China Vanadium Titano-Magnetite Mining Company Limited
中國釩鈦磁鐵礦業有限公司
(Incorporated in the Cayman Islands with limited liability)
（於開曼群島註冊成立的有限公司）

Stock Code 股份代號: 00893

Opportunities Open Up for Future Growth

開拓商機 共創未來

Annual Report 年報

2010

Contents

Corporate Information

DIRECTORS

Executive Directors

Mr. Jiang Zhong Ping *(Chairman)*
Mr. Liu Feng *(Chief Executive Officer)*
Mr. Yu Xing Yuan *(Chief Investment Officer)*

Non-executive Directors

Mr. Wang Jin
Mr. Teo Cheng Kwee

Independent Non-executive Directors

Mr. Yu Haizong
Mr. Gu Peidong
Mr. Liu Yi

AUDIT COMMITTEE

Mr. Yu Haizong *(Chairman)*
Mr. Gu Peidong
Mr. Liu Yi

REMUNERATION COMMITTEE

Mr. Wang Jin *(Chairman)*
Mr. Yu Haizong
Mr. Gu Peidong

COMPANY SECRETARY

Mr. Kong Chi Mo *(FCCA, ACIS, ACS & MHKIoD)*

AUTHORISED REPRESENTATIVES

Mr. Jiang Zhong Ping
Mr. Kong Chi Mo *(FCCA, ACIS, ACS & MHKIoD)*

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STOCK CODE

00893

SHARE INFORMATION

Board lot size: 1000

FINANCIAL CALENDAR

1 January to 31 December

Five Year Financial Summary

SUMMARY FINANCIAL INFORMATION

A summary of the published results, assets, liabilities and non-controlling interests of the Group for the last five financial years is as follows:

Results

	For the Year ended 31 December				
	2010	2009	2008	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**1,554,130**	1,083,876	791,163	366,670	211,103
Cost of sales	**(723,691)**	(582,127)	(364,122)	(187,769)	(100,130)
Gross profit	**830,439**	501,749	427,041	178,901	110,973
Other income	**30,007**	40,914	17,277	1,496	147
Selling and distribution costs	**(44,261)**	(28,308)	(22,444)	(86,572)	(51,261)
Administrative expenses	**(79,475)**	(35,574)	(33,002)	(13,108)	(7,300)
Other operating expenses	**(17,577)**	(32,912)	(37,000)	(3,107)	(1,334)
Finance costs	**(17,818)**	(9,242)	(3,048)	(1,920)	(1,792)
PROFIT BEFORE TAX	**701,315**	436,627	348,824	75,690	49,433
Income tax expense	**(117,291)**	(69,708)	(30,067)	(1,378)	(17,119)
Profit and total comprehensive income for the year	**584,024**	366,919	318,757	74,312	32,314
Profit and total comprehensive income attributable to:					
Owners of the Company	**533,447**	327,867	248,675	53,686	23,042
Non-controlling interests	**50,577**	39,052	70,082	20,626	9,272
	584,024	366,919	318,757	74,312	32,314
Earnings per Share attributable to ordinary equity holders of the Company (RMB) – Basic and diluted	**0.26**	0.20	0.17	0.04	0.02
Proposed final dividend per Share (RMB)	**0.052**	–	–	–	–

Assets, Liabilities and Non-controlling Interests

	As at 31 December				
	2010	2009	2008	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**2,260,549**	840,209	545,653	286,555	128,165
Current assets	**1,472,839**	2,233,254	405,652	306,325	82,833
Current liabilities	**(813,105)**	(460,930)	(289,976)	(301,906)	(136,917)
Non-current liabilities	**(131,093)**	(5,707)	(57,211)	(4,999)	(459)
Total equity	**2,789,190**	2,606,826	604,118	285,975	73,622
Non-controlling interests	**(14,475)**	(92,795)	(64,768)	(82,992)	(23,715)
Equity attributable to owners of the Company	**2,774,715**	2,514,031	539,350	202,983	49,907

The financial information for each of the three years ended 31 December 2008 was prepared upon the Reorganisation as if the group structure, at the time when the Shares were listed on the Stock Exchange, had been in existence throughout the years concerned. The results for each of the four years ended 31 December 2009, and the assets, liabilities and non-controlling interests as at 31 December 2006, 2007, 2008 and 2009 were extracted from our 2009 annual report.

Chairman's Statement

Dear Shareholders,

On behalf of the Board of China Vanadium Titano-Magnetite Mining Company Limited, I am pleased to present the annual results of our Group for the year ended 31 December 2010.

2010 was a year of growth, marked by successive key mergers and acquisitions as well as tremendous expansion in capacity and output. Leveraging our regional leading position within the industry, we continue to take advantage of favourable market conditions, which have allowed us to achieve remarkable performance during the year.

The global economy has been recovering faster than expected, with PRC growth outpacing other regions. Nationally, according to the 12th Five-Year Plan promulgated by the PRC government, the western region development strategy should be prioritised over the general zoning strategy. In view of this, massive new infrastructure construction plans throughout the western region are planned and they are expected to stimulate considerable demands for both steel and iron ore. In addition, consolidation and growth within the steel industry have further led to increasing iron ore demand in Sichuan. Riding the upward trend in the global economy, coupled with a host of favourable policies promoted by the PRC government, the Group is ideally positioned in this dynamic and fast-growing market to capture an enormous range of business opportunities.

Supported by strong domestic market demand, the Group has enjoyed prosperous results recording a notable growth in earnings during the year. For the year ended 31 December 2010, the revenue of the Group came to approximately RMB1,554.1 million, representing a growth of 43.4% over last year. The profit and total comprehensive income attributable to owners of the Company amounted to approximately RMB533.4 million, representing a significant increase of 62.7% over last year.

In terms of production output, the Group also achieved satisfactory results during the year. Iron concentrates continued to be our major product, with production volume amounting to 2,007.9 Kt, a growth of 23.1% over last year while production volume of iron pellets was 713.2 Kt, a growth of 3.7% over last year. Moreover, the Group began production of high-grade titanium concentrates during the year and achieved a production volume of 66.5 Kt.

The superior performance in 2010 was mainly attributable to our strategy of expanding resources and capacity through proactive acquisitions of mines and processing plants. During the first quarter of 2010, the Group acquired two vanadium-bearing titano-magnetite mines – Yangqueqing Mine and Cizhuqing Mine, bolstering the Group's overall resource supply. In addition, the Group successfully entered into the Aba Mining Acquisition Agreement in November 2010. Following the completion of acquisition of the Aba Equity Interest, in addition to our four original vanadium-bearing titano-magnetite mines in the Panxi Region, the Group will own two additional ordinary magnetite iron ore mines in the Wenchuan County to further strengthen our strategic foothold in Sichuan. As part of our capacity expansion plans, the Group also acquired both the Heigutian Processing Plant and the Hailong Processing Plant during the year.

Looking ahead, ongoing steel production capacity expansion in Sichuan will continue to drive iron ore demand within the region. In the meantime, 2011 will be the first year of implementing the policy of raising the nationwide utilisation of hot-rolled ribbed steel bars with the strength of more than 400 MPa to a level of over 60%. We believe such a policy will further stimulate the demand for vanadium-bearing titano-magnetite ores in the Panxi Region.

In view of this encouraging industry environment, we have rolled out a roadmap for development spanning the coming three to five years and we will take full advantage of every business opportunity to support future growth. Resources and capacity acquisitions are of paramount importance in our development strategy. Capitalising on our industry leading position in Sichuan, we will continue to pursue potential acquisition opportunities to foster our expansion in both resources and production scale. For capacity expansion, following the construction of our new iron concentrate production line and high-grade titanium concentrate production line at the Xiushuihe Processing Plant, as well as the start of operations at the Aba Mining upon completing the relevant acquisition, both our production capacity and volume will be significantly enhanced to meet heightened market demand. In addition, strengthening production of high-grade titanium concentrates will be another key focus for the coming year. Leveraging today's favourable market dynamics and our expanding capacity, we believe that the development of high-grade titanium concentrates will further enrich our product mix and lay a solid foundation for our future growth.

On behalf of the Board, I wish to take this opportunity to express my sincere gratitude to our Shareholders, business partners and fellow colleagues for their continuous support throughout the year. Moving ahead, we are well positioned to become a leading operator of iron ore mines in the PRC and are fully committed to our overall business development so that we could provide solid returns to our stakeholders.

By order of the Board
China Vanadium Titano-Magnetite Mining Company Limited
Jiang Zhong Ping
Chairman

Hong Kong, 14 March 2011

Revenue Increased Significantly to

RMB 1,554.1 million

Mapping New Resources

through Swift Mergers and Acquisitions

MARKET REVIEW

Since 2010, the PRC economy has maintained a positive recovery trend with an especially impressive rebound in industrial production and a strong domestic demand. According to the National Bureau of Statistics of the PRC (中國國家統計局), the PRC's GDP for 2010 grew by 10.3% year-on-year and hit RMB39.8 trillion, while Sichuan enjoyed a year-on-year growth of 15.1%, reaching RMB1,689.9 billion, well ahead of the country's annual economic growth target of 8.0% for 2010.

The zoning and planning policy of the country has created new opportunities for the development of the iron ore market in Sichuan. The PRC's 12th Five-Year Plan promulgated in October 2010 stated that thorough implementation of the western region development strategy should be prioritised over the general zoning strategy. Furthermore, as announced by the National Development and Reform Commission of the PRC (中國國家發展和改革委員會) in July 2010, 23 new infrastructure projects were launched in the western region with total investments

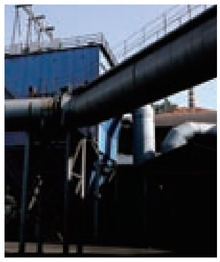
amounting to approximately RMB682.2 billion. Taking advantage of this policy and ongoing post-earthquake construction projects in Sichuan as well as the Chengdu-Chongqing Economic Zone development, all these favourable market conditions have further bolstered the demand for steel in Sichuan, and driven the increasing demand for iron ore throughout the region.

Iron ore prices in Sichuan have been relatively stable as compared to those in other major iron ore markets in the PRC. The PRC's iron ore prices have dropped significantly since May 2010 under the effects of global economic conditions. This was followed by a period of continual increases from July 2010 onwards driven by the growing demand in the PRC steel market. Meanwhile, due to transport limitations in the region, only small amounts of iron ore are being transported out of the Sichuan market. Consequently, the influence of international and domestic markets on iron ore prices in Sichuan is minimal and these prices are less sensitive than those in other iron ore producing regions in the PRC, creating lower volatility with relative stability.

In addition, the consolidation and rebound in the steel industry have stimulated a clear need for vanadium in the PRC. According to the Blueprint for the Adjustment and Revitalisation of the Steel Industry (鋼鐵產業調整和振興規劃) issued on 20 March 2009, nationwide utilisation of hot-rolled ribbed steel bars with a strength of more than 400 MPa is required to reach 60% or above by 2011. As vanadium is the only widely used additive to increase steel strength, this policy has led to an obviously increasing demand for vanadium-bearing titano-magnetite in the Panxi Region.

BUSINESS AND OPERATIONS REVIEW

During the year, the Group experienced rapid business growth and recorded remarkable performance results. For the year ended 31 December 2010, the revenue of the Group increased by 43.4% compared to the corresponding year of 2009 to approximately RMB1,554.1 million. The profit and total comprehensive income attributable to owners of the Company increased by 62.7% compared to the corresponding year of 2009 to approximately RMB533.4 million. Dynamic industry development and emerging business opportunities provided the Group with ample space to grow. Under these favourable market conditions, the Group remained committed to sustaining strong growth by acquiring mines and processing plants as well as enhancing its own production capacity.

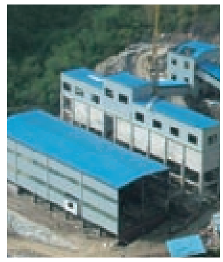


Acquisitions will further increase the iron ore resources of the Group as well as extend the geographical footprint of the Group in Sichuan, enhancing both the profitability and overall competitiveness of the Group.

Mapping New Resources through Swift Mergers and Acquisitions

On 16 January 2010, the Group successfully entered into an agreement for the acquisition of a mining right for the Yangqueqing Mine (Please refer to the Company's announcement dated 18 January 2010 for further details). During the year, the Group filed a formal application with the Land and Resources Department of Sichuan (四川省國土資源廳) for the merger of the Baicao Mine and the Yangqueqing Mine. Upon approval, the Group will be entitled to exploit these two mines in a co-ordinated way, enabling us to improve the overall efficiency of the use of resources. Moreover, the Group will also be granted a mining right for iron ore resources found between these mines and in the area nearby, where the resources are expected to be a total of 81.6 Mt. Furthermore, on 3 February 2010, the Group entered into an asset transfer agreement for the acquisition of an exploration right for the Cizhuqing Mine with a highly competitive offer (Please refer to the Company's announcement dated 4 February 2010 for further details). This acquisition will further increase the iron ore resources of the Group as well as extend the geographical footprint of the Group in Sichuan, enhancing both profitability and overall competitiveness of the Group. After the completion of such acquisition, the Group has already started the application for the mining right for the Cizhuqing Mine.

On 15 November 2010, the Group successfully entered into an acquisition agreement to acquire the non-controlling interests in Huili Caitong (Please refer to the Company's announcement dated 15 November 2010 for further details). Huili Caitong is a major operating subsidiary of the Group, and over 90.0% of the Group's revenue was derived from Huili Caitong over the past three financial years. The transaction was completed on 31 December 2010. Ever since, Huili Caitong has become a wholly-owned subsidiary of the Group, enabling the Company to have full control over the operations of Huili Caitong and to include all its profits in the Group's consolidated accounts. Meanwhile, the Group successfully entered into an acquisition agreement to acquire the Aba Equity Interest (Please refer to the Company's announcement dated 15 November 2010 for further details). This acquisition is in line with the Group's strategic objective of increasing resources and reserves of iron ore. Upon completion of the transaction, the Group will obtain the Maoling Mine, the Yanglongshan Mine and an iron concentrate production line with an annual production capacity of 150.0 Kt owned by Aba Mining. On 16 December 2010, the Company held an EGM which approved the acquisition of Aba Mining. Such acquisition is expected to be completed by 30 April 2011.


Expediting Capacity Expansion and Increasing Production Volume

To achieve sustainable development, the Group is committed to further increasing production capacity by expanding existing processing facilities and acquiring additional processing plants. On 3 February 2010 and 11 March 2010, the Group acquired the Hailong Processing Plant (Please refer to the Company's announcement dated 4 February 2010 for further details) and the Heigutian Processing Plant (Please refer to the Company's announcement dated 12 March 2010 for further details), respectively. The Hailong Processing Plant has an annual production capacity of 300.0 Kt for iron concentrates, while the Heigutian Processing Plant has an annual production capacity of 800.0 Kt for iron concentrates and 120.0 Kt for high-grade titanium concentrates. During the year, in order to increase its production capacity, the Group also began the construction of a new iron concentrate production line with a planned annual production capacity of 300.0 Kt and a new high-grade titanium concentrate production line with a planned annual production capacity of 100.0 Kt, both are located at the Xiushuihe Processing Plant, as well as the first phase of new iron pelletising plant with a planned annual production capacity of 1,000.0 Kt located at approximately 5.5 km from the Xiushuihe Mine.

For the year ended 31 December 2010, the Group owned and operated 4 processing plants, namely the Baicao Processing Plant, the Xiushuihe Processing Plant, the Hailong Processing Plant and the Heigutian Processing Plant, and one Iron Pelletising Plant, all of which located in the Panxi Region. As at 31 December 2010, the Group's annual production capacity of iron concentrates, iron pellets and high-grade titanium concentrates amounted to 2,500.0 Kt (including 200.0 Kt production capacity allocated to the Group by independent third party processing contractors), 760.0 Kt (including 400.0 Kt production capacity allocated to the Group by independent third party pelletising contractors) and 180.0 Kt, respectively. Leveraging the expanding production scale coupled with favourable market conditions, the Group's three core products recorded satisfactory growth in terms of output.

The following table summarises the breakdown of the total production volume and total sales volume of the Group's four products:

	For the Year ended 31 December	
	2010	2009
	Kt	Kt
Iron concentrates		
Baicao Processing Plant	**503.3**	479.1
Xiushuihe Processing Plant	**572.8**	531.4
Heigutian Processing Plant	**679.4**	–
Hailong Processing Plant	**136.2**	–
First Independent Third Party Processing Contractor's plant	**65.2**	617.2
Second Independent Third Party Processing Contractor's plant	**51.0**	3.6
Total production volume	**2,007.9**	1,631.3
Total sales volume	**1,316.8**	949.9
Iron pellets		
Iron Pelletising Plant	**305.6**	201.5
First Independent Third Party Pelletising Contractor's plant	**189.9**	255.5
Second Independent Third Party Pelletising Contractor's plant	**217.7**	230.6
Total production volume	**713.2**	687.6
Total sales volume	**727.8**	693.3
Medium-grade titanium concentrates		
Baicao Processing Plant	**53.5**	52.9
Xiushuihe Processing Plant	**32.9**	9.8
Heigutian Processing Plant	**6.7**	–
Hailong Processing Plant	**5.6**	–
First Independent Third Party Processing Contractor's plant	**2.3**	89.7
Total production volume	**101.0**	152.4
Total sales volume	**83.4**	167.3
High-grade titanium concentrates		
Baicao Processing Plant	**2.6**	–
Heigutian Processing Plant	**57.6**	–
First Independent Third Party Processing Contractor's plant	**6.3**	–
Total production volume	**66.5**	–
Total sales volume	**61.7**	–

Iron Concentrates

The total production volume of iron concentrates (which includes the production volume produced by independent third party processing contractors) increased from approximately 1,631.3 Kt in 2009 to approximately 2,007.9 Kt in 2010, representing an increase of 23.1%. The sales volume of iron concentrates increased from approximately 949.9 Kt in 2009 to approximately 1,316.8 Kt in 2010, representing an increase of 38.6%.

Iron Pellets

The total production volume of iron pellets (which includes the production volume produced by independent third party pelletising contractors) increased from approximately 687.6 Kt in 2009 to approximately 713.2 Kt in 2010, representing an increase of 3.7%. The sales volume of iron pellets increased from approximately 693.3 Kt in 2009 to approximately 727.8 Kt in 2010, representing an increase of 5.0%.

Medium-grade Titanium Concentrates

The total production volume of medium-grade titanium concentrates (which includes the production volume produced by independent third party processing contractors) decreased from approximately 152.4 Kt in 2009 to approximately 101.0 Kt in 2010, representing a decrease of 33.7%. The sales volume of medium-grade titanium concentrates decreased from approximately 167.3 Kt in 2009 to approximately 83.4 Kt in 2010, representing a decrease of 50.1%.

High-grade Titanium Concentrates

In 2010, the Group started to produce high-grade titanium concentrates, with total production volume and total sales volume reaching approximately 66.5 Kt and 61.7 Kt, respectively.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2010, the Group's revenue was approximately RMB1,554.1 million (2009: RMB1,083.9 million), representing an increase of 43.4% as compared to the previous year. Such increase was primarily due to the increase in sales volume as a result of the expansion of production capacity and the increase in average selling prices of iron ore products in Sichuan.

Cost of Sales

Cost of sales primarily included mining and stripping contracting fees, processing contracting fees, pelletising contracting fees, materials, labour, power and other utilities, repair and maintenance, and depreciation and amortisation. For the year ended 31 December 2010, the Group's cost of sales was approximately RMB723.7 million (2009: RMB582.1 million), representing an increase of 24.3% as compared to the previous year. Such increase was primarily due to the increase in sales volume of iron ore products and the sale of a new product of high-grade titanium concentrates.

Gross Profit and Margin

As a result of the foregoing, the gross profit for the year ended 31 December 2010 increased by 65.5%, from approximately RMB501.7 million for the year ended 31 December 2009 to approximately RMB830.4 million. The gross profit margin increased from 46.3% for the year ended 31 December 2009 to 53.4% for the year ended 31 December 2010. The increase in gross profit margin was primarily because of the increase in average selling prices of iron ore products out-weighted the increased average unit cost of sales.

Other Income

The other income decreased by 26.7%, from approximately RMB40.9 million for the year ended 31 December 2009 to approximately RMB30.0 million for the year ended 31 December 2010. The other income of the Group mainly included income from sale of raw materials, bank interest income and government grants received from the Department of Finance of Sichuan (四川省財政廳).

Selling and Distribution Costs

The selling and distribution costs increased by 56.5%, from approximately RMB28.3 million for the year ended 31 December 2009 to approximately RMB44.3 million for the year ended 31 December 2010 and the increase was in line with the increase in sales volume during the year. The selling and distribution costs primarily consisted of transportation fees, which mainly represented the road transportation costs, the goods loading and unloading fees, platform storage and platform administration fees.

Administrative Expenses

The administrative expenses increased by 123.3%, from approximately RMB35.6 million for the year ended 31 December 2009 to approximately RMB79.5 million for the year ended 31 December 2010, mainly due to the increase in staff costs as a result of the increase in average number of administrative staff, which was in line with the Group's business expansion, the increase in equity-settled share option expenses and the increase in professional consulting fees as a result of the potential and completed acquisition activities that took place during the year.

The equity-settled share option expenses of approximately RMB19.0 million for the year ended 31 December 2010 were incurred because two tranches of share options were granted to certain Directors, senior management and employees of the Group on 29 December 2009 and 1 April 2010, respectively.

Other Operating Expenses

The other operating expenses decreased by 46.5%, from approximately RMB32.9 million for the year ended 31 December 2009 to approximately RMB17.6 million for the year ended 31 December 2010, mainly due to the decrease in cost of raw materials sold, which was in line with the decrease in sale of raw materials.

Finance Costs

The finance costs increased by 93.5%, from approximately RMB9.2 million for the year ended 31 December 2009 to approximately RMB17.8 million for the year ended 31 December 2010, primarily due to the increase in loan interest as a result of the increase in interest-bearing bank loans and foreign exchange losses caused by the appreciation of Renminbi against Hong Kong dollars.

Income Tax Expense

The income tax expense increased by 68.3%, from approximately RMB69.7 million for the year ended 31 December 2009 to approximately RMB117.3 million for the year ended 31 December 2010, and the increase was in line with the increase of the Group's profit before tax.

Profit and Total Comprehensive Income for the Year

As a result of the foregoing, the profit and total comprehensive income for the year increased by 59.2%, from approximately RMB366.9 million for the year ended 31 December 2009 to approximately RMB584.0 million for the year ended 31 December 2010. The net profit margin increased from 33.8% for the year ended 31 December 2009 to 37.6% for the year ended 31 December 2010.

Profit and Total Comprehensive Income Attributable to Owners of the Company

The profit and total comprehensive income attributable to owners of the Company increased by 62.7%, from approximately RMB327.9 million for the year ended 31 December 2009 to approximately RMB533.4 million for the year ended 31 December 2010.

Final Dividend

The Board recommended the payment of a final dividend of HK$0.062 per Share (equivalent to approximately RMB0.052 per Share) for the year ended 31 December 2010 (2009: Nil), representing 20.2% of the profit and total comprehensive income attributable to owners of the Company, payable to the Shareholders whose names appear on the register of members of the Company on 6 May 2011. Based on the number of issued Shares as at 31 December 2010, this represents a total distribution of approximately HK$128.7 million. Subject to the approval of the declaration of the final dividend by the Shareholders at the 2011 AGM, it is expected that the final dividend will be paid on or before 18 May 2011.

LIQUIDITY AND CAPITAL RESOURCES

The following table sets out certain information regarding the Group's consolidated statement of cash flows for the years ended 31 December 2009 and 2010:

	For the Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Net cash flows from operating activities	**764,405**	342,061
Net cash flows used in investing activities	**(1,750,403)**	(327,746)
Net cash flows (used in)/from financing activities	**(229,779)**	1,737,484
Net (decrease)/increase in cash and cash equivalents	**(1,215,777)**	1,751,799

Net Cash Flows from Operating Activities

The Group's net cash flows from operating activities increased by 123.4%, from approximately RMB342.1 million for the year ended 31 December 2009 to approximately RMB764.4 million for the year ended 31 December 2010. It primarily included the profit before tax of RMB701.3 million, and an increase in trade payables of RMB168.9 million that was partially offset by the increase in trade and other receivables due to the business expansion.

Net Cash Flows used in Investing Activities

The Group's net cash flows used in investing activities increased by 434.1%, from approximately RMB327.7 million for the year ended 31 December 2009 to approximately RMB1,750.4 million for the year ended 31 December 2010. It primarily included (i) the purchase of items of property, plant and equipment of approximately RMB974.6 million and the purchase of intangible assets of approximately RMB341.2 million as a result of the several acquisitions during the year; and (ii) the time deposit with maturity of over three months of approximately RMB430.0 million.

Net Cash Flows (used in)/from Financing Activities

The Group's net cash flows from financing activities for the year ended 31 December 2009 was approximately RMB1,737.5 million, mainly including the net proceeds from the IPO and the Over-allotment. The Group's net cash flows used in financing activities for the year ended 31 December 2010 was approximately RMB229.8 million, primarily including the purchase of the non-controlling interests in Huili Caitong of approximately RMB445.0 million, which was partially offset by the net bank borrowing proceeds.

Analysis of Inventories

The Group's inventories slightly decreased by 1.8%, from approximately RMB70.9 million as at 31 December 2009 to approximately RMB69.6 million as at 31 December 2010, primarily due to the decrease in finished goods, which was in line with the significant increase in sales volume, and partially offset by the increase of spare parts to meet the enlarged production capacity's repair and maintenance.

Analysis of Trade and Notes Receivables

The Group's trade and notes receivables increased by 51.1%, from approximately RMB137.4 million as at 31 December 2009 to approximately RMB207.6 million as at 31 December 2010, primarily due to the increase in sales in December 2010 as compared to December 2009 in accordance with the Group's standardised credit terms of 30 days given to the customers.

Analysis of Trade and Other Payables

The Group's trade and other payables increased by 85.3%, from approximately RMB284.8 million as at 31 December 2009 to approximately RMB527.8 million as at 31 December 2010, primarily due to (i) the increase in trade payables in respect of stripping and mining activities and payables to suppliers in order to meet the Group's expanded capacity, and (ii) the increase in other payables in respect of progress payments in accordance with the related acquisition agreements and the payable of value added tax which was in line with the increase in sales during the year.

Analysis of Net Current Assets Position

The Group's net current assets position decreased by 62.8%, from approximately RMB1,772.3 million as at 31 December 2009 to approximately RMB659.7 million as at 31 December 2010, primarily because most of the net proceeds from the IPO and the Over-Allotment were used for the acquisitions of iron ore mines and processing plants during the year.

Borrowings

As at 31 December 2010, the Group's total borrowings were RMB300.0 million, which comprised the unsecured interest-bearing short-term and long-term bank loans of RMB150.0 million each from China Construction Bank (the "Lender") obtained by Huili Caitong in February 2010 with an annual interest rate of 5.31% and 5.94%, respectively. As at 31 December 2010, the long-term bank loan included RMB25.0 million repayable within the next twelve months.

In accordance with the loan agreements entered into between Huili Caitong and the Lender, Huili Caitong agreed not to mortgage or pledge the Huili Caitong's mining right of the Baicao Mine and the iron concentrate production line with an annual production capacity of 500.0 Kt to any party, and the Lender will be entitled to a pre-emption right for such mortgage or pledge. As at 31 December 2009, the Group's borrowing was RMB100.0 million, which was the unsecured interest-bearing short-term bank loan from the Lender with an annual interest rate of 5.31%. During the year, the increase in borrowings was used for further investments or projects as strict credit policies may be applied by the PRC government.

Contingent Liabilities

As at 31 December 2010, the Group did not have any material contingent liabilities or guarantees.

Pledge of Assets

As at 31 December 2010, the Group did not have any pledge or charge on assets.

Foreign Currency Risk

The Group's businesses are located in the PRC and its operating transactions are conducted in Renminbi. Most of its assets and liabilities are denominated in Renminbi, except for a small part of net proceeds from the IPO and the Over-allotment, certain payables to professional parties and administrative expenses in Hong Kong office that are denominated in Hong Kong dollars.

The Renminbi is not freely convertible. There is a risk that the PRC government may take actions affecting exchange rates which may have an adverse effect on the Group's net assets, earnings and any dividend it declares if such dividend is to be exchanged or converted into foreign exchange. The Group has not entered into any hedging transaction to manage the potential fluctuation in foreign currencies. The Group does not consider that it has any significant exposure to the risk of fluctuation in the exchange rate between HK$ and RMB, as a possible change of 5% in RMB against HK$ would have no significant financial impact to the Group's financial performance.

Interest Rate Risk

The Group's income and operating cash flows are not substantially affected by changes in market interest rates. We have no significant interest-bearing assets, except for cash and cash equivalents. The Group manages its interest rate exposure arising from all of its interest-bearing loans through the use of fixed rate. In addition, the Group has not used any interest rate swap to hedge against interest rate risk.

Contractual Obligations

As at 31 December 2010, the Group's contractual obligations amounted to approximately RMB107.3 million, and decreased by RMB235.5 million as compared to approximately RMB342.8 million as at 31 December 2009, which was primarily due to less construction contracts entered by the Group during the year.

Capital Expenditure

The Group's total capital expenditure increased by 669.3% from approximately RMB182.7 million in 2009 to approximately RMB1,405.6 million in 2010. The capital expenditure in 2010 primarily consisted of (i) the acquisition of a mining right of the Yangqueqing Mine at a consideration of RMB200.0 million; (ii) the acquisition of an exploration right of the Cizhuqing Mine and the Hailong Processing Plant from Huili Hailong amounted to RMB120.0 million and RMB189.5 million, respectively; (iii) the acquisition of the Heigutian Processing Plant from the First Independent Third Party Processing Contractor amounted to approximately RMB547.6 million; (iv) the Construction Project with an annual production capacity of 1,000.0 Kt of approximately RMB108.4 million; (v) the exploration and evaluation costs of approximately RMB35.4 million in respect of the expansion of the Xiushuihe Mine and the Yangqueqing Mine; and (vi) other miscellaneous projects, including construction and upgrading medium-grade titanium concentrate production lines and road reconstruction etc, aggregated to approximately RMB182.0 million.

Financial Instruments

The Group did not have any hedging contracts or financial derivatives outstanding for the years ended 31 December 2009 and 2010.

Gearing Ratio

As at 31 December 2010, the Group's cash and cash equivalents exceeded the interest-bearing bank loans. As such, the Group was at a net cash position and no gearing ratio as at 31 December 2010.

Event After the Reporting Period

On 15 November 2010, the Group entered into the acquisition agreement in which the Group agreed to acquire, and Chuan Wei agreed to transfer, at a consideration of RMB150.0 million, the Aba Equity Interest ("Aba Acquisition"). On 28 January 2011, Chuan Wei requested and the Group agreed to extend the completion of the Aba Acquisition from 31 January 2011 to 30 April 2011.

USE OF NET PROCEEDS FROM THE IPO AND THE OVER-ALLOTMENT

Use of proceeds	Net proceeds from the IPO and the Over-Allotment Available to utilise RMB million	 **Utilised (up to 31 December 2010)** **RMB million**
Acquisition or consolidation of other mines and expansion of the existing mining boundaries	1,345.2	**1,024.1**
Construction of 300.0 Kt iron concentrate production line at the Xiushuihe Processing Plant	143.9	**120.2**
Upgrade of medium-grade titanium concentrate production lines	57.5	**8.7**
Working capital	115.1	**96.7**
Total	1,661.7	**1,249.7**

CHANGE OF USE OF PROCEEDS

Reference is made to the Prospectus in relation to the IPO. It was intended that approximately HK$131.4 million or RMB115.1 million (the "Luchang Proceeds") representing approximately 8.0% of the net proceeds from the IPO would be used to finance the construction of two titanium slag production lines with a planned annual aggregated production capacity of 120.0 Kt at the Luchang Vanadium Titano-Magnetite Industrial Park (the "Luchang Project").

As disclosed in the Company's interim report dated 20 August 2010, the Board believed that investing in the acquisition or consolidation of other mines will bring a higher investment return as compared to investing the same amount in titanium slag production. In order to better serve the Group's primary business goals and maximise Shareholder value, the Board has decided to terminate the Luchang Project and better utilise the Luchang Proceeds to finance the acquisition or consolidation of other iron ore mines and to expand its mining boundaries. During the year, the Luchang Agreements had been terminated, and the initial prepayment of the Luchang Proceeds amounted to approximately HK$39.6 million or RMB34.7 million had been refunded in full to the Group. As a result of the foregoing, the amount of net proceeds from the IPO and the Over-allotment intended for use in acquisition or consolidation of other mines and expansion of the existing mining boundaries has increased from RMB1,230.1 million as disclosed in the Prospectus to RMB1,345.2 million.

RESOURCES AND RESERVES OF MINES

Resources and Reserves of the Baicao Mine and the Xiushuihe Mine under the JORC Code

(a) *Resource Summary (Includes Reserves)*

		Tonnage		Grades			Contained Metals	
		(Mt)	TFe (%)	TiO_2 (%)	V_2O_5 (%)	TFe (Kt)	TiO_2 (Kt)	V_2O_5 (Kt)
Baicao Mine								
Measured and Indicated	Higher-grade	61.5	27.0	11.4	0.23	16,636.0	6,988.2	141.5
	Lower-grade	20.6	17.1	7.2	0.13	3,509.8	1,475.5	26.7
Inferred	Higher-grade	24.3	29.2	11.9	0.25	7,083.9	2,886.9	60.7
	Lower-grade	7.1	17.8	7.8	0.14	1,256.7	550.7	9.9
Xiushuihe Mine including the extension area								
Measured and Indicated	Higher-grade	81.9	25.6	9.6	0.22	20,910.9	5,269.0	180.2
	Lower-grade	8.0	17.0	5.3	0.13	1,358.6	378.5	10.2
Inferred	Higher-grade	2.9	30.5	11.5	0.26	869.3	327.8	7.4
	Lower-grade	4.5	17.3	4.8	0.12	776.8	215.5	5.4

(b) *Reserve Summary*

	Tonnage		Grades			Contained Metals	
	(Mt)	TFe (%)	TiO_2 (%)	V_2O_5 (%)	TFe (Kt)	TiO_2 (Kt)	V_2O_5 (Kt)
Baicao Mine							
Proved	18.8	25.0	10.5	0.22	4,692.5	2,670.0	57.1
Probable	32.8	25.9	10.2	0.22	8,490.0	3,520.0	77.0
Xiushuihe Mine including the extension area							
Proved	40.7	24.6	9.5	0.22	10,018.3	2,512.7	88.5
Probable	26.3	23.8	8.6	0.20	6,257.1	1,588.3	51.7

Resources of the Yangqueqing Mine and the Cizhuqing Mine

(a) Yangqueqing Mine

The Yangqueqing Mine has estimated resources of 17.9 Mt. In addition, the Yangqueqing Mine has the opportunity to expand the current permitted mining area and explore at a low cost the neighbouring iron ore resources, which are estimated to be up to 81.6 Mt. The Yangqueqing Mine has not commenced the production during the year, and the estimated resources have no change since the Company's announcement regarding the acquisition of the Yangqueqing Mine dated 18 January 2010.

(b) Cizhuqing Mine under the PRC National Standard

The Cizhuqing Mine has resources of 25.6 Mt and has not commenced the production during the year. As a result, its resources have no change since the Company's announcement regarding the acquisition of the Cizhuqing Mine dated 4 February 2010. The summary of resources is as below:

	Tonnage		Grades			Contained Metals	
	(Mt)	TFe (%)	TiO_2 (%)	V_2O_5 (%)	TFe (Kt)	TiO_2 (Kt)	V_2O_5 (Kt)
Type 331 and Type 332	12.8	22.4	9.6	0.17	2,869.4	1,235.6	23.6
Type 333	12.7	20.4	8.4	0.17	2,605.2	1,073.3	20.1

EMPLOYEES AND EMOLUMENT POLICIES

As at 31 December 2010, the Group had a total of 1,542 dedicated full time employees (31 December 2009: 1,012 employees), including 47 management and administrative staff, 27 technical staff, 8 sales and marketing staff and 1,460 operational staff. For the year ended 31 December 2010, the employee benefit expense (including Directors' remuneration in the form of salaries, equity-settled share option expenses and other allowances) was approximately RMB64.6 million (2009: RMB25.9 million). Details are set out in note 7 to financial statements.

The emolument policies of the Group are based on performance, experience, competence and market comparables. Remuneration package generally comprises salary, housing allowance, contribution to pension scheme and discretionary bonus relating to the performance of the Group. The Group has also adopted share option schemes for its employees, providing incentives and rewards to eligible participants with reference to their contributions. For details, please refer to the Directors' Report.

OTHER SIGNIFICANT EVENTS

(1) On 15 January 2010, Xiushuihe Mining and Nanjiang executed the Termination Agreement, pursuant to which the parties agreed to amend and terminate certain provisions under the New Agreement dated 18 March 2009, entered into between Xiushuihe Mining and Nanjiang relating to the construction and upgrade of iron and titanium concentrate production lines at the Xiushuihe Processing Plant. The reason for the amendment is to reduce the amount of technical support service fee payable to Nanjiang under the New Agreement. Please refer to the Company's announcement dated 18 January 2010 for further details.

(2) The Group entered into an agreement with Panzhihua Jingzhi, pursuant to which the Group extended the option period in relation to the acquisition of the Xiaoheiqing Jingzhi Mine by an additional year from 12 May 2010 to 11 May 2011. Please refer to the Company's announcement dated 13 May 2010 for further details.

STRATEGIES AND PLANS

Benefitting from global economic recovery and rising demand for industrial raw materials, the demand for iron ore continues to increase. This coupled with strong demand and inflationary considerations, meaning that the iron ore prices in Sichuan are expected to remain stable with solid growth potential. Moreover, the iron ore prices are on an upward trend following several price adjustments by global mining enterprises. Therefore, the Group remains positive and optimistic over iron ore prices in 2011. Clinging to the favourable market environment, the Group strives to achieve a better performance going forward.

Benefiting from various favourable initiatives introduced by the PRC government as well as a promising industry development outlook, the Group is ideally poised to fully capitalise on its leading position within the industry and will continue to strive for satisfactory results. The Group will also continue to strengthen its position in the local Sichuan iron ore market and across the entire country by adopting the following development strategies:

Expansion of Mineral Resources through Strategic Acquisitions and Mining Boundary Extensions

Looking ahead, mergers and acquisitions will remain the major business development strategy for the Group. The Group will continue to adhere to this strategy and leverage its regional leading position, while actively seeking out other potential mineral resources to further expand overall reserves. In 2011, the Group expects to obtain a mining permit to expand the mining area of the Xiushuihe Mine, and another two for the merged Yangqueqing Mine and Baicao Mine (including the mining right for iron ore resources found between these mines and in the area nearby) and for the Cizhuqing Mine, respectively. In addition, the Group has entered into the Aba Mining Acquisition Agreement (Aba Mining owns the Maoling Mine, the Yanglongshan Mine, and an iron concentrate production line with a planned annual production capacity of 150.0 Kt). The acquisition of Aba Mining is expected to be completed by 30 April 2011.

Facilities and Technology Upgrade to Boost Production

To meet strong future demand, the Group will actively upgrade its existing facilities and technologies to further expand the production capacity and output. The first phase of construction of the new iron pelletising plant with an annual production capacity of 1,000.0 Kt in Ailang Townlet, Huili County, Sichuan will be completed and begin operations during the second quarter of 2011. By then, an annual iron pellet production capacity of 1,000.0 Kt will be added to the Group. After completion of all the construction phases, it is expected that the Group's annual production capacity of the new iron pelletising plant will reach 1,500.0 Kt. In addition, the Group has completed the construction of a new iron concentrate production line with a planned annual production capacity of 300.0 Kt and a new high-grade titanium concentrate production line with a planned annual production capacity of 100.0 Kt at the Xiushuihe Processing Plant. With favourable market dynamics and further expansion of titanium concentrate production capacity, the Group expects to achieve a heightened production volume in the coming years. The Group will continue to improve its production processes and technologies to further increase the capacity of existing production facilities and enhance production output, thereby improving resource utilisation rates.

EXECUTIVE DIRECTORS

Mr. Jiang Zhong Ping (蔣中平)

Mr. Jiang, aged 45, is an executive Director and the chairman of the Company. Mr. Jiang is primarily responsible for the overall management, strategic planning and business development of the Group. Mr. Jiang joined the Group in March 2008 as a director of Huili Caitong. Mr. Jiang has over 19 years of experience in production and quality control in the steel industry. Mr. Jiang was a technician, head of quality control department and the chief manager of the audit department of Chuan Wei from August 1989 to April 2008. Mr. Jiang graduated from Chongqing Steel and Iron College (重慶鋼鐵專科學校) in Chongqing in July 1989 with a college degree in iron and steel rolling.

Mr. Liu Feng (劉峰)

Mr. Liu, aged 42, is an executive Director and the chief executive officer of the Company. Mr. Liu is primarily responsible for the management of daily operations and development of the operations of the Group. Mr. Liu joined the Group in December 2004 as the vice general manager of Huili Caitong. Mr. Liu has over 20 years of experience in civil engineering, quality control and technology applications in the steel industry. Mr. Liu was a technician, deputy head of civil engineering department, and deputy general managers of a number of subsidiaries of Chuan Wei from August 1988 to October 2005. Mr. Liu graduated from Chongqing Architecture University (重慶建築大學) in Chongqing in December 1996 with a college degree in construction engineering.

Mr. Yu Xing Yuan (余興元)

Mr. Yu, aged 41, is an executive Director and the chief investment officer of the Company. Mr. Yu is primarily responsible for the business development of the Group. Mr. Yu joined the Group in October 2004 as a director of Huili Caitong. Mr. Yu has 15 years of experience in steel production, technology applications and operations management in the steel industry. Mr. Yu was a technician, technical chief and the head of technical development department of Chuan Wei from August 1992 to September 2003. Mr. Yu graduated from Northeast Industrial Institute (東北工學院) in Shenyang, Liaoning in July 1992 with a bachelor's degree in mining engineering. Mr. Yu received a master's degree from Chongqing University (重慶大學) in Chongqing in December 2004 in metallurgy engineering.

NON-EXECUTIVE DIRECTORS

Mr. Wang Jin (王勁)

Mr. Wang, aged 48, is a non-executive Director of the Company. Mr. Wang is the chairman and chief executive officer of Chuan Wei. Mr. Wang joined the Group in April 2008 as a Director of the Company. Mr. Wang obtained the qualification of senior economist (高級經濟師) from Sichuan Province Professional Title Reform Leading Group (四川省職稱改革領導小組), a PRC governmental authority in April 2000. Mr. Wang has accumulated over 20 years of experience in steel production, raw material procurement and operations management in the steel industry. Mr. Wang joined Chuan Wei in September 1987 and was promoted to the chairman of Chuan Wei in May 1998. Mr. Wang has been a director of the Atlantic China Welding Consumables, INC. (四川大西洋焊接材料股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 600558), since September 1999. Mr. Wang graduated from Chongqing University (重慶大學) in Chongqing in July 1987 with a bachelor's degree in viscous pressure. Mr. Wang received a master's degree in industrial engineering from Chongqing University (重慶大學) in Chongqing in December 2002. He served as a deputy to the 10th National People's Congress (第十屆全國人大代表) from March 2003 to March 2008 and he is currently serving as a deputy to the 11th National People's Congress (第十一屆全國人大代表). He is also currently the director of the China Confederation of the Iron and Steel Industry (中國鋼鐵工業聯合會常務理事), the vice-chairman of the Sichuan Chamber of Commerce (四川省商會副會長), and the vice-chairman of the Sichuan Enterprise Confederation and Sichuan Entrepreneur Association (四川省企業聯合會暨企業家協會副會長).

Mr. Teo Cheng Kwee (張青貴)

Mr. Teo, aged 58, is a non-executive Director of the Company. He joined the Group in July 2008 as a Director of the Company. Mr. Teo has more than 30 years of experience in the building and construction industry. Mr. Teo is the chief executive officer and founder of Sapphire Corporation Limited ("Sapphire"), a company listed on the Singapore Exchange Limited (Ticker symbol: 589.SI). He has been appointed to the board of Sapphire since 26 November 1985 and is a member of the executive committee. He is responsible for the charting and reviewing of the corporate direction and strategy of Sapphire. He is also actively involved in the business development with emphasis on overseas markets, overall corporate management and finance matters.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yu Haizong (余海宗)

Mr. Yu, aged 46, is an independent non-executive Director of the Company since 4 September 2009. Mr. Yu was a chartered public accountant in Sichuan Tongde Certified Accountants Firm (四川同德會計師事務所) (formerly known as Chengdu Xinda Certified Accountants Firm (成都信達會計師事務所)) from 1994 to 2000. Mr. Yu was a chartered public accountant (non-practicing) in the PRC, a member of the Chartered Public Accountant Further Education Committee of Sichuan Association of Chartered Public Accountants (四川省註冊會計師協會CPA後續教育委員會), a member of the expert panels of Department of Land and Resources of Sichuan (四川省國土資源廳) and Science and Technology Department of Sichuan (四川省科學技術廳). Mr. Yu is a professor, master and doctoral supervisor of the Accounting Faculty of Southwestern University of Finance and Economics (西南財經大學) in Chengdu, Sichuan. Mr. Yu is also the dean of the Auditing Department at Southwestern University of Finance and Economics in Chengdu, Sichuan. Mr. Yu worked in the finance department of Weiyuan Steel Factory (威遠鋼鐵廠) from July 1988 to August 1990. Mr. Yu served as an independent non-executive director of Xinan Huaji Company Limited (西南化機股份有限公司), a company listed on the Shenzhen Stock Exchange from 1998 to 2000 and he served as an independent non-executive director of Jinyu Checheng Company Limited (金宇車城股份有限公司) ("Jinyu Checheng"), a company listed on the Shenzhen Stock Exchange, and was also a member of audit committee and remuneration committee of Jinyu Checheng from May 2004 to June 2010. As a member of the audit committee of Jinyu Checheng, Mr. Yu's duties included reviewing the internal control system and reviewing and analysing financial statements of the company. Currently, Mr. Yu is also an independent non-executive director and a member of audit committee of Chengdu Tianxing Instruments (Group) Co., Ltd. (成都天興儀表股份有限公司), a company listed on the Shenzhen Stock Exchange. Mr. Yu received a bachelor's degree from Southwestern University of Finance and Economics (西南財經大學) in Chengdu, Sichuan in accounting in July 1988, a master's degree in economics (accounting) in December 1992 and a doctoral degree in management (accounting) in March 2002. Through his professional qualification as a chartered public accountant, his education background in accounting and his previous experience as an independent non-executive director of public companies, he meets the criteria for accounting and related financial management expertise as required by Rule 3.10(2) of the Listing Rules. The Directors are of the view that Mr. Yu's experience with internal controls and reviewing and analysing audited financial statements of a public company gained while serving as a member of audit committee of Jinyu Checheng enables him to meet the requirements under Rule 3.10(2) of the Listing Rules.

Mr. Gu Peidong (顧培東)

Mr. Gu, aged 55, is an independent non-executive Director of the Company since 4 September 2009. Mr. Gu is a PRC qualified lawyer. Mr. Gu is a commissioner of the Lawyer Notarisation Expert Advisory Committee of the PRC Ministry of Justice (中國司法部律師公証專家諮詢委員會), a commissioner of the Policy Advisory Committee of Sichuan Government (四川省政府決策諮詢委員會) and a commissioner of the Expert Advisory Committee of the People's Procuratorate of Sichuan (四川省人民檢察院專家諮詢委員會). Mr. Gu was a teacher in Southwest University of Political Science and Law (西南政法大學) in Chongqing from 1984 to 1987. Mr. Gu was a director of the Graduate School of Development and Reform of the Sichuan Systems Reform Commission (四川省發展與改革研究所) from 1987 to 1995 and a secretary general of the Sichuan Economic Structure Reform Commission (四川省經濟體制改革委員會). In 1995, Mr. Gu established his own law firm, Sichuan Zhongwei Law Firm (四川中維律師事務所). Mr. Gu was a professor and doctoral supervisor at Southwest University of Political Science and Law (西南政法大學) in Chongqing in 2003 and is currently a professor and doctoral supervisor at Sichuan University (四川大學). Mr. Gu received a bachelor's degree in law from Southwest University of Political Science and Law (西南政法大學) in Chongqing in December 1981 and a master's degree in civil procedure law in January 1984.

Mr. Liu Yi (劉毅)

Mr. Liu, aged 48, is an independent non-executive Director of the Company since 4 September 2009. Mr. Liu has been working at Sichuan Metallurgical Design and Research Institute (四川省冶金設計研究院) since July 1987, engaging in project consulting, beneficiation process and mining design, feasibility study and engineering design work and specialising in mineral processing engineering. His past experiences in mining design projects include constructing iron concentrate production lines of various capacities, and mining operations planning for vanadium-bearing titano-magnetite mines. He is currently the director and chief project designer of the mining design office of Sichuan Metallurgical Design and Research Institute (四川省冶金設計研究院). Mr. Liu studied at the faculty of mining resource engineering of Xi'an Metallurgy and Architecture College (西安冶金建築學院) in Xi'an, Shannxi and received a bachelor's degree in engineering from Xi'an Metallurgy and Architecture College (西安冶金建築學院) in Xi'an, Shannxi in 1987.

SENIOR MANAGEMENT

Mr. Jiang Zhong Ping (蔣中平)

Mr. Jiang is the chairman of the Company. Details of his biography are set out above in this section.

Mr. Liu Feng (劉峰)

Mr. Liu is the chief executive officer of the Company. Details of his biography are set out above in this section.

Mr. Yu Xing Yuan (余興元)

Mr. Yu is the chief investment officer of the Company. Details of his biography are set out above in this section.

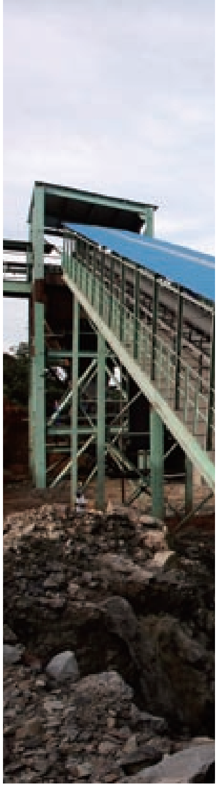
Mr. Kong Chi Mo (江智武)

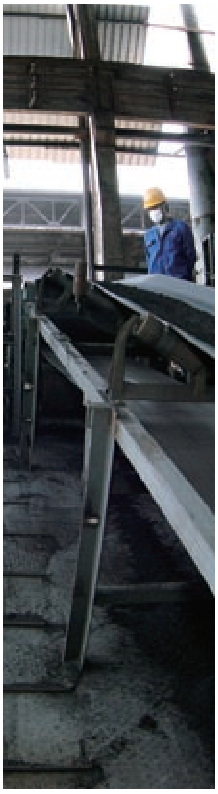
Mr. Kong, aged 35, FCCA, ACIS, ACS & MHKIoD, is the chief financial officer of the Company since May 2008. Prior to joining the Company, Mr. Kong was an audit senior manager at KPMG's Beijing Office. In his eight years with KPMG, Mr. Kong was the engagement manager on audits for the initial public offerings and annual audits of several Chinese companies listed in Hong Kong and the United States. Mr. Kong has been a fellow of the Association of Chartered Certified Accountants since February 2008, an associate member of the Hong Kong Institute of Company Secretaries and the Institute of Company Secretaries and Administrators since April 2009, and an associate member of the Hong Kong Institute of Directors since May 2010. Prior to joining KPMG, Mr. Kong worked as a tax associate and finance trainee in PricewaterhouseCoopers and Hutchison Telecommunications (Hong Kong) Limited, respectively. Mr. Kong graduated from the Chinese University of Hong Kong in May 1997 with a bachelor's degree in business administration.

COMPANY SECRETARY

Mr. Kong Chi Mo (江智武)

Mr. Kong is the company secretary of the Company. Mr. Kong is working for the Company on a full time basis. Details of his biography are set out above in this section.





Profit and Total Comprehensive Income Attributable to Owners of the Company

▲62.7%

Expediting Capacity Expansion and Increasing Production Volume

The Directors hereby present their report and the audited financial statements of the Group for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are mining, ore processing, iron pelletising and sale of iron concentrates, iron pellets and titanium concentrates in the PRC.

Details of the Company's subsidiaries as at 31 December 2010 are set out in note 15 to financial statements of this annual report.

RESULTS

The results of the Group for the year ended 31 December 2010 are set out in the consolidated statement of comprehensive income on page 51 of this annual report.

FINAL DIVIDEND

The Directors recommended the payment of a final dividend of HK$0.062 per Share (equivalent to approximately RMB0.052 per Share) for the year ended 31 December 2010 (2009: Nil), representing 20.2% of the profit and total comprehensive income attributable to owners of the Company, payable to the Shareholders whose names appear on the register of members of the Company on 6 May 2011. Based on the number of issued Shares as at 31 December 2010, this represents a total distribution of approximately HK$128.7 million. Subject to the approval of the declaration of the final dividend by the Shareholders at the 2011 AGM, it is expected that the final dividend will be paid on or before 18 May 2011.

CLOSURE OF REGISTER OF MEMBERS

The Company's register of members will be closed from Wednesday, 4 May 2011 to Friday, 6 May 2011 (both dates inclusive), during such period no transfer of Shares of the Company will be registered.

Besides, in order to determine the identity of the Shareholders who are entitled to attend and vote at the 2011 AGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 3 May 2011.

PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment of the Group for the year ended 31 December 2010 amounted to approximately RMB1,052.1 million. Details of the movements during the year in the Group's property, plant and equipment are set out in note 12 to financial statements of this annual report.

SHARE CAPITAL

Details of the movements during the year in the issued share capital of the Company are set out in note 28 to financial statements of this annual report.

DISTRIBUTABLE RESERVES

Details of the movements during the year ended 31 December 2010 in the reserves of the Group are set out in the consolidated statement of changes in equity on page 54 of this annual report.

As at 31 December 2010, the Company's reserves available for distribution to the Shareholders in accordance with the Articles of Association was RMB1,998.7 million.

Under the Companies Law, subject to the provision of its Articles, the share premium account may be applied by the Company in paying distributions or dividends to its members or in paying up unissued shares to be issued to its members as fully paid bonus shares provided that no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

The reserves of the Group available for distribution depend on the dividend distributable by the Company's subsidiaries. For dividend purpose, the amount which the Company's subsidiaries in the PRC can legally distribute by way of a dividend is determined by reference to their distributable profits as reflected in the PRC statutory financial statements which are prepared in accordance with accounting principles generally accepted in the PRC. These distributable profits differ from those that are reflected in the Group's financial statements prepared in accordance with the IFRSs.

FINANCIAL SUMMARY

A summary of the published results, assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on pages 4 and 5 of this annual report.

LOANS AND BORROWINGS

Details of the loans and borrowings of the Group are set out in note 26 to financial statements of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the years ended 31 December 2010 and 2009, sales to the Group's five largest customers accounted for 84.8% and 85.9% of the total revenue of the Group, respectively, and sales to the largest customer included therein accounted 19.2% and 18.4%, respectively.

For the years ended 31 December 2010 and 2009, purchases from the Group's five largest suppliers accounted for 52.1% and 94.5% of the total purchases of the Group, respectively, and purchases from the largest supplier included therein accounted for 23.0% and 60.6%, respectively.

Save that Mr. Wang Jin, a non-executive Director who, through his spouse and other parties acting in concert, together control over 80% of equity interest in Weiyuan Steel, none of the Directors or any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in any of the Group's five largest suppliers or customers.

DIRECTORS

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

Executive Directors

Mr. Jiang Zhong Ping *(Chairman)*
Mr. Liu Feng *(Chief executive officer)*
Mr. Yu Xing Yuan *(Chief investment officer)*
Mr. Wang Yun Jian (Retired on 15 April 2010)

Non-executive Directors

Mr. Wang Jin
Mr. Teo Cheng Kwee
Mr. Zhu Xiao Lin (Retired on 15 April 2010)
Mr. Devlin Paul Jason (Resigned on 23 April 2010)

Independent non-executive Directors

Mr. Yu Haizong
Mr. Gu Peidong
Mr. Liu Yi
Mr. Wu Wei (Retired on 15 April 2010)

Biographical details of the above Directors are set out in the section headed "Profile of Directors and Senior Management" on pages 24 to 27 of this annual report.

In accordance with articles 84(1) and 84(2) of the Articles, Messrs. Wang Jin, Yu Haizong and Liu Yi will retire at the 2011 AGM and, being eligible, will offer themselves for re-election at the 2011 AGM.

DIRECTORS' SERVICE CONTRACTS

Each of our executive Directors has entered into a service contract with the Company for an initial term of two years commencing from the Listing Date. On 1 January 2010, each of our executive Directors entered into a supplemental agreement to the service contract to further clarify the annual director's fee. Each of our non-executive Directors and independent non-executive Directors has entered into a letter of appointment with the Company for an initial term of two years commencing from the Listing Date.

None of the Directors proposed for re-election at the 2011 AGM has entered into any service agreement with the Company which is not terminable within one year without payment of compensation (other than the statutory compensation).

REMUNERATION OF THE DIRECTORS

The remuneration of the Directors is determined with reference to the Directors' duties, responsibilities, performance and the results of the Group.

Details of the remuneration of the Directors are set out in note 8 to financial statements of this annual report.

EMOLUMENT POLICIES

The emolument policies of the Group are based on performance, experience, competence and market comparables. Remuneration package generally comprises salary, housing allowance, contribution to pension schemes and discretionary bonuses relating to the performance of the Group.

When compared to other employees of the Group, the remuneration package of the Directors and senior management puts a heavier weighting on their contributions to the performance of the Group. This is achieved by way of share option scheme. The emolument policies of the Directors and senior management are overseen by the remuneration committee of the Company.

Details of the scheme are set out under the section headed "Share Options" in this report and note 29 to financial statements.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive Directors are independent in accordance with the guidelines set out in the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2010, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

(a) Long positions in Shares

	Number of Shares held, capacity and nature of interest				
Name of Director	**Directly beneficially owned**	**Through controlled corporation**	**Through parties acting in concert**	**Total**	**Percentage of the Company's issued share capital**
Mr. Wang Jin	–	1,006,754,000 (Note 1)	190,944,000 (Note 2)	1,197,698,000	57.72%

Notes:

1. These Shares were held by Trisonic International which was owned as to, inter alia, 36.6% by Mr. Wang Jin and 40% by Kingston Grand which in turn was owned as to 86% by Mr. Wang Jin.

2. These Shares were held by Sapphire. Since Mr. Wang Jin and Sapphire are deemed as parties acting in concert, Mr. Wang Jin is deemed to be interested in the Shares held by Sapphire.

(b) Long positions in share options granted by the Company

Number of share options held by the Directors and chief executives of the Company as at 31 December 2010:

Name	**Number of options held**	**Number of underlying Shares**
Mr. Jiang Zhong Ping	3,500,000	3,500,000
Mr. Liu Feng	6,500,000	6,500,000
Mr. Yu Xing Yuan	9,500,000	9,500,000
Mr. Kong Chi Mo	3,500,000	3,500,000

The details of share options held by the Directors and chief executives of the Company are disclosed under the section headed "Share Options" of this report.

Save as disclosed above, as at 31 December 2010, so far as is known to any Directors or chief executives of the Company, none of the Directors or chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SHARE OPTIONS

The Company adopted a share option scheme (the "Old Option Scheme") on 4 September 2009. At the 2010 AGM, the Shareholders approved the adoption of a new share option scheme (the "New Option Scheme") and the termination of the operation of the Old Option Scheme (such that no further options shall thereafter be offered under the Old Option Scheme but in all other respects the provisions of the Old Option Scheme shall remain in full force and effect).

SUMMARY OF THE OLD OPTION SCHEME

The purpose of adopting the Old Option Scheme was to provide incentives or rewards to eligible persons for their contributions to, and continuing efforts to promote the interests of the Company and enabling our Group to recruit and retain high-calibre employees. The eligible persons include any Director or employee (whether full time or part time) of any member of the Group.

The maximum aggregate number of Shares which may be issued upon exercise of all outstanding options to be granted and yet to be exercised under the Old Option Scheme and any other share option schemes must not, in aggregate, exceed 30% of the Shares in issue from time to time. The maximum number of Shares issued and to be issued upon exercise of the options granted to any eligible person under the Old Option Scheme and any other share option schemes shall not in any 12-month period up to the date of grant exceed 1% of the issued share capital of the Company as of the date of grant. Any further grant of share options in excess of this limit is subject to the Shareholders' approval in general meeting. The period within which an option may be exercised under the Old Option Scheme will be determined by the Board at its absolute discretion. The exercise price in relation to each option shall be determined by the Board at its absolute discretion, but in any event shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of such option; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant of such option; and (iii) the nominal value of a Share on the date of grant of such option.

On 29 December 2009, the options to subscribe for the new Shares were granted under the Old Option Scheme. The options shall entitle the grantees to subscribe for the new Shares upon the exercise of options at an exercise price of HK$5.05 per Share, which represented the highest of: (a) the closing price of HK$5.05 per Share as stated in the Stock Exchange's daily quotations sheet on the date of grant; (b) the average closing price of HK$4.86 per Share as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant; and (c) the nominal value of the Shares of HK$0.1. The options shall be exercisable during the period of 10 years from the date of grant.

On 1 April 2010, the options to subscribe for the new Shares were granted under the Old Option Scheme. The options shall entitle the grantees to subscribe for the new Shares upon the exercise of options at an exercise price of HK$4.99 per Share, which represented the highest of: (a) the closing price of HK$4.86 per Share as stated in the Stock Exchange's daily quotations sheet on the date of grant; (b) the average closing price of HK$4.99 per Share as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant; and (c) the nominal value of the Shares of HK$0.1. The options shall be exercisable during the period of 10 years from the date of grant.

Details of the share options outstanding as at 31 December 2010 which have been granted under the Old Option Scheme are as follows:

Name or category of participant	Date of grant	Exercise period	Exercise price per share option HK$	No. of share options held as at 01.01. 2010	No. of share options granted during the year	No. of share options exercised during the year	No. of share options lapsed or cancelled during the year	Transfer from other category during the year	Transfer to other category during the year	No. of share options held as at 31.12. 2010
1. Directors/chief executives										
Mr. Jiang Zhong Ping	29.12.2009	29.06.2012 to 28.12.2019	5.05	1,500,000	–	–	–	–	–	1,500,000
		29.12.2014 to 28.12.2019	5.05	1,500,000	–	–	–	–	–	1,500,000
	01.04.2010	01.10.2012 to 31.03.2020	4.99	–	250,000	–	–	–	–	250,000
		01.04.2015 to 31.03.2020	4.99	–	250,000	–	–	–	–	250,000
Mr. Liu Feng	29.12.2009	29.06.2012 to 28.12.2019	5.05	2,000,000	–	–	–	–	–	2,000,000
		29.12.2014 to 28.12.2019	5.05	2,000,000	–	–	–	–	–	2,000,000
	01.04.2010	01.10.2012 to 31.03.2020	4.99	–	1,250,000	–	–	–	–	1,250,000
		01.04.2015 to 31.03.2020	4.99	–	1,250,000	–	–	–	–	1,250,000
Mr. Wang Yun Jian	01.04.2010	01.10.2012 to 31.03.2020	4.99	–	500,000	–	–	–	(500,000) (Note 1)	–
		01.04.2015 to 31.03.2020	4.99	–	500,000	–	–	–	(500,000) (Note 1)	–
Mr. Yu Xing Yuan	29.12.2009	29.06.2012 to 28.12.2019	5.05	3,500,000	–	–	–	–	–	3,500,000
		29.12.2014 to 28.12.2019	5.05	3,500,000	–	–	–	–	–	3,500,000
	01.04.2010	01.10.2012 to 31.03.2020	4.99	–	1,250,000	–	–	–	–	1,250,000
		01.04.2015 to 31.03.2020	4.99	–	1,250,000	–	–	–	–	1,250,000

	Name or category of participant	Date of grant	Exercise period	Exercise price per share option HK$	No. of share options held as at 01.01.2010	No. of share options granted during the year	No. of share options exercised during the year	No. of share options lapsed or cancelled during the year	Transfer from other category during the year	Transfer to other category during the year	No. of share options held as at 31.12.2010
	Mr. Zhu Xiao Lin	29.12.2009	29.06.2012 to 28.12.2019	5.05	3,500,000	–	–	(3,500,000) (Note 2)	–	–	–
			29.12.2014 to 28.12.2019	5.05	3,500,000	–	–	(3,500,000) (Note 2)	–	–	–
	Mr. Kong Chi Mo	29.12.2009	29.06.2012 to 28.12.2019	5.05	1,500,000	–	–	–	–	–	1,500,000
			29.12.2014 to 28.12.2019	5.05	1,500,000	–	–	–	–	–	1,500,000
		01.04.2010	01.10.2012 to 31.03.2020	4.99	–	250,000	–	–	–	–	250,000
			01.04.2015 to 31.03.2020	4.99	–	250,000	–	–	–	–	250,000
2.	**Employees** (in aggregate)	29.12.2009	29.06.2012 to 28.12.2019	5.05	1,600,000	–	–	–	–	–	1,600,000
			29.12.2014 to 28.12.2019	5.05	1,600,000	–	–	–	–	–	1,600,000
		01.04.2010	01.10.2012 to 31.03.2020	4.99	–	1,200,000	–	–	500,000 (Note 1)	–	1,700,000
			01.04.2015 to 31.03.2020	4.99	–	1,200,000	–	–	500,000 (Note 1)	–	1,700,000
Total:					27,200,000	9,400,000	–	(7,000,000)	1,000,000	(1,000,000)	29,600,000

Notes:

1. Mr. Wang Yun Jian ceased to act as a Director of the Company upon his retirement at the 2010 AGM. The options granted to Mr. Wang Yun Jian remain exercisable following his retirement as he is still an employee of the Company's subsidiaries and those options were re-classified in the category "Employees" during the year.

2. Mr. Zhu Xiao Lin ceased to act as a Director of the Company upon his retirement at the 2010 AGM. The options granted to Mr. Zhu Xiao Lin were lapsed during the year.

3. The closing price per Share on 28 December 2009, the date immediately before the date on which the options were granted on 29 December 2009, was HK$5.11.

4. The closing price per Share on 31 March 2010, the date immediately before the date on which the options were granted on 1 April 2010, was HK$4.84.

SUMMARY OF THE NEW OPTION SCHEME

The purposes of adopting the New Option Scheme are: (i) to broaden the scope of eligible persons to include all substantial Shareholders of the Company and any person whom the Board considers to have contributed to the development and growth of the Company; (ii) to provide incentive or reward to eligible persons for their contributions to, and continuing efforts to promote the interests of the Company; and (iii) to enable the Group to recruit and retain high-calibre employees. The eligible persons include Directors, chief executives, substantial Shareholders or employees (whether full time or part time) of any member of the Group and any person who the Board considers, at its sole discretion, have contribution or will contribute to the development and growth of the Group.

The maximum aggregate number of Shares which may be issued upon exercise of all outstanding options to be granted and yet to be exercised under the New Option Scheme and any other share option schemes must not, in aggregate, exceed 30% of the Shares of the Company in issue from time to time. The maximum number of Shares which may be issued upon exercise of all options to be granted under all schemes adopted by the Company, must not in aggregate exceed 207,500,000 Shares, being 10% of the total number of Shares in issue (the "Scheme Mandate Limit") on adoption date of the New Option Scheme. Options lapsed under the New Option Scheme or any other share option scheme shall not be counted for the purpose of calculating the Scheme Mandate Limit. The maximum number of Shares issued and to be issued upon exercise of the options granted and to be granted to each eligible person under the New Option Scheme and any other share option schemes shall not in any 12-month period up to the date of grant exceed 1% of the issued share capital of the Company as at the date of grant. Any further grant of share options in excess of this limit is subject to the Shareholders' approval in general meeting.

Any grant of options to a Director, chief executives or to a substantial Shareholder or any of their respective associates is required to be approved by the independent non-executive Directors (excluding independent non-executive Directors who are the grantees of the options). Any grant of options to a substantial Shareholder or an independent non-executive Director or any of their respective associates would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person in the 12 months up to and including the date of the offer of such grant: (1) representing in aggregate over 0.1% of the Shares in issue on the date of the offer; and (2) having an aggregate value in excess of HK$5 million, based on the closing price of the Shares as quoted on the Stock Exchange at the date of grant, any further grant of options are subject to the Shareholders' approval in general meeting at which all connected persons of the Company shall abstain from voting in favour at such meeting and other requirements prescribed under the Listing Rules from time to time.

A consideration of HK$1.0 is payable by grantees on acceptance of the offer of the grant of an option. There is no general requirement that an option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its absolute discretion any such minimum period at the time of grant of any particular option. Upon acceptance, the date of grant of any particular option is deemed to have taken effect from the date on which an offer is made. Any option may be exercised according to the terms of the New Option Scheme and the offer in whole or in part by the grantee (or his/her personal representatives) before its expiry giving notice in writing to the Company stating that the option is to be exercised and the number of Shares in respect of which it is exercised. The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than ten years from the date of grant. No option may be granted more than ten years after the date of approval of the New Option Scheme.

The subscription price in relation to each option shall be determined by the Board at its absolute discretion, but in any event shall not be less than the highest of (i) the nominal value of the Shares; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant of the option; and (iii) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option.

In the event of a grantee ceasing to be an eligible person for any reason other than (1) by reason of summary dismissal for misconduct or other breach of the terms of his employment or other contract constituting him an eligible person, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has become insolvent or has made any arrangement or composition with his creditors generally or on which he has been convicted of any criminal offence involving his integrity or honesty; or (2) by death, the option may be exercised within one month after the date such cessation, which date shall be (i) if he is an employee of any member of the Group, his last actual working day with such member of the Group whether salary is paid in lieu of notice or not; or (ii) if he is not an employee of any member of the Group, the date on which the relationship constituting him an eligible person ceases.

During the year, no options have been granted under the New Option Scheme and there were no outstanding share options under the New Option Scheme as at 31 December 2010.

Save as disclosed above, at no time during the year was the Company, its holding companies or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

To the best knowledge of the Directors or chief executives of the Company, as at 31 December 2010, persons (other than the Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Notes	**Directly beneficially owned**	**Through controlled corporation**	**Through parties acting in concert**	**Total**	**Percentage of the Company's issued share capital**
Trisonic International	1,2,3&4	1,006,754,000 (L)	–	190,944,000 (L)	1,197,698,000 (L)	57.72% (L)
Kingston Grand	1,2,3&4	–	1,006,754,000 (L)	190,944,000 (L)	1,197,698,000 (L)	57.72% (L)
Mr. Yang Xianlu	1,2,3&4	–	1,006,754,000 (L)	190,944,000 (L)	1,197,698,000 (L)	57.72% (L)
Mr. Wu Wendong	1,2,3&4	–	1,006,754,000 (L)	190,944,000 (L)	1,197,698,000 (L)	57.72% (L)
Mr. Li Hesheng	1,2,3&4	–	1,006,754,000 (L)	190,944,000 (L)	1,197,698,000 (L)	57.72% (L)
Mr. Shi Yinjun	1,2,3&4	–	1,006,754,000 (L)	190,944,000 (L)	1,197,698,000 (L)	57.72% (L)
Mr. Zhang Yuangui	1,2,3&4	–	1,006,754,000 (L)	190,944,000 (L)	1,197,698,000 (L)	57.72% (L)
Sapphire	1,2,3&4	190,944,000 (L)	–	1,006,754,000 (L)	1,197,698,000 (L)	57.72% (L)
JPMorgan Chase & Co.	1	124,495,000 (L)	–	–	124,495,000 (L)	5.99% (L)
		55,916,000 (P)	–	–	55,916,000 (P)	2.69% (P)

Notes:

1. The letter "L" represents the entity's long positions in the Shares and the letter "P" represents the entity's lending pool in the Shares.

2. The issued share capital of Trisonic International is owned as to 6% by Mr. Wu Wendong, 3% by Mr. Li Hesheng, 36.6% by Mr. Wang Jin, 7.2% by Mr. Shi Yinjun, 7.2% by Mr. Zhang Yuangui, and 40% by Kingston Grand. Mr. Wu Wendong, Mr. Li Hesheng, Mr. Wang Jin, Mr. Shi Yinjun, Mr. Zhang Yuangui and Kingston Grand are deemed under SFO to be interested in 1,006,754,000 Shares directly held by Trisonic International. The interests of Mr. Wang Jin in the Shares of the Company is disclosed under the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" of this report.

3. The issued share capital of Kingston Grand is owned as to 86% by Mr. Wang Jin. Mr. Wang Jin is deemed under SFO to be interested in 1,197,698,000 Shares in which Kingston Grand is interested under SFO.

4. 190,944,000 Shares were directly held by Sapphire. Sapphire, Trisonic International, Kingston Grand, Mr. Wang Jin, Mr. Yang Xianlu, Mr. Wu Wendong, Mr. Li Hesheng, Mr. Shi Yinjun and Mr. Zhang Yuangui are parties acting in concert, Sapphire is deemed to be interested in 1,006,754,000 Shares held by Trisonic International and each of Trisonic International, Kingston Grand, Mr. Wang Jin, Mr. Yang Xianlu, Mr. Shi Yinjun, Mr. Wu Wendong, Mr. Li Hesheng and Mr. Zhang Yuangui are deemed to be interested in the 190,944,000 Shares held by Sapphire.

5. Mr. Wang Jin is a director of Trisonic International and Kingston Grand.

6. Mr. Teo Cheng Kwee, a non-executive Director, is the chief executive officer of Sapphire.

Save as disclosed above, as at 31 December 2010, the Company had not been notified by any persons (other than the Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DEED OF NON-COMPETITION

In order to restrict competition activities between the Controlling Shareholders and the Company, the Controlling Shareholders have entered into a deed of non-competition in favour of the Company dated 23 September 2009 (the "Non-Competition Deed").

The undertakings and covenants stipulated under the Non-Competition Deed cover any business which involves ore processing and sale of iron concentrates, iron pellets, titanium concentrates and titanium-related downstream products or any other business from time to time conducted by any member of our Group ("Competing Business") in Hong Kong, the PRC or such other part of the world where any member of our Group carries on its business from time to time other than the mines owned or operated by Aba Mining, Weixi Guangfa and Yanyuan (together the "Excluded Mines").

Controlling Shareholders having an opportunity to invest in, participate in, engage in, operate or manage any Competing Business ("Business Opportunity") shall notify the Company about such Business Opportunity in writing. The Company shall have the first right of refusal under the same investment terms to such Controlling Shareholders. The Controlling Shareholders shall implement the project only if the Company has confirmed that it has no intention to invest, participate in, engage in or operate such Business Opportunity as approved by the Board. Nevertheless, the Company still has an option to acquire such Business Opportunity at a fair market price to be negotiated between the parties. Such price must not be higher than the net assets value of the Business Opportunity or the total amount of investment contributed by the Controlling Shareholders in relation to the Business Opportunity.

Excluded Mines

According to the Non-Competition Deed, the Excluded Mines are indirectly owned by the Controlling Shareholders through their shareholding in Chuan Wei, which the Company has been given options to acquire pursuant to undertakings and granted by the owners of the Excluded Mines. The exercise of the options upon execution of a binding agreement for the purchase of any of the mining rights and related assets of the Excluded Mines shall comply with the applicable requirements under Chapter 14A of the Listing Rules. In addition, any decisions relating to the exercise of any of the rights under the Non-Competition Deed shall be made by the independent non-executive Directors, who will convene at least once a year or upon our request to consider whether or not to exercise the options to purchase any of the mining rights and related assets of the Excluded Mines.

The independent non-executive Directors will consider, among other things, the total proved and probable reserves, the average grade and content of the reserves, the market value of iron ore, regulatory compliance and the scale of production in respect of the relevant Excluded Mines. In the event the independent non-executive Directors consider appropriate, they will appoint experts or independent technical advisers to assist them in their consideration of whether to exercise the said options.

The independent non-executive Directors have reviewed each of the options and rights of first refusal under the Non-Competition Deed and concluded that non-competition undertakings and covenants stipulated in the Non-Competition Deed have been complied with.

MANAGEMENT CONTRACTS

Other than the service contracts of the Directors, the Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during the year.

CONTRACTS OF SIGNIFICANCE

No contracts of significance in relation to the business of the Group, to which the Company, its holding companies, its subsidiaries or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

No contracts of significance for the provision of services to the Company or any of its subsidiaries by a Controlling Shareholder of the Company or any of its subsidiaries subsisted at the end of year or at any time during the year.

No contracts of significance between the Company or any of its subsidiaries and a Controlling Shareholder of the Company or any of its subsidiaries subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, the interests of the Directors or their respective associates in business which competes or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules were as follows:

Name of Director	Name of Company in which the relevant Director has interest	Principal activities of the competing company	Interest of the relevant Director in competing company
Mr. Wang Jin	Yanyuan (Note 1)	Mining and sale of iron ore	Mr. Wang, through a company controlled by him and other parties acting in concert with him, holds 100% equity interest in Yanyuan. Mr. Wang is also a director of the holding company of Yanyuan.
	Weixi Guangfa (Note 2)	Exploration for, processing and sale of iron ore	Mr. Wang, interested in the equity interest of Weixi Guangfa through an entity (the "Beneficial Holder") controlled by him and other parties acting in concert with him. The Beneficial Holder indirectly owns equity interest of Weixi Guangfa through a trust and its subsidiaries. Mr. Wang is also a director of the Beneficial Holder.
	Aba Mining (Note 3)	Mining, beneficiation and sale of iron ore products	Mr. Wang, through a company controlled by him and other parties acting in concert with him, holds 100% equity interest in Aba Mining. Mr. Wang is also a director of the holding Company of Aba Mining.
Mr. Yu Xing Yuan	Yanyuan (Note 1)	Mining and sale of iron ore	Mr. Yu is a director of the holding company of Yanyuan.
	Weixi Guangfa (Note 2)	Exploration for, processing and sale of iron ore	Mr. Yu is a director of the Beneficial Holder which indirectly owns equity interest in Weixi Guangfa through a trust and its subsidiaries.
	Aba Mining (Note 3)	Mining, beneficiation and sale of iron ore products	Mr. Yu is a director of the holding company of Aba Mining.

Notes:

1. The businesses of Yanyuan do not pose material competitive threat to the Group, because if Yanyuan were to sell any of its iron ore products to any customers in Sichuan, Yanyuan would have to obtain consent from the Company prior to selling its iron ore products. Such consent will be reviewed and approved by the independent non-executive Directors of the Company.

2. Weixi Guangfa's target customer base will be customers located in Yunnan province. In contrast, all of the Group's customers are located in Sichuan. Since the Group's customer base is substantially different from that of Weixi Guangfa, Weixi Guangfa will not compete with the Group after obtaining its mining permit. Weixi Guangfa currently holds exploration permit and the mining operations haven't begun.

   Further, if Weixi Guangfa were to sell any of its iron ore products to any customer outside of Yunnan province, Weixi Guangfa would have to obtain prior consent from the Company. Such consent would be reviewed and approved by the independent non-executive Directors of the Company.

3. The Maoling Mine has not been in operation since October 2007 after a landslide occurred. As disclosed in the Company's announcement dated 15 November 2010, the Group entered into the acquisition agreement with Chuan Wei to purchase the Aba Equity Interest held by Chuan Wei at a consideration of RMB150.0 million and the said acquisition agreement has been approved by the Shareholders at the EGM. The said acquisition will be completed on or before 30 April 2011. Upon completion, the Company will hold the entire equity interest in Aba Mining.

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

Sale of products to Weiyuan Steel

For the year ended 31 December 2010, sales of iron concentrates of approximately RMB298.2 million were made to Weiyuan Steel, a connected person to the Group under the agreement dated 26 December 2007 and two supplemental agreements dated 20 April 2009 and 1 June 2009 (the "June Supplemental Agreement"), respectively, pursuant to which the Group sells iron concentrates to Weiyuan Steel from time to time from 1 January 2008 to 31 December 2011. Weiyuan Steel is a company established in the PRC. Mr. Wang Jin, through his spouse and other parties acting in concert, together control over 80% of equity interest in Weiyuan Steel. Accordingly, Weiyuan Steel is a connected person for the purpose of the Listing Rules.

The prices of iron concentrates sold to Weiyuan Steel are determined based on arm's length negotiations. The June Supplemental Agreement specified the pricing arrangement with Weiyuan Steel for iron concentrates contracted for 2009 and 2010. According to the June Supplemental Agreement, the minimum selling price of iron concentrates for 2009 and 2010 was RMB605.1 and RMB632.5 per tonne, respectively, subject to adjustment based on the market price of iron concentrates. If the market price of iron concentrates fell below the minimum selling price, the sales price would remain the same. If the market price of iron concentrates rose above the minimum selling price, the sales price would be adjusted to a higher amount, which was equal to the sum of the minimum selling price and an amount to be agreed that was no more than 50% of the increase in the market price above the minimum selling price.

The sale of iron concentrates constitute a continuing connected transaction for the Company under Chapter 14A of the Listing Rules. For detailed information on the above transaction, please refer to the "Connected transactions – Non-exempt continuing connected transaction subject to independent Shareholders' approval requirements" section to the Prospectus.

The Directors had approved and the independent non-executive Directors had reviewed the continuing connected transaction and they confirmed that the transaction was entered into: (i) in the ordinary and usual course of the Group's business; (ii) on normal commercial terms; and (iii) in accordance with the terms of the relevant agreements governing such transaction on terms that were fair and reasonable and in the interests of the Shareholders of the Company as a whole.

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions* under the Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transaction disclosed above by the Group in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

DISCLOSEABLE AND CONNECTED TRANSACTIONS

During the year, the Group entered into two acquisition agreements with Chuan Wei. As one or more than one of the aggregate applicable percentage ratios of the acquisition agreements exceed 5% but below 25%, the entering into of the acquisition agreements constituted discloseable transactions for the Company. In addition, as the Founders (other than Mr. Yang Xianlu), being the substantial Shareholders of the Company, and companies controlled by them together hold over 30% equity interest in Chuan Wei, Chuan Wei is a connected person to the Company for the purposes of Chapter 14A of the Listing Rules. As such, the acquisition agreements constituted connected transactions for the Company under the Listing Rules. The details of the Huili Caitong Acquisition and the Aba Acquisition are set out as below.

Huili Caitong Acquisition

On 15 November 2010, the Group entered into the acquisition agreement in which the Group agreed to acquire, and Chuan Wei agreed to transfer, at a consideration of RMB445.4 million, the Huili Caitong Equity Interest. On 16 December 2010, the Company held an EGM which approved the Huili Caitong Acquisition. On 31 December 2010, the conditions precedent to the completion of the Huili Caitong Acquisition were fulfilled and completion of the Huili Caitong Acquisition took place. After completion of the acquisition, Huili Caitong becomes an indirect wholly-owned subsidiary of the Company.

Aba Acquisition

On 15 November 2010, the Group entered into the acquisition agreement in which the Group agreed to acquire, and Chuan Wei agreed to transfer, at a consideration of RMB150.0 million, the Aba Equity Interest. Upon completion of the acquisition, the Group will hold the entire equity interest in Aba Mining which holds the mining right and related assets of the Maoling Mine and the exploration right of the Yanglongshan Mine. On 28 January 2011, Chuan Wei requested, and the Group agreed to extend the completion of Aba Acquisition from 31 January 2011 to 30 April 2011. This is because a longer time than expected is required in order to obtain the necessary confirmation documents from a number of PRC government authorities, which is one of the conditions precedent to the completion of the acquisition agreement.

AUDIT COMMITTEE

In compliance with Rule 3.21 of the Listing Rules and the CG Code as set out in Appendix 14 to the Listing Rules, the Company established an audit committee on 4 September 2009. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control procedures.

The audit committee currently comprises three independent non-executive Directors, Mr. Yu Haizong (Chairman), Mr. Gu Peidong and Mr. Liu Yi.

During the year ended 31 December 2010, the audit committee has reviewed: (i) the audited financial statements of the Group and annual results announcement for the year ended 31 December 2010; and (ii) the reviewed financial statements of the Group and interim results announcement for the six months ended 30 June 2010. During the year ended 31 December 2010, the audit committee has reviewed the internal control of the Group. Details of the internal control of the Group is set out on page 48 of this annual report.

REMUNERATION COMMITTEE

The Company established a remuneration committee on 4 September 2009 in compliance with the CG Code.

The remuneration committee currently comprises one non-executive Director, namely Mr. Wang Jin (Chairman) and two independent non-executive Directors, Mr. Yu Haizong and Mr. Gu Peidong.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the Companies Law where the Company is incorporated.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry to all the Directors of the Company, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the year ended 31 December 2010.

CODE OF CORPORATE GOVERNANCE PRACTICE

The Company has adopted the CG Code. Throughout the year ended 31 December 2010, the Company has complied with all the applicable code provisions as set out in the CG Code.

For details of the Corporate Governance Report, please refer to pages 45 to 48 of this annual report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Throughout the year ended 31 December 2010, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

USE OF NET PROCEEDS FROM THE IPO AND THE OVER-ALLOTMENT

A summary of the use of net proceeds from the IPO and the Over-Allotment is set out on page 20 of this annual report.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group in the ordinary course of business are set out in note 36 to financial statements. In relation to the related party transaction of sale of goods to Weiyuan Steel which constituted non-exempt continuing connected transaction under the Listing Rules, the applicable requirements under the Listing Rules have been complied with.

SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information and to the best of the Directors' knowledge, information and belief and at the date of this annual report, the Company has maintained sufficient public float as required under the Listing Rules.

AUDITORS

The Company has appointed Ernst & Young as auditors of the Company for the year ended 31 December 2010. A resolution will be proposed for approval by the Shareholders at the 2011 AGM to re-appoint Ernst & Young as auditors of the Company.

On behalf of the Board
Jiang Zhong Ping
Chairman

14 March 2011

The Company has adopted the CG Code as its own code of corporate governance. The Directors consider that for the year ended 31 December 2010, the Company has complied with the code provisions under the CG Code.

The Directors are committed to upholding the corporate governance of the Company to ensure that formal and transparent procedures are in place to protect and maximise the interests of the Shareholders.

Set out below is detailed discussion of the corporate governance practices adopted and observed by the Company during the year.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry to all the Directors of the Company, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code for the year ended 31 December 2010.

BOARD OF DIRECTORS

The Board currently comprises a combination of executive Directors, non-executive Directors and independent non-executive Directors. At least one of the independent non-executive Directors possesses appropriate professional qualifications (or accounting or related financial management expertise) as required by the Listing Rules. As of the date of this annual report, the composition of the Board is as follows:

Executive Directors

Mr. Jiang Zhong Ping *(Chairman)*
Mr. Liu Feng *(Chief executive officer)*
Mr. Yu Xing Yuan *(Chief investment officer)*

Non-executive Directors

Mr. Wang Jin
Mr. Teo Cheng Kwee

Independent non-executive Directors

Mr. Yu Haizong
Mr. Gu Peidong
Mr. Liu Yi

Biographical details of the above Directors are set out in the section headed "Profile of Directors and Senior Management" on pages 24 to 27 of this annual report.

Each of our executive Directors has entered into a service contract with the Company for an initial term of two years commencing from the Listing Date. On 1 January 2010, each of our executive Directors entered into a supplemental agreement to the service contract to further clarify the annual director's fee. Each of our non-executive Directors and independent non-executive Directors has entered into a letter of appointment with the Company for an initial term of two years commencing from the Listing Date. The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive Directors are independent in accordance with the guidelines set out in the Listing Rules.

The Board is responsible for the overall development and guidance of the Group. The Board determines the overall strategies, monitors and controls operating and financial performance and sets appropriate policies to manage risks in pursuit of the Group's strategic objectives. The Board has delegated the day-to-day operation to the executive Directors and senior management under the supervision of the Board to ensure effectiveness and appropriateness.

During the year, the Company held five Board meetings, in which four Board meetings were held regularly for reviewing and approving the financial and operating performance and considering the overall strategies and policies of the Group, and one Board meeting was held for reviewing and approving the Huili Caitong Acquisition and Aba Acquisition. Sufficient notice convening the Board meeting was dispatched to the Directors setting out the matters to be discussed. All Directors were given an opportunity to include matters in the agenda for the Board meeting and had access to the company secretary of the Company to ensure that all board procedures and all applicable rules and regulations were followed. The Board also enabled the Directors to seek independent professional advice at the Company's expense in appropriate circumstances. At the meetings, the Directors were provided with the relevant documents to be discussed and approved. The company secretary of the Company was responsible for keeping minutes for the Board meetings.

The following is the attendance record of the board meetings held by the Board for the year ended 31 December 2010:

	Attendance at meeting
Executive Directors	
Mr. Jiang Zhong Ping *(Chairman)*	5/5
Mr. Liu Feng *(Chief executive officer)*	4/5
Mr. Yu Xing Yuan *(Chief investment officer)*	5/5
Mr. Wang Yun Jian (Retired on 15 April 2010)	1/1
Non-executive Directors	
Mr. Wang Jin	5/5
Mr. Teo Cheng Kwee	5/5
Mr. Zhu Xiao Lin (Retired on 15 April 2010)	1/1
Mr. Devlin Paul Jason (Resigned on 23 April 2010)	1/1
Independent non-executive Directors	
Mr. Yu Haizong	5/5
Mr. Gu Peidong	5/5
Mr. Liu Yi	5/5
Mr. Wu Wei (Retired on 15 April 2010)	1/1

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Company's chairman and the chief executive officer are segregated. Mr. Jiang Zhong Ping is the chairman of the Board who is chiefly responsible for managing the Board while Mr. Liu Feng is the chief executive officer of the Company who takes charge of the supervision of the execution of the policies determined by the Board. The chairman also chairs the Board meetings and briefs the Board members on the issues discussed at the Board meetings.

APPOINTMENT AND RE-ELECTION OF THE DIRECTORS

According to the Articles of Association, at each annual general meeting, one-third of the Directors are subject to retirement by rotation or, if the number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from the office and shall be eligible for re-election. The Directors to be retired by rotation shall be those who have been longest in office since their last appointment or re-election. Every Director shall be subject to retirement at an annual general meeting at least once every three years. Any other appointment, resignation, removal or re-designation of Director will be timely disclosed to the Shareholders by announcement and shall include in such announcement, the reasons given by the Director for his resignation.

All Directors have been provided with training on their duties and responsibilities as a director of a listed company and the compliance issues under the Listing Rules. The Board selects and recommends candidates for directorship having regard to the balance of skills and experience appropriate to the Company's business.

REMUNERATION COMMITTEE

The Company established a remuneration committee on 4 September 2009 with written terms of reference in compliance with the CG Code. The remuneration committee currently comprises one non-executive Director, namely Mr. Wang Jin (Chairman) and two independent non-executive Directors, Mr. Yu Haizong and Mr. Gu Peidong. The primary duties of the remuneration committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management.

The remuneration committee has not held any meeting during the year ended 31 December 2010 for reviewing the remuneration packages, bonuses and other compensation payable to the Directors and senior management.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the CG Code on 4 September 2009. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control procedures of the Group. The audit committee currently comprises three independent non-executive Directors, Mr. Yu Haizong (Chairman), Mr. Gu Peidong and Mr. Liu Yi.

During the year, the audit committee has held two meetings, at which the members of audit committee have reviewed and discussed with the external auditors of the Company the Group's financial statements, who is of the opinion that such statements have complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

The following is the attendance record of the meetings held by the audit committee during the year.

	Attendance at meeting
Mr. Yu Haizong	2/2
Mr. Gu Peidong	2/2
Mr. Liu Yi	2/2
Mr. Zhu Xiao Lin (Retired on 15 April 2010)	1/1

AUDITORS' REMUNERATION

For the year ended 31 December 2010, apart from the provisions of interim review and annual audit services, the Group's external auditors, Ernst & Young, were also the reporting accountants of the Company in relation to a proposed acquisition. For the year ended 31 December 2010, the total fee paid/payable in respect of audit and non-audit services provided by the Group's external auditors is set out below:

	RMB'000
Audit services	
Annual audit services	1,800.0
Interim review services	800.0
Reporting accountants in relation to a proposed acquisition	900.0
Non-audit services	
Tax advisory services	29.4

The audit committee is responsible for making recommendation to the Board as to the appointment, re-appointment and removal of the external auditors, which is subject to the approval by the Board and at the general meetings of the Company by the Shareholders.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements for each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. The Company deploys appropriate and sufficient resources to prepare audited accounts. Senior management is required to present and explain the financial reporting and matters that materially affect or may have material impact on the financial performance and operations of the Company to the audit committee and the Board and respond to the queries and concerns raised by the audit committee and the Board to their satisfaction. The consolidated financial statements have been prepared in accordance with the IFRSs. In addition, the financial statements include applicable disclosures required by the Listing Rules and by the Companies Ordinance. The reporting responsibility of the external auditors of the Company on the financial statements of the Group is set out in the independent auditors' report on page 49 of this annual report.

INTERNAL CONTROL

The internal control system has been designed to safeguard the assets of the Group, maintaining proper accounting records, execution with appropriate authority and compliance of the relevant laws and regulations.

The Board is responsible for implementing the internal control system and reviewing its effectiveness. To facilitate the effectiveness and efficiency of operations and to ensure compliance with relevant laws and regulations, the Group emphasises on the importance of a sound internal control system which is also indispensable for mitigating the Group's risk exposures. The Group's internal control system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage and eliminate risks of failure in operational systems and fulfilment of the business objectives. The internal control system is reviewed on an ongoing basis by the Board in order to make it practical and effective in providing reasonable assurance in relation to protection of material assets and identification of business risks. The Board has considered the effectiveness of its internal control system and is of the view that the internal control system adopted for the year ended 31 December 2010 was effective and the Company has complied with the CG Code.

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To the shareholders of
CHINA VANADIUM TITANO-MAGNETITE MINING COMPANY LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Vanadium Titano-Magnetite Mining Company Limited and its subsidiaries set out on pages 51 to 115, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong

14 March 2011

Consolidated Statement of Comprehensive Income

Year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
Revenue	4	1,554,130	1,083,876
Cost of sales		(723,691)	(582,127)
Gross profit		830,439	501,749
Other income	5	30,007	40,914
Selling and distribution costs		(44,261)	(28,308)
Administrative expenses		(79,475)	(35,574)
Other expenses		(17,577)	(32,912)
Finance costs	6	(17,818)	(9,242)
PROFIT BEFORE TAX	7	701,315	436,627
Income tax expense	9	(117,291)	(69,708)
Profit for the year and total comprehensive income for the year		584,024	366,919
Profit and total comprehensive income attributable to:			
Owners of the Company	10	533,447	327,867
Non-controlling interests		50,577	39,052
		584,024	366,919
Earnings per Share attributable to ordinary equity holders of the Company:			
Basic and diluted	11	RMB0.26	RMB0.20

Details of the dividends proposed for the year are disclosed in note 31 to the financial statements.

Consolidated Statement of Financial Position

31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**1,476,162**	495,832
Intangible assets	13	**481,069**	142,092
Prepaid land lease payments	14	**51,791**	48,889
Prepayments and deposits	16	**157,554**	30,442
Payments in advance	17	**68,295**	99,630
Goodwill	18	**15,318**	15,318
Deferred tax assets	19	**10,360**	8,006
Total non-current assets		**2,260,549**	840,209
CURRENT ASSETS			
Inventories	20	**69,562**	70,904
Trade and notes receivables	21	**207,595**	137,427
Prepayments, deposits and other receivables	16	**99,738**	91,110
Due from related parties	22	**314**	49,810
Cash and cash equivalents	23	**1,095,630**	1,884,003
Total current assets		**1,472,839**	2,233,254
CURRENT LIABILITIES			
Trade payables	24	**254,868**	85,949
Other payables and accruals	25	**272,966**	198,852
Interest-bearing bank loans	26	**175,000**	100,000
Due to related parties	22	**18,301**	4,254
Tax payable		**90,169**	70,074
Dividends payable		**1,801**	1,801
Total current liabilities		**813,105**	460,930
NET CURRENT ASSETS		**659,734**	1,772,324
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,920,283**	2,612,533
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	26	**125,000**	–
Provision for rehabilitation	27	**6,093**	5,707
Total non-current liabilities		**131,093**	5,707
Net assets		**2,789,190**	2,606,826

continued/...

	Notes	2010 RMB'000	2009 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	28	**182,787**	182,787
Reserves	30	**2,484,172**	2,331,244
Proposed final dividend	31	**107,756**	–
		2,774,715	2,514,031
Non-controlling interests		**14,475**	92,795
Total equity		**2,789,190**	2,606,826

Jiang Zhong Ping
Director

Liu Feng
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2010

	Attributable to owners of the Company										
	Issued capital RMB'000 note 28	**Share premium account** RMB'000 note 30(a)	**Statutory reserves** RMB'000 note 30(b)	**Contributed Surplus** RMB'000 note 30(c)	**Share option reserve** RMB'000 note 29	**Difference arising from acquisition of non-controlling interests** RMB'000	**Retained earnings** RMB'000	**Proposed final dividend** RMB'000 note 31	**Total** RMB'000	**Non-controlling interests** RMB'000	**Total equity** RMB'000
At 1 January 2009	1	618,084	36,630	144,810	–	(530,393)	270,218	–	539,350	64,768	604,118
Total comprehensive income for the year	–	–	–	–	–	–	327,867	–	327,867	39,052	366,919
Issue of shares	50,653	1,722,173	–	–	–	–	–	–	1,772,826	–	1,772,826
Capitalisation of share premium account	132,133	(132,133)	–	–	–	–	–	–	–	–	–
Share issue expenses	–	(111,140)	–	–	–	–	–	–	(111,140)	–	(111,140)
Equity-settled share option arrangement	–	–	–	–	106	–	–	–	106	–	106
Transfer from/(to) reserves	–	–	28,008	–	–	–	(28,008)	–	–	–	–
Gain on deemed acquisition of non-controlling interests	–	–	–	–	–	5,022	–	–	5,022	(5,022)	–
Dividends declared to:											
– Non-controlling shareholders	–	–	–	–	–	–	–	–	–	(6,003)	(6,003)
– Owners of the Company	–	–	–	–	–	–	(20,000)	–	(20,000)	–	(20,000)
At 31 December 2009 and 1 January 2010	182,787	2,096,984*	64,638*	144,810*	106*	(525,371)*	550,077*	–	2,514,031	92,795	2,606,826
Total comprehensive income for the year	–	–	–	–	–	–	533,447	–	533,447	50,577	584,024
Reversal of share issue expenses over-provided	–	9,493	–	–	–	–	–	–	9,493	–	9,493
Equity-settled share option arrangement	–	–	–	–	19,030	–	–	–	19,030	–	19,030
Transfer from/(to) reserves	–	–	46,122	–	–	–	(46,122)	–	–	–	–
Acquisition of the non-controlling interest (note 32(b))	–	–	–	–	–	(301,286)	–	–	(301,286)	(144,117)	(445,403)
Capital injection from a non-controlling shareholder (note 32(a))	–	–	–	–	–	–	–	–	–	15,220	15,220
Proposed final 2010 dividend (note 31)	–	(107,756)	–	–	–	–	–	107,756	–	–	–
At 31 December 2010	182,787	1,998,721*	110,760*	144,810*	19,136*	(826,657)*	1,037,402*	107,756	2,774,715	14,475	2,789,190

* These reserve accounts comprise the consolidated reserves of RMB2,484,172,000 (2009: RMB2,331,244,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**701,315**	436,627
Adjustments for:			
Interest expenses	6	**10,430**	7,765
Unrealised foreign exchange loss		**2,596**	894
Bank interest income	5	**(3,307)**	(330)
Equity-settled share option expense	7	**19,030**	106
Loss/(gain) on disposal of items of property, plant and equipment	7	**(34)**	81
Write-down/(reversal of write-down) of inventories to net realisable value	7, 20	**1,708**	(943)
Depreciation	7, 12	**71,763**	30,148
Amortisation of intangible assets	7, 13	**14,481**	11,435
Amortisation of prepaid technical fee	7, 16	**4,134**	–
Amortisation of prepaid land lease payments	7, 14	**1,069**	925
		823,185	486,708
Increase in trade and notes receivables		**(70,168)**	(49,795)
Increase in inventories		**(366)**	(4,366)
Increase in prepayments, deposits, and other receivables		**(139,040)**	(40,266)
Increase/(decrease) in trade payables		**168,919**	(22,081)
Increase in other payables and accruals		**32,143**	38,035
Decrease/(increase) in amounts due from related parties		**49,496**	(19,377)
Increase/(decrease) in amounts due to related parties		**13,643**	(8,212)
Cash generated from operations		**877,812**	380,646
Interest paid		**(17,164)**	(7,399)
Interest received		**3,307**	330
Income tax paid		**(99,550)**	(31,516)
Net cash flows from operating activities		**764,405**	342,061
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(974,619)**	(238,666)
Proceeds from disposal of items of property, plant and equipment		**51**	1,251
Increase in long-term deposits		**(669)**	(1,277)
Increase in time deposits with maturity of over three months		**(430,000)**	–
Increase in prepaid land lease payments		**(3,971)**	(37,721)
Purchase of intangible assets		**(341,195)**	(51,373)
Decrease in pledged bank balances		**–**	40
Net cash flows used in investing activities		**(1,750,403)**	(327,746)

continued/...

Consolidated Statement of Cash Flows

Year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
Net cash flows used in investing activities		**(1,750,403)**	(327,746)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital injection by a non-controlling shareholder	32(a)	**15,220**	–
Proceeds from issue of shares		**–**	1,772,826
Share issue expenses		**–**	(111,140)
New bank loans		**300,000**	100,000
Repayment of bank loans		**(100,000)**	–
Purchase of non-controlling interests	32(b)	**(444,999)**	–
Dividends paid		**–**	(20,000)
Dividends paid to non-controlling shareholders		**–**	(4,202)
Net cash flows from/(used in) financing activities		**(229,779)**	1,737,484
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(1,215,777)**	1,751,799
Cash and cash equivalents at beginning of year		**1,884,003**	133,098
Effect of foreign exchange rate changes, net		**(2,596)**	(894)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**665,630**	1,884,003
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	**465,631**	1,267,667
Time deposits with original maturity of less than three months	23	**199,999**	616,336
Cash and cash equivalents as stated in the statement of cash flows		**665,630**	1,884,003

Statement of Financial Position

31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
NON-CURRENT ASSETS			
Office equipment		**91**	5
Investments in subsidiaries	15	**618,700**	618,700
Total non-current assets		**618,791**	618,705
CURRENT ASSETS			
Dividend receivable		**17,157**	17,157
Due from subsidiaries	15	**1,526,616**	681,465
Prepayments and other receivables	16	**476**	524
Due from a related party	22	**343**	343
Cash and cash equivalents	23	**71,648**	1,005,575
Total current assets		**1,616,240**	1,705,064
CURRENT LIABILITIES			
Due to a subsidiary	15	**19,043**	18,940
Other payables	25	**4,329**	27,733
Total current liabilities		**23,372**	46,673
NET CURRENT ASSETS		**1,592,868**	1,658,391
Net assets		**2,211,659**	2,277,096
EQUITY			
Issued capital	28	**182,787**	182,787
Reserves	30	**1,921,116**	2,094,309
Proposed final dividend	31	**107,756**	–
Total equity		**2,211,659**	2,277,096

Jiang Zhong Ping
Director

Liu Feng
Director

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 28 April 2008 under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at Room 2201, 22/F, Wheelock House, 20 Pedder Street, Central, Hong Kong.

During the year, the Group was principally engaged in the business of mining, ore processing, iron pelletising, sale of iron concentrates, iron pellets and titanium concentrates and management of strategic investments. There were no significant changes in the nature of the Group's principal activities during the year.

In the opinion of the Directors, Trisonic International is the holding company and ultimate holding company of the Company.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with IFRSs, which comprise standards and interpretations approved by International Accounting Standards Board (the "IASB") and the International Accounting Standards ("IAS") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect. These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consisting accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group losses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interests and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

IFRS 1 (Revised)	*First-time Adoption of International Financial Reporting Standard*
IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters*
IFRS 2 Amendments	Amendments to IFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
IFRS 3 (Revised)	*Business combinations*
IAS 27 (Revised)	*Consolidated and Separate Financial Statements*
IAS 39 Amendment	Amendment to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
IFRIC 17	*Distributions of Non-cash Assets to Owners*
Amendments to IFRS 5 included in *Improvements to IFRSs issued in October 2008*	Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*
Improvements to IFRSs (April 2009)*	Amendments to a number of IFRSs

* The Group has adopted all the improvements to IFRSs issued in April 2009 which are applicable to its operations.

Other than as further explained below regarding the impact of IFRS 3 (Revised), IAS 27 (Revised), IFRIC 17 and amendments to IAS 7 included in *Improvements to IFRSs 2009*, the adoption of the new and revised IFRSs has had no significant financial effect on these financial statements.

(a) IFRS 3 (Revised) *Business Combinations* and IAS 27 (Revised) *Consolidated and Separate Financial Statements*

IFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and the future reported results.

IAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including but not limited to IAS 7 *Statement of Cash Flows*, IAS 12 *Income Taxes*, IAS 31 *The Effects of Changes in Foreign Exchange Rates*, IAS 28 *Investments in Associates* and IAS 31 *Interests in Joint Ventures*.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisition, loss of control and transactions with non-controlling interests after 1 January 2010.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

(b) IFRIC 17 *Distributions of Non-cash Assets to Owners*

IFRIC 17 clarifies that (i) a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; (ii) an entity should measure the dividend payable at the fair value of the net assets to be distributed; and (iii) an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss.

(c) *Improvements to IFRSs 2009* issued in April 2009 set out amendments to a number of IFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of key amendments most applicable to the Group is as follows:

- IAS 7 *Statements of Cash Flows*: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities. This improvement is applied retrospectively and affects the presentation of investing activities in the consolidated statement of cash flows. As a result of this improvement, the cash consideration paid for the acquisition of non-controlling interests during the year is classified as financing activities in the consolidated statement of cash flows as consideration paid does not result in a recognised asset in the statement of financial position.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

IAS 32 Amendment	Amendment to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*[1]
IFRS 1 Amendment	Amendment to IFRS 1 *First-time Adoption of IFRSs – Limited Exemption from Comparatives IFRS 7 Disclosures for First-time Adopters*[2]
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*[2]
IAS 24 (Revised)	*Related Party Disclosures*[3]
IFRIC 14 Amendments	Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement*[3]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[4]
IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of IFRSs* – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters[4]
IAS 12 Amendments	Amendments to IAS 12 *Income Taxes* – Deferred Tax: Recovery of Underlying Assets[5]
IFRS 9	*Financial Instruments*[6]

Apart from the above, the IASB has issued *Improvements to IFRSs 2010* in May 2010 which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to IFRS 3 and IAS 27 are effective for annual periods beginning on or after 1 July 2010 while the amendments to IFRS 1, IFRS 7, IAS 1, IAS 34 and IFRIC 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard or interpretation.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

1 Effective for annual periods beginning on or after 1 February 2010
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 July 2011
5 Effective for annual periods beginning on or after 1 January 2012
6 Effective for annual periods beginning on or after 1 January 2013

Further information about these changes, which are expected to significantly affect the Group, is as follows:

IAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significant influenced by the same government. The Group expects to adopt IAS 24 (Revised) from 1 January 2011.

While the adoption of the revised standard will result in changes in the accounting policy, the revised standard is unlikely to have any impact on the related party disclosures as the Group currently does not have any significant transactions with government-related entities.

IFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirement of IAS 39.

In October 2010, the IASB issued additions to IFRS 9 to address financial liabilities (the "Additions") and incorporated in IFRS 9 the current derecognition principles of financial instruments of IAS 39. Most of the Additions were carried forward unchanged from IAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

It is expected that IAS 39 will be replaced by IFRS 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt IFRS 9 from 1 January 2013.

Improvements to IFRSs 2010 issued in May 2010 sets out amendments to a number of IFRSs. The Group expects to adopt all these amendments from 1 January 2011. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies and additional disclosures, none of these amendments are expected to have a significant financial impact on the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Business combinations and goodwill

Business combinations from 1 January 2010

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and fair value of the Group's previously held equity interests in the acquiree over the fair value of net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Business combinations from 1 January 2010 (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within the unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Business combinations prior to 1 January 2010 but after 1 January 2005

In comparison to the above-mentioned requirements which were applied on a prospective basis, the following differences applied to business combinations prior to 1 January 2010:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, goodwill and deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is a member of the key management personnel of the Group or its parent;

(c) the party is a close member of the family of any individual referred to in (a) or (b); or

(d) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (b) or (c).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Depreciation of items of property, plant and equipment, other than mining infrastructure, is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Buildings	7-35 years
Plant and machinery	7-18 years
Office equipment	5-7 years
Motor vehicles	7-10 years

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Depreciation of mining infrastructure is calculated using the Units of Production ("UOP") method to write off the cost of the assets in proportion to the extraction of the proved and probable mineral reserves. The estimated useful lives of the mining infrastructure ranging from 5.8 years to 13.0 years are determined in accordance with the production plans of the entities concerned and the proved and probable reserves of mines using the UOP method.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made in respect of these assets.

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress representing items of property, plant and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowing funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Mining rights

Mining rights are stated at cost less accumulated amortisation and any impairment losses. Mining rights include the cost of acquiring mining licences, exploration and evaluation costs transferred from exploration rights and assets upon determination that an exploration property is capable of commercial production, and the cost of acquiring interests in the mining reserves of existing mining properties. The mining rights are amortised over the estimated useful lives of the mines, in accordance with the production plans of the entities concerned and the proved and probable reserves of the mines using the UOP method. Mining rights are written off to profit or loss if the mining property is abandoned.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill) (continued)

Exploration rights and assets

Exploration rights are stated at cost less accumulated amortisation and any impairment losses and exploration assets are stated at cost less impairment losses. Exploration rights and assets include the cost of acquiring exploration rights, topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and deferred amortisation and depreciation charges in respect of assets consumed during the exploration activities.

Exploration rights are amortised over the term of rights. Equipment used in exploration is depreciated over its useful life, or, if dedicated to a particular exploration project, over the life of the project on the straight-line basis, whichever is shorter. Amortisation and depreciation are included, in the first instance, in exploration rights and assets and are transferred to mining rights when it can be reasonably ascertained that an exploration property is capable of commercial production.

Exploration and evaluation costs include expenditure incurred to secure further mineralisation in existing ore bodies as well as in new areas of interest. Expenditure incurred prior to acquiring legal rights to explore an area is written off as incurred.

Exploration and evaluation assets shall be assessed for impairment when facts and circumstances indicate that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. An impairment test is performed if any of the following indicators are present:

(a) the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;

(b) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

(c) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or

(d) sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

When exploration and evaluation assets can be reasonably ascertained that an exploration property is capable of commercial production, exploration and evaluation costs capitalised are transferred to either mining infrastructure or mining rights and reserves and depreciated/amortised using the UOP method based on the proved and probable mineral reserves. Exploration and evaluation assets are written off to profit or loss if the exploration property is abandoned.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill) (continued)

Exploration rights and assets (continued)

Exploration and evaluation assets are tested for impairment when reclassified to development tangible or intangible assets, or whenever facts and circumstances indicate impairment. An impairment loss is recognised for the amount by which the exploration and evaluation assets' carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the exploration and evaluation assets' fair value less costs to sell and their value in use. For the purposes of assessing impairment, the exploration and evaluation assets subject to testing are grouped with existing cash-generating units of production fields that are located in the same geographical region.

Deferred stripping costs

The Group defers and capitalises excess stripping costs and allocates those costs to the production derived in the subsequent year. The Group adopted the specific identification approach where the deferred stripping costs are allocated to the quantity of mineral ore that becomes accessible. The deferred stripping costs are capitalised as "Prepaid stripping fees" under "Prepayments, deposits and other receivables" in the consolidated statement of financial position and amortised when the related mineral ore is extracted.

Leases

Leases that transfer substantially all the risks and rewards of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases, net of any incentives received from the lessor, are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

The Group's financial assets include cash and bank balances, amounts due from related parties, trade and notes receivables and other receivables.

Subsequent measurement

The subsequent measurement of loans and receivables is as follows:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in profit or loss. The loss arising from impairment is recognised in other operating expenses in profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or decreased by adjusting the allowance amount. If a future write-off is later recovered, the recovery is credited to other operating expenses in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to related parties and interesting-bearing bank loans.

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

After initial recognition, interest-bearing bank loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated statement of comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amounts reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the end of the reporting period. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; and a discounted cash flow analysis.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Provisions for the Group's obligations for rehabilitation are based on estimates of required expenditure at the mines in accordance with the People's Republic of China (the "PRC") rules and regulations. The obligation generally arises when the asset is installed or the ground environment is disturbed at the production location. The Group estimates its liabilities for final rehabilitation and mine closure based upon detailed calculations of the amount and timing of the future cash expenditure to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. When the liability is initially recognised, the present value of the estimated cost is capitalised by increasing the carrying amount of the related mining infrastructure.

Over time, the discounted liability is increased for the change in present value based on the appropriate discount rate. The periodic unwinding of the discount is recognised within finance costs in profit or loss. The asset is depreciated using the UOP method over its expected life and the liability is accreted to the projected expenditure date. Additional disturbances or changes in estimates (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities) will be recognised as additions or charges to the corresponding assets and rehabilitation liabilities when they occur at the appropriate discount rate.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer i.e., when goods are delivered and title has passed, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

(b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument or shorter period, when appropriate, to the net carrying amount of the financial asset.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in profit or loss in the period in which they are incurred. Borrowing costs consistent of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

These financial statements are presented in RMB, which is the functional and presentation currency of the Company. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends

Final dividends proposed by the Directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the Shareholders in a general meeting. When these dividends have been approved by the Shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the Directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including Directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 29 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share, when appropriate.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits

The employees of the subsidiaries in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of the relevant part of the payroll of these employees to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

In addition to the above, the Group also participates in a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Scheme for its employees in Hong Kong. Contributions are made based on a percentage of the employee's basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independent administered fund.

Contributions to an accommodation fund administered by the Public Accumulation Funds Administration Centre are charged to profit or loss as incurred.

3. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Group's financial statements require management to make significant estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, the inherent uncertainty about these significant assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

(a) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2010 was RMB15,318,000 (2009: RMB15,318,000). More details are given in note 18.

(b) Impairment of receivables

Impairment of receivables is made based on an assessment of the recoverability of receivables. The assessment of impairment of receivables involves the use of estimates and judgements. An estimate for doubtful debts is made when collection of full amount under the invoice is no longer probable, as supported by objective evidence using available contemporary and historical information to evaluate the exposure. Bad debts are written off as incurred. Where the actual outcome or expectation in the future is different from the original estimates, such differences will affect the carrying amount of receivables and thus the impairment loss in the period in which such estimate is changed. There was no impairment provision for receivables during the year.

3. SIGNIFICANT ACCOUNTING ESTIMATES (continued)

Estimation uncertainty (continued)

(c) PRC corporate income tax ("PRC CIT")

The Group's operating subsidiaries in Mainland China are subject to PRC CIT. As a result of the fact that certain matters relating to CIT have not been confirmed by the relevant local tax authorities, objective estimates based on currently enacted tax laws, regulations and other related policies are required in determining the provision of CIT to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact the income tax and tax provision in the period in which the differences realise. The carrying amount of PRC CIT payable at 31 December 2010 was RMB90,169,000 (2009: RMB70,074,000).

(d) Useful lives of property, plant and equipment

The Group estimates useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and actions of its competitors. Management will increase the depreciation charge where useful lives are less than previously estimated, or it will record an impairment provision for technically obsolete assets that have been abandoned. The carrying amount of property, plant and equipment at 31 December 2010 was RMB1,476,162,000 (2009: RMB495,832,000).

(e) Mine reserves

Engineering estimates of the Group's mine reserves are inherently imprecise and represent only approximate amounts because of the significant judgements involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mine reserves can be designated as "proved" and "probable". Proved and probable mine reserve estimates are updated on regular intervals taking into account recent production and technical information about each mine. In addition, as prices and cost levels change from year to year, the estimate of proved and probable mine reserves also changes. This change is considered a change in estimates for accounting purposes and is reflected on a prospective basis in both depreciation and amortisation rates calculated on a UOP basis and the time period for discounting the rehabilitation provision. Changes in the estimate of mine reserves are also taken into account in impairment assessments of non-current assets.

(f) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in downstream industries that consume the Group's products. Management reassesses these estimates at the end of each reporting period. The carrying amount of inventories at 31 December 2010 was RMB69,562,000 (2009: RMB70,904,000).

3. SIGNIFICANT ACCOUNTING ESTIMATES (continued)

Estimation uncertainty (continued)

(g) Provision for rehabilitation

Provision for rehabilitation is based on estimates of future expenditures incurred by management to undertake rehabilitation and restoration work which are discounted at a rate reflecting the term and nature of the obligations (6.84% as of 31 December 2010) to their present values. Significant estimates and assumptions are made in determining the provision for rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases and changes in discount rate. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at the end of the reporting period represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognised in the consolidated statement of financial position by adjusting the rehabilitation asset and liability. The carrying amount of provision for rehabilitation as at 31 December 2010 was RMB6,093,000 (2009: RMB5,707,000).

(h) Deferred stripping costs

The Group defers and capitalises excess stripping costs incurred during the production stage of its operations and allocates those costs to the production derived in the subsequent year. This calculation requires the use of judgements and estimates such as estimates of tonnes of waste to be removed and allocated to the quantity of mineral ore that become accessible. Changes in a mine's life and design will usually result in changes to the expected stripping ratio (waste to mineral reserves ratio). These changes are accounted for prospectively. The carrying amount of deferred stripping costs as at 31 December 2010 was RMB190,637,000 (2009: RMB116,381,000).

(i) Recovery of deferred tax assets

Judgement is required in determining whether deferred tax assets are recognised on the statement of financial position. Deferred tax assets require management to assess the likelihood that the Group will generate taxable earnings in future periods, in order to utilise recognised deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted. The carrying amount of deferred tax assets recognised as at 31 December 2010 was RMB10,360,000 (2009: RMB8,006,000).

Additionally, future changes in tax laws in the jurisdictions in which the Group operates could limit the ability of the Group to obtain tax deductions in future periods.

4. REVENUE AND SEGMENT INFORMATION

Revenue, which is the Group's turnover, represents the net invoiced value of goods sold, net of various types of government surcharges.

The Group's revenue and contribution to profit were mainly derived from its sale of iron concentrates, iron pellets and titanium concentrates, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior management for purposes of resource allocation and performance assessment. In addition, the principal assets employed by the Group are located in Sichuan. Accordingly, no segment analysis is presented other than entity-wide disclosures.

Entity-wide disclosures

Information about products

The following table sets forth the total revenue from external customers by product and the percentage of total revenue by product during the year:

	2010		2009	
	RMB'000	**%**	RMB'000	%
Iron concentrates	**875,784**	**56.4**	529,748	48.9
Iron pellets	**637,172**	**41.0**	537,113	49.6
Medium-grade titanium concentrates	**8,239**	**0.5**	17,015	1.5
High-grade titanium concentrates	**32,935**	**2.1**	–	–
	1,554,130	**100.0**	1,083,876	100.0

Geographical information

All external revenue of the Group during each of the two years ended 31 December 2010 was attributable to customers established in the PRC, the place of domicile of the Group's operating entities. The Group's non-current assets are all located in the PRC.

Information about major customers

Revenue from major customers, each of whom amounted to 10% or more of the total revenue, is set out below:

	2010	2009
	RMB'000	RMB'000
Customer A	**298,192**	199,657
Customer B	**287,431**	184,872
Customer C	**279,947**	136,212
Customer D	**242,783**	183,739
Customer E	**209,339**	174,718
Customer F	**195,365**	187,663

5. OTHER INCOME

An analysis of other income is as follows:

	2010 RMB'000	2009 RMB'000
Bank interest income	**3,307**	330
Sale of raw materials	**24,152**	27,551
Government grants*	**2,500**	13,000
Miscellaneous	**48**	33
Total other income	**30,007**	40,914

* There were no unfulfilled conditions or contingencies relating to these grants.

6. FINANCE COSTS

	Notes	2010 RMB'000	2009 RMB'000
Interest on bank loans wholly repayable within five years		**7,681**	4,277
Interest on other bank loans		**7,120**	–
Interest on discounted notes receivable		**2,363**	3,122
Unwinding of discount	27	**386**	366
		17,550	7,765
Less: interest capitalised to property, plant and equipment	12	**(7,120)**	–
		10,430	7,765
Foreign exchange losses, net		**7,388**	1,477
		17,818	9,242
Interest rate of borrowing costs capitalised		**5.94%**	–

7. PROFIT BEFORE TAX

The Group's profit before tax was arrived at after charging/(crediting):

	Notes	2010 RMB'000	2009 RMB'000
Cost of inventories sold		**723,691**	582,127
Staff costs (including Directors' remuneration (note 8)):			
Wages and salaries		**40,632**	22,807
Equity-settled share option expense		**19,030**	106
Pension scheme contributions			
– Defined contribution fund		**4,696**	2,858
Housing fund			
– Defined contribution fund		**265**	163
Total staff costs		**64,623**	25,934
Depreciation	12	**71,763**	30,148
Amortisation of intangible assets	13	**14,481**	11,435
Amortisation of prepaid land lease payments	14	**1,069**	925
Depreciation and amortisation expenses		**87,313**	42,508
Minimum lease payments under operating leases:			
Land		**157**	211
Office		**855**	465
Auditors' remuneration		**3,530**	1,292
Amortisation of prepaid technical fee	16	**4,134**	–
Foreign exchange losses, net		**7,388**	1,477
Loss/(gain) on disposal of items of property, plant and equipment		**(34)**	81
Write-down/(reversal of write-down) of inventories to net realisable value	20	**1,708**	(943)

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Directors' remuneration for the year, disclosed pursuant to the Listing Rules on the Stock Exchange and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2010 RMB'000	2009 RMB'000
Fees	**944**	595
Other emoluments:		
Salaries, allowances and benefits in kind	**1,037**	818
Equity-settled share option expense	**13,182**	82
Pension scheme contributions		
– Defined contribution fund	**116**	45
	14,335	945
	15,279	1,540

During the year and the prior year, certain Directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 29 to the financial statements. The fair value of such options which are being recognised in profit or loss over the vesting period was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above Directors' remuneration disclosures.

(a) Independent non-executive Directors

The fees and other emoluments paid to independent non-executive Directors during the year were as follows:

	Fees		Salaries, allowances and benefits in kind	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Mr. Yu Haizong	**104**	25	**–**	9
Mr. Gu Peidong	**104**	25	**–**	9
Mr. Liu Yi	**104**	25	**–**	9
Mr. Wu Wei	**30**	25	**–**	9
	342	100	**–**	36

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

(b) Executive Directors and non-executive Directors

	Fee RMB'000	Salaries allowances and benefits in kind RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2010					
Executive					
Mr. Jiang Zhong Ping	90	347	2,379	29	2,845
Mr. Liu Feng	90	314	4,087	29	4,520
Mr. Wang Yun Jian	26	213	499	29	767
Mr. Yu Xing Yuan	90	163	6,217	29	6,499
	296	1,037	13,182	116	14,631
Non-executive					
Mr. Wang Jin	131	–	–	–	131
Mr. Zhu Xiao Lin	38	–	–	–	38
Mr. Teo Cheng Kwee	104	–	–	–	104
Mr. Devlin Paul Jason	33	–	–	–	33
	306	–	–	–	306
	602	1,037	13,182	116	14,937

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

(b) Executive Directors and non-executive Directors (continued)

	Fee RMB'000	Salaries allowances and benefits in kind RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2009					
Executive					
Mr. Jiang Zhong Ping	116	200	12	13	341
Mr. Liu Feng	93	233	16	13	355
Mr. Wang Yun Jian	58	179	–	13	250
Mr. Yu Xing Yuan	116	128	27	6	277
	383	740	55	45	1,223
Non-executive					
Mr. Wang Jin	31	12	–	–	43
Mr. Zhu Xiao Lin	31	12	27	–	70
Mr. Teo Cheng Kwee	25	9	–	–	34
Mr. Devlin Paul Jason	25	9	–	–	34
	112	42	27	–	181
	495	782	82	45	1,404

(c) There was no arrangement under which a Director waived or agreed to waive any remuneration during the year (2009: Nil).

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

(d) The five highest paid employees during the year included three (2009: three) Directors, details of whose remuneration are set out above. Details of the remuneration of the remaining two (2009: two) non-director, highest paid employees for the year are as follows:

	2010 RMB'000	2009 RMB'000
Salaries, allowances and benefits in kind	**1,000**	1,668
Equity-settled share option expense	**3,377**	12
Pension scheme contributions	**50**	60
	4,427	1,740

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2010	2009
Nil to HK$1,000,000	**–**	1
HK$1,000,001 to HK$1,500,000	**1**	1
HK$3,500,001 to HK$4,000,000	**1**	–
	2	2

During the year and the prior year, share options were granted to non-director, highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 29 to the financial statements. The fair value of such options, which are being recognised in the statement of comprehensive income over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director, highest paid employees' remuneration disclosures.

(e) During the year, no emoluments were paid by the Group to any of the persons who are Directors, or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2009: Nil).

9. INCOME TAX EXPENSE

Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and British Virgin Islands.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the year.

The provision for PRC CIT is based on the respective CIT rates applicable to the subsidiaries located in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC for the year.

The major components of income tax expense for the year were as follows:

	2010	2009
	RMB'000	RMB'000
Current – Mainland China		
Charge for the year	**119,645**	71,866
Deferred (note 19)	**(2,354)**	(2,158)
Total tax charge for the year	**117,291**	69,708

A reconciliation of the tax expense applicable to profit before tax at the applicable tax rates for companies within the Group to the tax expense at the effective tax rate is as follows:

	Notes	**2010**	2009
		RMB'000	RMB'000
Profit before tax		**701,315**	436,627
Tax at applicable tax rate of 25%		**175,329**	109,157
Lower tax rate for a subsidiary	(i)	**(78,603)**	(45,716)
Expenses not deductible for tax	(ii)	**20,565**	6,267
Tax charge at the Group's effective tax rate		**117,291**	69,708

9. INCOME TAX EXPENSE (continued)

(i) Pursuant to the relevant tax rules and regulations of the PRC applicable to foreign investment enterprise ("FIE"), a FIE is entitled to a tax holiday whereby it is exempted from PRC CIT for its first two profit making years (after deducting losses incurred in previous years) and is entitled to a 50% tax reduction for the subsequent three years. On 22 September 2006, Huili Caitong was converted from a domestic limited company to a FIE. In accordance with the relevant tax rules and regulations applicable to FIE, Huili Caitong had the option not to choose 2006 as its first profitable year as Huili Caitong became a FIE in September 2006. As such, for income tax purposes, Huili Caitong was approved to enjoy its tax holiday from 2007 and hence, was not liable to PRC CIT in 2007 and 2008 and is entitled to a 50% tax reduction for the subsequent three years (2009 to 2011).

(ii) Expenses not deducted for tax mainly consist of foreign exchange loss and equity-settled share option expenses which were charged to profit or loss. These expenses are not expected to be tax deductible.

(iii) On 16 March 2007, the National People's Congress approved the PRC Corporate Income Tax Law (the" New CIT Law"), which became effective from 1 January 2008. The New CIT Law introduced a wide range of changes which included, but were not limited to, the unification of the income tax rates for domestic-invested and foreign-invested enterprises at 25%. Pursuant to the grandfathering arrangement under the New CIT Law, Huili Caitong will continue to enjoy the existing tax holiday until the end of 2011. Thereafter, it will be subject to the new CIT rate of 25%.

In accordance with IAS 12, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Therefore, except for Huili Caitong, the tax rate of 25% is adopted in the calculation of deferred taxes which are expected to be realised or settled after 1 January 2011. For Huili Caitong, deferred tax assets and liabilities are measured at 12.5% or 25% depending on whether the assets are expected to be realised or the liabilities settled in 2011, or thereafter, respectively.

10. TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated total comprehensive income attributable to owners of the Company for the year ended 31 December 2010 includes a loss of RMB93,960,000 (2009: a total comprehensive income of RMB40,595,000) which has been dealt with in the financial statements of the Company (note 30).

11. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of earnings per Share is based on the profit for the year attributable to ordinary owners of the Company, and the weighted average number of Shares of 2,075,000,000 (2009: 16,300,000,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2010 and 2009 in respect of a dilution as the Group had no potential dilutive ordinary shares in issue during those years and the exercise price of the Company's outstanding share options was higher than the average market price for the Shares during the current and prior year.

12. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Mining infrastructure RMB'000	Construction in progress ("CIP") RMB'000	Total RMB'000
31 December 2010							
Cost:							
At 1 January 2010	251,896	217,820	977	3,754	24,491	102,226	601,164
Additions	574,926	132,576	276	3,857	50,059	290,416	1,052,110
Transferred from CIP	65,011	46,471	–	–	–	(111,482)	–
Disposals	–	–	–	(340)	–	–	(340)
At 31 December 2010	891,833	396,867	1,253	7,271	74,550	281,160	1,652,934
Accumulated depreciation:							
At 1 January 2010	41,892	58,788	307	1,555	2,790	–	105,332
Provided for the year	33,587	31,576	212	568	5,820	–	71,763
Disposals	–	–	–	(323)	–	–	(323)
At 31 December 2010	75,479	90,364	519	1,800	8,610	–	176,772
Net carrying amount:							
At 1 January 2010	210,004	159,032	670	2,199	21,701	102,226	495,832
At 31 December 2010	816,354	306,503	734	5,471	65,940	281,160	1,476,162

12. PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Mining infrastructure RMB'000	Construction in progress ("CIP") RMB'000	Total RMB'000
31 December 2009							
Cost:							
At 1 January 2009	194,008	169,684	744	3,114	24,491	43,208	435,249
Additions	3,214	1,903	233	640	–	164,058	170,048
Transferred from CIP	58,807	46,233	–	–	–	(105,040)	–
Disposals	(4,133)	–	–	–	–	–	(4,133)
At 31 December 2009	251,896	217,820	977	3,754	24,491	102,226	601,164
Accumulated depreciation:							
At 1 January 2009	33,707	41,744	148	1,306	1,080	–	77,985
Provided for the year	10,986	17,044	159	249	1,710	–	30,148
Disposals	(2,801)	–	–	–	–	–	(2,801)
At 31 December 2009	41,892	58,788	307	1,555	2,790	–	105,332
Net carrying amount:							
At 1 January 2009	160,301	127,940	596	1,808	23,411	43,208	357,264
At 31 December 2009	210,004	159,032	670	2,199	21,701	102,226	495,832

(a) Additions to CIP during the year include interest capitalised in respect of bank loans amounting to RMB7,120,000 (2009: Nil).

(b) As at 31 December 2010, the Group was in the customary process of obtaining relevant building ownership certificates ("BOCs") for certain buildings and land use rights where these buildings were occupied that the Group constructed and acquired during the year with a carrying amounts of approximately RMB47,319,000 (2009: Nil). The Group's buildings can be sold, transferred or mortgaged when the relevant BOCs have been obtained.

13. INTANGIBLE ASSETS

Group

	Mining rights RMB'000	Exploration and evaluation assets RMB'000	Total RMB'000
31 December 2010			
Cost:			
At 1 January 2010	152,391	10,000	162,391
Additions	197,561	155,897	353,458
At 31 December 2010	349,952	165,897	515,849
Accumulated amortisation:			
At 1 January 2010	20,299	–	20,299
Provided for the year	14,481	–	14,481
At 31 December 2010	34,780	–	34,780
Net carrying amount:			
At 1 January 2010	132,092	10,000	142,092
At 31 December 2010	315,172	165,897	481,069
31 December 2009			
Cost:			
At 1 January 2009	149,693	–	149,693
Additions	2,698	10,000	12,698
At 31 December 2009	152,391	10,000	162,391
Accumulated amortisation:			
At 1 January 2009	8,864	–	8,864
Provided for the year	11,435	–	11,435
At 31 December 2009	20,299	–	20,299
Net carrying amount:			
At 1 January 2009	140,829	–	140,829
At 31 December 2009	132,092	10,000	142,092

14. PREPAID LAND LEASE PAYMENTS

	2010	2009
	RMB'000	RMB'000
Carrying amount at 1 January	**48,889**	23,177
Additions	**3,971**	26,637
Amortisation for the year	**(1,069)**	(925)
Carrying amount at 31 December	**51,791**	48,889

Prepaid land lease payments represented costs of land use rights in respect of the Group's leasehold land situated in Sichuan, the PRC, and held under medium lease terms. As at 31 December 2010, the legal title of the land use rights with a carrying amount of approximately RMB3,915,000 (31 December 2009: Not applicable) that the Group acquired during the year (note 37 (d)) has not been transferred to the Group and relevant title transfer is still under application. The Directors do not foresee any major obstacles to complete the title transfer of the legal title of above mentioned land use rights to the Group.

15. INVESTMENTS IN SUBSIDIARIES

	2010	2009
	RMB'000	RMB'000
Unlisted investments, at cost		
Powerside Holdings Limited ("Powerside")	**1**	1
First China Limited ("First China")	**618,699**	618,699
	618,700	618,700

The amounts due from/to subsidiaries included in the Company's current assets and current liabilities as at 31 December 2010 and 2009 were unsecured, interest-free and were repayable on demand or within one year. The carrying amounts of the amounts due from/to subsidiaries approximate to their fair values.

At the end of the reporting period, the amounts due from subsidiaries denominated in HK$ amounted to approximately RMB1,576,262,000 (2009: RMB681,430,000).

15. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the Company's subsidiaries are set out below:

Company name	Place and date of incorporation/ registration	Nominal value of issued registered share/paid-up capital	Percentage of equity interests attributable to the Company	Principal activities
Directly held:				
Powerside	British Virgin Islands 8 January 2008	US$1	100.0	Investment holding
First China	Hong Kong 5 March 2008	HK$1	100.0	Investment holding
Indirectly held:				
Simply Rise Holdings Limited ("Simply Rise")	Hong Kong 2 January 2008	HK$1	100.0	Investment holding
Huili Caitong*	PRC 7 July 1998	RMB610,520,000*	100.0**	Iron ore mining, and iron ore beneficiation, and sale of self-produced products
Sichuan Lingyu Investment Co., Ltd. ("Lingyu Investment")	PRC 9 June 2010	HK$770,000,000	100.0	Products trading and investment
Yanbian County Caitong Iron and titanium Co., Ltd.	PRC 26 January 2010	RMB1,000,000	100.0	Sale and process of steel and metal
Xiushuihe Mining	PRC 21 March 2000	RMB7,990,000	95.0	Iron ore mining and iron ore beneficiation, and sale of self-produced products

* On 24 February 2010, the Group and the then non-controlling shareholder of Huili Caitong made additional capital injection of RMB210,520,000 in cash into Huili Caitong. Upon the completion of additional capital injection, the registered capital of Huili Caitong increased from RMB400,000,000 to RMB610,520,000.

** During the year, the Group acquired the remaining 7.23% equity interest in Huili Caitong from the then non-controlling shareholder. Upon the completion of the acquisition, Huili Caitong became an indirect wholly-owned subsidiary of the Company. Particulars of the acquisition are set out in note 32(b) to the financial statements.

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		Group		Company	
		2010	2009	**2010**	2009
	Notes	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Current portion:					
Prepayments consisted of:					
Purchase of raw materials		**578**	67	**–**	–
Utilities		**551**	550	**–**	–
Prepaid stripping fees	(a)	**88,762**	87,216	**–**	–
Prepaid technical service fee	(b)	**4,133**	–	**–**	–
Deposit for the purchase of machinery		**319**	154	**–**	–
Other receivables		**5,395**	3,123	**476**	524
		99,738	91,110	**476**	524
Non-current portion:					
Prepaid stripping fees	(a)	**101,875**	29,165	**–**	–
Prepaid technical service fee	(b)	**53,733**	–	**–**	–
Long-term environmental rehabilitation deposits	(c)	**1,946**	1,277	**–**	–
		157,554	30,442	**–**	–
		257,292	121,552	**476**	524

(a) The balances represented deferred stripping costs paid by the Group to an independent third party mining contractor for the stripping activities of Baicao Mine and Xiushuihe Mine, which will be recognised as part of the production costs once the raw iron ore is extracted.

(b) Pursuant to a Termination Agreement dated on 15 January 2010 entered into between Xiushuihe Mining and Nanjiang, Xiushuihe Mining made a one-off prepayment to Nanjiang of approximately RMB62.0 million as technical service support fee for a period of 15 years ending on 31 December 2024. As such, the prepaid technical support fee is amortised according to straight line method based on the terms of technical service to be provided by Nanjiang. Particulars of the Termination Agreement are set out in the note 37(a) to the financial statements.

During the year, the prepaid technical service fee amortised and charged to profit or loss amounted to approximately RMB4,134,000 (2009: Nil).

(c) Long-term deposits represented environmental deposits made to the government in respect of the Group's rehabilitation obligations for the closure of mines and are not expected to be refunded within the next 12 months.

The carrying amounts of other receivables approximate closely to their respective fair values.

None of the above assets is either past due or impaired. The financial assets included in the "Other receivables" above related to receivables for which there was no recent history of default.

17. PAYMENTS IN ADVANCE

Payments in advance as at 31 December 2010 and 2009 were in respect of prepayments for the purchase of property, plant and equipment.

18. GOODWILL

	Group	
	2010	2009
	RMB'000	RMB'000
At cost at beginning and end of year	**15,318**	15,318

Goodwill, which was arose from the acquisition of Xiushuihe Mining by Huili Caitong, represents the excess of the cost of the business combination over the Company's interest in the net fair value of Xiushuihe Mining's identifiable assets and liabilities as of the date of the acquisition.

Impairment testing of goodwill

Goodwill acquired through business combination has been allocated to the Xiushuihe Mine cash-generating unit for impairment testing.

The recoverable amount of the Xiushuihe Mine cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 13.4% and cash flows beyond the five-year period were assumed to be stable.

Key assumptions were used in the valuation in use calculation of the Xiushuihe Mine cash-generating unit for 31 December 2010 and 31 December 2009. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margin achieved in the year immediately before the budget year, increased for expected market development.

Production volumes – Estimated production volumes are based on detailed life of mine plans and take into account development plans for the mine agreed by management as part of the long-term planning process.

Discount rate – The discount rate used is after tax and reflects specific risks relating to the relevant unit.

The values assigned to key assumptions are consistent with external information sources.

19. DEFERRED TAX ASSETS

Group

	Excess tax depreciation over book value of property, plant and equipment RMB'000	Provision for rehabilitation RMB'000	Unrealised profit from intra-group transactions RMB'000	Others RMB'000	Total RMB'000
At 1 January 2009	3,705	1,335	808	–	5,848
Deferred tax credited/(charged) to profit or loss during the year (note 9)	1,476	91	(179)	770	2,158
At 31 December 2009	5,181	1,426	629	770	8,006
Deferred tax credited/(charged) to profit or loss during the year (note 9)	1,903	97	(191)	545	2,354
At 31 December 2010	7,084	1,523	438	1,315	10,360

The basis for determining the PRC CIT rate is set out in note 9 to the financial statements.

Pursuant to the income tax rules and regulations of the PRC, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement has been effective from 1 January 2008 and applied to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate for the withholding tax is 10%.

According to the articles of association of Huili Caitong, the board of directors of Huili Caitong has the ultimate power to decide Huili Caitong's dividend policy. Pursuant to the resolutions of the board of directors of Huili Caitong on 11 February 2011, the net profit of Huili Caitong for the year ended 31 December 2010, after appropriations to the statuary reserve fund, would be used for business development of Huili Caitong and would not be distributed to its shareholders. As a result, no deferred tax liabilities relating to withholding tax on the distributable profits of Huili Caitong for the year ended 31 December 2010 have been recognised.

20. INVENTORIES

	Group	
	2010	2009
	RMB'000	RMB'000
At cost:		
Raw materials	**40,186**	41,405
Spare parts and consumables	**25,976**	17,465
Finished goods	**1,264**	11,606
	67,426	70,476
At net realisable value:		
Finished goods	**2,136**	428
At the lower of cost and net realisable value	**69,562**	70,904

The write-down of inventories to net realisable value recognised during the year ended 31 December 2010 of RMB1,708,000 (a reversal of the provision for 2009: RMB943,000) was in respect of finished goods where production costs exceeded sales prices.

21. TRADE AND NOTES RECEIVABLES

	Group	
	2010	2009
	RMB'000	RMB'000
Trade receivables	**147,093**	88,927
Notes receivable	**60,502**	48,500
	207,595	137,427

The Group's trading terms with its customers are mainly on credit, except for customers of titanium products, where full payment in advance to delivery. The credit period is generally one month. In view of the fact that the Group sells most of its products to a small number of customers, there is a high level of concentration of credit risk. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are regularly reviewed by senior management. Trade receivables are non-interest-bearing.

21. TRADE AND NOTES RECEIVABLES (continued)

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2010	2009
	RMB'000	RMB'000
Within 1 month	**147,093**	79,911
1 to 2 months	**–**	9,016
	147,093	88,927

The aged analysis of trade receivables that are not considered to be impaired is as follows:

	Group	
	2010	2009
	RMB'000	RMB'000
Neither past due nor impaired	**147,093**	79,911
Less than 1 month past due	**–**	9,016
	147,093	88,927

Notes receivable represent bank acceptance notes of the Group which are issued by major banks in Mainland China.

As at 31 December 2009, receivables that were past due but not impaired related to an independent customer that has a good track record with the Group. The Group does not hold any collateral or other credit enhancements over trade receivables.

The carrying amounts of trade and notes receivables approximate to their fair values.

22. BALANCES WITH RELATED PARTIES

Group

	Notes	2010 RMB'000	2009 RMB'000
Due from related parties:			
Trade in nature			
– Weiyuan Steel	(a)	–	49,496
Non-trade in nature			
– Trisonic International	(b)	314	314
		314	49,810
Due to related parties:			
Trade in nature			
– Longwei Metal	(c)	–	4,036
– Weiyuan Steel	(a)	17,579	–
Non-trade in nature			
– Sichuan Huiyuan	(d)	91	
– Longwei Hotel	(e)	318	127
– Chuan Wei	(f)	404	–
		18,301	4,254

(a) The balance due to Weiyuan Steel, a company controlled by Prime Empire Limited as at 31 December 2010, represented payment in advance made by Weiyuan Steel for the purchase of goods from the Group. Prime Empire limited and Trisonic International are ultimately controlled by the same beneficial owners. The balance due from Weiyuan Steel as at 31 December 2009 represented receivable from the sale of goods to Weiyuan Steel and aged within 30 days.

(b) The balance due from Trisonic International represented the overpayment made by the Group for listing fees that were previously paid by Trisonic International on behalf of the Company for the listing of the Shares on the Main Board.

(c) Sichuan Longwei Metal Ware Co., Ltd. ("Longwei Metal") is a company controlled by Chuan Wei. Trisonic International and Chuan Wei are ultimately controlled by the same beneficial owners.

(d) One of the directors of Sichuan Huiyuan Gang Jian Technology Co., Ltd. ("Sichuan Huiyuan"), Mr. Yu Xing Yuan is also an executive Director of the Company. The balance due to Sichuan Huiyuan represents design fee payable for the construction of production line.

(e) Sichuan Longwei Hotel Management Co., Ltd. ("Longwei Hotel") is owned as to 90% by Sichuan Jinli Property Development Co., Ltd. ("Sichuan Jinli Property"), which is controlled by the same beneficial owners as Trisonic International, and 10% by an independent third party. The balance due to Longwei Hotel represents rental payable to Longwei Hotel for the operating lease of office premises by Huili Caitong.

(f) The balance due to Chuan Wei as at 31 December 2010 represented the payable of the remaining balance of the acquisition of the non-controlling interest in Huili Caitong by Lingyu Investment from Chuan Wei.

The carrying amounts of balances with related parties approximate to their fair values.

22. BALANCES WITH RELATED PARTIES (continued)

Company

	2010 RMB'000	2009 RMB'000
Due from a related party:		
Non-trade in nature		
– Trisonic International	**343**	343

The carrying amount of the amount from a related party approximates to its fair value.

23. CASH AND CASH EQUIVALENTS

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Cash and bank balances	**465,631**	1,267,667	**71,648**	389,239
Time deposits with original maturity of less than three months	**199,999**	616,336	**–**	616,336
	665,630	1,884,003	**71,648**	1,005,575
Time deposits with original maturity of over three months	**430,000**	–	**–**	–
Cash and cash equivalents	**1,095,630**	1,884,003	**71,648**	1,005,575

The Group's cash and bank balances are denominated in RMB at the end of each reporting period, except for the following:

	RMB equivalent	
	31 December 2010 RMB'000	31 December 2009 RMB'000
Cash and bank balances:		
HK$	**74,932**	1,275,788
US$	**–**	3

23. CASH AND CASH EQUIVALENTS (continued)

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between three months and six months, and earn interest at the respective deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

The carrying amounts of the cash and cash equivalents approximate to their fair values.

24. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2010	2009
	RMB'000	RMB'000
Within 180 days	**248,500**	81,075
181 to 365 days	**4,653**	3,140
1 to 2 years	**1,043**	1,471
2 to 3 years	**428**	78
Over 3 years	**244**	185
	254,868	85,949

Trade payables are non-interest-bearing and are normally settled in 60 to 180 days. The carrying amounts of trade payables approximate to their fair values.

25. OTHER PAYABLES AND ACCRUALS

		Group	
		2010	2009
	Notes	**RMB'000**	RMB'000
Advances from customers		**6,157**	4,325
Payables related to:			
Construction in progress		**86,533**	63,234
Taxes other than income tax		**78,391**	31,081
Payroll and welfare payable		**9,685**	5,715
Mining rights and exploration and evaluation assets		**2,194**	771
Huili County Yangqueqing Iron Mine ("Yangqueqing")	37(b)	**10,840**	–
Huili Hailong	37(c)	**41,500**	–
First Independent Third party Processing Contractor	37(d)	**26,740**	–
Nanjiang:	37(a)		
– Nanjiang project consideration		**–**	52,338
– Technical service fee		**–**	7,700
Consultancy fees		**487**	343
Listing fee		**–**	25,952
Deposits received		**416**	382
Other payables		**10,023**	7,011
		272,966	198,852

The other payables and accruals are non-interest-bearing and have average terms of one to three months. The carrying amounts of other payables approximate to their fair values.

Company

As at 31 December 2010, other payables mainly represented legal and audit fees payable.

26. INTEREST-BEARING BANK LOANS

	Group	
	2010	2009
	RMB'000	RMB'000
Unsecured bank loans repayable:		
Within one year	**175,000**	100,000
In the second year	**25,000**	–
In the third to fifth years, inclusive	**75,000**	–
Beyond five years	**25,000**	–
	300,000	100,000
Current portion	**(175,000)**	(100,000)
Non-current portion	**125,000**	–

As at 31 December 2010, Huili Caitong had unsecured interest-bearing bank loans from the Lender at the respective fixed rates ranging from 5.31% to 5.94% (2009: 5.31%) per annum and all bank loans were denominated in RMB.

In accordance with the loan agreements entered into between Huili Caitong and the Lender, Huili Caitong agreed not to mortgage or pledge Huili Caitong's mining right of Baicao Mine and iron concentrate production line with an annual production capacity of 500.0 Kt to any parties, and the Lender will be entitled to a pre-emption right in the event of such mortgage or pledge.

The carrying amounts of the Group's current bank loans approximate to their fair values. The fair values of the Group's non-current portion bank loans amounted to RMB117,991,000 (2009: Not applicable).

27. PROVISION FOR REHABILITATION

	2010	2009
	RMB'000	RMB'000
At the beginning of year	**5,707**	5,341
Unwinding of discount (note 6)	**386**	366
At end of year	**6,093**	5,707

A provision for rehabilitation is mainly recognised for the present value of costs to be incurred for the restoration of tailing ponds and the removal of the processing plants in complying with the Group's obligations for the closure and environmental restoration and clean-up on completion of the Group's mining activities. These costs are expected to be incurred on mine closure, based on the current terms of mining rights for Baicao Mine and Xiushuihe Mine and are discounted at a discount rate of 6.84% (2009: 6.84%). Changes in assumptions could significantly affect these estimates.

Subsequently, the provision for rehabilitation will be increased each year by the accretion of interest due to the passage of time which is recognised as interest expense.

28. SHARE CAPITAL

Shares

	2010 RMB'000	2009 RMB'000
Authorised:		
10,000,000,000 (2009: 10,000,000,000) Shares of HK$0.1 each	**880,890**	880,890
Issued and fully paid:		
2,075,000,000 (2009: 2,075,000,000) Shares of HK$0.1 each	**182,787**	182,787

There was no change in the authorised and issued capital of the Company during the year.

29. SHARE OPTION SCHEME

On 4 September 2009, the Company adopted the Old Option Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Old Option Scheme include the Directors, including non-executive Directors, and other employees of the Group.

On 15 April 2010, the Company adopted the New Option Scheme, and simultaneously terminated the operation of the Old Option Scheme (such that, no further options shall thereafter be offered under the Old Option Scheme but in all other respects the provisions of the Old Option Scheme shall remain in force and effect). Eligible participants of the New Option Scheme include Directors, chief executives, substantial Shareholders or employees (whether full time or part time) of any member of the Group and any persons who the Board of Directors considers, in its sole discretion, have contributed or will contribute to the development and growth of the Group. The New Option Scheme will remain in force for 10 years from that date, unless otherwise cancelled or amended.

The maximum number of Shares in respect of which options may be granted under the New Option Scheme and any other schemes of the Company shall not, in aggregate, exceed 207,500,000 Shares, being 10% of the total number of Shares in issue on the adoption date of the New Option Scheme. The maximum number of Shares issued and which may fall to be issued upon exercise of the options granted and to be granted under the New Option Scheme to each eligible participant in the New Option Scheme within any 12-month period is limited to 1% of the Shares in issue as of the date of grant. Any further grant of share options in excess of this limit is subject to Shareholders' approval in a general meeting.

Share options granted to Directors, chief executives, substantial Shareholders or any of their respective associates are subject to approval by the independent non-executive Directors (excluding the independent non-executive Directors who are the grantees of the options). In addition, for any grant of share options to substantial Shareholders or independent non-executive Directors or to any of their respective associates, in excess of 0.1% of the Shares in issue on the date of offer and with an aggregate value (based on the closing price of the Shares quoted on the Stock Exchange at the date of grant) in excess of HK$5 million, such grant made within any 12-month period from the date of grant (inclusive) would be subject to Shareholders' approval in a general meeting.

29. SHARE OPTION SCHEME (continued)

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the Directors but no option may be exercised more than 10 years from the date of grant.

The exercise price of share options is determinable by the Board of Directors, but may not be less than the highest of (i) the nominal value of the Shares; (ii) the average closing price of the Shares as stated on the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the share options; and (iii) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of grant of the share options.

Share options do not confer rights to the holders to dividends or to vote at Shareholders' meetings.

The following share options were outstanding under the Old Option Scheme during the year:

	Notes	Weighted average exercise price HK$ per Share	Number of options '000
As at 1 January 2010	(1)	5.05	27,200
Granted during the year	(2)	4.99	9,400
Lapsed during the year	(3)	5.05	(7,000)
As at 31 December 2010		5.03	29,600

(1) The share options outstanding as at 1 January 2010 represented share options granted by the Company on 29 December 2009 at the exercise price of HK$5.05 per Share.

(2) On 1 April 2010, options to subscribe for a total of 9,400,000 new ordinary shares with a nominal value of HK$0.10 each in the share capital of the Company were granted under the Old Option Scheme at the exercise price of HK$4.99 per Share.

(3) The share options granted to one of the Directors lapsed following his retirement as a Director on 15 April 2010.

29. SHARE OPTION SCHEME (continued)

The exercise prices and exercise periods of the share options outstanding at the end of reporting period are as follows:

31 December 2010

Number of options	Exercise price per Share	Exercise period
'000	HK$	
10,100	5.05	29 June 2012 to 28 December 2019
10,100	5.05	29 December 2014 to 28 December 2019
4,700	4.99	1 October 2012 to 31 March 2020
4,700	4.99	1 April 2015 to 31 March 2020
29,600		

31 December 2009

Number of options	Exercise price per Share	Exercise period
'000	HK$	
13,600	5.05	29 June 2012 to 28 December 2019
13,600	5.05	29 December 2014 to 28 December 2019
27,200		

The fair value of the share options granted during the year was HK$24,349,000 (equivalent to approximately RMB21,406,000) (2009: HK$75,009,000, equivalent to approximately RMB66,075,000) or HK$2.59 each (equivalent to approximately RMB2.28 each) (2009: HK$2.76 each, equivalent to approximately RMB2.43 each) of which the Group recognised a share option expense of HK$5,333,000 (equivalent to approximately RMB4,680,000) during the year (2009: HK$120,000, approximately RMB106,000).

The fair value of equity-settled share options granted was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	Equity-settled share options granted on	
	1 April 2010	29 December 2009
Dividend yield (%)	**1.36**	1.41
Expected volatility (%)	**66.40**	68.56
Risk-free interest rate (%)	**2.788**	2.652

No other feature of the options granted was incorporated into the measurement of fair value.

29. SHARE OPTION SCHEME (continued)

At the end of the reporting period, the Company had 29,600,000 share options outstanding under the Old Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 29,600,000 additional Shares of the Company and additional share capital of HK$2,960,000 and share premium of HK$145,956,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 29,600,000 share options outstanding under the Old Option Scheme, which represented approximately 1.43% of the Shares in issue as at that date.

30. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 54 of the financial statements.

(a) Share premium

The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the constitutional documents and the Cayman Islands Companies Law, the share premium is distributable as dividend on the condition that the Company is able to pay its debts when they fall due in the ordinary course of business at the time the proposed dividend is to be paid.

(b) Statutory surplus reserve and statutory reserve fund

In accordance with the Company Law of the PRC and the respective articles of associations of subsidiaries domiciled in Mainland China (the "PRC Subsidiaries"), each of the PRC Subsidiaries is required to allocate 10% of its profits after tax, as determined in accordance with PRC Generally Accepted Accounting Principles ("PRC GAAP"), to the statutory surplus reserve (the "SSR") until such reserve reaches 50% of its registered capital.

As Huili Caitong was converted from a domestic limited company to a FIE on 22 September 2006, allocation to SSR is not required. According to Huili Caitong's articles of association, Huili Caitong is required to allocate 10% of its profit after tax in accordance with PRC GAAP to the statutory reserve fund (the "SRF").

SSR and SRF are non-distributable except in the event of liquidation and subject to certain restrictions set out in the relevant PRC regulations. They can be used to offset accumulated losses or capitalised as paid-up capital.

(c) Contributed surplus

The contributed surplus represented the difference between nominal value of the Shares issued in exchange for the subsidiaries acquired as part of the reorganisation and the aggregate amount of the nominal value of the paid-up capital of these subsidiaries attributable to the owners of the Company.

30. RESERVES (continued)

Company

The amounts of the Company's reserves and the movements therein for the current and prior year are as follows:

	Share premium account	Share option reserve	Retained earnings/ (accumulated) losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2009	618,084	–	(23,376)	594,708
Total comprehensive income for the year	–	–	40,595	40,595
Issue of shares	1,722,173	–	–	1,722,173
Capitalisation of share premium account	(132,133)	–	–	(132,133)
Share issue expenses	(111,140)	–	–	(111,140)
Equity-settle share option arrangement	–	106	–	106
Dividends declared	–	–	(20,000)	(20,000)
At 31 December 2009 and 1 January 2010	2,096,984	106	(2,781)	2,094,309
Total loss for the year	–	–	(93,960)	(93,960)
Reversal of share issue expenses over-provided	9,493	–	–	9,493
Equity-settled share option arrangement (note 29)	–	19,030	–	19,030
Proposed final 2010 dividend (note 31)	(107,756)	–	–	(107,756)
At 31 December 2010	1,998,721	19,136	(96,741)	1,921,116

31. DIVIDEND

On 14 March 2011, the Board of Directors of the Company proposed a final dividend for the year ended 31 December 2010 of approximately RMB0.052 per Share amounting to RMB107,756,000 (2009: Nil). The proposed final dividend for the year ended 31 December 2010 is subject to the approval of the Shareholders at the forthcoming annual general meeting and is included in the proposed final dividend within equity of the statement of financial position.

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Capital injection

Capital injection represents cash injections from Xichang Vanadium and Titanium Products Co., Ltd. ("Xichang Vanadium"), which was the former non-controlling shareholder of Huili Caitong, for an increase in share capital of Huili Caitong amounting to approximately RMB15,220,000.

(b) Acquisition of the non-controlling interest in Huili Caitong

Pursuant to an equity transfer agreement entered into between the Lingyu Investment and Chuan Wei on 15 November 2010, Lingyu Investment has agreed to purchase the remaining 7.23% of equity interest in Huili Caitong at the consideration of RMB445,403,000. The acquisition was completed on 31 December 2010 when all conditions precedent to the acquisition as stipulated in the equity transfer agreement were met. Upon the completion of the acquisition, Huili Caitong became an indirect wholly-owned subsidiary of the Company. Details of the acquisition are as follows:

	Year ended 31 December 2010 RMB'000
Purchase consideration	445,403
Less: Book value of the share of net assets acquired	144,117
Difference arising from the acquisition of the non-controlling interest	301,286

The difference between the purchase consideration and the book value of the share of net assets acquired has been recognised in equity as the acquisition of the non-controlling interest was considered as an equity transaction.

The purchase consideration was satisfied by:

	Year ended 31 December 2010 RMB'000
Cash	444,999
Due to Chuan Wei	404
	445,403

Particulars of the agreement for the acquisition of the non-controlling interest in Huili Caitong were set out in the Company's announcement dated 15 November 2010.

33. CONTINGENT LIABILITIES

At the end of the reporting period, neither the Group nor the Company had any significant contingent liabilities.

34. OPERATING LEASE ARRANGEMENTS

As lessee

The Group entered into commercial leases on certain office buildings based on the reason that it is not in the best interest of the Group to purchase these assets. These leases have average lives of 1 to 5 years.

At 31 December 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**998**	1,028	**808**	836
In the second to fifth years, inclusive	**713**	1,579	**538**	1,394
	1,711	2,607	**1,346**	2,230

35. COMMITMENTS

In addition to the operating lease commitments detailed in note 34 above, the Group had the following capital commitments at the end of the reporting period:

	2010	2009
	RMB'000	RMB'000
Contracted, but not provided for:		
– Plant and machinery	**90,483**	319,893
– Exploration and evaluation assets	**16,847**	22,916
	107,330	342,809
Authorised, but not contracted for:		
– Plant and machinery	**52,286**	93,767
	52,286	93,767
Total capital commitments	**159,616**	436,576

36. RELATED PARTY TRANSACTIONS

(a) During the year, the Group had the following material transactions with related parties:

Name of related parties	Notes	2010 RMB'000	2009 RMB'000
Recurring transactions			
Sales of goods			
Weiyuan Steel	(i)	298,192	199,657
Office rental			
Longwei Hotel	(ii)	199	123
Non-recurring transactions			
Purchases of goods			
Longwei Metal	(i)	–	3,444
Acquisition of the non-controlling interest			
Chuan Wei	32(b)	445,403	–
Transportation fee			
Sichuan Chuanwei Tongyu Transportation Co., Ltd. ("Tongyu")*	(iii)	–	227
Disposal of property, plant and equipment			
Tongyu*	(iv)	–	1,251

* This is a company controlled by Chuan Wei.

(i) The Directors consider that sales and purchases were undertaken on commercial terms similar to those offered to/by unrelated customers/suppliers in the ordinary course of business of the relevant companies.

(ii) The Directors consider that the office rental as determined under the tenancy agreement was based on market rate for similar premises in similar locations.

(iii) The Directors consider that the fee for transportation service provided by the related company was determined based on price similarly available to third party customers. The transportation fee mainly represents the road transportation cost for the purchase and delivery of the Group's products.

(iv) The items of property, plant and equipment were disposed of for a consideration approximate to their respective net carrying amounts aggregated to RMB1,332,000.

(b) Outstanding balances with related parties

Details of the Group's balances with its related parties as at the end of the reporting period are disclosed in note 22 to the financial statements.

36. RELATED PARTY TRANSACTIONS (continued)

(c) Compensation of key management personnel of the Group:

	2010 RMB'000	2009 RMB'000
Fees	944	384
Basic salaries and other benefits	2,681	3,197
Equity-settled share option expense	17,126	66
Pension scheme contributions	228	108
Total compensation paid to key management personnel	20,979	3,755

37. SIGNIFICANT EVENTS

(a) On 15 January 2010, Xiushuihe Mining and Nanjiang executed the Termination Agreement, pursuant to which parties to the Termination Agreement agreed to amend and terminate certain provisions under the previous the New Agreement entered into between the Group and Nanjiang dated 18 March 2009. The reason for the amendment or termination is to reduce the amount of technical support service fee payable to Nanjiang under the New Agreement. Key provisions under the Termination Agreement are as follows:

- *Change of repayment terms of the Nanjiang project consideration*

  Within 90 days from the date of the Termination Agreement, Xiushuihe Mining shall pay to Nanjiang approximately RMB85.0 million as part repayment of the outstanding construction costs under the New Agreement. The outstanding construction costs of RMB85.0 million include the costs of the upgrade and construction of iron and titanium concentrates production lines. As a result of the Termination Agreement, the balance of the consideration of the Nanjiang project as at 31 December 2009 of RMB52.3 million has been settled in full in 2010.

- *Settlement of technical support service fee under the New Agreement*

  Within 90 days from the date of the Termination Agreement, Xiushuihe Mining shall pay to Nanjiang approximately RMB7.7 million as the technical support service fee for the period of 1 July 2008 to 31 December 2009 under the New Agreement. The outstanding technical support fee of RMB7.7 million has been settled in full in 2010.

- *Continuous technical support to be provided by Nanjiang*

  Nanjiang will continue to provide technical service support to Xiushuihe Mining in relation to the Nanjiang project until 31 December 2024. Within 180 days from the date of the Termination Agreement, Xiushuihe Mining has made an one-off prepayment to Nanjiang of approximately RMB62.0 million as technical service support fee for a period of 15 years ending on 31 December 2024. As such, the prepaid technical support fee will be amortised according to straight line method based on the terms of technical service to be provided by Nanjiang with yearly technical fee of approximately RMB4.1 million.

Particulars of the Termination Agreement are set out in the Company's announcement dated 15 January 2010.

37. SIGNIFICANT EVENTS (continued)

(b) On 16 January 2010, the Group entered into a definitive agreement with Yangqueqing, a third party, pursuant to which the Group acquired the mining right of Yangqueqing Mine at a consideration of RMB200 million. Yangqueqing Mine has estimated resources of 17.92 Mt of iron ore resources. The purchase consideration was determined by reference to the valuation conducted by an independent valuer registered in the PRC.

Particulars of the agreement for the acquisition of the mining rights of Yangqueqing Mine were set out in the Company's announcement dated 18 January 2010.

(c) On 3 February 2010, the Group entered into an assets transfer agreement with Huili Hailong and the major shareholder of Huili Hailong, which are third parties, pursuant to which the Group acquired the exploration right of Cizhuqing Mine together with certain assets of an iron concentrate production facility located at Xiaoheiqing Town, Huili County, Sichuan, the PRC, at an aggregate considerations of RMB310.0 million. The consideration in relation to the exploration right of Cizhuqing Mine was determined based on arm's length negotiation with reference to the market price of iron ore resources. The consideration in relation to the Hailong Processing Plant was determined by reference to the valuation conducted by an independent valuer registered in the PRC.

The exploration right of Cizhuqing Mine covers an exploration area of 2.30 sq.km. and an estimated resource of 25.57 Mt of iron ore. The iron concentrate production line of the Hailong Processing Plant has an annual production capacity of 300.0 Kt of iron concentrates.

Particulars of the agreement for the above acquisition of the mine exploration right and the production assets were set out in the Company's announcement dated 4 February 2010.

(d) On 11 March 2010, the Group entered into an assets transfer agreement with the First Independent Third Party Processing Contractor, pursuant to which the Group acquired production lines of iron concentrates and high-grade titanium concentrates with an annual production capacity of 800 Kt and 120 Kt (together with a tailing storage facility), respectively, and the related land use rights, machinery and equipment located at Heigutianshe, Xinjiu Town, Yanbian County, Sichuan, the PRC, at an aggregate consideration of RMB550.0 million. The purchase consideration was determined by reference to the valuation conducted by an independent valuer registered in the PRC.

Particulars of the agreement for the acquisition of the above assets were set out in the Company's announcement dated 12 March 2010.

(e) On 15 November 2010, the Group entered into an acquisition agreement with Chuan Wei pursuant to which the Group agreed to acquire, at a consideration of RMB150 million, the entire equity interest in Aba Mining, which holds the mining right and related assets of the Maoling Mine with a mining right area of 1.9 sq.km. and an estimated resource of 10.0 Mt and the exploration right of the Yanglongshan Mine. The conditions precedent of the acquisition agreement shall be fulfilled on or before 31 January 2011. On 16 December 2010, the Aba Acquisition was approved by the independent Shareholders during the EGM which approved Aba Acquisition.

Particulars of the Aba Acquisition and the poll results of the EGM were set out in the Company's announcement dated 15 November 2010 and 16 December 2010 respectively.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial assets of the Group mainly include cash and bank balances, trade and notes receivables, other receivables and amounts due from related parties, which arise directly from its operations. Financial liabilities of the Group mainly include advances from customers, other payables, trade payables, amounts due to related parties, dividends payable, and interest-bearing bank loans.

Risk management is carried out by the finance department which is led by the Group's executive Directors. The Group's finance department identifies and evaluates financial risks in close co-operation with the Group's operating units. The main risks arising from the Group's financial instruments are liquidity risk, interest rate risk, credit risk and foreign currency risk.

The Group's financial risk management policy seeks to ensure that adequate resources are available to manage the above risks and to create value for its Shareholders. The Board regularly reviews these risks and they are summarised below.

Liquidity risk

The Group monitors its exposure to a shortage of funds by considering the maturity of both its financial liabilities and financial assets and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank loans and its own funding sources.

The maturity profile of the Group's financial liabilities at the end of each reporting period, based on the contractual payments, was as follows:

	31 December 2010				
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Interest-bearing bank loans	–	150,000	25,000	125,000	300,000
Trade payables	6,368	248,500	–	–	254,868
Other payables	215,473	56,740	–	–	272,213
Dividends payable	1,801	–	–	–	1,801
Due to related parties	18,301	–	–	–	18,301
	241,943	455,240	25,000	125,000	847,183

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

	31 December 2009				
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank loans	–	100,000	–	–	100,000
Trade payables	4,874	81,075	–	–	85,949
Other payables	136,497	–	60,038	–	196,535
Dividends payable	1,801	–	–	–	1,801
Due to related parties	4,254	–	–	–	4,254
	147,426	181,075	60,038	–	388,539

Interest rate risk

The Group's exposure to interest rate risk relates primarily to the Group's bank deposits and interest-bearing bank loans. The interest rates and terms of repayment of interest-bearing bank loans are disclosed in note 26 to the financial statements. The Group manages its interest rate exposure arising from all of its interest-bearing loans through the use of fixed rates. In addition, the Group has not used any interest rate swaps to hedge against interest rate risk.

Credit risk

Substantial amounts of the Group's cash and cash equivalents are held in major reputable financial institutions located in Mainland China and Hong Kong, which management believes are of high credit quality. The credit risk of the Group's other financial assets, which comprise trade and notes receivables, other receivables and amounts due from related parties, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Group has no other financial assets which carry significant exposure to credit risk.

As disclosed in note 4, the Group sells most of the products to a small number of customers. As a result, it faces a high level of concentration of credit risk. The Group manages this risk by offering standardised credit terms given to its customers of iron ore products for an approved credit term of 30 days. For the sale of titanium products, the Group generally requires full payment prior to delivery. The Group seeks to maintain strict control over its outstanding receivables and senior management regularly reviews the overdue balances. In addition, the Group's exposure to credit risk is also influenced by the individual characteristics of each customer and default risk of the industry in which customers operate. During the year, the Group generated its revenue from the sales of iron ore products to the producers of steel and distributors that purchase the Group's products and resell them to steel producers, thereby exposing the Group to the concentration of credit risk in the steel industry.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

The Group's businesses are located in the PRC and all transactions are conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB, except for certain items of cash and cash equivalents that are denominated in HK$ arising from proceeds from the listing of the Shares on the Main Board of the Stock Exchange in October 2009.

The Group does not enter into any hedging transactions to manage the potential fluctuation in foreign currencies. The Group does not consider that it has any significant exposure to the risk of fluctuation in the exchange rate between HK$ and RMB as a reasonable possible change of 5% in RMB against HK$ would have no significant financial impact to the Group's profit.

Fair values

Fair value estimates are made at a specific point in time and are based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Except for non-current portion bank loans, the carrying amounts of the Group's financial instruments approximated to their fair values due to the short-term maturity at the end of each reporting period. The fair values of non-current portion bank loans are disclosed in note 26 to the financial statements.

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise Shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to Shareholders or raise new capital from its investors.

No changes were made in the objectives, policies or processes for managing financial risk during the year.

The Group is currently funding its capital expenditure through internal generated funds from its operations and new bank borrowings. The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. The Group's policy is to keep the gearing ratio between 20% and 50% over the long term. Net debt is defined as interest-bearing bank loans, net of cash and bank balances and it excludes liabilities incurred for working capital purposes. Equity includes equity attributable to the owners of the Company and non-controlling interests.

As at 31 December 2010 and 2009 respectively, the Group's cash and bank balances exceeded the total interest-bearing bank loans. As such, no gearing ratio as at 31 December 2010 or 31 December 2009 is presented.

39. EVENT AFTER THE REPORTING PERIOD

As disclosed in note 37(e), on 15 November 2010, the Group entered into an acquisition with Chuan Wei in respect of the Aba Acquisition. On 28 January 2011, Chuan Wei requested, and the Group agreed that the completion of Aba Acquisition was extended from 31 January 2011 to 30 April 2011. The extension is due to the fact that it takes longer than the expected time to obtain the necessary confirmation documents from a number of PRC government authorities, as such one of the conditions precedent to the completion of the acquisition agreement cannot be satisfied.

Particulars of the extension of time for the satisfaction of the conditions precedent to the completion of Aba Acquisition were set out in the Company's announcement dated 28 January 2011.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 14 March 2011.

Glossary

"12th Five-Year Plan"	the Communist Party of China Central Committee's proposal on formulating the 12th five-year programme (from year 2011 to 2015) on National Economic and Social Development
"2010 AGM"	the Shareholders' annual general meeting held on 15 April 2010
"2011 AGM"	the Shareholders' annual general meeting to be held on 6 May 2011
"Aba Equity Interest"	the entire equity interest in Aba Mining
"Aba Mining"	Aba Mining Co., Ltd.* (阿壩礦業有限公司), a limited liability company established in the PRC on 27 February 2004 and a connected person to our Group
"Aba Mining Acquisition Agreement"	the equity interest transfer agreement dated 15 November 2010 entered into between Sichuan Lingyu Investment Co., Ltd.* (四川省凌御投資有限公司) (as transferee) and Chuan Wei (as transferor) under which the Aba Equity Interest is being transferred
"Articles of Association" or "Articles"	the memorandum and articles of association of our Company, adopted on 4 September 2009 and as amended from time to time
"associates"	has the meaning ascribed thereto in the Listing Rules
"Baicao Mine"	白草鐵礦, the vanadium-bearing titano-magnetite mine located in Xiaoheiqing Townlet, Huili County, Sichuan and operated by Huili Caitong
"Baicao Processing Plant"	the ore processing plant located at our Baicao Mine and operated by Huili Caitong
"beneficiation"	a process to upgrade the mineralised content of an ore or of ore concentrates typically through flotation, gravity or magnetic separation
"Board" or "Board of Directors"	our board of Directors
"CG Code"	the Code on Corporate Governance Practice as set out in Appendix 14 to the Listing Rules
"Chengdu-Chongqing Economic Zone"	an economic zone incorporates 15 cities of Sichuan and 31 districts and counties of Chongqing for the purpose of urban-rural comprehensive reform in Sichuan and Chongqing
"China" or "PRC"	the People's Republic of China, but for the purpose of this annual report, excluding Hong Kong

"Chongqing"	Chongqing Municipality in China
"Chuan Wei"	Sichuan Chuanwei Group Co., Ltd.* (四川省川威集團有限公司), a limited liability company established in the PRC on 29 March 1998 and a connected person to our Group
"Cizhuqing Mine"	茨竹箐鐵礦, the vanadium-bearing titano-magnetite mine located in Xiaoheiqing Townlet, Huili County, Sichuan, with an exploration area of 2.3 sq.km.
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Companies Ordinance"	Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as amended and supplemented from time to time
"Company" or "our Company", "we" or "us"	China Vanadium Titano-Magnetite Mining Company Limited (中國釩鈦磁鐵礦業有限公司), a limited liability company incorporated in the Cayman Islands on 28 April 2008
"concentrate(s)"	the product(s) of ore processing plants that contain higher concentrations of the minerals and are suitable for smelting
"connected person"	has the meaning ascribed thereto in the Listing Rules
"Construction Project"	the construction of a new iron pelletising plant in Ailang Townlet, Huili County, Sichuan
"Controlling Shareholder(s)"	has the meaning ascribed thereto in the Listing Rules and in the context of this report, refers to Trisonic International, Kingston Grand, Messrs. Wang Jin, Shi Yinjun, Yang Xianlu, Wu Wendong, Zhang Yuangui and Li Hesheng
"Director(s)"	director(s) of our Company or any one of them
"EGM"	Extraordinary general meeting of the Shareholders convened and held by the Company on 16 December 2010
"First Independent Third Party Pelletising Contractor"	Panzhihua Henghong Iron Pellets Co., Ltd.* (攀枝花恒弘球團有限公司), established on 20 July 2005, a limited liability company (non-state owned) and an independent third party contractor which entered into a pelletising contract with us with effect from December 2008

"First Independent Third Party Processing Contractor"	Yanbian County Hongyuan Mining Co., Ltd.* (鹽邊縣宏緣礦業有限責任公司), established on 25 April 2001, a limited liability company (non-state owned) and an independent third party contractor which entered into a processing contract with us with effect from August 2006. It commenced the production of iron concentrates and medium-grade titanium concentrates from our ore in January 2007
"Founders"	Messrs. Wang Jin, Shi Yinjun, Yang Xianlu, Wu Wendong, Zhang Yuangui and Li Hesheng
"GDP"	stands for Gross Domestic Product, a measure of country's overall official economic output
"grade"	the concentration, commonly expressed as percentage or grams per tonne, of useful elements, minerals or their components in any ore or concentrate
"Group"	the Company and its subsidiaries
"Hailong Processing Plant"	the ore processing plant located at the Cizhuqing Mine, including an iron and titanium concentrate production line with a total annual capacity of 300.0 Kt iron concentrates, together with a tailing storage facility, certain buildings and machinery and equipment located at Xiaoheiqing Townlet, Huili County, Sichuan
"Heigutian Processing Plant"	the ore processing plant located at Heigutianshe, Xinjiu Town, Yanbian County, Sichuan
"Higher-grade"	the mineralisation for TFe content is above 20%
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Huili Caitong"	Huili County Caitong Iron and Titanium Co., Ltd.* (會理縣財通鐵鈦有限責任公司), established in the PRC on 7 July 1998 and is a foreign equity joint venture in the PRC since 29 December 2010
"Huili Caitong Acquisition"	the acquisition of the Huili Caitong Equity Interest contemplated by the Huili Caitong Acquisition Agreement
"Huili Caitong Acquisition Agreement"	the equity interest transfer agreement dated 15 November 2010 entered into between Sichuan Lingyu Investment Co., Ltd.* (四川省凌御投資有限公司) (as transferee) and Chuan Wei (as transferor) under which the Huili Caitong Equity Interest is being transferred

"Huili Caitong Equity Interest"	7.23% equity interest in Huili Caitong held by Chuan Wei as at 15 November 2010
"Huili County"	a county in Sichuan
"Huili Hailong"	Huili County Hailong Mining Development Co., Ltd.* (會理縣海龍礦產有限責任公司), a limited liability company established in the PRC
"IFRSs"	International Financial Reporting Standards, which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB") and the International Accounting Standards (the "IAS") and Standing Interpretations Committee Interpretations approved by the International Accounting Standards Committee that remain in effect
"Indicated Resources"	part of the iron ore resources for which tonnage, densities, shape, physical characteristics, quality and mineral content can be estimated with a reasonable level of confidence as defined by the JORC Code
"Inferred Resources"	part of the iron ore resources for which tonnage, quality and mineral content can be estimated with a low level of confidence as defined by the JORC Code
"IPO"	the initial public offering and listing of Shares of the Company on the Main Board on 8 October 2009
"iron"	a silvery-white, lustrous, malleable, ductile, magnetic or magnetisable, metallic element occurring abundantly in combined forms, notably in hematite, limonite, magnetite, and taconite, and alloyed for use in a wide range of important structural materials
"iron concentrate(s)"	concentrate(s) whose main mineral content (by value) is iron
"iron ore"	compounds of iron and oxygen (iron oxides) mixed with impurities (gangue); it is a mineral which when heated in the presence of a reductant will yield metallic iron
"Iron Pelletising Plant"	our plant that produces iron pellets and is located approximately 36 km from the Xiushuihe Mine
"iron pellet(s)"	a round hardened clump of iron-rich material suitable for application in blast furnaces

"JORC Code"	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004 edition), as published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy and used to determine resources and reserves, as amended from time to time
"Kingston Grand"	Kingston Grand Limited, a company incorporated in the British Virgin Islands on 20 February 2007, holder of 40% of the issued share capital of Trisonic International
"km"	kilometre(s), a metric unit measure of distance
"Kt"	thousand tonnes
"Listing Date"	8 October 2009
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Lower-grade"	the mineralisation for TFe content is between 15% to 20%
"Luchang Agreements"	three separate agreements dated 14 December 2009, 15 December 2009 and 14 December 2009, entered with various independent contractors, in respect of construction fees, installation fees and equipment purchase fees for Luchang Project
"Main Board"	the Main Board of the Stock Exchange
"Maoling Mine"	毛嶺鐵礦, an ordinary magnetite mine owned by Aba Mining and located in Wenchuan County, Sichuan
"Measured Resources"	mineral resources that have been intersected and tested by drill holes or sampling procedures at locations close enough to confirm continuity
"Messrs."	Messieurs
"mining right(s)"	the right(s) to mine mineral resources and obtain mineral products in areas where mining activities are licensed
"Model Code"	Model Code for Securities Transactions by Directors of the Listed Issues as set out in Appendix 10 of the Listing Rules
"MPa"	Megapascal
"Mr."	Mister
"Mt"	million tonnes

"Nanjiang"	Sichuan Nanjiang Mining Group Co., Ltd.* (四川南江礦業集團有限公司), established on 10 April 1996, a limited liability company (non-state owned) and an independent third party which entered into a new cooperation agreement with us with effect from 18 March 2009
"New Agreement"	a new co-operation agreement entered between Xiushuihe Mining and Nanjiang for a term commencing on 18 March 2009 until 10 November 2023
"ore processing"	the process which in general refers to the extraction of usable portions of ores by using physical and chemical extraction methods
"Over-Allotment"	the exercise of the over-allotment option, pursuant to the announcement published by the Company on 28 October 2009
"Panxi Region"	a region in Sichuan located at southwest of Chengdu reaching from Panzhihua to Xichang
"Panzhihua Jingzhi"	Panzhihua Jingzhi Mining Co., Ltd.* (攀枝花市經質礦產有限責任公司), a limited liability company established in the PRC on 2 August 2000
"pelletising"	a process to compress the iron ore into the shape of a pellet
"PRC National Standard"	(i) 《固體礦產資源／儲備分類》(GB/T17766-1999, 1999-06-08) and (ii) 《固體礦產地質勘查規範總則》(GB/T13908-2002, 2003-01-01) ("Classification of Solid Mineral Resources and Reserves"* and "General Requirements for Solid Mineral Exploration"*, respectively)
"Prospectus"	the prospectus of the Company dated 24 September 2009 issued in connection with the IPO
"Proved and probable reserves"	reserves that have been based after application of mining recovery and dilution facts, on an in-situ identified resources which have been categorised as "indicated" and "measured" under the JORC Code
"Renminbi" or "RMB"	the lawful currency of the PRC
"Reorganisation"	the corporate reorganisation of our Group effected for the preparation for the Listing, details of which are set out in the "History, Reorganisation and Group Structure" section to the Prospectus

"reserve(s)"	the part of a measured and/or indicated resource(s) which could be mined and from which valuable or useful minerals could be recovered economically under conditions reasonably assumed at the time of estimation
"resource(s)"	a concentration or occurrence of iron ore of intrinsic economic interest in or on the earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction
"Second Independent Third Party Pelletising Contractor"	Panzhihua City Guangchuan Metallurgy Co., Ltd.* (攀枝花市廣川冶金有限公司), established on 27 October 2004, a limited liability company (non-state owned) and an independent third party contractor which entered into a pelletising contract with us with effect from February 2009
"Second Independent Third Party Processing Contractor"	Panzhihua City Aolei Gongmao Co., Ltd.* (攀枝花市奧磊工貿有限責任公司), established on 12 March 2004, a limited liability company (non-state owned) and an independent third party contractor which entered into a processing contract with us with effect from April 2009
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) in the share capital of the Company, with a nominal value of HK$0.1 each
"Shareholder(s)"	holder(s) of the Share(s)
"Sichuan"	the Sichuan province of the PRC
"sq.km."	square kilometre
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Termination Agreement"	a new agreement executed between Xiushuihe Mining and Nanjiang on 15 January 2010, pursuant to which the parties agreed to amend and terminate certain provisions under the New Agreement
"TFe"	the symbol for denoting total iron
"TiO_2"	the chemical symbol for titanium dioxide
"titanium"	a light, strong, lustrous, corrosion-resistant transition metal with a white-silvery-metallic colour

"titanium concentrate(s)"	concentrate(s) whose main content (by value) is titanium dioxide
"titanium slag"	a slag containing the metal atoms of titanium
"tonne"	metric ton
"Trisonic International"	Trisonic International Limited (合創國際有限公司), a company incorporated in Hong Kong on 19 July 2006 and a Controlling Shareholder
"Type 331"	measured intrinsic economic resources (探明的內蘊經濟資源量) (Type 331) as defined in the Classification of Solid Mineral Resources and Reserves
"Type 332"	indicated intrinsic economic resources (控制的內蘊經濟資源量) (Type 332) as defined in the Classification of Solid Mineral Resources and Reserves
"Type 333"	inferred intrinsic economic resources (推斷的內蘊經濟資源量) (Type 333) as defined in the Classification of Solid Mineral Resources and Reserves
"United States" or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US dollars" or "US$"	the lawful currency of the United States
"V_2O_5"	the chemical symbol for vanadium pentoxide
"Weixi Guangfa"	Weixi Guangfa Iron Ore Development Company Limited* (維西廣發鐵礦開發有限公司), a limited liability company established in the PRC on 10 June 2005
"Weiyuan Steel"	Weiyuan Steel Co., Ltd.* (威遠鋼鐵有限公司), a sino-foreign equity joint venture established in the PRC on 3 April 2001 and a connected person to our Group
"Wenchuan County"	A county in Sichuan
"Xiaoheiqing Jingzhi Mine"	小黑箐經質鐵礦, the vanadium-bearing titano-magnetite mine owned by Panzhihua Jingzhi located at Huili County, Sichuan, with a mining area of 1.02 sq.km. and estimated resources of 100.0 Mt
"Xiushuihe Mine"	秀水河鐵礦, the vanadium-bearing titano-magnetite mine located in Ailang Townlet, Huili County, Sichuan and operated by Xiushuihe Mining
"Xiushuihe Mining"	Huili County Xiushuihe Mining Co., Ltd.* (會理縣秀水河礦業有限公司), a limited liability company established in the PRC on 26 June 2007 and a member of our Group

"Xiushuihe Processing Plant"	the ore processing plant located at our Xiushuihe Mine and operated by Xiushuihe Mining
"Yanglongshan Mine"	羊龍山鐵礦, the iron mine located at Yanglongshan in Wenchuan County, Sichuan, with an exploration area of 8.79 sq.km.
"Yangqueqing Mine"	陽雀箐鐵礦, the vanadium-bearing titano-magnetite mine located in Huili County, Sichuan, with a mining area of 0.25 sq.km.
"Yanyuan"	Yanyuan County Xiwei Mining Company Limited* (鹽源縣西威礦業有限責任公司), a limited liability company established in the PRC on 7 December 2007

* *For identification purpose only*

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