and high quality microbial fertilizer mastered by it, the Company will endeavor to made investment or carry out cooperation in a timely manner on production of efficient and organic microbial fertilizer pursuant to market demands so as to participate in solving the problems of soil compaction, pesticide and fertilizer residue and heavy metals contamination currently facing by China, capitalizing on which the Company will be able to increase new profit and improve profitability.

IV. Titanium concentrates and iron concentrates 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 rented an ore processing plant and installed a new titanium processing line in it in 2013. 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 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 Mine

In 2017, 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 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 2017. The Group will decide to mine and process its own mines based on profitability.

V. Business relating to capital markets and others

Capitalising on the platform of re-financing, the Company will continue to expand shareholder base, thus enhancing the liquidity of its shares. Potential construction projects, merger and acquisition projects, or extension of the titanium industry chain may be financed.

VI. Maintenance of green mines

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

In 2017, by closely following market changes, the Group will stick to the development of titanium business, adjust titanium and iron concentrates production in a timely manner and further expand new energy business and promote the transforming and making use of the technique of efficient and high quality microbial fertilizer. The Group will make targeted adjustment to its working plan, strive to maintain green mines and actively seek for new sources of economic growth, with a view to reward the investors with better results.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: 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 ("2017 AGM") to be held on Friday, 9 June 2017, the register of members of the Company will be closed from Monday, 5 June 2017 to Friday, 9 June 2017, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2017 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 Friday, 2 June 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2016, the Company repurchased 29,528,000 shares of HK$0.002 each in the capital of the Company at prices ranged from HK$0.186 to HK$0.210 per share on the Stock Exchange. Details of the repurchases are as follows:

Month/Year	Number of shares repurchased	Repurchase price per share Highest	Repurchase price per share Lowest	Aggregate repurchase consideration (excluding expenses)
		HK$	*HK$*	*HK$*
January 2016	26,790,000	0.210	0.186	5,364,564
February 2016	2,738,000	0.192	0.188	522,294
	29,528,000			5,886,858

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

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 2016.

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 2016.

AUDIT COMMITTEE

The Company established the Audit Committee on 9 April 2012 with written terms of reference in compliance with the CG Code, which currently comprises three independent non-executive Directors, namely Mr. Lin Chu Chang (as chairman of the Audit Committee), Mr. Li Xiaoyang and Mr. Zhang Jingsheng. The Audit Committee is mainly responsible for the relationship with the Company's auditor, review of the Company's financial information and monitoring of the Company's financial reporting system and internal control procedures. The Audit Committee has reviewed this announcement and the audited annual financial statements for the year ended 31 December 2016 before such documents were tabled for the Board's review and approval, and is of the opinion that such documents complied with the applicable accounting standards, the Listing Rules and other applicable legal requirements and that adequate disclosures have been made.

By order of the Board
Add New Energy Investment Holdings Group Limited
Li Yunde
Chairman

Hong Kong, 30 March 2017

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Li Yunde (Chairman), Mr. Geng Guohua (Chief Executive Officer) and Mr. Lang Weiguo; one non-executive Director, namely Ms. Chau Ching; and three independent non-executive Directors, namely Mr. Zhang Jingsheng, Mr. Li Xiaoyang and Mr. Lin Chu Chang.