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之有限公司）

Stock Code 股份代號: 00893

ANNUAL 年
REPORT 報
2011

Seize Opportunities
to Maximise Potential
把握時機 發揮優勢

MISSION

We reward our shareholders and
care for the community
回報股東，回報社會

VISION

China VTM Mining revolutionising
Vanadium and Titanium
中國鐵鈦，
太（鈦）不平凡（釩）

CORE VALUE

With integrity, we endeavor to
explore and excel to deliver on
our commitments
誠信、開拓、責任

We aim to be a top-notch mineral mining company
打造一流企業

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, Roy *(FCCA, FCIS, FCS (PE) & MHKIoD)*

AUTHORISED REPRESENTATIVES

Mr. Jiang Zhong Ping
Mr. Kong Chi Mo, Roy *(FCCA, FCIS, FCS (PE) & MHKIoD)*

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STOCK CODE
00893

SHARE INFORMATION
Board lot size: 1000

FINANCIAL CALENDAR
1 January to 31 December

Milestone 2011

2 May

Tapped into offshore strategic resources in Indonesia through the Exchangeable Note to secure stable supply of vanadium-bearing iron concentrates to help us extend our business to eastern coastal area of the PRC.

Please refer to page 24 of this annual report for details.

6 May

Completed the first phase construction of our New Iron Pelletising Plant. Our annual self-production capacity of iron pellets thus climbed up from 360.0 Ktpa to 1,360.0 Ktpa, significantly enhanced our competitiveness through economies of scale.

31 May

Acquisition of Aba Mining completed, thus enabled us to obtain the Maoling Mine, our 5th mine, and the Yanglongshan Mine, our 6th mine. Together with the Maoling Mine's extended exploration area, these mines have added approximately 60.8 Mt of resources to our portfolio.

Started our ordinary iron concentrate production under the 150.0 Ktpa production line equipped in the Maoling Processing Plant.

The equipped production line of the Yanglongshan Mine is expected to commence production in 2014, thus further increasing our ordinary iron concentrate production capacity from 150.0 Ktpa to 250.0 Ktpa.

30 August

Entered into an agreement to develop the Dashanshu Section of the Pingchuan Mine through a joint venture arrangement. The Dashanshu Section has an estimate of approximately 50.0 Mt of resources.

Please refer to page 25 of this annual report for details.

28 December

Entered into an acquisition agreement to acquire Panzhihua Yixingda which owns the exploration right of the Haibaodang Mine. The Haibaodang Mine is currently under exploration which will add over 100.0 Mt of resources to our portfolio and is expected to commence production by the end of 2014.

Please refer to page 25 of this annual report for details.

SUMMARY OF FINANCIAL INFORMATION

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

Results

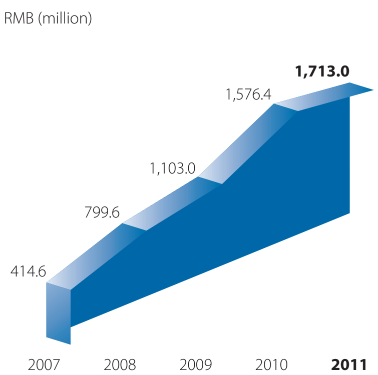
	For the Year ended 31 December				
	2011	2010	2009	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Audited)	(Restated)	(Restated)	(Restated)	(Restated)
REVENUE	**1,712,978**	1,576,428	1,103,001	799,556	414,621
Cost of sales	**(886,407)**	(735,982)	(598,967)	(369,342)	(217,147)
Gross profit	**826,571**	840,446	504,034	430,214	197,474
Other income and gains	**109,742**	69,868	435,671	25,355	1,621
Selling and distribution costs	**(46,473)**	(47,283)	(32,753)	(23,583)	(98,107)
Administrative expenses	**(102,219)**	(88,678)	(44,607)	(39,890)	(17,282)
Other expenses	**(19,035)**	(38,802)	(422,464)	(54,076)	(3,370)
Finance costs	**(21,120)**	(17,968)	(9,951)	(4,587)	(2,063)
Share of profit of a jointly controlled entity	**34**	–	–	–	–
Share of loss of an associate	**–**	(4,477)	(9,569)	(5,321)	–
PROFIT BEFORE TAX	**747,500**	713,106	420,361	328,112	78,273
Income tax expense	**(134,775)**	(117,316)	(68,696)	(26,560)	(2,573)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**612,725**	595,790	351,665	301,552	75,700
Attributable to:					
Owners of the Company	**605,892**	541,816	319,650	239,918	54,325
Non-controlling interests	**6,833**	53,974	32,015	61,634	21,375
	612,725	595,790	351,665	301,552	75,700
Earnings per Share attributable to ordinary equity holders of the Company (RMB) – Basic and diluted	**0.29**	0.26	0.20	0.16	0.04
Proposed final dividend per Share (HK$)	**0.073**	0.062	–	–	–

Assets, Liabilities and Non-controlling Interests

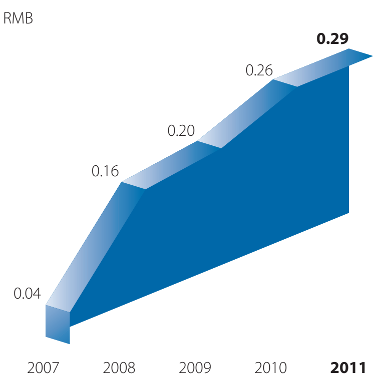
	As at 31 December				
	2011	2010	2009	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Audited)	(Restated)	(Restated)	(Restated)	(Restated)
Non-current assets	**2,979,105**	2,399,098	982,710	683,314	329,660
Current assets	**1,479,313**	1,480,726	2,431,626	425,153	404,742
Non-current liabilities	**(118,938)**	(171,273)	(43,817)	(58,657)	(6,385)
Current liabilities	**(1,118,622)**	(871,309)	(724,415)	(394,211)	(373,356)
Total equity	**3,220,858**	2,837,242	2,646,104	655,599	354,661
Non-controlling interests	**(21,877)**	(30,236)	(112,460)	(90,048)	(115,099)
Equity attributable to owners of the Company	**3,198,981**	2,807,006	2,533,644	565,551	239,562

On 31 May 2011, the Group completed the acquisition of Aba Mining from Chuan Wei and Aba Mining becomes an indirect wholly-owned subsidiary of the Company. Chuan Wei and Trisonic International are ultimately controlled by the same beneficial owners and Trisonic International is a Controlling Shareholder of the Company and, the Company and Aba Mining are ultimately under common control of the Controlling Shareholders before and after the acquisition and that control is not transitory. Hence, from the accounting perspective, the acquisition of Aba Mining has been accounted for as a business combination of entities under common control and, the above summary financial information has been prepared by applying the principles of merger accounting and the comparatives for the years ended 31 December 2007, 2008, 2009 and 2010 have been accordingly restated.

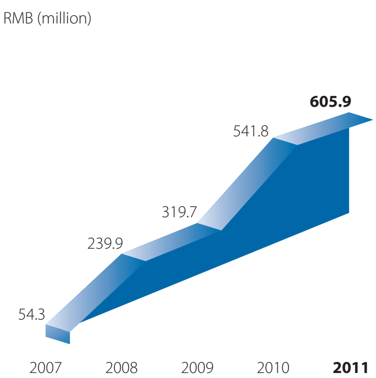
Revenue



Earnings per Share



Profit and Total Comprehensive Income Attributable to Owners of the Company



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 2011.

2011 was a year marked by growth, continuous capacity expansion, consolidated relationship with business partners and resources acquisition. Benefited from the favourable domestic market conditions and our leading regional market position in the industry, we have achieved remarkable performance throughout the year.

The growth of global economy was slowed down in 2011 as the significant sovereign debt problems are compounded by intensifying banking sector strains. Nevertheless, driven by its enormous domestic demand and rapid economic development, China's economic growth surpassed many regions of the world. In particular, the Chengdu-Chongqing Economic Zone development plan issued by the National Development and Reform Commission of the PRC in the first half of 2011 stimulated the economic development and infrastructure construction in China's western region. The great western development strategy（西部大開發）targets to implement 23 new infrastructural facility projects with total investments of over RMB600.0 billion across China's western region, and the projects have already commenced in 2011. The above mentioned plan and policy stimulated the demand for iron ores, especially vanadium-bearing titano-magnetite ores in Sichuan.

Attributed to the robust domestic market demand, the Group has achieved significant growth and flourishing results. For the year ended 31 December 2011, revenue of the Group amounted to approximately RMB1,713.0 million, representing a growth of 8.7% over last year. Profit and total comprehensive income attributable to owners of the Company amounted to approximately RMB605.9 million, representing an increase of 11.8% over last year.

The demand of iron ore kept steady growth in Sichuan thus leading the Group to achieve satisfactory output levels during the year. Production volume of vanadium-bearing iron concentrates, the major product of the Group, amounted to 2,221.1 Kt with a growth of 10.6% over last year. As for high-grade titanium concentrates, which the Group commenced production in 2010, production volume achieved 107.7 Kt with a growth of 62.0% over last year.

Jiang Zhong Ping, *Chairman*

To achieve continuous productivity and output expansion in order to capture market demand, the Group proactively upgraded the existing facilities and technologies, and sought for acquisition opportunities. In early 2011, the Group constructed two high-grade titanium concentrate production lines with the production capacity of 100.0 Ktpa. This adjustment swiftly increased the production volume of the high-grade titanium concentrates and seized a good market. With the completion of the first phase construction of the New Iron Pelletising Plant in May 2011, the Group's annual iron pellet self-production capacity significantly increased from 360.0 Ktpa to 1,360.0 Ktpa. The Group rapidly adjusted the overall product structure. Furthermore, the Group added the Maoling Mine, the Yanglongshan Mine and an iron concentrate production line through the acquisition of Aba Mining completed in May 2011. The Group also started exploring similar mineral-related business investment opportunities and strategic resources outside the PRC through a secured exchangeable note purchase agreement in the same month. Such transaction also helped the Group to obtain a substantial source of high quality iron concentrates at a favourable price. In addition, the Group has entered into a cooperative agreement with two other parties in August 2011 in relation to establishing a joint venture for the purpose of the development of the Dashanshu Section of the Pingchuan Mine, which will further develop our current business and allow the Group to generate income from the iron ore products to be produced at the Dashanshu Section. In particular, in December 2011, the Group has entered into an acquisition agreement to acquire the entire equity interests of Panzhihua Yixingda (which possesses the exploration right of the Haibaodang Mine), which is most probably the largest acquisition of mining resources for the Group, thus immensely enhancing our iron ore resources and reserves, as well as laying a solid foundation for the Group's future production volume growth.

Looking into the future, the 12th Five-Year Plan approved by China's National People's Congress emphasises "high quality growth", with goals to develop China's western region and continuous transition to an economy driven by domestic consumption instead of export. The growth of domestic consumption in China's western region will accelerate property and infrastructure construction, as well as high-end equipment manufacturing, which will support steel demand. The enormous demand of steel products will further increase the iron ore demand in Sichuan. In the meantime, the PRC government also plans to stimulate the development of vanadium and titanium industry, with Panxi Region of Sichuan as the first batch of future vanadium and titanium bases in China. These favourable market conditions and government policies will increase the demand of iron ore, a key steel input, and bring tremendous business opportunities to the Group.

To capture the favourable market dynamics and maintain future business growth, we have set out a long-term development plan to strengthen our leading position in local Sichuan iron ore market and across the entire country. Besides focusing on the business in the PRC, we are also developing overseas markets as well as exploring offshore resources in order to discover more opportunities for the Group. We will continue to pursue potential acquisition opportunities to achieve resources and production capacity expansion. In addition, we will proactively upgrade the existing facilities and technologies to enhance operational efficiency and increase volume of output. We are dedicated to becoming a leader in the industry and are well prepared for any upcoming business opportunities.

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 forward, we are well positioned to becoming 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 Shareholders.

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

Hong Kong, 19 March 2012

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue Increased to

RMB **1,713.0** million

Active Acquisitions and Cooperations

to Develop the Businesses

MARKET REVIEW

2011 marked the beginning of China's 12th Five-Year Plan. According to the 12th Five-Year Plan, China will accelerate its efforts to eliminate outdated capacity and promote steelmakers to improve their technology and facilities to reduce pollution. The PRC government will also encourage steelmakers to set up factories and participate in acquisitions abroad to increase their international competitiveness. The PRC government has along been focusing on the development of infrastructure and manufacturing industries, and notwithstanding the level of export being affected by the unstable global economy, however, domestic demand has been growing robustly. The accelerated pace of industrialisation, modernisation and implementation of government housing schemes in China have created stable demand for steel and also for iron ore.

Moreover, the great western development strategy in China has also brought tremendous development opportunities for the enterprises in that region. The strategy targets to implement 23 new infrastructural facility projects with total investment of over RMB600.0 billion across China's western region, and the projects have already commenced in 2011. Thus, this will further stimulate the demand for steel and iron ore within the region. According to the National Bureau of Statistics of the PRC, the PRC's gross domestic products in 2011 grew by 9.2% on a year-on-year basis, reaching RMB47.2 trillion, while Sichuan enjoyed a year-on-year growth of 15.0%, reaching RMB2.1 trillion, well ahead of the country's average. At the same time, the Regional Planning of Chengdu-Chongqing Economic Zone（《成渝經濟區區域規劃》）had been formally promulgated at the National Development and Reform Commission of the PRC in May 2011. It is expected that Chengdu-Chongqing Economic Zone will become an important economic centre in western China by 2015.

During the year, the market price of iron ore in China was facing pressure overall. However, with its geographical advantage, the impact of downward price pressure in Sichuan was moderate and, on the contrary, the demand for iron ore in the province remained strong, and the price decline was much less than that in eastern China.

In order to implement the deployment of energy saving and emission reduction works, the Ministry of Housing and Urban-Rural Development and the Ministry of Industry and Information of Technology jointly issued the Guidance Opinion Regarding Accelerating High Tensile Steel Application（《關於加快應用高強鋼筋的指導意見》）in January 2012, in which it provides that steel with 335.0 MPa in construction engineering shall be eliminated by the end of 2013. By the end of 2015, the output of high tensile steel shall represent 80.0% of the total output of deformed steel and its utilisation volume in construction projects shall reach more than 65.0% of the construction consumption of total steel. As vanadium is the only widely used addictive to improve steel strength, therefore, it is expected that demand for vanadium-bearing titano-magnetite iron ore will increase in pace with the demand for steel.

Besides, titanium market in China has witnessed robust growth in recent years, both production capacity and volume of titanium dioxide has been boosting, leading China to be one of the key drives within the industry globally. Along with the ongoing development in China, demand of titanium dioxide is expected to reach approximately 2.9 Mt and will continue to rise in the next few years. To cope with the rising demand, abundant of titanium concentrates would be needed. While Vietnam has ceased its export of titanium concentrates to China in 2011, this will further worsen the supply shortfall and lead to the continuous rise in titanium concentrate price.

BUSINESS AND OPERATIONS REVIEW

During the year, the Group has achieved a stable growth and recorded an impressive performance results. For the year ended 31 December 2011, revenue of the Group increased by 8.7% as compared to the last year to approximately RMB1,713.0 million. Profit and total comprehensive income attributable to owners of the Company increased by 11.8% as compared to the last year to approximately RMB605.9 million.

Enhancing Mineral Resources and Developing the Businesses

The terms of Aba Mining Acquisition Agreement has been fulfilled and the acquisition has been completed on 31 May 2011 (Please refer to the Company's announcements dated 15 November 2010, 28 January 2011, 29 April 2011 and 31 May 2011 for further details). This acquisition was in line with the Group's strategic objective of increasing reserves and resources of iron ore. After the completion of the acquisition, Aba Mining becomes an indirect wholly-owned subsidiary of the Company, enabling the Group to obtain the Maoling Mine and the Yanglongshan Mine. Together with the Maoling Mine's extended exploration area, this acquisition has added approximately 60.8 Mt ordinary iron ore resources to the Group's portfolio.

On 30 August 2011, the Group has entered into a cooperative agreement with Pingchuan Iron Mining Company and Nanyu in relation to the development of the Dashanshu Section, which is part of the Pingchuan Mine and has an area of approximately 5.0 sq.km. with an estimated resources of approximately 50.0 Mt of iron ore (Please refer to the Company's announcement dated 30 August 2011 for further details).

On 28 December 2011, the Group entered into an acquisition agreement with the Sellers, pursuant to which the Sellers have conditionally agreed to sell the entire equity interests of Panzhihua Yixingda which has the exploration right of the Haibaodang Mine to the Group for a consideration of at least RMB600.0 million (subject to increase depending on the volume of mineral resources with minimum average iron content (Type 333 or above) of 15.0% or above in the Haibaodang Mine). The Haibaodang Mine covers an exploration area of 20.37 sq.km. with an estimated minimum of 100.0 Mt of resources with minimum average iron content (Type 333 or above) of 15.0% or above (Please refer to the Company's announcement dated 29 December 2011 for further details). This will adequately support the Group's construction of new iron concentrate production line, which in turn will enable the Group to increase its production capacity substantially in the next three years. Such acquisition is in line with the Group's key expansion strategies to further develop its current business by increasing its iron ore resources and reserves and iron concentrate production capacity.

Upgrade Facilities and Maintain Capacity Expansion

The Group determined to enhance its production capacity in order to meet with the surging demand arising from the climbing economy of the western region. In view of this, the Group has upgraded its existing processing facilities as well as further expanding the production capacity and output to achieve sustainable development. The construction of a high-grade titanium concentrate production line with an annual production capacity of 40.0 Ktpa at the Baicao Processing Plant, and the construction of a vanadium-bearing iron concentrate production line and a high-grade titanium concentrate production line with an annual production capacity of 300.0 Ktpa and 60.0 Ktpa, respectively at the Xiushuihe Processing Plant were completed in early 2011. In addition, the first phase construction of the New Iron Pelletising Plant with an annual production capacity of 1,000.0 Ktpa was completed on 6 May 2011. Upon the completion of the first phase construction, the Group's annual iron pellet self-production capacity has increased from 360.0 Ktpa to 1,360.0 Ktpa. Furthermore, the completion of the Aba Mining Acquisition Agreement has also enabled the Group to obtain an iron concentrate production line with an annual production capacity of 150.0 Ktpa.

As at 31 December 2011, the Group owned the Baicao Processing Plant, the Xiushuihe Processing Plant, the Hailong Processing Plant, the Heigutian Processing Plant and two iron pelletising plants in the Panxi Region. The Group also owned the Maoling Processing Plant in the Aba region. As at 31 December 2011, the Group's annual self-production capacity (on a wet basis) of vanadium-bearing iron concentrates, ordinary iron concentrates, iron pellets and high-grade titanium concentrates amounted to 2,600.0 Ktpa, 150.0 Ktpa, 1,360.0 Ktpa and 280.0 Ktpa, respectively. The Group has achieved satisfactory growth in the output volume of three products, leveraging the expanding production scales and more favourable market conditions.

Exploring Offshore Strategic Resources

The Group believes that there are many opportunities overseas and it is beneficial to explore mineral-related business investment opportunities and strategic resources outside the PRC. In 2011, the Group entered into the Secured Exchangeable Note Purchase Agreement with the Issuer, pursuant to which, the Issuer has conditionally agreed to issue and the Group has conditionally agreed to subscribe for the Exchangeable Note in the total principal amount of US$30.0 million (equivalent to approximately RMB193.5 million).

The Group has also entered into an iron concentrate sale and purchase agreement with the Target Company in connection with the purchase of a quantity equivalent to 20.0% of the annual production volume of iron concentrates for the period from 1 June 2012 to 31 December 2013 and 2.0 Mt wet basis of iron concentrates commencing from 2014, from the Target Iron Mine (Please refer to the Company's announcement dated 2 May 2011 for further details). The agreement helps the Group to secure a stable and substantial source of iron concentrates from a large scale high quality iron sand mine at a favourable price. Such an iron concentrate source of supply can help the Group to extend the business to eastern coastal area of the PRC. This action will further enhance the progress of the Group to expand the domestic iron ore market.

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

	For the year ended 31 December		
	2011 (Kt)	2010 (Kt)	Change (%)
Vanadium-bearing iron concentrates			
Baicao Processing Plant	**532.8**	503.3	5.9
Xiushuihe Processing Plant	**797.6**	572.8	39.2
Heigutian Processing Plant	**648.9**	679.4	-4.5
Hailong Processing Plant	**240.5**	136.2	76.6
Independent Third Party Processing Contractors	**1.3**	116.2	-98.9
Total production volume	**2,221.1**	2,007.9	10.6
Total sales volume	**1,452.6**	1,316.8	10.3
Ordinary iron concentrates			
Maoling Processing Plant	**27.8**	–	N/A
Yanyuan Xiwei	**–**	34.9	N/A
Total production volume	**27.8**	34.9	-20.3
Total sales volume	**26.6**	33.1	-19.6

	For the year ended 31 December		
	2011 (Kt)	2010 (Kt)	Change (%)
Iron pellets			
Old Iron Pelletising Plant	**266.3**	305.6	-12.9
New Iron Pelletising Plant	**118.2**	–	N/A
Independent Third Party Pelletising Contractors	**228.9**	407.6	-43.8
Total production volume	**613.4**	713.2	-14.0
Total sales volume	**666.2**	727.8	-8.5
Medium-grade titanium concentrates			
Baicao Processing Plant	**66.3**	53.5	23.9
Xiushuihe Processing Plant	**32.2**	32.9	-2.1
Heigutian Processing Plant	**–**	6.7	N/A
Hailong Processing Plant	**4.5**	5.6	-19.6
Independent Third Party Processing Contractors	**–**	2.3	N/A
Total production volume	**103.0**	101.0	2.0
Total sales volume	**81.2**	83.4	-2.6
High-grade titanium concentrates			
Baicao Processing Plant	**28.4**	2.6	992.3
Xiushuihe Processing Plant	**21.8**	–	N/A
Heigutian Processing Plant	**57.5**	57.6	-0.2
Independent Third Party Processing Contractors	**–**	6.3	N/A
Total production volume	**107.7**	66.5	62.0
Total sales volume	**105.4**	61.7	70.8

During the year, total production volume of vanadium-bearing iron concentrates, medium-grade titanium concentrates and high-grade titanium concentrates increased by 11.8% from 2,175.4 Kt to 2,431.8 Kt, while the production volume of vanadium-bearing iron concentrates from the Independent Third Party Processing Contractors was significantly decreased by 98.9% from 116.2 Kt to 1.3 Kt. The Group was able to reduce the reliance on the Independent Third Party Processing Contractors primarily due to the increase in annual self-production capacity as a result of a series of acquisitions of the Group in last year.

During the year, total production volume of iron pellets was decreased by 14.0% as compared to the previous year. This was primarily due to the higher outsourcing costs in 2011 and then significantly decrease in the outputs from the Independent Third Party Pelletising Contractors. During the year, total production volume of ordinary iron concentrates decreased by 20.3% as compared to the previous year. This was primarily due to the disposal of Yanyuan Xiwei that was a wholly-owned subsidiary of Aba Mining in September 2010. Meanwhile, the Maoling Processing Plant started to produce ordinary iron concentrates.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2011, the Group's revenue was approximately RMB1,713.0 million (2010: RMB1,576.4 million), representing an increase of 8.7% as compared to the previous year. Such increase was primarily due to the increase in total sales volume of our vanadium-bearing iron concentrates and high-grade titanium concentrates and the increase in average selling prices of high-grade titanium concentrates.

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 2011, the Group's cost of sales was approximately RMB886.4 million (2010: RMB736.0 million), representing an increase of 20.4% as compared to the previous year. Such increase was primarily due to (i) the increase in sales volume of vanadium-bearing iron concentrates; (ii) the increase in unit stripping and mining costs that affected by inflation and (iii) the increase in additional depreciation and amortisation expenses as a result of the completion of the New Iron Pelletising Plant in May 2011.

Gross Profit and Margin

As a result of the foregoing, the gross profit for the year ended 31 December 2011 decreased by 1.6%, from approximately RMB840.4 million for the year ended 31 December 2010 to approximately RMB826.6 million. The gross profit margin decreased from 53.3% for the year ended 31 December 2010 to 48.3% for the year ended 31 December 2011. The decrease in gross profit margin was primarily because of the increase in average unit cost of sales of various products outweighted the increase in their average unit selling prices.

Other Income and Gains

The other income and gains increased by 56.9%, from approximately RMB69.9 million for the year ended 31 December 2010 to approximately RMB109.7 million for the year ended 31 December 2011. The other income and gains of the Group mainly included bank interest income, government grants, government compensation and the change in fair value of financial assets.

The change in fair value of financial assets was approximately RMB14.4 million for the year ended 31 December 2011. This represented the change in fair value of the Exchangeable Note subscribed by the Group.

Selling and Distribution Costs

The selling and distribution costs slightly decreased by 1.7%, from approximately RMB47.3 million for the year ended 31 December 2010 to approximately RMB46.5 million for the year ended 31 December 2011. 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 administration fees.

Administrative Expenses

The administrative expenses increased by 15.2%, from approximately RMB88.7 million for the year ended 31 December 2010 to approximately RMB102.2 million for the year ended 31 December 2011. The increase in administrative expenses was mainly due to the increase in staff costs and the increase in equity-settled share option expenses during the year.

The equity-settled share option expenses of approximately RMB28.6 million for the year ended 31 December 2011 (2010: RMB19.0 million) were incurred because three batches of share options were granted to certain Directors, senior management and employees of the Group on 29 December 2009, 1 April 2010 and 23 May 2011, respectively.

Other Expenses

The other expenses decreased by 51.0%, from approximately RMB38.8 million for the year ended 31 December 2010 to approximately RMB19.0 million for the year ended 31 December 2011, mainly due to the decrease in cost of ancillary materials sold, which was in line with the decrease in sale of ancillary materials.

Finance Costs

The finance costs increased by 17.2%, from approximately RMB18.0 million for the year ended 31 December 2010 to approximately RMB21.1 million for the year ended 31 December 2011, primarily due to the increase in interest-bearing bank loans.

Income Tax Expense

The income tax expense increased by 14.9%, from approximately RMB117.3 million for the year ended 31 December 2010 to approximately RMB134.8 million for the year ended 31 December 2011, 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, profit and total comprehensive income for the year increased by 2.8%, from approximately RMB595.8 million for the year ended 31 December 2010 to approximately RMB612.7 million for the year ended 31 December 2011.

Profit and Total Comprehensive Income Attributable to Owners of the Company

Profit and total comprehensive income attributable to owners of the Company increased by 11.8%, from approximately RMB541.8 million for the year ended 31 December 2010 to approximately RMB605.9 million for the year ended 31 December 2011. The Net Profit Margin increased from 34.4% for the year ended 31 December 2010 to 35.4% for the year ended 31 December 2011.

Final Dividend

The Board recommended the payment of a final dividend of HK$0.073 per Share (equivalent to approximately RMB0.059 per Share) for the year ended 31 December 2011 (2010: HK$0.062 per Share), 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 16 May 2012. Based on the number of issued Shares as at 31 December 2011, this represents a total distribution of approximately HK$151.5 million. Subject to the approval of the payment of the final dividend by the Shareholders at the 2012 AGM, it is expected that the proposed final dividend will be paid on or before 31 May 2012.

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 2011 and 2010:

	For the year ended 31 December			
	2011		2010	
	RMB'000	**RMB'000**	RMB'000 (Restated)	RMB'000 (Restated)
Cash and cash equivalents as stated in the consolidated statement of cash flows at beginning of year		**671,843**		1,890,025
Net cash flows from operating activities	**688,217**		605,549	
Net cash flows used in investing activities	**(1,046,020)**		(1,591,356)	
Net cash flows used in financing activities	**(117,446)**		(229,779)	
Net decrease in cash and cash equivalents		**(475,249)**		(1,215,586)
Effect of foreign exchange rate changes, net		**236**		(2,596)
Cash and cash equivalents as stated in the consolidated statement of cash flows at end of year		**196,830**		671,843

Net Cash Flows from Operating Activities

The Group's net cash flows from operating activities increased by 13.7%, from approximately RMB605.5 million for the year ended 31 December 2010 to approximately RMB688.2 million for the year ended 31 December 2011. It primarily included the profit before tax of RMB747.5 million, the decrease in trade and bills receivables and the increase in trade and bills payables, which were partially offset by the increase in inventories.

Net Cash Flows used in Investing Activities

The Group's net cash flows used in investing activities decreased by 34.3%, from approximately RMB1,591.4 million for the year ended 31 December 2010 to approximately RMB1,046.0 million for the year ended 31 December 2011. The decrease in net cash flows used in investing activities was because of the significantly decrease in purchase of items of property, plant and equipment during the year as compared to a series of acquisition of mines and processing plants in last year. It primarily included (i) the purchase of items of property, plant and equipment and intangible assets of approximately RMB279.7 million; (ii) the investment in the Exchangeable Note of approximately RMB193.5 million; (iii) the prepayment for acquisition of Panzhihua Yixingda of RMB150.0 million and (iv) the increase in long-term time deposits of approximately RMB320.0 million.

Net Cash Flows used in Financing Activities

The Group's net cash flows used in financing activities decreased by 48.9%, from approximately RMB229.8 million for the year ended 31 December 2010 to approximately RMB117.4 million for the year ended 31 December 2011. The net cash flows used in financing activities were primarily included the payment of 2010 final dividend of approximately RMB107.8 million and the partial payment for the acquisition of Aba Mining of RMB100.0 million, which were partially offset by the net bank loan proceeds.

Analysis of Inventories

The Group's inventories increased by 94.8%, from approximately RMB70.5 million as at 31 December 2010 to approximately RMB137.3 million as at 31 December 2011, and the inventory turnover days was approximately 42 days (2010: 35 days). It is primarily due to the increase in raw materials balance to ensure the production of the New Iron Pelletising Plant and the expanded high-grade titanium concentrate production lines.

Analysis of Trade and Bills Receivables

The Group's trade and bills receivables decreased by 35.3%, from approximately RMB207.6 million as at 31 December 2010 to approximately RMB134.4 million as at 31 December 2011, and the trade receivable turnover days was approximately 26 days (2010: 29 days), which was in line with the one-month credit policy given to the customers.

Analysis of Trade and Other Payables

The Group's trade and other payables increased by 13.2%, from approximately RMB547.9 million as at 31 December 2010 to approximately RMB620.0 million as at 31 December 2011, and the trade payable turnover days was remained stable, approximately 122 days (2010: 118 days).

Analysis of Net Current Assets Position

The Group's net current assets position decreased by 40.8%, from approximately RMB609.4 million as at 31 December 2010 to approximately RMB360.7 million as at 31 December 2011, primarily due to the payments for the construction of the New Iron Pelletising Plant and other production lines, the acquisition of Aba Mining, 2010 final dividend and the subscription of the Exchangeable Note, which were partially offset by the additional bank and other borrowings obtained during the year.

Borrowings

As at 31 December 2011, the Group's borrowings mainly included: (i) an unsecured short-term bank loan of RMB150.0 million with an annual interest rate of 5.94% from China Construction Bank ("CCB") Xichang branch by Huili Caitong in February 2011 and an unsecured long-term bank loan of RMB125.0 million with an annual interest rate ranging from 5.81% to 7.59% from CCB Xichang branch by Huili Caitong in February 2010. In accordance with the loan agreements entered into between Huili Caitong and CCB Xichang branch, Huili Caitong agreed not to mortgage or pledge Huili Caitong's mining right of the Baicao Mine and its vanadium-bearing iron concentrate production line with an annual production capacity of 500.0 Ktpa to any parties and CCB Xichang branch will be entitled to a pre-emption right in the event of such mortgage or pledge; (ii) a secured short-term bank loan of US$15.0 million (approximately RMB94.5 million) with an annual interest rate of prevailing LIBOR plus 3% from OCBC by the Company in May 2011, which was secured by a deposit of RMB100.0 million pledged by Huili Caitong at OCBC Chengdu branch; and (iii) a short-term bank loan of RMB30.0 million with an annual interest rate ranging from 5.4% to 6.64% from CCB Aba branch by Aba Mining in May 2009 and a long-term bank loan of RMB20.0 million with an annual interest rate of 7.6% from CCB Aba branch by Aba Mining in November 2011, which were jointly guaranteed by Chuan Wei and Chengyu Vanadium Titano.

Contingent Liabilities

As at 31 December 2011, the Group did not have any material contingent liabilities or guarantees to external parties.

Pledge of Assets

As at 31 December 2011, Huili Caitong pledged its deposit of RMB100.0 million at OCBC Chengdu branch and RMB12.0 million at China Merchants Bank Chengdu branch for the bank loan of US$15.0 million obtained by the Company from OCBC and the issuance of bills payable of RMB 22.4 million, respectively.

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 Over-allotment, certain payables to professional parties and administrative expenses in Hong Kong office that are denominated in Hong Kong dollars, and the bank loan obtained from OCBC and the Exchangeable Note that are denominated in US dollars.

The Renminbi is not freely convertible. There is a risk that the PRC government may take actions affecting exchange rates which may have a material adverse effect on the Group's net assets, earnings and any dividends 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$, US$ and RMB, as a possible change of 5% in RMB against HK$ and US$ 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 mix of fixed and variable rates. In addition, the Group has not used any interest rate swap to hedge against interest rate risk.

Contractual Obligations

As at 31 December 2011, the Group's contractual obligations amounted to approximately RMB506.4 million, and increased by RMB348.4 million as compared to approximately RMB158.0 million as at 31 December 2010, which was primarily due to the contract of acquisition of Panzhihua Yixingda entered by the Group during the year.

Capital Expenditure

The Group's total capital expenditure decreased by RMB1,150.8 million from approximately RMB1,498.4 million in 2010 to approximately RMB347.6 million in 2011. The capital expenditure consisted of:

	2011 RMB' million	2010 RMB' million	Change %
Acquisition of mining rights, exploration rights and processing plants	**–**	1,073.7	N/A
Construction of the New Iron Pelletising Plant	**60.2**	108.4	-44.5
Exploration and evaluation costs of the expansion of mines	**40.3**	55.5	-27.4
Post-earthquake reconstruction costs of the Maoling Mine	**56.8**	56.1	1.2
Miscellaneous capital expenditure including the upgraded production capacity	**190.3**	204.7	-7.0
Total	**347.6**	1,498.4	-76.8

Financial Instruments

During the year, the Group subscribed for the Exchangeable Note in the principal amount of US$30.0 million. The Exchangeable Note is accounted for as financial assets at fair value through profit or loss. Please refer to Other Significant Events of this annual report for further details.

Gearing Ratio

As at 31 December 2011, 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 2011.

RESOURCE AND RESERVE OF MINES UNDER THE JORC CODE AS AT 1 JANUARY 2012

Resource and Reserve Summary of the Baicao Mine and the Xiushuihe Mine

(a) JORC Mineral Resource Category

	Tonnage		Grades			Contained Metals	
	(Mt)	TFe (%)	TiO_2 (%)	V_2O_5 (%)	TFe (Kt)	*TiO_2 (Kt)	V_2O_5 (Kt)
Baicao Mine							
Measured	30.46	25.14	10.75	0.20	7,656.49	3,272.58	62.40
Indicated	46.28	24.15	10.03	0.21	11,177.67	4,640.00	94.88
Total (M+I)	**76.74**	**24.54**	**10.31**	**0.20**	**18,834.16**	**7,912.58**	**157.29**
Inferred	31.32	26.63	10.98	0.23	8,340.60	3,437.62	70.58
Xiushuihe Mine including the extension area							
Measured	50.76	25.32	6.22	0.23	12,850.10	3,158.82	114.67
Indicated	35.48	23.93	5.98	0.20	8,489.76	2,121.49	69.47
Total (M+I)	**86.23**	**24.75**	**6.12**	**0.21**	**21,339.85**	**5,280.31**	**184.14**
Inferred	7.34	22.43	7.40	0.17	1,646.10	543.30	12.80

* Only 50% of the Xiushuihe Mine's extension mineralisation is expected to produce TiO_2 – contained metals have been adjusted.

(b) JORC Ore Reserve Category

	Tonnage		Grades			Contained Metals	
	(Mt)	TFe (%)	TiO_2 (%)	V_2O_5 (%)	TFe (Kt)	*TiO_2 (Kt)	V_2O_5 (Kt)
Baicao Mine							
Proved	16.89	25.00	10.50	0.22	4,221.48	1,773.02	37.15
Probable	29.49	25.90	10.20	0.22	7,637.81	3,007.94	64.88
Total	**46.38**	**25.57**	**10.31**	**0.22**	**11,859.29**	**4,780.96**	**102.03**
Xiushuihe Mine including the extension area							
Proved	38.59	24.60	9.50	0.22	9,492.72	2,309.73	83.80
Probable	24.91	23.80	8.60	0.20	5,928.83	1,469.68	48.94
Total	**63.50**	**24.29**	**9.15**	**0.21**	**15,421.55**	**3,779.42**	**132.74**

* Only 50% of the Xiushuihe Mine's extension mineralisation is expected to produce TiO_2 – contained metals have been adjusted.

Resource Summary of the Maoling Mine and the Yanglongshan Mine

JORC Mineral Resource Category

	Tonnage	Grades	Contained Metals
	(Mt)	TFe (%)	TFe (Kt)
Maoling Mine including the extension area			
Measured	–	–	–
Indicated	9.15	23.69	2,167.75
Total (M+I)	**9.15**	**23.69**	**2,167.75**
Inferred	31.45	23.72	7,458.90
Yanglongshan Mine			
Measured	–	–	–
Indicated	4.39	20.62	905.90
Total (M+I)	**4.39**	**20.62**	**905.90**
Inferred	15.79	21.16	3,340.91

Resource Summary of the Yangqueqing Mine, the Cizhuqing Mine and the Yangqueqing Mine's Expansion

The resources of the Yangqueqing Mine, the Cizhuqing Mine and the Yangqueqing Mine's extension area under the JORC Code have not been changed since the disclosure in our 2011 interim report.

EMPLOYEES AND EMOLUMENT POLICIES

As at 31 December 2011, the Group had a total of 2,030 dedicated full time employees (31 December 2010: 1,638 employees), including 171 management and administrative staff, 62 technical staff, 9 sales and marketing staff and 1,788 operational staff. For the year ended 31 December 2011, the employee benefit expense (including Directors' remuneration in the form of salaries, equity-settled share option expenses and other allowances) was approximately RMB105.1 million (2010: RMB74.6 million). Details are set out in note 8 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

(i) On 2 May 2011, the Group entered into the agreement with the Issuer to subscribe for the Exchangeable Note in the principal amount of US$20.0 million which is exchangeable for a minority stake in the Target Company in accordance with the terms of the Exchangeable Note. The final maturity date of the Exchangeable Note is 3 years after the Issue Date or such other later date agreed by the Group and the Issuer. If the Exchangeable Note is redeemed on the final maturity date, the yield to maturity shall be 20% per annum, but if the Exchangeable Note is redeemed upon an event of default, the yield to maturity shall be 25% per annum. The Target Group is principally engaged in the exploration and development of the Target Iron Mine. Meanwhile, the Group entered into the agreement with the Target Company in connection with the purchase by the Group of iron concentrates of the Project for a period up to the expiry of the mining service period of the Project. The subscription of the Exchangeable Note in the principal amount of US$20.0 million was completed on 12 May 2011. On 17 November 2011, the Group made a further subscription of the Exchangeable Note by payment of a further US$10.0 million, and the aggregate principal amount of the Exchangeable Note subscribed by the Group amounted to US$30.0 million. On 25 November 2011, the final maturity date of the Exchangeable Note extended from 11 May 2014 to 25 November 2014. At the Board meeting held on 16 December 2011, it was decided that the Group will not make a further payment of US$20.0 million for the further subscription of the Exchangeable Note. Therefore, the total aggregate principal amount of the Exchangeable Note subscribed by the Group remains as US$30.0 million. Please refer to the Company's announcements dated 2 May 2011, 9 August 2011, 30 September 2011, 18 November 2011, 25 November 2011 and 16 December 2011 for further details.

(ii) On 31 May 2011, the conditions precedent to the completion of the Aba Mining Acquisition Agreement have been fulfilled and took place. Please refer to the Company's announcements dated 15 November 2010, 28 January 2011, 29 April 2011 and 31 May 2011 for further details.

(iii) As announced on 26 July 2011, the Group decided not to exercise the Huangcaoping Option and the Lagaluo Option that were granted by Yanyuan Xiwei and Weixi Guangfa to acquire the Huangcaoping Mine and the Lagaluo Mine, respectively as the potential reserves of both the Huangcaoping Mine and the Lagaluo Mine are unlikely to be significant enough commercially to justify investment by the Group. The Directors confirmed that the non-exercise of both options was in the interests of the Company and its Shareholders as a whole. Further, the Group was not able to exercise the Xiaoheiqing Option that was granted by Panzhihua Jingzhi since it was not able to reach an agreement to the terms of the acquisition of the Xiaoheiqing Jingzhi Mine with Panzhihua Jingzhi prior to the expiration of the Xiaoheiqing Option in May 2011. Notwithstanding the expiry of the option, the Group will enter into further negotiation with Panzhihua Jingzhi with a view to acquiring the Xiaoheiqing Jingzhi Mine in terms acceptable to the Group. Please refer to the Company's announcement dated 26 July 2011 for further details.

(iv) On 30 August 2011, the Group entered into a cooperative agreement with Pingchuan Iron Mining Company and Nanyu in relation to the development of the Dashanshu Section, which is part of the Pingchuan Mine and has an area of approximately 5 sq.km. with an estimated resources of approximately 50.0 Mt of iron ore of types 331, 332 and 333. The Parties will establish a joint venture with the initial registered capital of RMB100.0 million for the purpose of development of the Dashanshu Section. Please refer to the Company's announcement dated 30 August 2011 for further details.

(v) On 28 December 2011, the Group entered into an acquisition agreement with the Sellers, pursuant to which the Sellers have conditionally agreed to sell the entire paid-up registered capital of Panzhihua Yixingda to the Group for a consideration of at least RMB600.0 million (subject to increase depending on the volume of mineral resources with minimum average iron content (Type 333 or above) of 15% or above in the Haibaodang Mine). The Haibaodang Mine covers an exploration area of 20.37 sq.km. with a minimum of 100.0 Mt of resources with minimum average iron content (Type 333 or above) of 15% or above. The Directors expect that the iron content of the vanadium-bearing iron concentrates from the Haibaodang Mine could reach 55% or more through magnetic beneficiation, and will increase the Group's growth potential. Please refer to the Company's announcement dated 29 December 2011 for further details.

OUTLOOK

Benefited from Chinese government's policy, it is expected that demand of iron ore will remain strong. The 12^{th} Five-Year Plan encourages urbanisation and infrastructure construction, and facilitates the domestic demand within China. According to the forecast in the 12^{th} Five-Year Development Plan for Iron and Steel Industry (《鋼鐵工業「十二五」發展規劃》), the indicative annual consumption of crude steel will reach 750.0 Mt by 2015, and during the period from 2015 to 2020, the annual demand of crude steel will reach a high position of ranging from 770.0 Mt to 820.0 Mt. Therefore, the Group remains positive and optimistic towards the iron ore prices in the future. At the same time, an independent research institute expects that the major steel plants having a total new steel capacity of about 12.5 Mt in southwest area of the PRC gradually commence their production by the end of 2012 and it is expected to push up the future demand of iron concentrates in the region. Looking ahead, by leveraging the favourable policies promulgated by the PRC government and the promising industry development, the Group will strive to consolidate our position as an industry leader with the following measures:

Strategic Acquisitions and Cooperations

As an industry leader and integrator, the Group will take full advantage of the benefits that brought by the 12^{th} Five-Year Plan. The Group is gearing up through strategic acquisition and cooperation activities. By the end of 2014, it is expected that the Dashanshu Section will commence commercial production. Furthermore, the exploration stage of the Haibaodang Mine is expected to be completed by the end of 2012 and the mining stage will commence by the end of 2014. These will help further develop our current business and allow the Group to generate income from cooperations and acquisitions.

Production Capacity Enhancement

In order to cope with the increasing demand, the Group will devote every effort to upgrade the existing facilities to further boost the production capacity and output. Moreover, we will continue to improve production processes and technologies to further release the capacity of existing production facilities and enhance the production output. Furthermore, the Group will construct new processing plants to meet the development of our newly added resources.

With the favourable policies introduced by the PRC government, the Group will endeavor to take full advantage of every market opportunity to enhance business performance. Looking ahead, the Group will proactively put the above strategies into practice in order to meet the rising demand. Being the key integrator in the mining industry within Sichuan, the Group will continue to seek for opportunities, both local and overseas, in order to further extent the geographical span for the Group's products as well as to increase mining resources for the Group. In the future, the Group will continue to strengthen its advantages while striving to maintain its position as a leading iron ore mining group in the PRC.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Jiang Zhong Ping（蔣中平）

Mr. Jiang, aged 46, 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 43, 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 42, 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 49, 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 59, 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: NF1.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 47, 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 56, 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 Policy Advisory Committee of Sichuan Government（四川省政府決策諮詢委員會）. 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 49, 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 relevant 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 graduated from the faculty of mining resource engineering of Xi'an Metallurgy and Architecture College（西安冶金建築學院）in Shannxi and received a bachelor's degree in engineering 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, Roy（江智武）

Mr. Kong, aged 36, *FCCA, FCIS, FCS (PE) & 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 member of the Association of Chartered Certified Accountants since February 2008, a fellow member of the Hong Kong Institute of Company Secretaries and the Institute of Company Secretaries and Administrators since February 2012, 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, Roy（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.

Increased to

RMB **605.9** million

Profit and Total Comprehensive Income Attributable to Owners of the Company

Make Every Effort
to Promote Sustainable Growth

The Directors hereby present their report and the audited financial statements of the Group for the year ended 31 December 2011.

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 2011 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 2011 are set out in the consolidated statement of comprehensive income on page 59 of this annual report.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK$0.073 per Share (equivalent to approximately RMB0.059 per Share) for the year ended 31 December 2011 (2010: HK$0.062 per Share), 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 16 May 2012. Based on the number of issued Shares as at 31 December 2011, this represents a total distribution of approximately HK$151.5 million. Subject to the approval of the payment of the final dividend by the Shareholders at the 2012 AGM, it is expected that the proposed final dividend will be paid on or before 31 May 2012.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 4 May 2012 to Tuesday, 8 May 2012 (both days inclusive) during which period no transfer of Shares will be effected. In order to determine the entitlement to attend and vote at the 2012 AGM, all share transfers accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 3 May 2012.

The register of members of the Company will be closed from Monday, 14 May 2012 to Wednesday, 16 May 2012 (both days inclusive) in order to determine the Shareholders' entitlements to the final dividend, during which period the registration of transfer of Shares will be suspended. Shareholders whose names appear on the register of members of the Company on Wednesday, 16 May 2012 will be entitled to the final dividend. To qualify for the final dividend, all transfer forms of Shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 11 May 2012.

PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment of the Group for the year ended 31 December 2011 amounted to approximately RMB296.3 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 31 to financial statements of this annual report.

DISTRIBUTABLE RESERVES

Details of the movements during the year ended 31 December 2011 in the reserves of the Group are set out in the consolidated statement of changes in equity on page 62 of this annual report.

As at 31 December 2011, the Company's reserves available for distribution to the Shareholders in accordance with the Articles of Association was RMB1,876.3 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 Company 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 results, assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on pages 6 to 7 of this annual report.

LOANS AND BORROWINGS

Details of the loans and borrowings of the Group are set out in note 28 to financial statements of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the years ended 31 December 2011 and 2010, sales to the Group's five largest customers accounted for 78.0% and 83.6% of the total revenue of the Group, respectively, and sales to the largest customer included therein accounted 17.4% and 18.9%, respectively.

For the years ended 31 December 2011 and 2010, purchases from the Group's five largest suppliers accounted for 45.5% and 51.2% of the total purchases of the Group, respectively, and purchases from the largest supplier included therein accounted for 31.8% and 22.6%, 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 Chengyu Vanadium Titano, 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)*

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 29 to 31 of this annual report.

In accordance with articles 84(1) and 84(2) of the Articles, Messrs. Jiang Zhong Ping, Liu Feng and Yu Xing Yuan will retire at the 2012 AGM and, being eligible, will offer themselves for re-election at the 2012 AGM.

DIRECTORS' SERVICE CONTRACTS

Each of our executive Directors has entered into a new service contract with the Company for a term of one year commencing from 8 October 2011. Each of our non-executive Directors and independent non-executive Directors has entered into a new letter of appointment with the Company for a term of one year commencing from 8 October 2011.

None of the Directors proposed for re-election at the 2012 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 scheme and discretionary bonus 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 32 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 2011, 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 Division 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, are as follows:

(a) Long and short positions in Shares and underlying Shares under equity derivatives

	Number of Shares and underlying Shares held, capacity and nature of interest			
Name of Director	**Directly beneficially owned**	**Through parties acting in concert**	**Total**	**Percentage of the Company's issued share capital**
Mr. Wang Jin	6,850,000 (L) (Notes 1&2)	1,197,698,000 (L) (Notes 1,3&4)	1,204,548,000 (L)	58.05% (L)
	–	190,944,000 (S) (Notes 1&4)	190,944,000 (S)	9.20% (S)

Notes:

1. The letter "L" represents the individual's long positions in the Shares and the letter "S" represents the individual's short positions in the Shares.

2. This represents derivative interest held by Mr. Wang Jin.

3. 1,006,754,000 Shares were directly 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 100% by Mr. Wang Jin. Since Trisonic International, Kingston Grand and Mr. Wang Jin were parties acting in concert, Mr. Wang Jin was deemed to be interested in 1,006,754,000 Shares held by Trisonic International.

4. Sapphire was interested in a long position of 190,944,000 Shares and a short position of 190,944,000 Shares. Since Mr. Wang Jin and Sapphire were deemed as parties acting in concert, Mr. Wang Jin was deemed to be interested in a long position of 190,944,000 Shares and a short position of 190,944,000 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 2011:

Name	Number of share options held	Number of underlying Shares
Mr. Jiang Zhong Ping	8,500,000	8,500,000
Mr. Liu Feng	11,000,000	11,000,000
Mr. Yu Xing Yuan	14,500,000	14,500,000
Mr. Kong Chi Mo, Roy	7,500,000	7,500,000

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 2011, so far as is known to any Directors and chief executives of the Company, none of the Directors and 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 Division 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 2011 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 01.01.2011	No. of share options exercised during the year	No. of share options held as at 31.12.2011
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. 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
	Mr. Kong Chi Mo, Roy	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

	Name or category of participant	Date of grant	Exercise period	Exercise price per share option HK$	No. of share options held as at 01.01.2011	No. of share options exercised during the year	No. of share options held as at 31.12.2011
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	1,700,000	–	1,700,000
			01.04.2015 to 31.03.2020	4.99	1,700,000	–	1,700,000
Total					29,600,000	–	29,600,000

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 contributions 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"). 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 sheets 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.

Details of the share options outstanding as at 31 December 2011 which have been granted under the New 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 01.01.2011	No. of share options granted during the year	No. of share options held as at 31.12.2011
1.	**Directors/chief executives**						
	Mr. Jiang Zhong Ping	23.05.2011	23.05.2013 to 22.05.2021	3.60	–	5,000,000	5,000,000
	Mr. Liu Feng	23.05.2011	23.05.2013 to 22.05.2021	3.60	–	4,500,000	4,500,000
	Mr. Yu Xing Yuan	23.05.2011	23.05.2013 to 22.05.2021	3.60	–	5,000,000	5,000,000
	Mr. Kong Chi Mo, Roy	23.05.2011	23.05.2013 to 22.05.2021	3.60	–	4,000,000	4,000,000
2.	**Employees** (in aggregate)	23.05.2011	23.05.2013 to 22.05.2021	3.60	–	8,800,000	8,800,000
Total					–	27,300,000	27,300,000

Note: The closing price per Share on 20 May 2011, the trading date immediately before the date on which the options were granted on 23 May 2011, was HK$2.98.

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 2011, 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 provision 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 are as follows:

Name	Notes	Directly beneficially owned	Through controlled corporation	Through parties acting in concert	Held in the capacity of investment manager	Total	Percentage of the Company's issued share capital
Trisonic International	1,2,4&6	1,006,754,000 (L)	–	197,794,000 (L)	–	1,204,548,000 (L)	58.05% (L)
		–	–	190,944,000 (S)	–	190,944,000 (S)	9.20% (S)
Kingston Grand	1,2,3,4&6	–	–	1,204,548,000 (L)	–	1,204,548,000 (L)	58.05% (L)
		–	–	190,944,000 (S)	–	190,944,000 (S)	9.20% (S)
Mr. Yang Xianlu	1&4	–	–	1,204,548,000 (L)	–	1,204,548,000 (L)	58.05% (L)
		–	–	190,944,000 (S)	–	190,944,000 (S)	9.20% (S)
Mr. Wu Wendong	1,2&4	–	–	1,204,548,000 (L)	–	1,204,548,000 (L)	58.05% (L)
		–	–	190,944,000 (S)	–	190,944,000 (S)	9.20% (S)
Mr. Li Hesheng	1,2&4	–	–	1,204,548,000 (L)	–	1,204,548,000 (L)	58.05% (L)
		–	–	190,944,000 (S)	–	190,944,000 (S)	9.20% (S)
Mr. Shi Yinjun	1,2&4	–	–	1,204,548,000 (L)	–	1,204,548,000 (L)	58.05% (L)
		–	–	190,944,000 (S)	–	190,944,000 (S)	9.20% (S)
Mr. Zhang Yuangui	1,2&4	–	–	1,204,548,000 (L)	–	1,204,548,000 (L)	58.05% (L)
		–	–	190,944,000 (S)	–	190,944,000 (S)	9.20% (S)
Sapphire	1,4&7	190,944,000 (L)	–	1,013,604,000 (L)	–	1,204,548,000 (L)	58.05% (L)
		190,944,000 (S)	–	–	–	190,944,000 (S)	9.20% (S)
Credit Suisse Group AG	1&5	–	225,186,000 (L)	–	–	225,186,000 (L)	10.85% (L)
("Credit Suisse")		–	206,134,000 (S)	–	–	206,134,000 (S)	9.93% (S)
Templeton Asset Management Ltd.	1	–	–	–	105,804,117 (L)	105,804,117 (L)	5.10% (L)

Notes:

1. The letter "L" represents the entity's/individual's long positions in the Shares and the letter "S" represents the entity's/individual's short positions in the Shares.

2. The issued share capital of Trisonic International was 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. 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" above.

3. The issued share capital of Kingston Grand was owned as to 100% by Mr. Wang Jin.

4. As at 31 December 2011, 1,006,754,000 Shares, 190,944,000 Shares and 6,850,000 Shares (representing a derivative interest) were held by Trisonic International, Sapphire and Mr. Wang Jin, respectively, Sapphire was also interested in a short position of 190,944,000 Shares. Since Sapphire, Trisonic International, Kingston Grand, Mr. Wang Jin, Mr. Yang Xianlu, Mr. Wu Wendong, Mr. Li Hesheng, Mr. Shi Yinjun and Mr. Zhang Yuangui were parties acting in concert:

   (i) Sapphire was deemed to be interested in 1,006,754,000 Shares and 6,850,000 Shares held by Trisonic International and Mr. Wang Jin, respectively;

   (ii) Trisonic International was deemed to be interested in a long position of 190,944,000 Shares and a short position of 190,944,000 Shares held by Sapphire, and also deemed to be interested in 6,850,000 Shares held by Mr. Wang Jin; and

   (iii) each of Kingston Grand, Mr. Yang Xianlu, Mr. Wu Wendong, Mr. Li Hesheng, Mr. Shi Yinjun and Mr. Zhang Yuangui were deemed to be interested in 1,006,754,000 Shares held by Trisonic International, 6,850,000 Shares held by Mr. Wang Jin, and a long position of 190,944,000 Shares and a short position of 190,944,000 Shares held by Sapphire.

5. The corporate substantial shareholder notice filled by Credit Suisse indicated that:

   (i) a long position of 3,573,000 Shares and a short position of 3,573,000 Shares were held by Credit Suisse (Hong Kong) Limited, which was in turn indirectly wholly-owned by Credit Suisse; and

   (ii) a long position of 221,613,000 Shares and a short position of 202,561,000 Shares were held by Credit Suisse International, which was directly and indirectly wholly-owned by Credit Suisse.

   Accordingly, Credit Suisse was deemed to be interested in the Shares held by Credit Suisse (Hong Kong) Limited and Credit Suisse International under the SFO.

6. Mr. Wang Jin was a director of Trisonic International and Kingston Grand.

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

Save as disclosed above, as at 31 December 2011, 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 the Group (the "Competing Business") in Hong Kong, the PRC or such other part of the world where any member of the Group carries on its business from time to time other than the mines owned or operated by Weixi Guangfa, Aba Mining (prior to completion of the acquisition on 31 May 2011) and Yanyuan Xiwei (together the "Excluded Mines").

Pursuant to the Non-Competition Deed, the Controlling Shareholders having an opportunity to invest in, participate in, engage in, operate or manage any Competing Business (the "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.

In respect of Mr. Wang Jin's subscription for an exchangeable note in the principal amount of US$4,600,000 issued by the Issuer which entitles the holder of the exchangeable note to exchange all or some of the exchangeable note into shares in the Target Company pursuant to the terms of the note certificate of the exchangeable note (the "Opportunity"), the Board (including the independent non-executive Directors but excluding Mr. Wang Jin), after taking into account the insignificant percentage of the shares in the Target Company that may be exchanged under the exchangeable note, was of the view that the Non-Competition Deed does not apply to the Opportunity. However, Mr. Wang Jin had presented the Opportunity to the Board and having considered a number of factors, including our investment plan and the investment amount of the Opportunity, the Board (including the independent non-executive Directors but excluding Mr. Wang Jin) decided and confirmed not to pursue the 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.

As announced on 26 July 2011, the Group decided not to exercise the Huangcaoping Option and the Lagaluo Option that were granted by Yanyuan Xiwei and Weixi Guangfa to acquire the Huangcaoping Mine and the Lagaluo Mine, respectively as the potential reserves of both mines are unlikely to be significant enough commercially to justify investment by the Group.

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

Except for the service contracts and share option schemes as disclosed in this annual report, there was 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 competed or was 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 Xiwei (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 Xiwei. Mr. Wang is also a director of the holding company of Yanyuan Xiwei.
	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.
	Target Company (Note 3)	Exploration and development of iron sand ore	Mr. Wang, through a company wholly-owned by him (the "Intermediary"), has subscribed for an exchangeable note in the principal amount of US$4,600,000 issued by the Issuer which entitles the Intermediary to exchange all or some of the exchangeable note into shares in the Target Company pursuant to the terms of the note certificate of the exchangeable note.
Mr. Yu Xing Yuan	Yanyuan Xiwei (Note 1)	Mining and sale of iron ore	Mr. Yu is a director of the holding company of Yanyuan Xiwei.
	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.

Notes:

1. The business of Yanyuan Xiwei does not pose material competitive threat to the Group, because if Yanyuan Xiwei were to sell any of its iron ore products to any customers in Sichuan, Yanyuan Xiwei 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. 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.

   Further, if Weixi Guangfa were to sell any of its iron ore products to any customer outside of Yunnan, 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 Group has subscribed for an Exchangeable Note in the principal amount of US$30.0 million issued by the Issuer which entitles the Group to exchange all or some of such Exchangeable Note into shares in the Target Company. Please refer to the Company's announcements dated 2 May 2011, 9 August 2011, 30 September 2011, 18 November 2011, 25 November 2011 and 16 December 2011 for further details.

   The Group is capable of carrying on its business independently of, and at arm's length from, the business of the Target Company because the Company and the Target Company are managed by their respective board of directors and Mr. Wang does not have control over the composition of the majority of the board of directors of the Target Company.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Sale of products to Chengyu Vanadium Titano during the year

For the year ended 31 December 2011, sales of vanadium-bearing iron concentrates of approximately RMB271.7 million were made to Chengyu Vanadium Titano, a connected person to the Group under the Old Iron Concentrate Sale Contract, pursuant to which the Group sold vanadium-bearing iron concentrates to Chengyu Vanadium Titano from time to time from 1 January 2008 to 31 December 2011. Chengyu Vanadium Titano 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 Chengyu Vanadium Titano. Accordingly, Chengyu Vanadium Titano is a connected person for the purpose of the Listing Rules.

The prices of vanadium-bearing iron concentrates sold to Chengyu Vanadium Titano were determined based on arm's length negotiations. The Old Iron Concentrate Sale Contract specified the pricing arrangement with Chengyu Vanadium Titano for vanadium-bearing iron concentrates contracted for 2009 and 2010. According to the Old Iron Concentrate Sale Contract, the minimum selling price of vanadium-bearing iron concentrates for 2009 and 2010 was RMB605.1 and RMB632.5 per tonne, respectively, subject to adjustment based on the market price of vanadium-bearing iron concentrates. If the market price of vanadium-bearing iron concentrates fell below the minimum selling price, the sales price would remain the same. If the market price of vanadium-bearing 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. On 1 January 2011, a new supplemental agreement specified the pricing arrangements with Chengyu Vanadium Titano had been made, the minimum selling price of vanadium-bearing iron concentrates from 1 January 2011 to 30 June 2011 was RMB655.5 per tonne. Since 1 July 2011, the selling price of vanadium-bearing iron concentrates to Chengyu Vanadium Titano was subject to market price of vanadium-bearing iron concentrates.

The sale of vanadium-bearing iron concentrates constitute continuing connected transactions 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 transactions and they confirmed that the transactions were 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 transactions 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 transactions 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.

The new iron concentrate sale contract

Background

Sale of vanadium-bearing iron concentrates were made from Huili Caitong to Chengyu Vanadium Titano under the Old Iron Concentrate Sale Contract which expired on 31 December 2011. On 21 October 2011, Huili Caitong entered into the new iron concentrate sale contract with Chengyu Vanadium Titano and agreed to continue to sell, or procure another member of the Group (other than the Company) to sell, vanadium-bearing iron concentrates to Chengyu Vanadium Titano for a period commencing from 1 January 2012 to 31 December 2014.

Reason for the transaction

Huili Caitong will continue to sell vanadium-bearing iron concentrates to Chengyu Vanadium Titano because (i) Chengyu Vanadium Titano has significant commercial incentive to enter into business relationship with Huili Caitong and is a stable customer to whom Huili Caitong has been selling large quantities of iron ore products since 2005; (ii) Chengyu Vanadium Titano is willing to offer market prices for Huili Caitong's iron ore products; and (iii) the new iron concentrate sale contract executed on 21 October 2011 had been negotiated and agreed on arm's length basis and reflect normal commercial terms.

Pricing basis and policy

The price of vanadium-bearing iron concentrates (standard TFe grading of 54%) to be sold by Huili Caitong (or another member of the Group (other than the Company) procured by Huili Caitong, as the case may be) under the new iron concentrate sale contract to Chengyu Vanadium Titano was determined based on arm's length negotiations, would follow the market price for a period commencing from 1 January 2012 to 31 December 2014 (such price will be subject to adjustment with reference to TFe content and quantities of other chemical elements in the vanadium-bearing iron concentrates), and is no less favourable than those independent customers of the Group in the same region.

Annual cap

The Directors expected that the annual cap of sales of vanadium-bearing iron concentrates to Chengyu Vanadium Titano for the years ending 31 December 2012, 2013 and 2014 would be approximately RMB339.0 million, RMB357.1 million and RMB428.7 million, respectively. The relevant caps had been determined with reference to (i) the historical transaction amounts for the two years ended 31 December 2010 and the six months ended 30 June 2011; (ii) the Group's production volume forecast of vanadium-bearing iron ore products; (iii) the plans and requirements of Chengyu Vanadium Titano and (iv) the projected price trends in iron ore products for each of the three years ending 31 December 2014.

The EGM was held on 29 November 2011 to consider and approve the continuing connected transactions and proposed annual cap in relation to sale of vanadium-bearing iron concentrates to Chengyu Vanadium Titano, and the ordinary resolution had been voted and passed by the independent Shareholders by way of a poll. Please refer to the Company's announcements dated 21 October 2011 and 29 November 2011 and the circular dated 11 November 2011 for further details.

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 2011, 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 2011. During the year ended 31 December 2011, the audit committee has reviewed the internal control of the Group. Details of the internal control of the Group is set out on page 54 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, namely Mr. Yu Haizong and Mr. Gu Peidong. Mr. Wang Jin will step down as a chairman of the remuneration committee effective from 1 April 2012 in compliance with the new CG Code and associated Listing Rules introduced by the "Consultation Conclusions on Review of the Corporate Governance Code and Associated Listing Rules" published by the Stock Exchange on 28 October 2011 in which the remuneration committee has to be chaired by an independent non-executive Director.

PRE-EMPTIVE RIGHTS

There are no provisions relating to pre-emptive rights over Shares under the Articles of Association.

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 2011.

CODE OF CORPORATE GOVERNANCE PRACTICE

The Company has adopted the CG Code. Throughout the year ended 31 December 2011, 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 49 to 56 of this annual report.

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

Throughout the year ended 31 December 2011, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group in the ordinary course of business are set out in note 38 to financial statements. In relation to the related party transaction of sale of goods to Chengyu Vanadium Titano which constituted non-exempt continuing connected transactions 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.

CHANGE IN DIRECTORS' INFORMATION

Each of our executive Directors has entered into a new service contract with the Company for a term of one year commencing from 8 October 2011 and the director's fee is RMB80,000 per annum.

Each of our non-executive Directors and independent non-executive Directors has entered into a new letter of appointment with the Company for a term of one year commencing from 8 October 2011, in which Mr. Wang Jin's director's fee is HK$150,000 per annum and each of other non-executive Director's and independent non-executive Directors' director's fee is HK$120,000 per annum.

AUDITORS

The Company has appointed Ernst & Young as auditors of the Company for the year ended 31 December 2011. A resolution will be proposed for approval by the Shareholders at the 2012 AGM to re-appoint Ernst & Young as auditors of the Company.

On behalf of the Board
Jiang Zhong Ping
Chairman

19 March 2012

CORPORATE GOVERNANCE REPORT

The Company has adopted the CG Code as its own code of corporate governance. The Directors consider that for the year ended 31 December 2011, 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 2011.

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. There is a clear separation of the role of chairman and the chief executive officer. This will provide a healthy professional relationship between the Board and the management to shape the strategic process. The Board is also supported by other key committees to provide independent oversight of management. These key committees are the audit committee and remuneration committee and are mainly made up of independent non-executive Directors. As of the date of this annual report, the composition and committees of the Board is as follows:

Board Member	Audit Committee	Remuneration Committee
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	–	C
Mr. Teo Cheng Kwee	–	–
Independent non-executive Directors		
Mr. Yu Haizong	C	M
Mr. Gu Peidong	M	M
Mr. Liu Yi	M	–

Note:

C: Chairman
M: Member

Biographical details of the above Directors are set out in the section headed "Profile of Directors and Senior Management" on pages 29 to 31 of this annual report.

Each of our executive Directors has entered into a new service contract with the Company for a term of one year commencing from 8 October 2011. Each of our non-executive Directors and independent non-executive Directors has entered into a new letter of appointment with the Company for a term of one year commencing from 8 October 2011. 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 key roles of the Board are:

- to guide the overall development, corporate strategies and directions of the Group, approve the board policies, strategies and financial objectives of the Group and monitoring the performance of management;
- to ensure effective management leadership of the highest quality and integrity;
- to approve major funding proposal and investments; and
- to provide overall insight in the proper conduct of the Group's business.

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 continuing connected transactions and proposed annual cap in relation to sale of vanadium-bearing iron concentrates to Chengyu Vanadium Titano. 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 meetings held by the Board and audit committee for the year ended 31 December 2011:

	Board No. of meeting		**Audit Committee No. of meeting**	
Name	**Held**	**Attended**	**Held**	**Attended**
Mr. Jiang Zhong Ping	5	5	–	–
Mr. Liu Feng	5	5	–	–
Mr. Yu Xing Yuan	5	3	–	–
Mr. Wang Jin	5	4	–	–
Mr. Teo Cheng Kwee	5	3	–	–
Mr. Yu Haizong	5	4	2	2
Mr. Gu Peidong	5	5	2	2
Mr. Liu Yi	5	5	2	2

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 and acting in the best interests of the Group and the Shareholders 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 chairs the Board meetings and briefs the Board members on the issues discussed at the Board meetings. The chairman also ensures that the Board members work together with the management with the capability and authority to engage management in constructive views on various matters, including strategic issues and business planning processes.

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 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 remuneration committee currently comprises one non-executive Director, namely Mr. Wang Jin *(Chairman)* and two independent non-executive Directors, namely Mr. Yu Haizong and Mr. Gu Peidong. Mr. Wang Jin will step down as a chairman of the remuneration committee effective from 1 April 2012 in compliance with the new CG Code and associated Listing Rules introduced by the "Consultation Conclusions on Review of the Corporate Governance Code and Associated Listing Rules" published by the Stock Exchange on 28 October 2011 in which the remuneration committee has to be chaired by an independent non-executive Director.

Remuneration committee's main functions are:

- to review and recommend to the Board in consultation with the chairman of the Board and senior management, a framework of remuneration and to determine specific remuneration packages and terms of employment for all Directors and senior management of the Company;
- to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
- to consider the granting of share options to Directors, chief executives, substantial Shareholders or employees of any member of the Group and any person who have contribution or will contribute to the development and growth of the Group pursuant to the share option scheme adopted by the Company;
- to ensure that no director or any of his associates is involved in deciding his own remuneration; and
- to review and approve the interim reports, annual reports, announcements and circulars or any publication of the Company regarding information on the remuneration and service contracts of the Directors prior to approval by the Board.

The following is the summary of the Directors' remuneration for the year ended 31 December 2011:

Name of Director	Remuneration band	Director's fee	Salaries, allowances and benefits in kind	Share options	Pension scheme contributions	Total
	RMB	%	%	%	%	%
Executive Directors						
Mr. Jiang Zhong Ping	4,000,001 – 4,500,000	2.0	9.3	88.4	0.3	100
Mr. Liu Feng	6,000,001 – 6,500,000	1.4	6.7	91.7	0.2	100
Mr. Yu Xing Yuan	8,500,001 – 9,000,000	1.0	4.3	94.5	0.2	100
Non-executive Directors						
Mr. Wang Jin	100,001 – 150,000	100	–	–	–	100
Mr. Teo Cheng Kwee	1 – 100,000	100	–	–	–	100
Independent non-executive Directors						
Mr. Yu Haizong	1 – 100,000	100	–	–	–	100
Mr. Gu Peidong	1 – 100,000	100	–	–	–	100
Mr. Liu Yi	1 – 100,000	100	–	–	–	100

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

Audit committee's main functions are:

- to assist the Board in providing an independent review of the effectiveness of the financial reporting process, internal control and risk management system of the Group;
- to review the Group's audit plans, scope and results with the external auditors;
- to review the Group's financial reporting, internal control and risk management system with the internal auditors;
- to review and approve the interim results announcements and annual results announcements before submission to the Board;
- to review continuing connected transactions; and
- to nominate the external auditors for re-appointment and review their independence.

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 audit committee has also appointed KPMG Advisory (China) Limited as the internal auditors of the Group since October 2010 to perform internal audit work under a three years rotation plan based on a risk-based methodology. The internal auditors report directly to the chairman of the audit committee and submit a report on their findings to the audit committee for review and approval yearly. The audit committee has reviewed the internal audit reports and based on the controls in place, is satisfied that there are adequate internal controls in the Group.

NON-EXEMPTED CONTINUING CONNECTED TRANSACTIONS

The sale of vanadium-bearing iron concentrates from Huili Caitong to Chengyu Vanadium Titano under the Old Iron Concentrate Sale Contract expired on 31 December 2011. On 21 October 2011, Huili Caitong entered into the new iron concentrate sale contract with Chengyu Vanadium Titano and agreed to continue to sell, or procure another member of the Group (other than the Company) to sell, vanadium-bearing iron concentrates to Chengyu Vanadium Titano. The sale of vanadium-bearing iron concentrates constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The Company formed an independent board committee which comprised Mr. Yu Haizong, Mr. Gu Peidong and Mr. Liu Yi to review the details of the continuing connected transactions including pricing basis, annual cap and the letter from the independent financial adviser. Having considered the factors and reasons, the independent board committee advised the independent Shareholders that the continuing connected transactions and proposed annual cap were based on normal commercial terms, were fair and reasonable and were in the interests of the Company and the Shareholders as a whole. The Board then reviewed and agreed to submit the continuing connected transactions to the independent Shareholders in the EGM for approval. Details of the non-exempted continuing connected transactions are set out in the section headed "Directors' Report" on pages 45 to 46 of this annual report.

AUDITORS' REMUNERATION

For the year ended 31 December 2011, the Group's external auditors, Ernst & Young, provided interim review, annual audit and other professional services. For the year ended 31 December 2011, 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	2,400
Interim review services	1,100
Non-audit services	
Other professional services	500

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 Group 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 57 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 2011 was effective and the Company has complied with the CG Code.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

In 2011, the Company continued to communicate with Shareholders, investors and analysts in an active and honest manner though various channels such as results announcement conference, non-deal roadshow and teleconference. Communications with capital market have been enhanced and necessary data for valuation purpose have been fully provided so as to help capital market to understand the investment value of the Company. The main communication channels with the Shareholders include:

Investors' meetings

Group and one-on-one meetings will be held with investors in respect of its annual results and interim results. In addition, the Group's senior executives and staff from investor relations department will hold regular meetings with investors and they will be provided with the latest information on the development of the Group which has been publicly disclosed, in compliance with applicable laws and regulations.

Annual general meetings

The annual general meeting is an important discussion platform for Shareholders to participate in, facilitating the communications between the management of the Company and the Shareholders. The annual general meeting is held once a year, being accessible to all Shareholders. The Company's Directors answer any questions Shareholders have at the meeting, being attended by the external auditors and company secretary. All matters proposed to Shareholders for approval shall be submitted in separate resolutions and resolved by way of poll at the annual general meeting. The procedures of conducting a poll will be explained in details to Shareholders on demand and the voting results will be set out on the Stock Exchange's website (www. hkexnews.hk) and the Company's website.

Annual reports, interim reports, announcements and circulars

The Company issues its annual reports and interim reports after publishing the annual results and the interim results in March and August every year respectively, so as to periodically review the development of the Group as well as to update its Shareholders with its latest business information and market trends. In addition, the Company will inform the Shareholders through announcements regarding any major event or price-sensitive information on a timely manner. For any matter requires the approval of the Shareholders, the Company will hold an extraordinary general meeting according to the requirements of the Stock Exchange and issue a circular prior to the specific date of the meeting, allowing the Shareholders to have sufficient time to learn more about the matters for making voting decisions. All annual reports, interim reports, announcements and circulars will be uploaded to the Stock Exchange's website (www.hkexnews.hk) and the Company's website.

The Company's website

The Company's website offers timely access to the Group's press releases and other business information. Through its website, the Company provides Shareholders with the electronic version of the financial reports, the latest slide presentations, as well as up-to-date news about the Group's business, announcements and general information etc. To make contributions to environmental protection and maintain effective communication with Shareholders, the Group encourages all Shareholders to browse the Company's corporate communication files on the Company's website.

Investor contacts and enquiries

The Group has a dedicated team to maintain contact with investors and handles Shareholders' enquiries. Since 1 January 2012, the Company has also engaged a Head of Investor Relations to strengthen our communications with investors and analysts and to bring more effective information to the market. Should investors have any enquiries, please contact the Company's Investor Relations Department.

The Company will further enhance the quality of its investor relations services in 2012, and ensure that the information of the work on investor relations is disclosed in a timely and accurate manner, and to react to the capital market effectively and smoothly. This can keep helping the capital market to understand its development strategies and operating conditions.

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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 59 to 135, which comprise the consolidated and company statements of financial position as at 31 December 2011, 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 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 2011, 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

19 March 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000 (Restated)
REVENUE	4	**1,712,978**	1,576,428
Cost of sales		**(886,407)**	(735,982)
Gross profit		**826,571**	840,446
Other income and gains	5	**109,742**	69,868
Selling and distribution costs		**(46,473)**	(47,283)
Administrative expenses		**(102,219)**	(88,678)
Other expenses		**(19,035)**	(38,802)
Finance costs	6	**(21,120)**	(17,968)
Share of profit of a jointly controlled entity	16	**34**	–
Share of loss of an associate		**–**	(4,477)
PROFIT BEFORE TAX	7	**747,500**	713,106
Income tax expense	9	**(134,775)**	(117,316)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**612,725**	595,790
Attributable to:			
Owners of the Company	10	**605,892**	541,816
Non-controlling interests		**6,833**	53,974
		612,725	595,790
Earnings per share attributable to ordinary equity holders of the Company:			
Basic and diluted	11	**RMB0.29**	RMB0.26

Details of dividends payable and proposed for the year are disclosed in note 34 to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	31 December 2011 RMB'000	31 December 2010 RMB'000 (Restated)	1 January 2010 RMB'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	12	**1,726,804**	1,539,809	510,541
Intangible assets	13	**576,901**	548,441	177,416
Prepaid land lease payments	14	**50,678**	51,791	48,889
Investment in an associate	35(c)	**–**	–	77,109
Investment in a jointly controlled entity	16	**584**	–	–
Financial assets at fair value through profit or loss	24	**207,942**	–	–
Prepayments and deposits	17	**231,180**	158,943	30,842
Payments in advance	18	**165,712**	68,295	101,910
Goodwill	19	**15,318**	15,318	23,258
Deferred tax assets	20	**3,986**	16,501	12,745
Total non-current assets		**2,979,105**	2,399,098	982,710
CURRENT ASSETS				
Inventories	21	**137,333**	70,531	74,014
Trade and bills receivables	22	**134,418**	207,598	152,157
Prepayments, deposits and other receivables	17	**148,139**	100,154	102,816
Due from related parties	23	**600**	600	90,814
Pledged time deposits	25	**111,993**	–	121,800
Cash and cash equivalents	25	**946,830**	1,101,843	1,890,025
Total current assets		**1,479,313**	1,480,726	2,431,626
CURRENT LIABILITIES				
Trade and bills payables	26	**341,192**	260,887	220,828
Other payables and accruals	27	**278,779**	286,965	246,736
Interest-bearing bank and other loans	28	**321,514**	175,000	100,000
Due to related parties	23	**85,681**	55,276	84,150
Tax payable		**89,655**	91,380	70,900
Dividends payable		**1,801**	1,801	1,801
Total current liabilities		**1,118,622**	871,309	724,415
NET CURRENT ASSETS		**360,691**	609,417	1,707,211
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,339,796**	3,008,515	2,689,921
NON-CURRENT LIABILITIES				
Interest-bearing bank and other loans	28	**101,200**	157,000	32,000
Provision for rehabilitation	29	**7,664**	7,173	6,717
Deferred income	30	**9,574**	6,600	4,600
Other payable	27	**500**	500	500
Total non-current liabilities		**118,938**	171,273	43,817
Net assets		**3,220,858**	2,837,242	2,646,104

continued/...

	Notes	31 December 2011 RMB'000	31 December 2010 RMB'000 (Restated)	1 January 2010 RMB'000 (Restated)
EQUITY				
Equity attributable to owners of the Company				
Issued capital	31	**182,787**	182,787	182,787
Reserves	33	**2,893,769**	2,516,463	2,350,857
Proposed final dividend	34	**122,425**	107,756	–
		3,198,981	2,807,006	2,533,644
Non-controlling interests		**21,877**	30,236	112,460
Total equity		**3,220,858**	2,837,242	2,646,104

Jiang Zhong Ping
Director

Liu Feng
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2011

	Attributable to owners of the Company										
	Issued capital	**Share premium account***	**Statutory reserves***	**Contributed surplus***	**Share option reserve***	**Difference arising from acquisition of non-controlling interests***	**Retained earnings***	**Proposed final dividend**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	note 31	note 33(a)	note 33(b)	note 33(c)	note 32			note 34			
At 1 January 2010											
As previously stated	182,787	2,096,984	64,638	144,810	106	(525,371)	550,077	–	2,514,031	92,795	2,606,826
Effect of a business combination under common control (note 2.1)	–	–	702	22,644	–	7,950	(11,683)	–	19,613	19,665	39,278
As restated	182,787	2,096,984	65,340	167,454	106	(517,421)	538,394	–	2,533,644	112,460	2,646,104
Total comprehensive income for the year (restated)	–	–	–	–	–	–	541,816	–	541,816	53,974	595,790
Reversal of share issue expenses over-provided	–	9,493	–	–	–	–	–	–	9,493	–	9,493
Equity-settled share option arrangement (note 32)	–	–	–	–	19,030	–	–	–	19,030	–	19,030
Transfer from/(to) reserves	–	–	46,122	–	–	–	(46,122)	–	–	–	–
Capital injection from non-controlling shareholders	–	–	–	–	–	–	–	–	–	15,220	15,220
Acquisition of non-controlling interests	–	–	–	–	–	(296,977)	–	–	(296,977)	(148,426)	(445,403)
Disposal of subsidiaries (note 35(b))	–	–	(41)	–	–	–	41	–	–	(2,992)	(2,992)
Proposed final 2010 dividend (note 34)	–	(107,756)	–	–	–	–	–	107,756	–	–	–
At 31 December 2010	182,787	1,998,721	111,421	167,454	19,136	(814,398)	1,034,129	107,756	2,807,006	30,236	2,837,242
At 1 January 2011											
As previously stated	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
Effect of a business combination under common control (note 2.1)	–	–	661	22,644	–	12,259	(3,273)	–	32,291	15,761	48,052
As restated	182,787	1,998,721	111,421	167,454	19,136	(814,398)	1,034,129	107,756	2,807,006	30,236	2,837,242
Total comprehensive income for the year	–	–	–	–	–	–	605,892	–	605,892	6,833	612,725
Equity-settled share option arrangement (note 32)	–	–	–	–	28,647	–	–	–	28,647	–	28,647
Transfer from/(to) reserves	–	–	49,182	–	–	–	(49,182)	–	–	–	–
Business combination under common control (note 2.1)	–	–	–	(100,800)	–	–	–	–	(100,800)	–	(100,800)
Acquisition of non-controlling interests (note 2.1)	–	–	–	–	–	(34,008)	–	–	(34,008)	(15,192)	(49,200)
Proposed final 2011 dividend (note 34)	–	(122,425)	–	–	–	–	–	122,425	–	–	–
Final 2010 dividend paid	–	–	–	–	–	–	–	(107,756)	(107,756)	–	(107,756)
At 31 December 2011	182,787	1,876,296	160,603	66,654	47,783	(848,406)	1,590,839	122,425	3,198,981	21,877	3,220,858

* These reserve accounts comprise the consolidated reserves of RMB2,893,769,000 (2010 (Restated): RMB2,516,463,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**747,500**	713,106
Adjustments for:			
Interest expenses	6	**21,895**	10,579
Unrealised foreign exchange loss/(gain)		**(236)**	2,596
Bank interest income	5	**(12,221)**	(3,891)
Equity-settled share option expense	32	**28,647**	19,030
Fair value gains on financial assets at fair value through profit or loss	24	**(14,423)**	–
Loss on disposal of subsidiaries	7	**–**	1,378
Share of profit of a jointly controlled entity	16	**(34)**	–
Share of loss of an associate		**–**	4,477
Gain on disposal of an associate	5	**–**	(19,368)
Loss on disposal of items of property, plant and equipment	7	**5**	426
Write-down/(reversal of write-down) of inventories to net realisable value	7	**(2,547)**	1,708
Depreciation	12	**100,936**	72,727
Prepaid technical fee released to profit or loss	17(b)	**4,133**	4,133
Amortisation of intangible assets	13	**20,930**	16,673
Amortisation of prepaid land lease payments	14	**1,113**	1,069
		895,698	824,643
Decrease/(increase) in trade and bills receivables		**73,180**	(75,704)
Increase in inventories		**(64,255)**	(986)
Increase in prepayments, deposits, and other receivables		**(113,419)**	(130,423)
Increase in trade and bills payables		**80,305**	45,755
Increase/(decrease) in other payables and accruals		**(20,031)**	17,243
Decrease in amounts due from related parties		**–**	47,134
Decrease in amounts due to related parties		**(19,191)**	(7,168)
Cash generated from operations		**832,287**	720,494
Interest paid		**(22,941)**	(18,997)
Interest received		**2,856**	3,891
Income tax paid		**(123,985)**	(99,839)
Net cash flows from operating activities		**688,217**	605,549

continued/...

	Notes	2011 RMB'000	2010 RMB'000 (Restated)
Net cash flows from operating activities		**688,217**	605,549
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(243,630)**	(1,018,353)
Proceeds from disposal of items of property, plant and equipment		**110**	130
Increase in long-term deposits		**(1,571)**	(669)
Increase in time deposits with maturity of over three months		**(320,000)**	(430,000)
Investment in jointly controlled entity	16	**(550)**	–
Investments in financial assets at fair value through profit or loss	24	**(193,519)**	–
Purchase of prepaid land lease payments		**–**	(3,971)
Purchase of intangible assets		**(36,067)**	(378,775)
Prepayment for the acquisition of a subsidiary	18	**(150,000)**	–
Decrease/(increase) in pledged bank balances		**(111,993)**	121,800
Receipts of deferred income	30	**11,200**	3,000
Proceed from disposal of an associate	35(c)	**–**	92,000
Disposal of subsidiaries	35(b)	**–**	23,482
Net cash flows used in investing activities		**(1,046,020)**	(1,591,356)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital injection by a non-controlling shareholder		**–**	15,220
New bank loans		**265,714**	300,000
Repayment of bank loans		**(175,000)**	(100,000)
Acquisition of a business combination under common control	23(h)	**(100,000)**	–
Purchase of non-controlling interests	35(a)	**(404)**	(444,999)
Dividends paid	34(b)	**(107,756)**	–
Net cash flows used in financing activities		**(117,446)**	(229,779)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(475,249)**	(1,215,586)
Cash and cash equivalents at beginning of year (Restated)		**671,843**	1,890,025
Effect of foreign exchange rate changes, net		**236**	(2,596)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**196,830**	671,843
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**108,823**	471,843
Non-pledged time deposits		**838,007**	630,000
Cash and cash equivalent as stated in the consolidated statement of financial position	25	**946,830**	1,101,843
Time deposits with original maturity more than three months		**(750,000)**	(430,000)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**196,830**	671,843

STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
NON-CURRENT ASSETS			
Office equipment		77	91
Investments in subsidiaries	15	1,882,374	618,700
Total non-current assets		1,882,451	618,791
CURRENT ASSETS			
Dividend receivable		17,157	17,157
Due from subsidiaries	15	222,425	1,526,616
Other receivables		373	476
Due from a related party	23	314	343
Cash and cash equivalents	25	8,359	71,648
Total current assets		248,628	1,616,240
CURRENT LIABILITIES			
Due to a subsidiary	15	20,934	19,043
Other payables	27	3,341	4,329
Interest-bearing bank loan	28(a)	94,514	–
Total current liabilities		118,789	23,372
NET CURRENT ASSETS		129,839	1,592,868
Net assets		2,012,290	2,211,659
EQUITY			
Issued capital	31	182,787	182,787
Reserves	33	1,707,078	1,921,116
Proposed final dividend	34	122,425	107,756
Total equity		2,012,290	2,211,659

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. The registered office address of the Company is 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 ended 31 December 2011, the Group were principally engaged in the business of mining, ore processing, iron pelletising, sale of vanadium-bearing iron concentrates, ordinary iron concentrates, iron pellets and titanium concentrates and management of strategic investments. Other than the acquisition of Aba Mining as further disclosed in note 2.1, 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, a company incorporated in Hong Kong, is the parent and ultimate holding company of the Company.

2.1 BASIS OF PRESENTATION

On 31 May 2011, the Group completed the acquisition of the entire equity interests in Aba Mining from Chuan Wei. Upon completion of the acquisition, Aba Mining became an indirectly wholly-owned subsidiary of the Company. Chuan Wei and Trisonic International are ultimately controlled by the same beneficial owners and Trisonic International is a Controlling Shareholder of the Company and, the Company and Aba Mining are ultimately under common control of the Controlling Shareholders before and after the acquisition and that control is not transitory. Hence, the acquisition has been accounted for as a business combination of entities under common control. The financial impact of the acquisition to the statement of financial position as at 31 December 2010 and statement of comprehensive income for the year ended 31 December 2010 was set out in note 41 to the financial statements.

Accordingly, the consolidated financial statements have been prepared by applying the principles of merger accounting as if the current group structure had been in existence throughout each of the two years ended 31 December 2010 and 2011, or since their respective dates of establishment, whichever is shorter. The consolidated statements of financial position of the Group as of 1 January and 31 December 2010 have been prepared to present the assets and liabilities of Aba Mining and its subsidiaries before the acquisition using the existing book values from the Controlling Shareholders' perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the acquisition.

Equity interests in Aba Mining held by parties other than the Controlling Shareholders and changes therein, prior to the acquisition were presented as non-controlling interests in equity in applying the principles of merger accounting. Immediately prior to the acquisition, Aba Mining was collectively owned by the Controlling Shareholders with effective interests of 67.17%. On 31 May 2011, the Group acquired 67.17% and 32.83% of the equity interests in Aba Mining from Chuan Wei and parties other than the Controlling Shareholders, respectively. Upon completion of the Acquisition, the Company owned effective interests of 100% in Aba Mining. The difference between the purchase consideration of RMB49,200,000 (apportioned on a pro rata according to a purchase consideration of RMB150,000,000) and the book value of the share of net assets acquired of RMB15,192,000 on 31 May 2011 has been recognised in equity amounted to RMB34,008,000.

Accordingly, the comparative figures of the consolidated financial statements have been restated.

2.2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by International Accounting Standards Board (the "IASB") and International Accounting Standards ("IASs") 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 Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss, which have been measured at fair value. 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 Group for the year ended 31 December 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Other than the results of Aba Mining, 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.

Total comprehensive income within a subsidiary is 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 loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest 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 investments 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 earnings, as appropriate.

2.3 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 Amendment	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Limited Exemptions from Comparative IFRS 7 Disclosures for First-time Adopters*
IAS 24 (Revised)	*Related Party Disclosures*
IAS 32 Amendment	Amendment to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
IFRIC 14 Amendments	Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement*
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to IFRSs 2010	*Amendments to a number of IFRSs issued in May 2010*

2.3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

Other than as further explained below regarding the impact of IAS 24 (Revised), and amendments to IFRS 3, IAS 1 and IAS 27 included in *Improvements* to *IFRSs 2010*, the adoption of the new and revised IFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these IFRSs are as follows:

(a) IAS 24 (Revised) *Related Party Disclosures*

IAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group.

(b) *Improvements to IFRSs 2010* issued in May 2010 sets out amendments to a number of IFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- IFRS 3 *Business Combinations:* The amendment clarifies that the amendments to IFRS 7, IAS 32 and IAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008).

  In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another IFRS.

  The amendment also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

2.3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

(b) (continued)

- IAS 1 *Presentation of Financial Statements:* The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

- IAS 27 *Consolidated and Separate Financial Statements:* The amendment clarifies that the consequential amendments from IAS 27 (as revised in 2008) made to IAS 21, IAS 28 and IAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if IAS 27 is applied earlier.

2.4 ISSUED BUT NOT YET EFFECTIVE IFRSs

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

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[1]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[1]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[4]
IFRS 9	*Financial Instruments*[6]
IFRS 10	*Consolidated Financial Statements*[4]
IFRS 11	*Joint Arrangements*[4]
IFRS 12	*Disclosure of Interests in Other Entities*[4]
IFRS 13	*Fair Value Measurement*[4]
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*[4]
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[3]
IAS 12 Amendments	Amendments to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*[2]
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits*[4]
IAS 27 (Revised)	*Separate Financial Statements*[4]
IAS 28 (Revised)	*Investments in Associates and Joint Ventures*[4]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[5]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

2.4 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

Further information about those changes that are expected to significantly affect the Group is as follows:

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 requirements 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. 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 other comprehensive income 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.

IAS 39 is aimed to 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 2015.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by IFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in IAS 27 and SIC 12 *Consolidation – Special Purpose Entities*. IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC12.

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

IFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in IAS 27 *Consolidated and Separate Financial Statements*, IAS 31 *Interests in Joint Ventures* and IAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

2.4 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

Consequential amendments were made to IAS 27 and IAS 28 as a result of the issuance of IFRS 10, IFRS 11 and IFRS 12. The Group expects to adopt IFRS 10, IFRS 11, IFRS 12, and the consequential amendments to IAS 27 and IAS 28 from 1 January 2013.

IFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other IFRSs. The Group expects to adopt IFRS 13 prospectively from 1 January 2013.

Amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1 January 2013.

IFRIC 20 describes the accounting for waste removal costs incurred during the production phase of a surface mine. To the extent that the benefit from the stripping activity is realised in the form of inventory produced, the costs incurred must be accounted for in accordance with the principles of IAS 2 Inventories. To the extent that the benefit is improved access to ore to be mined in future periods and if criteria set out in the interpretation are met, the waste removal costs must be recognised as a stripping activity asset under non-current asset. The Group expects to adopt the interpretation from 1 January 2013.

2.5 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.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits or losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint ventures (continued)

A joint venture is treated as:

(a) a subsidiary, if the Group/Company has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly controlled entity, if the Group/Company does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group/Company does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with IAS 39, if the Group/Company holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly controlled entity

A jointly controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly controlled entity.

The Group's investment in a jointly controlled entity is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and reserves of its jointly controlled entity is included in the consolidated statement of comprehensive income and consolidated reserves, respectively. Where the profit sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the jointly controlled entity is determined based on the agreed profit sharing ratio. Unrealised gains and losses resulting from transactions between the Group and its jointly controlled entity is eliminated to the extent of the Group's investment in the jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of a jointly controlled entity is included as part of the Group's investment in the jointly controlled entity.

Associate

An associate is an entity, not being a subsidiary or a jointly controlled entity, in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investment in an associate is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of its associate is included in the consolidated statement of comprehensive income and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's investment in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of an associate is included as part of the Group's investment in the associate and is not individually tested for impairment.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill

Business combinations not under common control 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 Group elects whether it measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. 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 will be 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 will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

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 identifiable net 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.

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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.

Merger accounting for business combination under common control

The combining entities or businesses over which the common control exists are consolidated from the date when the combining entities or businesses first came under the control of the controlling parties.

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.

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 is a person or a close member of that person's family and that person

- (i) has controls or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group; or

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); or

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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 depreciates them accordingly.

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	5-10 years

Depreciation of mining infrastructure is calculated using the units of production ("UOP") method to depreciate 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 12.0 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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 represents items of property, plant and equipment under construction, which are stated at cost less any impairment losses, and are 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.

2.5 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 any 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) substantial 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 it 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.

2.5 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 advanced stripping costs incurred during the production stage of its operations 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 "Advanced stripping fees" under "Prepayments, deposits and other receivables" in the consolidated statement of financial position and amortised when the related mineral ore is extracted.

Operating leases

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 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 transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

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 trade and bills receivables and other receivables, amounts due from related parties, financial assets at fair value through profit or loss, pledged time deposits and cash and bank balances.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss represent financial assets designated upon initial recognition as at fair value through profit or loss.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in "Other income and gains" or "Finance costs" in the statement of comprehensive income. These net fair value changes do not include any dividends or interest earned on these financial assets.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under IAS 39 are satisfied.

Loan and receivables

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 other income in the statement of comprehensive income. The loss arising from impairment is recognised in the statement of comprehensive income in finance costs for loans and in other expenses for receivables.

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 transferred 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 passthrough arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it 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.

2.5 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 except for those at fair value through profit or loss is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that 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 expenses in the statement of comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 represent 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 plus, in the case of loans and borrowings, directly attributable transaction costs.

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

After initial recognition, interest-bearing bank loans and other loans 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 the statement of comprehensive income when the liabilities are derecognised as well as through the effective interest rate 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 the statement of comprehensive income.

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 profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position 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 financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 the statement of comprehensive income.

Provisions for the Group's obligations for rehabilitation are based on estimates of required expenditure at the mines in accordance with the rules and regulations of China. 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 the present value based on the appropriate discount rate. The periodic unwinding of the discount is recognised within finance costs in the statement of comprehensive income. 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.

2.5 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:

- when 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, an associate and joint ventures when 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, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised 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:

- when 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, an associate and joint ventures 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.

2.5 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 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, for example, 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;

(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 a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(c) dividend income, when the shareholders' right to receive payment has been established.

Borrowing costs

Borrowing costs 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 the period in which they are incurred. Borrowing costs consist 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 arising on settlement or translation of monetary items 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. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss, respectively).

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends

Final dividends proposed by the Directors are classified as a separate allocation of retained earning 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 32 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 until the vesting 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.

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employees' benefits

Pension scheme

The employees of the subsidiaries China are required to participate in a central defined pension scheme managed by the local municipal government of the areas in China in which they are operate. 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 Group has no obligation for the payment of retirement benefits beyond the annual contributions. 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 MPF Scheme for its employees in Hong Kong. Contributions are made based on a percentage of the employees' 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.

Housing fund

Contributions to a defined contribution housing 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 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, 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 described 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 2011 was RMB15,318,000 (2010: RMB15,318,000). More details are given in note 19.

(b) Impairment of receivables

Impairment of receivables is estimated 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 the 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 two years ended 31 December 2011.

3. SIGNIFICANT ACCOUNTING ESTIMATES (continued)

Estimation uncertainty (continued)

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

The Group's operating subsidiaries in China are subject to PRC CIT. As a result of the fact that certain matters relating to PRC 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 PRC 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 as at 31 December 2011 was RMB89,655,000 (2010 (Restated): RMB91,380,000).

(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 as at 31 December 2011 was RMB1,726,804,000 (2010 (Restated): RMB1,539,809,000).

(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 at 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 the 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 a 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 as at 31 December 2011 was RMB137,333,000 (2010 (Restated): RMB70,531,000).

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 of 6.84% as at 31 December 2011 (6.84% as at 31 December 2010) reflecting the term and nature of the obligations 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 the 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 2011 was RMB7,664,000 (2010 (Restated): RMB7,173,000).

(h) Deferred stripping costs

The Group defers and capitalises advanced 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 an estimated useful life and the design of a mine will result in changes of the expected stripping ratio (waste to mineral reserves ratio). These changes are accounted for prospectively. The carrying amount of advanced stripping fees as at 31 December 2011 was RMB241,417,000 (2010 (Restated): RMB190,637,000).

(i) Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets can be recognised, based upon the likely timing and level of future taxable profits together with future tax strategies. 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 2011 was RMB13,816,000 (2010 (Restated): RMB16,501,000). Further details are contained in note 20 to the financial statements.

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

3. SIGNIFICANT ACCOUNTING ESTIMATES (continued)

Estimation uncertainty (continued)

(j) Valuation of financial assets at fair value through profit or loss

The Group's Exchangeable Notes are designated upon initial recognition as at fair value through profit or loss and re-measured to fair value through profit or loss in subsequent reporting periods. The Group engaged an independent professional valuer to assist in determining the fair value of these Exchangeable Notes. The fair value of the exchangeable notes was estimated by the independent professional value using the Binomial Lattice Model and the estimation included some assumptions not supported by observable market prices or rates such as the discount rate, volatility, credit risk, and expected future cash flow, and hence they are subject to uncertainty. Favourable or unfavourable changes to these assumptions would result in significant changes in the fair value of the exchangeable notes and the corresponding adjustments to the amount of gain or loss reported in profit or loss. The fair value of the exchangeable notes at 31 December 2011 was RMB207,942,000 (2010: not applicable). Further details are contained in note 24 to the financial statements.

(k) Impairment of non-current assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Definite life non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

4. REVENUE AND OPERATING 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 are mainly derived from its sale of vanadium-bearing iron concentrates, ordinary iron concentrates, iron pellets, medium-grade titanium concentrates and high-grade 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 non-current assets employed by the Group are located in Sichuan Province, the PRC. Accordingly, no segment analysis is presented other than entity-wide disclosures.

4. REVENUE AND OPERATING SEGMENT INFORMATION (continued)

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:

	2011 RMB'000	2011 %	2010 RMB'000 (Restated)	2010 %
Vanadium-bearing iron concentrates	**960,203**	**56.1**	875,784	55.6
Ordinary iron concentrates	**32,556**	**1.9**	22,298	1.4
Iron pellets	**593,496**	**34.6**	637,172	40.4
Medium-grade titanium concentrates	**12,478**	**0.7**	8,239	0.5
High-grade titanium concentrates	**114,245**	**6.7**	32,935	2.1
	1,712,978	**100.0**	1,576,428	100.0

Geographical information

All external revenue of the Group during each of the two years ended 31 December 2011 was attributable to customers located 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 each of the major customers, which amounted to 10% or more of the total revenue, is set out below:

	2011 RMB'000	2010 RMB'000 (Restated)
Customer A	**298,284**	195,365
Customer B	**278,782**	279,947
Customer C	**271,685**	298,192
Customer D	**257,867**	209,339
Customer E	**229,492**	287,431
Customer F	*****	242,783

* Less than 10% of total revenue

5. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	Notes	2011 RMB'000	2010 RMB'000 (Restated)
Bank interest income		**12,221**	3,891
Sale of raw materials		**18,134**	43,667
Government grants*	17(e)	**55,000**	2,500
Compensation from a local government	17(f)	**9,320**	–
Fair value gains on financial assets at fair value through profit or loss	24	**14,423**	–
Gain on disposal of an associate	35(c)	**–**	19,368
Miscellaneous		**644**	442
Total other income and gains		**109,742**	69,868

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

6. FINANCE COSTS

	Notes	2011 RMB'000	2010 RMB'000 (Restated)
Interest on bank loans and other loans wholly repayable within five years		**22,941**	16,634
Interest on discounted bills receivable		**–**	2,363
Unwinding of discount on provision	29	**491**	456
		23,432	19,453
Less: interest capitalised to property, plant and equipment	12	**(1,537)**	(8,874)
		21,895	10,579
Foreign exchange loss/(gain), net		**(775)**	7,389
		21,120	17,968
Capitalisation rate of borrowing costs		**5.4% to 7.59%**	5.4% to 5.94%

7. PROFIT BEFORE TAX

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

	Notes	2011 RMB'000	2010 RMB'000 (Restated)
Cost of inventories sold		**886,407**	735,982
Staff costs (including Directors' remuneration (note 8)):			
Wages and salaries		**58,739**	44,730
Welfare and other benefits		**8,991**	5,537
Equity-settled share option expense	32	**28,647**	19,030
Pension scheme contributions			
– Defined contribution fund		**8,303**	5,072
Housing fund			
– Defined contribution fund		**465**	265
Total staff costs		**105,145**	74,634
Depreciation	12	**100,936**	72,727
Amortisation of intangible assets	13	**20,930**	16,673
Amortisation of prepaid land lease payments	14	**1,113**	1,069
Depreciation and amortisation expenses		**122,979**	90,469
Minimum lease payments under operating leases:			
Land		**108**	157
Office		**1,057**	864
Auditors' remuneration		**4,000**	3,543
Prepaid technical fee released to profit or loss	17(b)	**4,133**	4,133
Loss on disposal of items of property, plant and equipment		**5**	426
Loss on disposal of subsidiaries	35(b)	**–**	1,378
Write-down/(reversal of write-down) of inventories to net realisable value	21	**(2,547)**	1,708

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

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

	2011 RMB'000	2010 RMB'000
Fees	**784**	944
Other emoluments:		
Salaries, allowances and benefits in kind	**1,206**	1,037
Equity-settled share option expense	**17,878**	13,182
Pension scheme contributions		
– Defined contribution fund	**52**	116
	19,136	14,335
	19,920	15,279

During the year and the prior years, 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 32 to the financial statements. The fair values of such options which have been recognised in profit or loss over the vesting period were determined as at dates of grant and amounts included in the financial statements for the current and prior years are 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	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Mr. Yu Haizong	**99**	104	**–**	–
Mr. Gu Peidong	**99**	104	**–**	–
Mr. Liu Yi	**99**	104	**–**	–
Mr. Wu Wei	**–**	30	**–**	–
	297	342	**–**	–

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

(b) Executive directors and non-executive directors

	Fees 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
2011					
Executive					
Mr. Jiang Zhong Ping	**88**	**415**	**3,937**	**16**	**4,456**
Mr. Liu Feng	**88**	**423**	**5,830**	**18**	**6,359**
Mr. Yu Xing Yuan	**88**	**368**	**8,111**	**18**	**8,585**
	264	**1,206**	**17,878**	**52**	**19,400**
Non-executive					
Mr. Wang Jin	**124**	**–**	**–**	**–**	**124**
Mr. Teo Cheng Kwee	**99**	**–**	**–**	**–**	**99**
	223	**–**	**–**	**–**	**223**
	487	**1,206**	**17,878**	**52**	**19,623**

	Fees 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)

(c) There was no arrangement under which a Director waived or agreed to waive any remuneration during the year (2010: Nil).

(d) The five highest paid employees during the year included three (2010: three) Directors, details of whose remuneration are set out above. Details of the remuneration of the remaining two (2010: two) non-Director, highest paid employees for the year are as follows:

	2011 RMB'000	2010 RMB'000
Salaries, allowances and benefits in kind	**1,433**	1,000
Equity-settled share option expense	**6,149**	3,377
Pension scheme contributions	**80**	50
	7,662	4,427

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

	Number of employees	
	2011	2010
HK$1,000,001 to HK$1,500,000	**–**	1
HK$3,500,001 to HK$4,000,000	**1**	1
HK$5,500,001 to HK$6,000,000	**1**	–
	2	2

During the year and the prior years, 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 32 to the financial statements. The fair values of such options, which are being recognised in profit or loss over the vesting period were determined as at dates of grant and amounts included in the financial statements for the current and prior year are included in the above non-Director, highest paid employees' remuneration disclosures.

9. INCOME TAX EXPENSE

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI during the two years ended 31 December 2011.

No provision for Hong Kong profits tax has been made as the Group has no assessable profits derived from or earned in Hong Kong during the two years ended 31 December 2011.

The provision for PRC CIT is based on the respective PRC CIT rates applicable to the subsidiaries located in the PRC as determined in accordance with the relevant income tax rules and regulations of China for the year. The Group's PRC subsidiaries other than Huili Caitong (see note (a) below) are subject to the PRC CIT rate of 25% during the two years ended 31 December 2011.

9. INCOME TAX EXPENSES (continued)

The major components of income tax expense are as follows:

	2011 RMB'000	2010 RMB'000 (Restated)
Current – the PRC		
Charge for the year	**122,260**	121,072
Deferred (note 20)	**12,515**	(3,756)
Income tax expenses for the year	**134,775**	117,316

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	2011 RMB'000	2010 RMB'000 (Restated)
Profit before tax		**747,500**	713,106
Tax at applicable tax rate of 25%		**186,875**	178,277
Lower tax rate for a subsidiary	(a)	**(79,178)**	(72,503)
Withholding tax of 10% on the Company's interest income from the Group's PRC subsidiary		**3,971**	–
Expenses not deductible for tax	(b)	**26,716**	15,265
Loss attributable to an associate		**–**	1,119
Income not subject to tax		**(3,609)**	(4,842)
Tax expenses at the Group's effective tax rate		**134,775**	117,316

Notes:

(a) Pursuant to the relevant tax rules and regulations of the PRC applicable to foreign investment enterprises ("FIEs"). Huili Caitong was approved to enjoy its tax holiday from 2007 and hence, was not liable to PRC CIT in 2007 and 2008 and was entitled to a 50% tax reduction for the subsequent three years (2009 to 2011).

(b) Expenses not deductable for tax mainly consist of unrealised foreign exchange losses, equity-settled share option expense and administrative expenses incurred by offshore companies. These expenses are not expected to be deductible for tax.

10. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 December 2011 includes a total loss of RMB120,260,000 (2010: RMB93,960,000) which has been dealt with in the financial statements of the Company (note 33).

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 equity holders of the Company, and the number of ordinary shares of 2,075,000,000 (2010: 2,075,000,000) in issue during the year ended 31 December 2011.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2011 and 2010 in respect of a dilution as the exercise prices of the Company's outstanding share options were higher than the average market price for the Company's shares during the current and prior years.

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 2011							
Cost:							
At 1 January 2011							
As previously stated	891,833	396,867	1,253	7,271	74,550	281,160	1,652,934
Effect of a business combination under common control (note 2.1)	2,518	3,596	139	1,496	718	58,815	67,282
As restated	894,351	400,463	1,392	8,767	75,268	339,975	1,720,216
Additions	911	8,031	556	1,590	–	285,184	296,272
Transferred from CIP	241,180	96,120	525	–	12,145	(349,970)	–
Offset against government grants received (note 30)	(8,226)	–	–	–	–	–	(8,226)
Disposals	(145)	(67)	–	(14)	–	–	(226)
At 31 December 2011	1,128,071	504,547	2,473	10,343	87,413	275,189	2,008,036
Accumulated depreciation:							
At 1 January 2011							
As previously stated	75,479	90,364	519	1,800	8,610	–	176,772
Effect of a business combination under common control (note 2.1)	169	1,908	117	1,295	146	–	3,635
As restated	75,648	92,272	636	3,095	8,756	–	180,407
Provided for the year	50,741	41,888	402	1,133	6,772	–	100,936
Disposals	(41)	(56)	–	(14)	–	–	(111)
At 31 December 2011	126,348	134,104	1,038	4,214	15,528	–	281,232
Net carrying amount:							
At 1 January 2011 (Restated)	818,703	308,191	756	5,672	66,512	339,975	1,539,809
At 31 December 2011	1,001,723	370,443	1,435	6,129	71,885	275,189	1,726,804

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 2010							
Cost:							
At 1 January 2010							
As previously stated	251,896	217,820	977	3,754	24,491	102,226	601,164
Effect of a business combination under common control (note 2.1)	6,652	3,676	387	2,236	718	12,936	26,605
As restated	258,548	221,496	1,364	5,990	25,209	115,162	627,769
Additions	576,052	133,194	278	3,857	50,059	346,412	1,109,852
Transferred from CIP	67,281	47,879	–	–	–	(115,160)	–
Offset against government grants received (note 30)	(467)	(533)	–	–	–	–	(1,000)
Disposal of subsidiaries (note 35(b))	(5,976)	(328)	(250)	(740)	–	(80)	(7,374)
Disposals	(1,087)	(1,245)	–	(340)	–	(6,359)	(9,031)
At 31 December 2010 (Restated)	894,351	400,463	1,392	8,767	75,268	339,975	1,720,216
Accumulated depreciation:							
At 1 January 2010							
As previously stated	41,892	58,788	307	1,555	2,790	–	105,332
Effect of a business combination under common control (note 2.1)	1,309	2,807	129	1,330	123	6,198	11,896
As restated	43,201	61,595	436	2,885	2,913	6,198	117,228
Provided for the year	34,140	31,809	264	671	5,843	–	72,727
Disposal of subsidiaries (note 35(b))	(805)	(66)	(64)	(138)	–	–	(1,073)
Disposals	(888)	(1,066)	–	(323)	–	(6,198)	(8,475)
At 31 December 2010 (Restated)	75,648	92,272	636	3,095	8,756	–	180,407
Net carrying amount:							
At 1 January 2010 (Restated)	215,347	159,901	928	3,105	22,296	108,964	510,541
At 31 December 2010 (Restated)	818,703	308,191	756	5,672	66,512	339,975	1,539,809

12. PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)

(a) Additions to CIP during the year include interest capitalised in respect of bank loans amounting to RMB1,537,000 during the year ended 31 December 2011 (2010: RMB8,874,000).

(b) As at 31 December 2011, the Group was in the process of obtaining the relevant building ownership certificates ("BOCs") for certain buildings which were occupied by the Group with a carrying amount of RMB6,044,000 (2010: RMB47,319,000). The Group's buildings can be sold, transferred or mortgaged when the relevant BOCs have been obtained.

(c) As at 31 December 2011, the Group's buildings with a carrying amount of approximately RMB51,052,000 (2010: RMB45,811,000) were erected on the land where the Group was still in the process of applying for the land use rights certificate.

13. INTANGIBLE ASSETS

Group

	Mining rights RMB'000	Exploration and evaluation assets RMB'000	Total RMB'000
Cost:			
At 1 January 2011			
As previously stated	349,952	165,897	515,849
Effect of a business combination under common control (note 2.1)	38,433	37,579	76,012
As restated	388,385	203,476	591,861
Additions	9,135	40,255	49,390
At 31 December 2011	397,520	243,731	641,251
Accumulated amortisation:			
At 1 January 2011			
As previously stated	34,780	–	34,780
Effect of a business combination under common control (note 2.1)	8,640	–	8,640
As restated	43,420	–	43,420
Provided for the year	20,930	–	20,930
At 31 December 2011	64,350	–	64,350
Net carrying amount:			
At 1 January 2011 (Restated)	344,965	203,476	548,441
At 31 December 2011	333,170	243,731	576,901

13. INTANGIBLE ASSETS (continued)

Group (continued)

	Mining rights RMB'000	Exploration and evaluation assets RMB'000	Total RMB'000
31 December 2010			
Cost:			
At 1 January 2010			
As previously stated	152,391	10,000	162,391
Effect of a business combination under common control (note 2.1)	44,227	–	44,227
As restated	196,618	10,000	206,618
Additions	197,562	193,476	391,038
Disposal of subsidiaries (note 35(b))	(5,795)	–	(5,795)
At 31 December 2010 (Restated)	388,385	203,476	591,861
Accumulated amortisation:			
At 1 January 2010			
As previously stated	20,299	–	20,299
Effect of a business combination under common control (note 2.1)	8,903	–	8,903
As restated	29,202	–	29,202
Provided for the year	16,673	–	16,673
Disposal of subsidiaries (note 35(b))	(2,455)	–	(2,455)
At 31 December 2010 (Restated)	43,420	–	43,420
Net carrying amount:			
At 1 January 2010 (Restated)	167,416	10,000	177,416
At 31 December 2010 (Restated)	344,965	203,476	548,441

14. PREPAID LAND LEASE PAYMENTS

	Group	
	2011	2010
	RMB'000	RMB'000
Carrying amount at 1 January	**51,791**	48,889
Additions	**–**	3,971
Amortisation for the year	**(1,113)**	(1,069)
Carrying amount at 31 December	**50,678**	51,791

(a) Prepaid land lease payments represented costs of land use rights in respect of the Group's leasehold land situated in Sichuan Province, the PRC, and held under medium lease terms.

(b) As at 31 December 2011, the legal title of the land use rights with a cost of RMB3,915,000 (2010: RMB3,915,000) that has not been transferred to the Group and the application of the relevant title transfer is still under process. The Directors do not foresee any major obstacles to completing the title transfer of the legal title of the above-mentioned land use rights to the Group.

15. INVESTMENTS IN SUBSIDIARIES

	Company	
	2011	2010
	RMB'000	RMB'000
Unlisted investments, at cost		
Powerside Holdings Limited ("Powerside")	**1**	1
First China Limited ("First China")	**618,699**	618,699
Loans to a subsidiary^	**1,263,751**	–
	1,882,451	618,700

^ In the opinion of Directors, these loans to a subsidiary are considered as quasi-equity loans to this subsidiary

The amounts due from/to subsidiaries included in the Company's current assets and current liabilities as at 31 December 2011 and 2010 were unsecured, interest-free and were repayable on demand or within one year.

As at 31 December 2011, the amounts due from subsidiaries (including the above quasi-equity loans) denominated in HK$ and US$ amounted to RMB1,362,048,000 and RMB124,128,000 (2010: RMB1,576,262,000 and Nil) respectively. As at 31 December 2011, the amount due to a subsidiary was denominated in RMB.

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 share/ paid-up capital	Percentage of equity interests attributable to the Company %	Principal activities
Directly held:				
Powerside	BVI 8 January 2008	US$1	100.0	Investment holding
First China	Hong Kong 5 March 2008	HK$1	100.0	Investment holding
Sure Prime Limited	BVI 12 April 2011	US$1	100.0	Investment holding
Indirectly held:				
Simply Rise Holdings Limited	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 holding
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
Aba Mining	PRC 27 April 2004	RMB20,000,000	100.0	Iron ore mining, exploration of mine and ore processing

16. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	Group	
	2011	2010
	RMB'000	RMB'000
Unlisted investment, at cost	**550**	–
Share of net profit	**34**	–
Share of net assets	**584**	–

The investment in a jointly controlled entity as at 31 December 2011 represented Lingyu Investment's 55% equity interests in Sichuan Xinglian Mining and Technology Consultation Co., Ltd. ("Sichuan Xinglian"), a company that is principally engaged in mining design and development consulting, mining exploration and the provision of management services. Sichuan Xinglian was established by Lingyu Investment and another independent third party investor on 17 April 2011 in the PRC with a registered capital of RMB1,000,000.

In the opinion of the Directors, according to the articles of association of Sichuan Xinglian, neither the Company nor the other investor has the power to control the financial and operating policies of Sichuan Xinglian so as to obtain benefits from its activities. Accordingly, Sichuan Xinglian is accounted for as an investment in a jointly controlled entity.

The information on the share of Sichuan Xinglian's assets and liabilities, revenue and profit after tax by the Group is as follows:

	2011	2010
	RMB'000	RMB'000
Assets	**639**	–
Liabilities	**55**	–
Revenue	**156**	–
Profit after tax	**34**	–

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		Group	
	Notes	**2011** **RMB'000**	2010 RMB'000 (Restated)
Current portion:			
Prepayments consisting of:			
Advanced stripping fees	(a)	**64,708**	88,762
Prepaid technical service fee	(b)	**4,133**	4,133
Purchase of raw materials		**1,669**	578
Utilities		**1,300**	551
Prepayment for the using right of a road	(c)	**35**	35
Other prepayments		**2,176**	4,594
Bidding deposit	(d)	**30,000**	–
Government grants receivable	(e)	**30,000**	–
Interest receivable for time deposits with original maturity of over three months		**9,365**	–
Compensation receivable	(f)	**2,452**	–
Other receivables		**2,301**	1,501
		148,139	100,154
Non-current portion:			
Advanced stripping fees	(a)	**176,709**	101,875
Prepaid technical service fee	(b)	**49,600**	53,733
Prepayment for the using right of a road	(c)	**954**	989
Long-term environmental rehabilitation deposits	(g)	**3,917**	2,346
		231,180	158,943
		379,319	259,097

Notes:

(a) The balances represented advanced stripping fees paid by the Group to an Independent Third Party Processing Contractor for stripping activities of the Baicao Mine and the Xiushuihe Mine, which would be recognised as part of the production costs once the raw iron ore is extracted.

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Notes (continued):

(b) The balance represented a technical service support fee for a period of 15 years ending on 31 December 2024 prepaid to Sichuan Nanjiang Mining Co., Ltd. ("Nanjiang"), an independent third party, by Xiushuihe Mining. The prepaid technical support fee is released to profit or loss according to the straight-line method based on the terms of technical service to be provided by Nanjiang with a yearly technical service fee of appropriately RMB4.1 million.

During the year, the prepaid technical service fee released to profit or loss amounted to RMB4,133,000 (2010: RMB4,133,000).

(c) The balance represented payment made to Xinqiao Mining Co., Ltd. for the right to use a pavement road connecting to the Maoling Mine for 30 years ending 22 August 2040 at a consideration of approximately RMB1,035,000. The prepayment for the right of using the road recorded as the current portion represented the amount to be released to profit or loss in the next 12 months from 31 December 2011.

(d) The bidding deposit represented the deposit paid for the bidding of an exploration right for a nickel and cobalt mine. As the Group did not succeed in the bidding, such deposit was refunded to the Group in February 2012.

(e) During the year ended 31 December 2011, the Group obtained an unconditional government grant of RMB55,000,000 from the local government authorities, of which RMB25,000,000 and RMB30,000,000 were received by the Group in December 2011 and January 2012, respectively.

(f) Aba Mining and Wenchuan County Weizhou Town Government ("Weizhou Government") entered into two separate agreements in April 2009 and May 2011, respectively, pursuant to which Aba Mining agreed to relocate its processing plants located in Xingqiao Village and surrender the land use rights where the processing plants were erected to the Weizhou Government. During the year ended 31 December 2011, Aba Mining has surrendered the said land use rights for a compensation of RMB9,320,000, of which RMB6,868,000 was received in September 2011.

(g) The 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 12 months from 31 December 2011.

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.

18. PAYMENTS IN ADVANCE

	Group	
	2011	2010
	RMB'000	RMB'000
		(Restated)
In respect of:		
Purchase of machinery and equipment	**15,712**	68,295
Acquisition of a subsidiary (note 37)	**150,000**	–
	165,712	68,295

19. GOODWILL

	Group	
	2011	2010
	RMB'000	RMB'000
At cost:		
At 1 January	**15,318**	23,258
Disposal of subsidiaries (note 35(b))	**–**	(7,940)
At 31 December	**15,318**	15,318

Goodwill, which arose from the acquisition of Xiushuihe Mining by the Group, represented the excess of the cost of the business combination over the Company's interest in the fair value of Xiushuihe Mining's identifiable assets and liabilities as at the date of the acquisition.

Impairment testing of goodwill

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

The recoverable amount of the Xiushuihe Mine's 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 15.5% (2010: 13.4%) and cash flows beyond the five-year period were assumed to be stable.

The followings 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 the 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.

20. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax assets

	Losses available for offsetting against future taxable profit RMB'000	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 January 2010	–	5,181	1,426	629	770	8,006
As previously stated						
Effect of a business combination under common control (note 2.1)	1,994	2,284	105	–	356	4,739
As restated	1,994	7,465	1,531	629	1,126	12,745
Deferred tax credited/(charged) to profit or loss during the year (note 9)	3,005	110	120	(191)	712	3,756
Gross deferred tax assets at 31 December 2010 and 1 January 2011 (Restated)	4,999	7,575	1,651	438	1,838	16,501
At January 2011	–	7,084	1,523	438	1,315	10,360
As previously stated						
Effect of a business combination under common control (note 2.1)	4,999	491	128	–	523	6,141
As restated	4,999	7,575	1,651	438	1,838	16,501
Deferred tax credited/(charged) to profit or loss during the year (note 9)	(1,679)	(1,058)	129	1,488	(1,565)	(2,685)
Gross deferred tax assets at 31 December 2011	3,320	6,517	1,780	1,926	273	13,816

20. DEFERRED TAX (continued)

Deferred tax liabilities

	Government grant receivable	Compensation due from a local government	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2010, 31 December 2010 and 1 January 2011	–	–	–
Deferred tax charged to profit or loss during the year (note 9)	7,500	2,330	9,830
Gross deferred tax liabilities at 31 December 2011	7,500	2,330	9,830

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2011	2010
	RMB'000	RMB'000
Gross deferred tax assets at 31 December	**13,816**	16,501
Less: Gross deferred tax liabilities 31 December	**(9,830)**	–
Net deferred tax assets 31 December	**3,986**	16,501

(a) 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, the tax rate of 25% is applied in the calculation of deferred taxes which are expected to be realised or settled after 1 January 2012.

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

(b) 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 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 China and the jurisdiction of the foreign investors. The withholding tax rate for the Group is 10%.

According to the articles of association of Huili Caitong, the 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 31 January 2012, the net profit of Huili Caitong for the year ended 31 December 2011, 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 2011 have been recognised.

21. INVENTORIES

	Group	
	2011	2010
	RMB'000	RMB'000
		(Restated)
At cost:		
Raw materials	**97,098**	40,186
Spare parts and consumables	**31,863**	26,945
Finished goods	**5,321**	1,264
	134,282	68,395
At net realisable value:		
Finished goods	**3,051**	2,136
At the lower of cost and net realisable value	**137,333**	70,531

During the year ended 31 December 2011, a reversal of provision for write-down of finished goods to net realisable value of RMB2,547,000 was made in respect of goods sold during the year (2010: a write-down to net realisable value of RMB1,708,000 in respect of finished goods where production costs exceeded selling prices).

22. TRADE AND BILLS RECEIVABLES

	Group	
	2011	2010
	RMB'000	RMB'000
		(Restated)
Trade receivables	**99,348**	147,096
Bills receivable	**35,070**	60,502
	134,418	207,598

The Group's trading terms with its customers are mainly on credit, except for customers of titanium products, where full payment in advance of delivery is required. 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 maintains strict control over the settlements of its outstanding receivables to minimise credit risk. Overdue balances are regularly reviewed by senior management. Trade receivables are non-interest-bearing and unsecured.

22. TRADE AND BILLS RECEIVABLES (continued)

Based on the invoice date, all trade receivables of the Group at the end of the reporting period were aged within one month and were neither past due nor impaired.

The Group does not hold any collateral or other credit enhancements over trade receivables.

23. BALANCES WITH RELATED PARTIES

	Notes	Group 2011 RMB'000	Group 2010 RMB'000 (Restated)
Due from related parties:			
Non-trade in nature			
– Yanyuan Xiwei	(a)	**286**	286
– Trisonic International	(b)	**314**	314
		600	600
Due to related parties:			
Trade in nature			
– Chengyu Vanadium Titano	(c)	**28,807**	17,579
Non-trade in nature			
– Sichuan Huiyuan Gang Jian Technology Co., Ltd. ("Sichuan Huiyuan")	(d)	**6,294**	7,632
– Longwei Hotel Management Co., Ltd. ("Longwei Hotel")	(e)	**460**	318
– Xichang Vanadium Titanium Products Co., Ltd. ("Xichang Vanadium")	(f)	**24**	–
– Sichuan Xinglian	(g)	**85**	–
– Chuan Wei	(h)	**50,011**	29,747
		56,874	37,697
		85,681	55,276

23. BALANCES WITH RELATED PARTIES (continued)

Notes:

(a) Yanyuan Xiwei is a company controlled by Chuan Wei and was a subsidiary of Aba Mining before it was disposed of by Aba Mining in September 2010. The balance represented certain payments made by Aba Mining on behalf of Yanyuan Xiwei when Yanyuan Xiwei was a subsidiary of Aba Mining.

(b) The balance due from Trisonic International represented the overpayment of listing fees made by the Company to settle the listing expenses paid by Trisonic International on behalf of the Company in 2009.

(c) Chengyu Vanadium Titano is controlled by Prime Empire Limited. Prime Empire Limited and Trisonic International are ultimately controlled by the same beneficial owners.

The balance due to Chengyu Vanadium Titano as at 31 December 2010 and 2011 represented payments in advance received from Chengyu Vanadium Titano for the purchase of vanadium-bearing iron concentrates from the Group.

(d) Sichuan Huiyuan is a company controlled by Chuan Wei. The balance due to Sichuan Huiyuan represented design fee payable for the provision of construction service to the Group by Sichuan Huiyuan.

(e) Longwei Hotel and Trisonic International are ultimately controlled by the same beneficial owners. The balance due to Longwei Hotel represented a rental payable to Longwei Hotel for the operating lease of office premises by the Group.

(f) Xichang Vanadium is the controlled by Chuan Wei. During the year ended 31 December 2011, Xichang Vanadium paid operating expenses of RMB24,000 on behalf of the Group.

(g) Sichuan Xinglian is a jointly controlled entity of the Group. The balance represented mining service fee payable by the Group to Sichuan Xinglian.

(h) The balance due to Chuan Wei as at the end of the reporting period can be further analysed as follows:

	Group	
	2011	2010
	RMB'000	RMB'000
		(Restated)
Balance of consideration in respect of acquisition of:		
– Non-controlling interests in Huili Caitong	**–**	404
– Aba Mining*	**50,000**	–
Non-interest bearing loans granted to Aba Mining	**–**	29,343
Others	**11**	–
	50,011	29,747

* During the year ended 31 December 2011, the Group acquired the entire equity interests in Aba Mining from Chuan Wei at a purchase consideration of RMB150,000,000, of which RMB100,000,000 was paid by the Group during the year.

23. BALANCES WITH RELATED PARTIES (continued)

Notes: (continued)

(h) (continued)

	Company	
	2011	2010
	RMB'000	RMB'000
Due from a related party:		
Non-trade in nature		
– Trisonic International	**314**	314

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The balance represented Exchangeable Notes of US$20,000,000 and US$10,000,000 subscribed by the Group on 2 May 2011 and 18 November 2011, respectively and designated by the Group as financial assets at fair value through profit or loss upon initial recognition. The maturity dates of the Exchangeable Notes are 3 years after the date of issue. The Exchangeable Notes were issued by Issuer. Particulars of which are included in the Company's announcements made on 2 May 2011 and 18 November 2011, respectively.

The movements in the fair value of the Exchangeable Notes during the year ended 31 December 2011 are as follows:

	RMB'000
Cost of financial assets acquired:	
– US$20,000,000 on 2 May 2011	130,010
– US$10,000,000 on 17 November 2011	63,509
	193,519
Fair value gains on financial assets at fair value through profit or loss recognised during the year*	14,423
Carrying amount as at 31 December 2011	207,942

* Included in the fair value gains on financial assets at fair value through profit or loss recognised during the year is an exchange loss of RMB489,000 arising from the appreciation in RMB against US$ and amortisation of day one profit of RMB448,000 during the year.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

The fair value of the Exchangeable Note was estimated by an independent professional valuer by using the Binomial Lattice Model. The following table lists the key inputs to the model used:

	31 December 2011
Valuation of liability component	
Risk-free interest rate (Indonesia) (% per annum)	2.80%
Credit spread (%)	22.39%
Valuation of embedded derivatives	
Current market capitalisation (US$ in millions)	510
Coupon rate (% per annum)	–
Dividend yield (% per annum)	–
Equity return volatility (% per annum)	45.62%
Probability of Initial Public Offering (% per month for each Lattice step)	2%
Maturity period	25 November 2014
Lattice step	30
Non-marketability (%)	20%

In respect of the financial assets at fair value through profit or loss, the Group uses the valuation technique of the Binomial Lattice Model to determine the fair value of financial instruments that are not traded in an active market. Differences may arise between the fair value at initial recognition (which, in accordance with IAS 39, is generally the transaction price) and the amount determined at initial recognition using this valuation technique. Such differences are not recognised on their initial recognition but are amortised over the lives of the financial instruments using the straight-line method and the amortisation was included in the change in fair value of financial assets through profit or loss.

Such differences yet to be recognised in profit or loss are as follows:

	RMB'000
Income not recognised on initial recognition date	9,685
Amortised to profit or loss during the year	(448)
Carrying amounts as at 31 December 2011	9,237

25. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	Group	
	2011 **RMB'000**	2010 RMB'000 (Restated)
Cash and bank balances	**108,823**	471,843
Time deposits with original maturity of		
– less than three months	**200,000**	200,000
– over three months	**750,000**	430,000
	1,058,823	1,101,843
Less: pledged time deposits*	**(111,993)**	–
Cash and cash equivalents	**946,830**	1,101,843

* As at 31 December 2011, time deposits of RMB100,000,000 and RMB11,993,000 were pledged to secure a short term bank loan granted to the Group and the Company (note 28 (a)) and the issuance of bills payable (note 26), respectively.

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

	2011 **RMB'000**	2010 RMB'000 (Restated)
Cash and bank balances denominated in:		
HK$	**10,245**	74,932
US$	**1,286**	2

The RMB is not freely convertible into other currencies, however, under the PRC'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 one year, 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.

25. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS (continued)

Company

All cash and cash equivalents of the Company represented the cash and bank balances as at 31 December 2011 and 31 December 2010, of which RMB7,049,000 and RMB1,297,000, are denominated in HK$ and US$, respectively.

26. TRADE AND BILLS PAYABLES

	Group	
	2011	2010
	RMB'000	RMB'000
		(Restated)
Trade payables	**318,753**	260,887
Bills payable	**22,439**	–
	341,192	260,887

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

	Group	
	2011	2010
	RMB'000	RMB'000
		(Restated)
Within 180 days	**284,673**	248,181
181 to 365 days	**41,173**	5,918
1 to 2 years	**14,235**	1,043
2 to 3 years	**665**	1,628
Over 3 years	**446**	4,117
	341,192	260,887

Trade payables of the Group are non-interest-bearing and are normally settled within 180 days and the bills payable were with maturity period of 180 days. The carrying amounts of trade and bills payables approximated to their fair values at the end of reporting period.

As at 31 December 2011, the Group's bills payable of RMB22,439,000 (2010: Nil) were secured by pledged bank balances (note 25).

27. OTHER PAYABLES AND ACCRUALS

	Notes	Group 2011 RMB'000	2010 RMB'000 (Restated)
Current portion:			
Advances from customers		**6,883**	6,190
Payables related to:			
Construction in progress		**117,915**	92,653
Taxes other than income tax		**58,297**	82,010
Payroll and welfare payable		**14,338**	12,922
Mining cost and exploration right and assets		**26,357**	2,194
Previous owner of Yangqueqing Mine	(a)	**–**	10,840
Huili County Hailong Mining Development Co., Ltd. ("Huili Hailong")	(b)	**27,000**	41,500
Yanbian County Hongyuan Mining Co., Ltd.	(c)	**14,500**	26,740
Consultancy and professional fees		**3,681**	5,231
Deposits received		**1,586**	416
Other payables		**8,222**	6,269
		278,779	286,965
Non-current portion:			
Other payables		**500**	500
		279,279	287,465

Notes:

(a) The balance represented the remaining balance of the consideration payable in respect of the acquisition of mining rights of Yangqueqing Mine, which was fully settled during the year ended 31 December 2011.

(b) The balance represented the remaining balance of the consideration payable in respect of the acquisition of the exploration right of Cizhuqing Mine and the production facilities together with the land use right and the right to use a road from Huili Hailong.

(c) The balance represented the remaining balance of the consideration payable in respect of the acquisition of a production line 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.

Company

As at 31 December 2011 and 2010, other payables of the Company mainly represented legal and audit fees payable.

All other payables of the Group and the Company are non-interest-bearing and unsecured.

28. INTEREST-BEARING BANK AND OTHER LOANS

	Notes	Group 2011 RMB'000	Group 2010 RMB'000 (Restated)
Bank loans:			
Secured	(a)	**94,514**	–
Unsecured	(b)	**275,000**	300,000
Guaranteed	(c)	**50,000**	30,000
Other loans, unsecured	(d)	**3,200**	2,000
		422,714	332,000
Bank loans repayable:			
Within one year or on demand		**319,514**	175,000
In the second year		**25,000**	55,000
In the third to fifth years, inclusive		**75,000**	75,000
Beyond five years		**–**	25,000
		419,514	330,000
Unsecured other loans repayable:			
Within one year or on demand		**2,000**	–
In the second year		**–**	2,000
In the third to fifth years, inclusive		**1,200**	–
		3,200	2,000
Total bank and other loans		**422,714**	332,000
Balances classified as current liabilities		**(321,514)**	(175,000)
Balances classified as non-current liabilities		**101,200**	157,000

28. INTEREST-BEARING BANK AND OTHER LOANS (continued)

Notes:

(a) During the year ended 31 December 2011, OCBC has granted the Company banking facilities of US$31,000,000 (equivalent to approximately RMB200,620,000), of which US$15,000,000 (equivalent to approximately RMB94,514,000) was utilised through a short-term bank loans borrowed by the Company as at 31 December 2011. This short-term bank loan bears interest at the rate of 3% over the prevailing LIBOR as determined by OCBC for interest periods of up to 12 months or such other interest periods at may be agreed by OCBC. The short-term bank loan was secured by the pledge of a time deposit of RMB100,000,000 at OCBC Chengdu branch by Huili Caitong (note 25).

(b) As at 31 December 2011, Huili Caitong had unsecured interest-bearing bank loans from CCB Xichang branch bearing interest at fixed rates ranging from 5.81% to 7.59% (2010: 5.31% to 5.94%) per annum. In accordance with the bank loan agreements entered into between Huili Caitong and CCB Xichang branch, Huili Caitong agreed not to mortgage or pledge Huili Caitong's mining rights of Baicao Mine and the vanadium-bearing iron concentrate production line with an annual production capacity of 500.0 Ktpa to any other parties, and CCB Xichang branch will be entitled to a pre-emption right in the event of such mortgage or pledge.

(c) As at 31 December 2011, Aba Mining had a long-term interest-bearing bank loans from CCB Aba branch of RMB50,000,000 (2010: RMB30,000,000), bearing interest at the fixed rates ranging from 5.4% to 6.64% (2010: 5.4%) per annum. These long-term bank loans from CCB Aba branch were jointly guaranteed by Chuan Wei and Chengyu Vanadium Titano for nil consideration.

(d) Other loans represented interest-bearing loans granted by Wenchuan County State Assets Investment Co., Ltd. to Aba Mining for the reconstruction of production plants affected by the earthquake in May 2008. Other loans are unsecured and bear interest at the fixed interest rate of 5.76% (2010: 5.76%) per annum, of which RMB2,000,000 and RMB1,200,000 are due for repayment in July 2012 and January 2014, respectively.

29. PROVISION FOR REHABILITATION

	Group	
	2011	2010
	RMB'000	RMB'000
		(Restated)
At the beginning of year	**7,173**	6,717
Unwinding of discount (note 6)	**491**	456
At the end of year	**7,664**	7,173

A provision for rehabilitation is mainly recognised for the present value of estimated 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 Maoling MIne, Baicao Mine and Xiushuihe Mine and are discounted at a discount rate of 6.84% (2010: 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 finance costs.

30. DEFERRED INCOME

	Group	
	2011	2010
	RMB'000	RMB'000
		(Restated)
At the beginning of year	**6,600**	4,600
Received during the year	**11,200**	3,000
Off-set against property, plant and equipment (note 12)	**(8,226)**	(1,000)
At the end of year	**9,574**	6,600

Deferred income represented government grants received by the Group in respect of the construction of processing plants. Such deferred income will be deducted from the carrying amount of the assets when the construction of the relevant assets was completed and released to profit or loss by way of a reduced depreciation charge.

31. SHARE CAPITAL

Share

	2011	2010
	RMB'000	RMB'000
Authorised:		
10,000,000,000 (2010: 10,000,000,000) ordinary shares of HK$0.1 each	**880,890**	880,890
Issued and fully paid:		
2,075,000,000 (2010: 2,075,000,000) ordinary 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 two years ended 31 December 2011.

32. SHARE OPTION SCHEMES

On 4 September 2009, the Company adopted a share option scheme (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 Company's 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 whom the 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.

32. SHARE OPTION SCHEMES (continued)

The maximum numbers of the Company's 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 of the Company 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 of the Company 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 of the Company in issue on the date of offer and with an aggregate value (based on the closing price of the Company's 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.

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 that no option may be exercised more than 10 years from the date of grant.

The exercise price of share options is determinable by the Directors, but may not be less than the highest of (i) the nominal value of Shares of the Company; (ii) the average closing price of the Company's Shares as stated on the Stock Exchange 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 Company's 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 on the holders to dividends or to vote at Shareholders' meetings.

The following share options were outstanding during the year:

	Notes	**Weighted average exercise price** HK$ per Share	**Number of options** '000
As at 1 January 2011	(a)	5.03	29,600
Granted during the year	(b)	3.60	27,300
As at 31 December 2011		4.34	56,900

Notes:

(a) The share options outstanding as at 1 January 2011 represented share options granted under the Old Option Scheme by the Company on 29 December 2009 and 1 April 2010 at the exercise prices of HK$5.05 and HK$4.99 per Share, respectively.

(b) On 23 May 2011, options to subscribe for a total of 27,300,000 new Shares with a nominal value of HK$0.10 each in the Share capital of the Company were granted under the New Option Scheme at the exercise price of HK$3.60 per Shares.

32. SHARE OPTION SCHEMES (continued)

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

31 December 2011

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
27,300	3.60	23 May 2013 to 22 May 2021
56,900		

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		

The fair value of the share options granted during the year was HK$31,595,000 (equivalent to approximately RMB26,415,000) (2010: HK$24,349,000, equivalent to approximately RMB21,406,000) or HK$1.16 each, equivalent to approximately RMB0.97 each (2010: HK$2.59 each, equivalent to approximately RMB2.28 each), of which the Group recognised a share option expense of HK$9,608,000 (equivalent to approximately RMB8,033,000) during the year ended 31 December 2011 (2010: HK$5,333,000, equivalent to approximately RMB4,680,000).

32. SHARE OPTION SCHEMES (continued)

The fair values of equity-settled share options granted were estimated and valued by independent professional valuers as at the dates of grant, using the Binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the major inputs to the model used:

	Equity-settled share options granted on		
	23 May 2011	1 April 2010	29 December 2009
Dividend yield (%)	**2.07**	1.36	1.41
Expected volatility (%)	**62.40**	66.40	68.56
Risk-free interest rate (%)	**2.430**	2.788	2.652

At 31 December 2011, the Company had 29,600,000 share options outstanding under the Old Option Scheme and 27,300,000 share options outstanding under the New 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 56,900,000 additional Shares of the Company and additional Share capital of HK$5,690,000 and share premium of HK$241,506,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 56,900,000 share options outstanding, which represented approximately 2.74% of the Company's shares in issue as at that date.

33. 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 in the financial statements.

(a) Share premium account

The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the constitutional documents and the Companies Law of the Cayman Islands, 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.

33. RESERVES (continued)

Group (continued)

(b) Statutory surplus reserve and statutory reserve fund

In accordance with the Company Law of the PRC and the respective articles of association of subsidiaries domiciled in the PRC (the "PRC Subsidiaries"), each of the PRC Subsidiaries other than Huili Caitong is required to allocate 10% of its profits after tax, as determined in accordance with the PRC Generally Accepted Accounting Principles (the "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 an 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 the 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 the nominal value of the Company's shares issued in exchange of or consideration paid for subsidiaries acquired and the aggregate amount of the nominal value of the paid-up capital of these subsidiaries attributable to the owners of the Company for business combinations under common control.

Company

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

	Share premium account	**Share option reserve**	**Accumulated losses**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2010	2,096,984	106	(2,781)	2,094,309
Total loss for the year (note 10)	–	–	(93,960)	(93,960)
Reversal of share issue expenses over-provided	9,493	–	–	9,493
Equity-settle share option arrangements	–	19,030	–	19,030
Proposed final 2010 dividend	(107,756)	–	–	(107,756)
At 31 December 2010 and 1 January 2011	1,998,721	19,136	(96,741)	1,921,116
Total loss for the year (note 10)	–	–	(120,260)	(120,260)
Proposed final 2011 dividend (note 34)	(122,425)	–	–	(122,425)
Equity-settled share option arrangements (note 32)	–	28,647	–	28,647
At 31 December 2011	1,876,296	47,783	(217,001)	1,707,078

34. DIVIDENDS

(a) Dividends attributable to the year

At a meeting of the Directors held on 19 March 2012, the Directors proposed a final dividend of HK$0.073 per Share (equivalent to approximately RMB0.059 per Share amounting to RMB122,425,000) for the year ended 31 December 2011 (2010: HK$0.062 per Share).

The proposed final dividend for the year ended 31 December 2011 is subject to the approval of the Shareholders at 2012 AGM and is included in the proposed final dividend within equity of the statement of financial position.

(b) Dividends attributable to the previous financial year, declared and paid during the year

	RMB'000
Final dividend in respect of the financial year ended 31 December 2010 of RMB0.052 per Share (2009: Nil)	
Declared during the year	107,756
Paid during the year	(107,756)
	–

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Acquisition of non-controlling interests in Huili Caitong

During the year ended 31 December 2010, the Group purchased the remaining 7.23% equity interests in Huili Caitong at a consideration of RMB445,403,000. Upon completion of the acquisition, Huili Caitong became an indirect wholly-owned subsidiary of the Company. The difference between the purchase consideration and the carrying value of the share of net assets acquired of RMB301,286,000 has been recognised in equity as the acquisition of non-controlling interests was considered as an equity transaction.

The purchase consideration was settled by the Group in two separate payments in 2010 and 2011 amounting to RMB444,999,000 and RMB404,000, respectively.

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Disposal of subsidiaries by Aba Mining

On 8 September 2010, Aba Mining disposed of its entire equity interests in four subsidiaries, namely Yanyuan Xiwei, Wenchuan Hengmao Trading Co., Ltd., Wenchuan Jingli Property Co., Ltd. and Wenchuan Jingli Construction Co., Ltd. (collectively referred to as the "Disposed Subsidiaries") to Chuan Wei and Sichuan Dingsheng Trading Co., Ltd., a company controlled by Chuan Wei for an aggregate cash consideration of RMB24,000,000. The Disposed Subsidiaries were primarily engaged in production of steel bars and wires, trading, property development and the provision of construction services.

	2010 RMB'000
Aggregate net assets disposed of:	
Property, plant and equipment	6,301
Intangible assets	3,340
Inventories	2,761
Trade receivables	20,263
Prepayments, deposits and other receivables	520
Due from related parties	43,080
Cash and cash equivalents	518
Trade payables	(5,696)
Other payables and accruals	(27,794)
Due to related parties	(22,110)
Tax payable	(753)
Non-controlling interests	(2,992)
	17,438
Goodwill	7,940
Loss on disposal of subsidiaries	(1,378)
	24,000
Satisfied by	
Cash	24,000
Analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:	
Cash consideration	24,000
Cash and bank balances disposed of	(518)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	23,482

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(c) Disposal of an associate

On 14 October 2010, Aba Mining disposed of its 40% equity interest in Huili Mutong Mining Limited ("Mutong Mining") to Chuan Wei for a cash consideration of RMB92,000,000. Mutong Mining is a company established in the PRC and had not carried out any operations up to the date of disposal. The analysis of the disposal of Mutong Mining is as follows:

	RMB'000
Cash proceeds from the disposal of an associate	92,000
Less: the carrying amount at the disposal date	72,632
Gain on disposal of an associate	19,368

36. 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 one to five years.

At the end of each reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		(Restated)
Within one year	**768**	1,071	**608**	808
In the second to fifth years, inclusive	**182**	713	**–**	538
	950	1,784	**608**	1,346

37. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	Group	
	2011	2010
	RMB'000	RMB'000
		(Restated)
Contracted, but not provided for:		
– Acquisition of a subsidiary*	**450,000**	–
– Plant and machinery	**39,529**	120,349
– Exploration rights and assets	**16,910**	37,683
	506,439	158,032
Authorised, but not contracted for:		
– Plant and machinery	**61,331**	52,286
– Exploration rights and assets	**87,977**	91,337
	149,308	143,623
	655,747	301,655

* On 28 December 2011, Lingyu Investment, an indirect wholly-owned subsidiary of the Company entered into an equity purchase agreement to acquire the entire equity interest in Panzhihua Yixingda from independent third parties at a consideration of at least RMB600,000,000 (subject to increase depending on the volume of mineral resources and reserves of iron ore), of which RMB150,000,000 was paid as at 31 December 2011 (note 18).

Panzhihua Yixingda is a limited liability company established in the PRC, which currently holds an exploration permit in Haibaodang Mine (the "Target Mine") located in Panzhihua City, Sichuan, with a legal exploration term runs from 14 November 2011 to 31 December 2013.

Pursuant to the equity purchase agreement, the major condition precedent to the completion of acquisition includes that the mineral resources and reserves report of the target Mine issued by an independent geological agent before 30 March 2013 showing that the Target Mine has a minimum of 100 million tonnes of mineral resources and reserves with a minimum average iron content (Type 333 or above) of 15% or above. In the event the acquisition does not proceed to completion, Lingyu Investment will be entitled to full reimbursement of all its prepayments made to the vendor of the transaction. Details of the above acquisition were set out in the Company's announcement dated 29 December 2011.

38. RELATED PARTY TRANSACTIONS

(a) During the year ended 31 December 2011 and 31 December 2010, the Group had the following material transactions with related parties:

Name of related parties	Notes	2011 RMB'000	2010 RMB'000 (Restated)
Recurring transactions			
Sales of goods			
Chengyu Vanadium Titano	(i)	271,685	298,192
Office rental			
Longwei Hotel	(ii)	150	208
Non-recurring transactions			
Acquisition of Aba Mining			
Chuan Wei	(iii)	150,000	–
Bank loans jointly guaranteed by			
Chengyu Vanadium Titano and Chuan Wei	(iv)	50,000	30,000
Construction of property, plant and equipment			
Sichuan Huiyuan	(v)	45,995	26,260

Notes:

(i) The Directors consider that sales to Chengyu Vanadium Titano were undertaken on commercial terms similar to those offered to/by unrelated customers in the ordinary course of business.

(ii) The Directors consider that the office rental expenses paid by the Group to Longwei Hotel as determined under the tenancy agreement are based on market rates for similar premises in similar locations.

(iii) The consideration is determined based on negotiations between the Group and Chuan Wei, with reference to the valuation of the entire equity interests in Aba Mining as shown in a valuation report of an independent valuer.

(iv) The bank loans were jointly guaranteed by related parties for nil consideration.

38. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

Notes (continued):

(v) The Directors consider that the amount paid for the construction services from a related company was determined based on price similarly available to the related party's third party customers.

(vi) During the year ended 31 December 2010, Aba Mining effected the following equity transactions with Chuan Wei and a company controlled by Chuan Wei with a view to simplify Aba Mining's group structure before the acquisition by the Group:

(1) Aba Mining disposed of its 40% equity interests in Mutong Mining to Chuan Wei for a consideration of RMB92,000,000. The consideration was determined by reference to the registered capital of Mutong Mining.

(2) Aba Mining disposed of its entire equity interest in the Disposed Subsidiaries to Chuan Wei and a company controlled by Chuan Wei for an aggregate consideration of RMB24,000,000. The aggregate consideration were determined based on arm's length negotiation by reference to estimated business value of the Disposed Subsidiaries between Aba Mining and Chuan Wei.

(b) Outstanding balances with related parties

Details of the Group and Company's balances with its related parties as at the end of the reporting period are disclosed in note 23 to the financial statements. Except for balance with Chengyu Vanadium Titano with credit term of 30 days for the sale of goods, balances with other related parties are interest-free, unsecured and have no fixed terms of repayment.

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

	2011 **RMB'000**	2010 RMB'000
Fees	**784**	944
Basic salaries and other benefits	**3,423**	2,681
Equity-settled share option expense	**26,370**	17,126
Pension scheme contributions	**132**	228
Total compensation paid to key management personnel	**30,709**	20,979

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial assets of the Group mainly include cash and bank balances, pledged time deposits, trade and bills receivables, financial assets at fair value through profit or loss, other receivables and amounts due from related parties, which arise directly from its operations. Financial liabilities of the Group mainly include other payables, trade and bills payables, amounts due to related parties, dividend payable, and interest-bearing bank loans and other 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 Directors 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 the reporting period, based on the contractual undiscounted payments, is as follows:

	31 December 2011				
	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 and other loans	20,000	150,444	155,881	117,963	444,288
Trade and bills payable	56,519	284,673	–	–	341,192
Other payables	41,500	170,730	–	–	212,230
Dividend payable	1,801	–	–	–	1,801
Due to related parties	85,681	–	–	–	85,681
	205,501	605,847	155,881	117,963	1,085,192

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

	31 December 2010 (Restated)				
	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 and other loans	–	150,698	33,910	179,275	363,883
Trade and bills payable	12,706	248,181	–	–	260,887
Other payables	134,540	56,740	–	–	191,280
Dividend payable	1,801	–	–	–	1,801
Due to related parties	55,276	–	–	–	55,276
	204,323	455,619	33,910	179,275	873,127

Interest rate risk

The Group's exposure to interest rate risk relates primarily to the Group's bank deposits and interest-bearing bank loans and other loans and zero-coupon Exchangeable Notes (which are subject to fair value interest rate risk). The interest rates and terms of repayment of interest-bearing bank loans are disclosed in note 28 to the financial statements. The Group manages its cash flow interest rate risk exposure arising from certain interest-bearing loans through the use of a mix of floating and fixed rates. The Group also holds certain borrowings at floating interest rate so as to manage part of fair value interest rate risk. 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 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 bills 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 to its customers of iron ore products for an approved credit period of 30 days. For the sale of titanium products, the Group generally requires full payment prior to delivery. The Group maintains 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. In addition, the Group also generated revenue from sales of titanium products to other customers. In this regards, the Group is exposing to the concentration of credit risk in the steel and titanium industries.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

The Group's businesses are located in China 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, financial assets at fair value through profit and loss and bank loans that are denominated in HK$ and USD.

The Group does not enter into any hedging transactions to manage the potential fluctuation in foreign currencies. Management monitors the Group's foreign currency exposure and will consider hedging significant foreign currency exposure when the needs arise.

The following table demonstrates the sensitivity to a 5.0% change in RMB against HK$ and US$, respectively. The 5.0% is the rate used when reporting currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in the foreign currency rate. The sensitivity analyses of the Group's exposure to foreign currency risk at the end of each reporting period have been determined based on the adjustment of translation of the monetary assets and liabilities at the end of each reporting period for a 5.0% change in RMB against HK$ and USD, respectively, with all other variables held constant, of the Group's profit before tax for the year ended 31 December 2011 (due to changes in the fair value of cash and cash equivalents, financial assets at fair value through profit and loss and bank loans denominated in HK$ and USD, respectively):

	RMB'000
Increase/(decrease) in profit before tax	
If RMB weakens against HK$ and USD	11,552
If RMB strengthens against HK$ and USD	(11,552)

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 judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The fair value and carrying amount of financial assets at fair value through profit or loss have been estimated using a valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to make estimates about the expected future cash flows including expected future proceeds from repayment of liabilities and on subsequent disposal of the shares of the underlying assets.

The carrying amounts of the Group's long term interest-bearing bank and other loans approximate to their fair value based on the prevailing borrowing rates available for loans with similar terms and maturities during the reporting period.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair values (continued)

The carrying amounts of the Group's all other financial instruments approximated to their fair values due to the short-term maturity at the end of the reporting period.

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 2011 and 2010, the Group's cash and bank balances exceeded the total interest-bearing bank loans. As such, no gearing ratio as at 31 December 2011 or 31 December 2010 is presented.

40. EVENTS AFTER REPORTING PERIOD

As at the date of approval of the financial statements, the Group has no events after the reporting period that needs to be disclosed.

41. COMPARATIVE AMOUNTS

As explained in note 2.1 to the financial statements, due to the adoption of merger accounting for business combination under common control during the year ended 31 December 2011, certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

41. COMPARATIVE AMOUNTS (continued)

The following table demonstrates the effect of adopting merger accounting for a common control combination on the consolidated statement of comprehensive income for the year ended 31 December 2010 and the consolidated statement of financial position as at 31 December 2010:

Effect on the consolidated statement of comprehensive income for the year ended 31 December 2010:

	As previously reported RMB'000	**Effect of business combination under common control** RMB'000 (note 2.1)	**As restated** RMB'000
Revenue	1,554,130	22,298	1,576,428
Cost of sales	(723,691)	(12,291)	(735,982)
Other income and gains	30,007	39,861	69,868
Selling and distribution costs	(44,261)	(3,022)	(47,283)
Administrative expenses	(79,475)	(9,203)	(88,678)
Other expenses	(17,577)	(21,225)	(38,802)
Finance costs	(17,818)	(150)	(17,968)
Share of loss of an associate	–	(4,477)	(4,477)
Profit before tax	701,315	11,791	713,106
Income tax expense	(117,291)	(25)	(117,316)
Profit for the year and total comprehensive income for the year	584,024	11,766	595,790
Profit and total comprehensive income attributable:			
Owners of the Company	533,447	8,369	541,816
Non-controlling interests	50,577	3,397	53,974

41. COMPARATIVE AMOUNTS (continued)

Effect on certain key items on the consolidated statement of financial position as at 31 December 2010:

	As previously reported RMB'000	Effect of business combination under common control RMB'000 (note 2.1)	As restated RMB'000
Assets			
Property, plant and equipment	1,476,162	63,647	1,539,809
Intangible assets	481,069	67,372	548,441
Prepayments, deposits and other receivables	257,292	1,805	259,097
Deferred tax assets	10,360	6,141	16,501
Inventories	69,562	969	70,531
Trade and bills receivables	207,595	3	207,598
Cash and cash equivalents	1,095,630	6,213	1,101,843
Liabilities			
Trade payables	254,868	6,019	260,887
Other payables and accruals	272,966	14,499	287,465
Due to related parties	18,301	36,975	55,276
Tax payable	90,169	1,211	91,380
Interest-bearing bank loans and other loans	300,000	32,000	332,000
Provision for rehabilitation	6,093	1,080	7,173

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by Directors on 19 March 2012.

GLOSSARY

"12th Five-Year Plan"	the Twelfth Five-Year Plan for the National Economic and Social Development
"2010 AGM"	the Shareholders' annual general meeting held on 15 April 2010
"2012 AGM"	the Shareholders' annual general meeting to be held on 8 May 2012
"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 an indirect wholly-owned subsidiary of the Company
"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 entire interest in Aba Mining 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
"Chengyu Vanadium Titano"	Chengyu Vanadium Titano Technology Ltd.*（成渝釩鈦科技有限公司）, formerly known as 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

"China" or "PRC"	the People's Republic of China excluding, for the purpose of this annual report, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"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 2.30 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" or "China VTM Mining", "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(s)"	has the meaning ascribed thereto in the Listing Rules
"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
"Dashanshu Section"	the Dashanshu section* (大杉樹礦段) of the Pingchuan Mine which has an exploration area of approximately 5 sq.km. within the exploration area set out in the exploration permit
"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 29 November 2011
"Exchangeable Note(s)"	the exchangeable note(s) in the principal amount due 2014 issued by the Issuer in accordance with the Secured Exchangeable Note Purchase Agreement with its terms and conditions set out in the Note Certificate

"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
"Haibaodang Mine"	海保凼鈦鐵礦, the Haibaodang vanadium-bearing titano-magnetite mine located at Renhe District, Panzhihua City, Sichuan, currently under exploration with an exploration area of 20.37 sq.km.
"Haihuitian"	Sichuan Haihuitian Trading Co., Ltd.* (四川省海匯天貿易有限公司), a limited liability company established in the PRC on 9 January 2010
"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 Ktpa iron concentrates, together with a tailing storage facility, certain buildings and machinery and equipment located at Xiaoheiqing Townlet, Huili County, Sichuan
"Haokun"	Sichuan Haokun Trading Co., Ltd.* (四川省昊坤貿易有限公司), a limited liability company established in the PRC on 21 April 2010
"Heigutian Processing Plant"	the ore processing plant located at Heigutianshe, Xinjiu Town, Yanbian County, Sichuan
"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
"Huangcaoping Mine"	黃草坪鐵礦, an iron ore mine owned by Yanyuan Xiwei located at Huangcaoping near Pingchuan Town of Yanyuan County, Sichuan
"Huangcaoping Option"	an option to acquire the Huangcaoping Mine, such option has expired on 16 June 2011
"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, an indirect wholly-owned subsidiary of the Company
"Huili County"	a county in Sichuan

"IFRSs"	International Financial Reporting Standards, which comprise standards and interpretations approved by the International Accounting Standards Board and the International Accounting Standards and Standing Interpretations Committee Interpretations approved by the International Accounting Standards Committee that remain in effect
"Independent Third Party Pelletising Contractors"	the independent third party contractors which entered into the pelletising contracts with us, including Panzhihua Henglong Iron Pellets Co., Ltd.*（攀枝花恒弘球團有限公司）, Panzhihua City Guangchuan Metallurgy Co., Ltd.*（攀枝花廣川冶金有限公司）and Yanbian County Tianshili Mining Co., Ltd.*（鹽邊縣天時利礦業有限公司）
"Independent Third Party Processing Contractor(s)"	the independent third party contractor(s) which entered into the processing contract(s) with us, including Yanbian County Hongyuan Mining Co., Ltd.*（鹽邊縣宏緣礦業有限公司）and Panzhihua City Aolei Gongmao Co., Ltd.*（攀枝花市奧磊工貿有限責任公司）
"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 pellet(s)"	a round hardened clump of iron-rich material suitable for application in blast furnaces
"Issue Date"	the date on which the Exchangeable Note is issued
"Issuer"	Rui Tong Limited, a private company incorporated in the British Virgin Islands with limited liability, being the issuer of the Exchangeable Note under the Secured Exchangeable Note Purchase Agreement and a third party independent of the Company and its connected persons

"Jiashide"	Chengdu Jiashide Trading Co., Ltd.*（成都佳仕德貿易有限公司）, a limited liability company established in the PRC on 21 June 2011
"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
"Ktpa"	thousand tonnes per annum
"Lagaluo Mine"	拉嘎洛鐵礦, an iron ore mine owned by Weixi Guangfa located at Zhanglu Village, Weixi County, Yunnan
"Lagaluo Option"	an option to acquire the Lagaluo Mine, such option has expired on 27 July 2011
"LIBOR"	The London Inter Bank Offered Rate, as determined by the bank for interest periods of up to 12 months or such other interest periods at may be agreed by the bank
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"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
"Maoling Processing Plant"	the ore processing plant located at our Maoling Mine and operated by Aba Mining
"Measured Resources"	mineral resources that have been intersected and tested by drill holes or sampling procedures at locations close enough to confirm continuity
"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 Issuers as set out in Appendix 10 of the Listing Rules
"MPa"	Megapascal
"Mt"	million tones
"Mtpa"	million tonnes per annum
"Nanyu"	Sichuan Nanyu Information Technology Company Ltd.*（四川南譽信息技術有限公司）, a company established in the PRC
"Net Profit Margin"	a ratio of profitability calculated as the profit and total comprehensive income attributable to owners of the Company divided by revenue
"New Iron Pelletising Plant"	the plant that produces iron pellets and is located in Ailang Townlet, Huili County, which is approximately 5.5 km from our Xiushuihe Mine
"Note Certificate"	the note certificate of the Exchangeable Note with the terms and conditions of the Exchangeable Note set out therein
"OCBC"	Oversea-Chinese Banking Corporation Limited
"Old Iron Concentrate Sale Contract"	an agreement dated 26 December 2007 (as supplemented by two supplemental agreements dated 10 April 2009 and 1 June 2009 respectively), entered into between Huili Caitong and Chengyu Vanadium Titano for the sale by Huili Caitong of vanadium-bearing iron concentrates to Chengyu Vanadium Titano
"Old Iron Pelletising Plant"	the plant that produces iron pellets and is located approximately 36 km from our Xiushuihe Mine
"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

"Panzhihua Yixingda"	Panzhihua Yixingda Industrial Trading Co., Ltd.*（攀枝花易興達工貿有限責任公司）, a limited liability company registered in the PRC on 9 July 2009
"Parties"	the Company, Pingchuan Iron Mining Company and Nanyu
"pelletising"	a process to compress the iron ore into the shape of a pellet
"Pingchuan Mine"	the Pingchuan iron mine which is located in Yanyuan County, Liangshan Prefecture, Sichuan, which has an exploration area of 69.09 sq.km. as set out in the exploration permit
"Pingchuan Iron Mining Company"	Sichuan Province Yanyuan County Pingchuan Iron Mine*（四川省鹽源縣平川鐵礦）a state-owned enterprise under the authority of the People's Government of Yanyuan County
"Project"	the exploration and mining operation to be conducted by the Target Group in the Target Iron Mine in Java, Indonesia
"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
"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
"Secured Exchangeable Note Purchase Agreement"	the secured exchangeable note purchase agreement dated 2 May 2011 entered into between the Group and the Issuer pursuant to which the Issuer has conditionally agreed to issue and the Group has conditionally agreed to subscribe the Exchangeable Note on the terms and subject to the conditions set out therein
"Sellers"	Collectively, Haokun, Haihuitian, Jiashide and Xinzhou

"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
"Target Company"	Oriental Mining and Mineral Resources Co., Ltd., a company incorporated in the Cayman Islands on 8 April 2011 and a third party independent of the Company and its connected persons
"Target Group"	the Target Company and its subsidiaries
"Target Iron Mine"	the vanadium-bearing titano-magnetite iron sand ore mine located in Java, Indonesia over which the Target Group has the relevant mining license
"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
"Trisonic International"	Trisonic International Limited (合創國際有限公司), a company incorporated in Hong Kong on 19 July 2006
"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
"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
"Xiaoheiqing Option"	an option to acquire the Xiaoheiqing Jingzhi Mine, such option has expired on 11 May 2011
"Xinzhou"	Chongqing Xinzhou Metallic Material Co., Ltd.* (重慶市鑫宙金屬材料有限公司), a limited liability company established in the PRC on 24 February 2004
"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, currently under exploration 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 Xiwei"	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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