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)

Stock Code: 00893

STRENGTHENING FOUNDATIONS:

EXPLORING NEW OPPORTUNITIES

2013 ANNUAL REPORT

Our Presence

Mines

	Name	Location	Area	Type of Resources	Resource under the JORC Code as at 1 January 2014 (Mt)	Average Grade	Mining Method
1	Baicao Mine	Huili County, Sichuan	Mining area: 1.88 sq.km.	Vanadium-bearing titano-magnetite	95.62	25.08% Fe	Open-pit mining
2	Xiushuihe Mine (including expansion area)	Huili County, Sichuan	Exploration area: 1.73 sq.km. (including a mining area of 0.52 sq.km.)	Vanadium-bearing titano-magnetite	86.02	24.50% Fe	Open-pit mining
3	Yangqueqing Mine	Huili County, Sichuan	Mining area: 0.25 sq.km.	Vanadium-bearing titano-magnetite	21.18	25.09% Fe	Open-pit mining
4	Cizhuqing Mine	Huili County, Sichuan	Exploration area: 2.3 sq.km.	Vanadium-bearing titano-magnetite	25.57	21.41% Fe	Open-pit mining
5	Maoling-Yanglongshan Mine	Wenchuan County, Sichuan	Exploration area: 11.6 sq.km. (including a mining area of 1.9 sq.km.)	Ordinary magnetite	60.20	22.82% Fe	Underground mining

* Haibaodang Mine: Acquisition pending completion with forecasted resources of at least 100.0 Mt

Iron Pelletising Plant

	Name	Location	Capacity
6	Old Iron Pelletising Plant**	Huili County, Sichuan	360.0 Ktpa
7	New Iron Pelletising Plant	Huili County, Sichuan	1,000.0 Ktpa

** Old Iron Pelletising Plant has been disposed on 20 August 2013

Processing Plants

	Name	Location	Capacity (wet basis)
8	Xiushuihe Processing Plant	Near Xiushuihe Mine	Vanadium-bearing iron concentrates: 800.0 Ktpa; High-grade titanium concentrates: 100.0 Ktpa
9	Baicao Processing Plant	Near Baicao Mine	Vanadium-bearing iron concentrates: 700.0 Ktpa; High-grade titanium concentrates: 60.0 Ktpa
10	Hailong Processing Plant	Near Cizhuqing Mine	Vanadium-bearing iron concentrates: 300.0 Ktpa
11	Heigutian Processing Plant	Near Yangqueqing Mine	Vanadium-bearing iron concentrates: 800.0 Ktpa; High-grade titanium concentrates: 120.0 Ktpa
12	Maoling Processing Plant	Near Maoling-Yanglongshan Mine	Ordinary iron concentrates: 150.0 Ktpa

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 endeavour 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. Tang Wei *(Chief Executive Officer)*
Mr. Roy Kong Chi Mo *(Chief Financial Officer)*

Non-executive Directors

Mr. Wang Jin
Mr. Teo Cheng Kwee
Mr. Yu Xing Yuan

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

NOMINATION COMMITTEE

Mr. Jiang Zhong Ping *(Chairman)*
Mr. Yu Haizong
Mr. Liu Yi

COMPANY SECRETARY

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

AUTHORISED REPRESENTATIVES

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

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SHARE INFORMATION

Board lot size: 1,000

FINANCIAL CALENDAR

1 January to 31 December

WEBSITE

www.chinavtmmining.com

STOCK CODE

00893

Five-Year Financial Summary

SUMMARY OF FINANCIAL INFORMATION

A summary of the results, assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below. The comparative figures have been adjusted retrospectively for the effects of the changes in the accounting policy affecting stripping costs as detailed in note 2.2 to financial statements of this annual report.

Results

	For the year ended 31 December				
	2013 RMB'000	2012 RMB'000 (Restated)	2011 RMB'000 (Restated)	2010 RMB'000 (Restated)	2009 RMB'000 (Restated)
REVENUE	**1,429,875**	1,533,732	1,712,978	1,576,428	1,103,001
Cost of sales	**(925,372)**	(799,700)	(936,244)	(809,557)	(683,324)
Gross profit	**504,503**	734,032	776,734	766,871	419,677
Other income and gains	**100,268**	64,360	109,742	69,868	435,671
Selling and distribution expenses	**(50,665)**	(45,921)	(46,473)	(47,283)	(32,753)
Administrative expenses	**(152,575)**	(118,139)	(102,219)	(88,678)	(44,607)
Other expenses	**(38,094)**	(20,576)	(19,035)	(38,802)	(422,464)
Finance costs	**(98,613)**	(42,599)	(21,120)	(17,968)	(9,951)
Share of profits and losses of joint ventures	**1,352**	517	34	–	–
Share of loss of an associate	**–**	–	–	(4,477)	(9,569)
PROFIT BEFORE TAX	**266,176**	571,674	697,663	639,531	336,004
Income tax expense	**(83,704)**	(130,435)	(122,316)	(98,922)	(47,607)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**182,472**	441,239	575,347	540,609	288,397
Attributable to:					
Owners of the Company	**179,135**	433,679	568,514	491,954	262,481
Non-controlling interests	**3,337**	7,560	6,833	48,655	25,916
	182,472	441,239	575,347	540,609	288,397
Earnings per Share attributable to ordinary equity holders of the Company (RMB) – Basic and diluted	**0.09**	0.21	0.27	0.24	0.13
Proposed final dividend per Share (HK$)	**0.022**	–	0.073	0.062	–

Assets, Liabilities and Non-controlling Interests

	As at 31 December				
	2013	2012	2011	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)	(Restated)	(Restated)	(Restated)
Non-current assets	**2,996,274**	2,990,219	2,863,968	2,345,393	982,640
Current assets	**2,509,241**	2,276,540	1,414,605	1,391,964	2,344,410
Non-current liabilities	**(64,198)**	(91,938)	(118,938)	(171,273)	(43,817)
Current liabilities	**(1,827,350)**	(1,777,556)	(1,118,622)	(871,309)	(724,415)
Total equity	**3,613,967**	3,397,265	3,041,013	2,694,775	2,558,818
Non-controlling interests	**(32,774)**	(29,437)	(21,877)	(24,917)	(106,361)
Equity attributable to owners of the Company	**3,581,193**	3,367,828	3,019,136	2,669,858	2,452,457

The Group has changed its accounting policy in relation to stripping costs as a result of the newly adoption of the International Financial Reporting Interpretations Committee No. 20 *Stripping Costs in the Production Phase of a Surface Mine* ("IFRIC 20"), which is effective for annual periods beginning on or after 1 January 2013. The requirements in accordance with the IFRIC 20 differ from the Group's previous policies. Based on the IFRIC 20, the Group made new judgment on the predecessor stripping assets listed in the consolidated statement of financial position. The predecessor stripping assets were reclassified as a non-current asset, referred to as a stripping activity asset to the extent that there remains an identifiable component of the ore body and the remaining balance of the predecessor stripping assets was written off as they were related to no identifiable component of the ore body. At the same time, in accordance with the IFRIC 20, the related adjustment is accounted into opening balance of retained earnings of the earliest period presented. Hence, certain comparative figures of the financial information has been restated accordingly.

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 the Group for the year ended 31 December 2013. As the Company's Privatisation Scheme was not passed in May 2013, the Company has maintained its listing status on the Stock Exchange.

The past year has proved to be a difficult period for the Group. The Chinese economy experienced a slowdown, with Gross Domestic Product ("GDP") growth of 7.7% in 2013, representing the slowest growth in 14 years, which directly affected various industries. In recent years, excessive production capacity in China's steel industry proved to be an obstinate problem. According to the information released by China Iron and Steel Association（中國鋼鐵工業協會）, the China Iron Ore Price Index experienced greater fluctuations during the year, recording an amplitude of 26%. The amplitude in the selling prices of country's ordinary iron concentrates has also reached 13% during the year. In respect of the titanium industry, weak demand in 2013 dragged down the selling price of titanium. The price of high-grade titanium concentrates dropped significantly in Panzhihua during the year. Thus, the selling prices of the Group's products also dropped, which affected our margins and profitability.

Moreover, the significant fall in demand for iron pellets led to our decision to cease production at the Old Iron Pelletising Plant from January 2013 to August 2013, which has been subsequently disposed in August 2013. The New Iron Pelletising Plant has also suspended production from August 2013 to December 2013. As a result, total production volume and total sales volume of iron pellets contracted significantly during the year. Additionally, the production volume of vanadium-bearing iron concentrates from the Baicao Mine decreased in the second half of 2013, as the Group discovered potential niobium and tantalum ore resources at the Baicao Mine and adjusted its mining activities. All of these factors, along with a surge in production cost, primarily due to the lower grade of raw iron ore being mined, the result of deeper extractions that led to lower processing recovery, inevitably affected our results. In view of such unfavourable market condition, the Group sought new opportunities and entered into the agreements with the independent third parties to conduct the trading business for ordinary iron concentrates, which entitled the Group to a 5% discount on the purchase price as compared to the prevailing market price with a certain amount of prepayment. Most of the Group's products are sold through trading companies who were influenced by the shortage of capital resources over the year. As such, the Group has extended its used credit terms to the customers from 30 days to 90 days since July 2013, consequently the trade and bills receivables increased significantly. For the year ended 31 December 2013, revenue of the Group decreased by 6.8% to approximately RMB1,429.9 million, while profit and total comprehensive income attributable to owners of the Company decreased by 58.7% to approximately RMB179.1 million.

According to the 2013 Economics and Operations of the Steel Industry Report* (2013年鋼鐵工業經濟運行情況) issued by the Ministry of Industry and Information Technology of the PRC（中華人民共和國工業和信息化部）("MIIT"), companies in steel industry have been adversely affected by the prevailing high material and labour costs, low selling price and relatively low profitability. However, there are ongoing developments that provide optimism for these players. Case in point has been the Chinese government's commitment to eliminating backward steel production in order to combat air pollution and overcapacity. The authorities have shortened the schedule for eliminating backward production under the 12th Five-Year Plan by one year, placing added pressure on local authorities to comply. Correspondingly, MIIT published two notices in 2013 regarding companies (the first batch and the second batch) compliant with steel industry standards（《規範條件》）("Standards") with the aim of eliminating non-compliant industry production facilities from the market. Specially, seven compliant steel companies are located at accessible region of our mines, including Chengyu Vanadium Titano and Pangang Group Panzhihua Steel Vanadium Co., Ltd.*（攀鋼集團攀枝花鋼釩有限公司）.

In addition, the Third Plenary Session of the 18th Communist Party of China Central Committee (中共第十八屆三中全會) announced a plan to optimise urban development, hence, the Company expects such development will quicken in the future and long-term sustained investment in infrastructure will continue, boosting demand for steel. The strategies for developing western China also involve substantial investment in infrastructure, thus local governments will be gradually launching major investment projects to bolster domestic development. In October 2013, the Sichuan government announced its "List of Major Investment Projects in Sichuan (2013-2014)" (《四川省重大投資項目名錄》(2013-2014)) and planned to commence a number of projects including several railways in Chengdu, as well as city infrastructure and highways construction for Chengdu new airport, all of which are set to create new opportunities for the Sichuan steel market, and where we have a presence.

In the short-term, the Group will nonetheless face obstacles such as decelerated economic growth and rising production costs, which are expected to hinder our business development. We have however formulated a number of strategies aimed at protecting the Group's long-term development. This includes continuing expansion of our business by way of bolstering capacity at the Maoling-Yanglongshan Mine, and exploring the possibility of procuring quality resources in China and overseas. In addition, we have terminated the exploration work in relation to niobium and tantalum ore resources at the Baicao Mine (the "Exploration Work"), thus opening the way for the normalisation of mining activities by March 2014 and reducing the negative pressure on the Group.

The Group has also been tirelessly seeking merger and acquisition opportunities so as to spur sustainable growth, during the year, the management conducted site visits in China and various countries, including Australia, the Philippines and Indonesia and reviewed the proposals for several mines in China, Malaysia and Brazil etc. To identify the potential of various acquisition opportunities, though such efforts have yet to realise any positive results, the management will continue to closely examine opportunities as they emerge. By adopting a holistic approach, the management will endeavour to seize opportunities in the market, achieve sustainable growth and reward the support of our Shareholders.

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

Hong Kong, 17 March 2014

"In the short-term, the Group will nonetheless face obstacles, which are expected to hinder our business development. We have however formulated a number of strategies aimed at protecting the Group's long-term development."

Jiang Zhong Ping
Chairman

Management Discussion and Analysis

Diversify Business Development to Tap Future Opportunities

MARKET REVIEW

During 2013, the complex global economy experienced significant volatility. Led by a recovering US economy, the global economic recovery remains weak, and China has also experienced a notable slowdown in economic growth. The country's GDP rose by 7.7% in 2013.

With respect to the China's steel industry, the unfavourable market environment which characterised by overcapacity, high production cost, low selling price and air pollution hasn't changed. According to the information from MIIT in its 2013 Economics and Operations of the Steel Industry Report*（2013年鋼鐵工業經濟運行情況）, the steel production capacity in China was nearly 1 billion tonnes, but the utilisation rate was only 72%, obviously illustrating the situation of low efficiency. Steel companies continued to intensify their reform efforts, accelerating the pace of the industry's structural adjustment.

Apart from the excessive production capacity, the shortage of capital resources is another key issue that hovered over the steel industry in 2013. This crisis has started to spread to large steel companies in the upper stream of the value chain. Most of the Group's products are sold through trading companies who were also influenced by the capital liquidity issues from the steel companies. In view of this, the Group has extended its used credit terms to the customers from 30 days to 90 days since July 2013, consequently the trade and bills receivables increased significantly.

During the year, the price of country's ordinary iron concentrates experienced greater fluctuations, especially in the first three quarters of 2013, and has been stabilised at a relatively low level in the fourth quarter. In respect of the titanium industry, weak demand in 2013 dragged down the price of titanium. According to the information issued by China Nonferrous Metal Industry Association Titanium Industry Council (中國鈦鋯鉿協會), the overall titanium market was weak. In particular, domestic titanium concentrates in Panzhihua experienced greater price volatility, the high-grade titanium concentrates (packaging and without VAT) declined from RMB1,094.0/tonne in early January 2013 to RMB581.2/tonne as at the end of December 2013.

To eliminate excessive production capacity will be the key focus of the China's steel industry in the next few years. International Iron and Steel Institute (國際鋼鐵協會) forecasts global demand for steel will further increase by 3.3% to 1,523.0 million tonnes in 2014, among which China will continue to report growth of around 3.0%. However, due to uncertainties existing in the domestic and overseas markets, a strong rebound in the steel market will be difficult to achieve due to greater fluctuations and adjustments.



BUSINESS AND OPERATIONS REVIEW

During the year, the Group's revenue decreased by 6.8% to approximately RMB1,429.9 million as compared to last year. Gross profit of the Group also decreased by 31.3% to approximately RMB504.5 million as compared to last year. Profit and total comprehensive income attributable to owners of the Company decreased by 58.7% to approximately RMB179.1 million as compared to last year.

On 7 May 2013, the Group announced that Chuanwei was obligated to compensate Lingyu an amount of approximately RMB28.67 million which was equivalent to the difference between the audited net profits (after taxation and extraordinary items) attributable to the equity holders of Aba Mining in accordance with the PRC Generally Accepted Accounting Principles (the "PRC GAAP") for the year 2012 and the Agreed Net Profits pursuant to the Aba Mining Acquisition Agreement. Accordingly, the adjusted total consideration for the acquisition of Aba Mining of RMB140.87 million had been further adjusted to approximately RMB112.2 million. Please refer to the Company's announcement on 7 May 2013 for further details.

On 11 July 2013, the Group announced that based on the results of the preliminary survey conducted by the Geochemistry Exploration Brigade of Sichuan Bureau of Exploration and Development of Geology and Mineral Resources (四川省地質礦產勘查開發局化探隊) ("Sichuan Geochemistry Exploration Team"), there may exist economically mineable niobium and tantalum ore resources at the Baicao Mine. To better preserve these resources, the Board decided to adjust the Group's normal mining operation after acceptance of the recommendations given by the Sichuan Geochemistry Exploration Team. The mining operation at the Baicao Mine has to be affected for a period of not more than 11 months, beginning from July 2013, thus the production of the vanadium-bearing iron concentrates at the Baicao Mine will be reduced significantly. The Board expected that the production volume of the Group's vanadium-bearing iron concentrates for the second half of 2013 and the first half of 2014 will be reduced by not more than 300,000 tonnes and 250,000 tonnes, respectively. As such, the revenue and profits of the Group for the second half of 2013 and the first half of 2014 will be substantially reduced, as compared to those for the same periods in 2012 and 2013, respectively. As announced on 4 March 2014, although the geological exploration report prepared by the Sichuan Geochemistry Exploration Team indicated that there may be substantial niobium and tantalum ore resources at the Baicao Mine, the two independent research institutes had concluded in their beneficiation and metallurgical testing reports that the niobium and tantalum ore resources at the Baicao Mine could not be economically recovered from the ore. After considering the results of the beneficiation and metallurgical testing reports, the Board was of the view that it would not be in the best interest of the Company to pursue the Exploration Work further. As such, the Board has decided to terminate the Exploration Work from 5 March 2014. The normal mining operations at the Baicao Mine resumed on 13 March 2014 and the decrease in the production volume of the Group's vanadium-bearing iron concentrates for the first half of 2014 as a result of the termination of the Exploration Work was expected to reduce from a maximum of 250,000 tonnes to a maximum of 125,000 tonnes only. Notwithstanding the foregoing, the revenue and profits of the Group for the first half of 2014 were expected to be substantially reduced, as compared to those for the same period in 2013. Please refer to the Company's announcements on 11 July 2013 and 4 March 2014 for further details.

As at 31 December 2013, the Group owned the Baicao Mine, the Xiushuihe Mine, the Yangqueqing Mine, the Cizhuqing Mine and the Maoling-Yanglongshan Mine. As additional time is required by an independent geological agent (the "Geological Agent") to prepare the Mineral Resources and Reserves Report, the acquisition of the equity interest in Panzhihua Yixingda may not be completed until the second half of 2014. Further, on 17 January 2014, the shareholders of the Joint Venture established for the development of the Dashanshu Section unanimously decided to voluntarily wind-up the Joint Venture due to the uncertainty on the timing to obtain necessary mining permit for its operation and the additional expenses that would be incurred to reach the stage of commercial production.

On 20 August 2013, the Group has disposed the Old Iron Pelletising Plant for the total net proceeds of RMB26.7 million (the net carrying amount as at 20 August 2013: RMB32.6 million) to an independent third party, which was mainly because the repairs and maintenance cost for the Old Iron Pelletising Plant was constantly increasing over the years coupled with the significant fall in demand for iron pellets in 2013 while the Group expected that the New Iron Pelletising Plant will be able to meet the customers' needs. As at 31 December 2013, the Group owned the Baicao Processing Plant, the Xiushuihe Processing Plant, the Hailong Processing Plant, the Heigutian Processing Plant and the New Iron Pelletising Plant in the Panxi Region. Furthermore, the Group also owned the Maoling Processing Plant in Aba Prefecture. As at 31 December 2013, 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, 1,000.0 Ktpa and 280.0 Ktpa, respectively.

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

	For the year ended 31 December		
	2013	2012	Change
	(Kt)	(Kt)	(%)
Vanadium-bearing iron concentrates			
Baicao Processing Plant	**226.3**	549.3	-58.8
Xiushuihe Processing Plant	**657.4**	679.5	-3.3
Heigutian Processing Plant	**682.3**	709.2	-3.8
Hailong Processing Plant	**238.1**	215.6	10.4
Total production volume	**1,804.1**	2,153.6	-16.2
Total sales volume	**1,937.2**	1,453.9	33.2
Ordinary iron concentrates			
Maoling Processing Plant	**61.8**	60.4	2.3
Total production volume	**61.8**	60.4	2.3
Total sales volume	**57.9**	63.3	-8.5
Purchase from an independent third party for trading purpose	**118.7**	–	100.0
Sale to an independent third party for trading purpose	**118.7**	–	100.0

	For the year ended 31 December		
	2013 **(Kt)**	2012 (Kt)	Change (%)
Iron pellets			
Old Iron Pelletising Plant	**–**	86.4	-100.0
New Iron Pelletising Plant	**43.8**	329.9	-86.7
Independent third party pelletising contractors	**–**	82.2	-100.0
Total production volume	**43.8**	498.5	-91.2
Total sales volume	**38.3**	494.2	-92.3
Medium-grade titanium concentrates			
Baicao Processing Plant	**–**	5.1	-100.0
Total production volume	**–**	5.1	-100.0
Total sales volume	**–**	5.3	-100.0
High-grade titanium concentrates			
Baicao Processing Plant	**40.8**	35.6	14.6
Xiushuihe Processing Plant	**89.5**	49.6	80.4
Heigutian Processing Plant	**59.1**	61.5	-3.9
Total production volume	**189.4**	146.7	29.1
Total sales volume	**196.3**	147.8	32.8

Since the mining operations at the Baicao Mine had been affected and its production volume of vanadium-bearing iron concentrates reduced significantly during the second half of 2013, the total production volume of vanadium-bearing iron concentrates decreased by 16.2% as compared to the previous year. In the meantime, total sales volume of vanadium-bearing iron concentrates increased significantly by 33.2% as compared to the previous year, which was primarily due to the significant decrease in customers' demand on iron pellets, and almost all of the vanadium-bearing iron concentrates have been sold to the customers directly rather than being further processed into iron pellets. Thus, the Old Iron Pelletising Plant had ceased production from January 2013 to August 2013 and had been subsequently disposed in August 2013 and the New Iron Pelletising Plant had also suspended production from August 2013 to December 2013. As a result, total production volume and total sales volume of iron pellets declined significantly during the year. During the year, total production volume and total sales volume of high-grade titanium concentrates increased by 29.1% and 32.8%, respectively as compared to the previous year.

During the year, the Group sought new opportunities and entered into the agreements with the independent third parties to conduct the trading business for ordinary iron concentrates of 118.7 Kt, which entitled the Group to a 5% discount on the purchase price as compared to the prevailing market price with a certain amount of prepayment.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2013, the Group's revenue was approximately RMB1,429.9 million (2012: RMB1,533.7 million), representing a decrease of 6.8% as compared to the previous year. Such decrease was primarily due to the significant decrease in sales volume of iron pellets and the decrease in the average selling prices of the Group's products, which was partially offset by the increase in the sales volume of vanadium-bearing iron concentrates and high-grade titanium concentrates. The revenue also included the sale of ordinary iron concentrates to an independent third party of approximately RMB97.9 million for trading purpose since July 2013.

Cost of Sales

Cost of sales primarily included contracting fees for mining and stripping as well as materials, labour, power and other utilities, repair and maintenance, depreciation and amortisation and the purchase cost of ordinary iron concentrates from an independent third party for trading purpose. For the year ended 31 December 2013, the Group's cost of sales was approximately RMB925.4 million (2012: RMB799.7 million), representing an increase of 15.7% as compared to the previous year. The increase was primarily due to the higher unit production costs of the Group's products and the purchase cost of ordinary iron concentrates for trading purpose since July 2013. The increase in unit production costs was primarily due to the increased mining and stripping costs, depreciation and other miscellaneous expenses, coupled with the lower grading of the raw iron ore mined as a result of deeper extraction from the mines which led to the lower processing recovery.

Gross Profit and Margin

As a result of the foregoing, the gross profit for the year ended 31 December 2013 decreased by 31.3%, from approximately RMB734.0 million for the year ended 31 December 2012 to approximately RMB504.5 million. The gross profit margin decreased from 47.9% for the year ended 31 December 2012 to 35.3% for the year ended 31 December 2013. The decrease in gross profit margin was primarily because of the decreased selling prices of the Group's products due to unfavorable market conditions, coupled with the impact of increased unit production costs as explained above. In addition, the gross profit margin of ordinary iron concentrates for trading purpose was 5.4%, which further led to the decrease in the gross profit margin.

Other Income and Gains

The other income and gains increased by 55.7%, from approximately RMB64.4 million for the year ended 31 December 2012 to approximately RMB100.3 million for the year ended 31 December 2013. The other income and gains of the Group mainly included bank interest income, change in fair value gains on the Exchangeable Notes and income from processing iron pellets for an independent third party.

Selling and Distribution Expenses

The selling and distribution expenses increased by 10.5%, from approximately RMB45.9 million for the year ended 31 December 2012 to approximately RMB50.7 million for the year ended 31 December 2013. The selling and distribution expenses primarily consisted of transportation fees, which mainly represented the road transportation costs, the goods loading and unloading fees, platform storage and administration fees. The increase was mainly due to the increase in transportation fees as a result of an increase in sales volume of vanadium-bearing iron concentrates to the customers that required the Group to transport products to designated railway stations.

Administrative Expenses

The administrative expenses increased by 29.2% from approximately RMB118.1 million for the year ended 31 December 2012 to approximately RMB152.6 million for the year ended 31 December 2013. The increase in administrative expenses was mainly because the suspension expenses including staff costs and overheads were recorded in the administrative expenses in aggregate of approximately RMB53.4 million, as a result of (i) the ceased production of the Old Iron Pelletising Plant from January 2013 to August 2013; (ii) the suspension production of the New Iron Pelletising Plant from August 2013 to December 2013 and (iii) the suspension of part of the Baicao Mine from July 2013 to December 2013 for the Exploration Work.

The equity-settled share option expenses of approximately RMB12.7 million for the year ended 31 December 2013 (2012: RMB28.3 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 increased significantly by 85.0%, from approximately RMB20.6 million for the year ended 31 December 2012 to approximately RMB38.1 million for the year ended 31 December 2013. The other expenses mainly included bank charges, the exploration expenditure in respect of niobium and tantalum ore resources and the processing costs of iron pellets incurred for an independent third party.

Finance Costs

The finance costs increased significantly by 131.5%, from approximately RMB42.6 million for the year ended 31 December 2012 to approximately RMB98.6 million for the year ended 31 December 2013, primarily due to the increase in interest on discounted bills receivable and interest on short-term commercial papers.

Income Tax Expense

The income tax expense decreased by 35.8%, from approximately RMB130.4 million for the year ended 31 December 2012 to approximately RMB83.7 million for the year ended 31 December 2013. It mainly included (i) the income tax charged for the year and (ii) the under-provision of income tax of approximately RMB17.4 million for last year, as Xiushuihe Mining has failed to obtain a confirmation from the Sichuan Provincial Economic and Information Commission (the "SPEIC") to further substantiate its entitlement of the preferential tax rate of 15% as required under a notice received from the local tax bureau in May 2013. Therefore, the applicable income tax rate of Xiushuihe Mining has been restated at 25% for the year 2012.

Profit and Total Comprehensive Income for the Year

As a result of the foregoing, profit and total comprehensive income for the year decreased by 58.6%, from approximately RMB441.2 million for the year ended 31 December 2012 to approximately RMB182.5 million for the year ended 31 December 2013.

Profit and Total Comprehensive Income Attributable to Owners of the Company

Profit and total comprehensive income attributable to owners of the Company decreased by 58.7%, from approximately RMB433.7 million for the year ended 31 December 2012 to approximately RMB179.1 million for the year ended 31 December 2013. The Net Profit Margin decreased from 28.3% for the year ended 31 December 2012 to 12.5% for the year ended 31 December 2013.

Final Dividend

The Board recommended the payment of a final dividend of HK$0.022 per Share (equivalent to approximately RMB0.017 per Share) for the year ended 31 December 2013 (2012: Nil), representing 20.1% 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 21 May 2014. Based on the number of issued Shares as at 31 December 2013, this represents a total distribution of approximately HK$45.7 million. Subject to the approval of the payment of the final dividend by the Shareholders at the 2014 AGM, it is expected that the proposed final dividend will be paid on or before 30 May 2014.

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 2013 and 2012:

	For the year ended 31 December			
	2013		2012	
	RMB'000	**RMB'000**	RMB'000	RMB'000
			(Restated)	
Cash and cash equivalents as stated in the consolidated statement of cash flows at beginning of year		**375,346**		196,830
Net cash flows from operating activities	**15,522**		1,111,128	
Net cash flows used in investing activities	**(293,752)**		(922,413)	
Net cash flows from/(used in) in financing activities	**18,806**		(10,200)	
Net (decrease)/increase in cash and cash equivalents		**(259,424)**		178,515
Effect of foreign exchange rate changes, net		**(904)**		1
Cash and cash equivalents as stated in the consolidated statement of cash flows at end of year		**115,018**		375,346

Net Cash Flows from Operating Activities

The Group's net cash flows from operating activities decreased significantly by 98.6%, from approximately RMB1,111.1 million for the year ended 31 December 2012 to approximately RMB15.5 million for the year ended 31 December 2013. It primarily included the profit before tax of RMB266.2 million, the increase in certain non-cash expense such as depreciation and amortisation of intangible assets, and the increase in trade and bills payables, which have been offset by the increase in trade and bills receivables and the increase in prepayment in respect of purchase of ordinary iron concentrates from an independent third party for trading purpose, which entitled the Group to a 5% discount on the purchase price as compared to the prevailing market price.

Net Cash Flows used in Investing Activities

The Group's net cash flows used in investing activities decreased significantly by 68.1%, from approximately RMB922.4 million for the year ended 31 December 2012 to approximately RMB293.8 million for the year ended 31 December 2013. It primarily included (i) the purchase of items of property, plant and equipment and intangible assets of approximately RMB204.7 million, which were partially offset by the total net proceeds from the disposal of items of property, plant and equipment and a prepaid land lease payment of the Old Iron Pelletising Plant of approximately RMB26.7 million; (ii) the increase in pledged bank balance of approximately RMB173.1 million for issuance of bills payable, which was partially offset by the decrease in time deposits with maturity of over three months of RMB93.8 million and (iii) the payment for the acquisition of 30% equity interest in Yuechuan Mining of approximately RMB34.9 million.

Net Cash Flows from/(used in) Financing Activities

The Group's net cash flows used in financing activities were approximately RMB10.2 million for the year ended 31 December 2012 and the net cash flows from financing activities were approximately RMB18.8 million for the year ended 31 December 2013. They primarily included the proceeds from bank loans of approximately RMB327.9 million, which was partially offset by the repayment of bank loans of RMB307.0 million.

Analysis of Inventories

The Group's inventories decreased by 21.3%, from approximately RMB180.0 million as at 31 December 2012 to approximately RMB141.7 million as at 31 December 2013. It is primarily due to the increase in sales volume of the Group's vanadium-bearing iron concentrates and the decrease in production volume of vanadium-bearing iron concentrates at the Baicao Mine.

Analysis of Trade and Bills Receivables

The Group's trade and bills receivables increased significantly by 253.2%, from approximately RMB109.1 million as at 31 December 2012 to approximately RMB385.3 million as at 31 December 2013. Trade receivable turnover days were approximately 67 days (2012: 25 days). Most of the Group's products are sold through trading companies who were influenced by the shortage of capital resources from the steel companies and the Group has extended its used credit terms to the customers from 30 days to 90 days since July 2013, consequently the trade and bills receivables increased significantly.

Analysis of Trade and Bills Payables

The Group's trade and bills payables increased by 15.7%, from approximately RMB816.6 million as at 31 December 2012 to approximately RMB944.5 million as at 31 December 2013, primarily due to the significant increase of settlement to suppliers through the usage of bills during the year.

Analysis of Net Current Assets Position

The Group's net current assets position increased by 36.7%, from approximately RMB499.0 million as at 31 December 2012 to approximately RMB681.9 million as at 31 December 2013, primarily attributable to profits realised during the year, which outweighed the capital expenditure incurred.

Borrowings

As at 31 December 2013, the Group's borrowings mainly included: (i) an unsecured long-term bank loan of RMB75.0 million with annual interest rates ranging from 6.55% to 7.05% from China Construction Bank ("CCB") Xichang Yuecheng branch to Huili Caitong, of which RMB25.0 million is repayable within one year and the unsecured short-term bank loans of RMB150.0 million with an annual interest rate of 6.00% from CCB Xichang Yuecheng branch to Huili Caitong. In accordance with the loan agreements entered into between Huili Caitong and CCB Xichang Yuecheng 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 Yuecheng branch will be entitled to a pre-exemption right in the event of such mortgage or pledge; (ii) a secured short-term bank loan of US$15.0 million (approximately RMB91.5 million) from Oversea-Chinese Banking Corporation Limited ("OCBC") to the Company in April 2012 which was renewed in April 2013 with an annual interest rate of prevailing Cost of Funds plus 1.5% and was secured by a deposit of RMB100.0 million pledged by Huili Caitong at OCBC Chengdu branch; (iii) a secured short-term bank loan of approximately US$7.7 million (approximately RMB46.8 million) with an annual interest rate of prevailing LIBOR plus 1.45% from China Merchants Bank Co., Ltd. ("CMB") to First China and was secured by a deposit of RMB50.0 million pledged by Huili Caitong at CMB Yingmenkou branch and (iv) an unsecured short-term bank loan of RMB30.0 million with an annual interest rate of 6.6% from CCB Aba branch to Aba Mining and a short-term bank loan of RMB16.0 million with an annual interest rate of 7.04% from CCB Aba branch to Aba Mining, which was guaranteed by Chengyu Vanadium Titano and Chuanwei.

Commercial Papers

Huili Caitong issued the second tranche of one-year commercial papers of RMB150.0 million with an annual interest rate of 7.5% on 4 September 2013. The first tranche of one-year commercial papers of RMB150.0 million had been fully repaid on 19 December 2013.

Contingent Liabilities

As at 31 December 2013, the Group did not have any material contingent liabilities.

Pledge of Assets

As at 31 December 2013, Huili Caitong pledged its deposit of RMB100.0 million at OCBC Chengdu branch for the bank loan of US$15.0 million (equivalent to approximately RMB91.5 million) obtained by the Company from OCBC, and also pledged its deposit of RMB50.0 million at CMB Yingmenkou branch for the bank loan of approximately US$7.7 million (approximately RMB46.8 million) obtained by First China from CMB as well as the deposits of RMB291.9 million by the Group at banks for the issuance of bills payable.

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 certain payables to professional parties and administrative expenses in the Hong Kong office that are denominated in Hong Kong dollars, and the bank loans obtained from OCBC and CMB as well as the Exchangeable Notes are denominated in US dollars.

The Renminbi is not freely convertible. There is a risk that the Chinese 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 on 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 a 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 2013, the Group's contractual obligations amounted to approximately RMB416.1 million, and decreased by RMB54.7 million as compared to approximately RMB470.8 million as at 31 December 2012, which was primarily attributable to the progressive completion of certain construction work at the Baicao Mine and the Xiushuihe Mine during the year and winding-up of the Joint Venture.

Capital Expenditure

The Group's total capital expenditure increased by RMB42.2 million from approximately RMB186.0 million for the year ended 31 December 2012 to approximately RMB228.2 million for the year ended 31 December 2013. The capital expenditure consisted of (i) the construction and improvement of tailing storage facilities to cope with expanded production capacity at the Xiushuihe Processing Plant and the Baicao Processing Plant aggregated to approximately RMB88.7 million; (ii) the tunnel construction costs at the Maoling-Yanglongshan Mine of approximately RMB19.6 million; (iii) the exploration and evaluation costs aggregated to approximately RMB8.3 million for the Yangqueqing Mine, the Maoling-Yanglongshan Mine and the Xiushuihe Mine (including expansion area); (iv) payment in advance of RMB34.9 million in respect of the acquisition of 30% equity interest in Yuechuan Mining; (v) the development of the construction of miscellaneous projects and acquisition of machinery aggregated to approximately RMB32.0 million; and (vi) the stripping costs classified as stripping activity assets of RMB44.7 million that led to improved access to ore body as a result of adoption of IFRIC 20.

Financial Instruments

As at 31 December 2013, the Group had the Exchangeable Notes in the principal amount of US$30.0 million. The Exchangeable Notes are accounted for as financial assets at fair value through profit or loss.

Gearing Ratio

Gearing ratio is a measure of financial leverage, which is calculated by net debt divided by "total equity plus net debt". Net debt is defined as interest-bearing bank loans and commercial paper liabilities, net of cash and cash equivalents and it excludes liabilities incurred for working capital purpose. Equity includes equity attributable to owners of the Company and non-controlling interests. As at 31 December 2013, the Group's cash and cash equivalents exceeded the interest-bearing bank loans and commercial paper liabilities. As such, no gearing ratio as at 31 December 2013 is presented.

RESOURCE AND RESERVE OF MINES UNDER THE JORC CODE AS AT 1 JANUARY 2014

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

(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 resource	28.00	25.09	10.73	0.20	7,025.71	3,004.04	55.75
Indicated resource	42.28	24.13	10.02	0.21	10,202.14	4,237.39	88.78
Total (M+I)	**70.28**	**24.51**	**10.30**	**0.21**	**17,227.85**	**7,241.43**	**144.53**
Inferred resource	25.34	26.63	10.98	0.23	6,749.11	2,782.77	58.29
Xiushuihe Mine including expansion							
Measured resource	49.18	25.33	6.13	0.23	12,458.94	3,014.71	112.89
Indicated resource	29.61	23.60	5.20	0.19	6,990.03	1,540.55	55.92
Total (M+I)	**78.79**	**24.68**	**5.78**	**0.21**	**19,448.97**	**4,555.25**	**168.81**
Inferred resource	7.23	22.43	7.40	0.17	1,621.69	535.02	12.29

* Only 50% of the Xiushuihe Mine's expansion 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 reserve	12.47	25.19	10.54	0.22	3,139.99	1,314.27	27.98
Probable reserve	24.81	26.08	10.24	0.22	6,470.15	2,540.41	54.95
Total	**37.28**	**25.78**	**10.34**	**0.22**	**9,610.14**	**3,854.68**	**82.93**
Xiushuihe Mine including expansion							
Proved reserve	35.19	24.54	9.43	0.22	8,636.19	1,964.08	76.13
Probable reserve	21.93	23.79	8.57	0.20	5,218.41	1,207.02	42.79
Total	**57.12**	**24.25**	**9.10**	**0.21**	**13,854.60**	**3,171.10**	**118.92**

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

Resource Summary of the Maoling-Yanglongshan Mine

JORC Mineral Resource Category

	Tonnage (Mt)	Grades TFe (%)	Contained Metals TFe (Kt)
Maoling-Yanglongshan Mine			
Measured resource	–	–	–
Indicated resource	12.96	22.65	2,934.06
Total (M+I)	**12.96**	**22.65**	**2,934.06**
Inferred resource	47.24	22.86	10,801.10

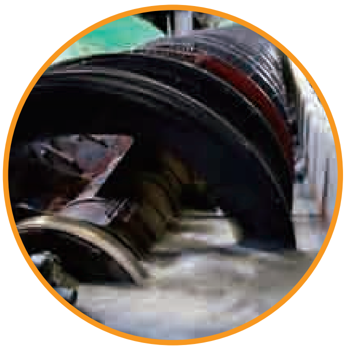
Resource Summary of the Yangqueqing Mine, the Cizhuqing Mine and the Yangqueqing Mine's Expansion

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

EMPLOYEES AND EMOLUMENT POLICIES

As at 31 December 2013, the Group had a total of 2,018 dedicated full time employees (31 December 2012: 2,051 employees), including 146 management and administrative staff, 154 technical staff, 12 sales and marketing staff and 1,706 operational staff. For the year ended 31 December 2013, the employee benefit expense (including Directors' remuneration in the form of salaries, equity-settled share option expenses and other allowances) was approximately RMB120.5 million (2012: RMB129.3 million). Details are set out in note 7 to financial statements of this annual report.

The emolument policies of the Group are based on performance, experience, competence and market comparables. Remuneration packages generally comprise salary, housing allowance, contribution to pension schemes 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) Pursuant to the equity transfer agreement entered into between Lingyu and the Sellers on 28 December 2011, completion of the acquisition of the equity interest in Panzhihua Yixingda is conditional upon, among other things, the Mineral Resources and Reserves Report having been issued by the Geological Agent before 30 March 2013 showing that the Haibaodang Mine has a minimum of 100.0 Mt of mineral resources and reserves with a minimum average iron content (Type 333 or above) of 15% or above. As additional time is required by the Geological Agent to prepare the Mineral Resources and Reserves Report, on 22 April 2013, Lingyu and the Sellers entered into a supplemental agreement to extend the report date from 30 March 2013 to 30 March 2014 or such later date as Lingyu and the Sellers may agree. Please refer to the Company's announcements dated 29 December 2011 and 22 April 2013 for further details.

(ii) Pursuant to the audited accounts of Aba Mining for the year ended 31 December 2012, the audited net profits (after taxation and extraordinary items) attributable to the equity holders of Aba Mining in accordance with the PRC GAAP for the year 2012 was approximately RMB11.33 million, which was short of the Agreed Net Profits by approximately RMB28.67 million (the "Net Profits Difference"). Accordingly, pursuant to the Aba Mining Acquisition Agreement, Chuanwei was obliged to compensate Lingyu an amount which is equivalent to the Net Profits Difference.

On 7 May 2013, Lingyu and Chuanwei entered into the supplemental agreement, pursuant to which, the consideration balance of RMB30.0 million payable by Lingyu had been adjusted by the Net Profits Difference to approximately RMB1.33 million. Accordingly, the adjusted total consideration for the acquisition of Aba Mining of RMB140.87 million had been further adjusted by the Net Profits Difference to approximately RMB112.2 million. The independent board committee of the Company, comprising all the independent non-executive Directors, is of the opinion that by agreeing to the terms of the supplemental agreement whereby the consideration balance has been adjusted by the Net Profits Difference, Chuanwei has fulfilled its undertakings regarding the Agreed Net Profits under the Aba Mining Acquisition Agreement. Please refer to the Company's announcement on 7 May 2013 for further details.

(iii) On 15 May 2013, the resolution proposed at the court meeting to approve the Privatisation Scheme was not passed by the requisite majority and was disapproved by more than 10% of the votes attaching to the Scheme Shares held by all the independent Shareholders. Accordingly, the Privatisation Scheme was not approved in compliance with Section 86 of the Companies Law and Rule 2.10 of the Takeovers Code and hence cannot be put into effect and has therefore lapsed. The Shares remain listed on the Stock Exchange. As a result, the Extraordinary General Meeting has been adjourned indefinitely. Please refer to the Scheme Document dated 16 April 2013 and the Company's announcement dated 15 May 2013 for further details.

(iv) On 11 July 2013, the Board announced that niobium and tantalum ores had been discovered in the Baicao Mine. The Group engaged the Sichuan Geochemistry Exploration Team to conduct a preliminary survey at the Baicao Mine and to compile the preliminary survey report. The results of the preliminary survey indicated that there may exist economically mineable niobium and tantalum ore resources at the Baicao Mine. Based on the results of the preliminary survey, the Sichuan Geochemistry Exploration Team had recommended the Group to conduct further Exploration Work. To better preserve the potential niobium and tantalum ore resources at the Baicao Mine, the Sichuan Geochemistry Exploration Team had recommended the Group to take preservation measures during the period when further Exploration Work is conducted at the Baicao Mine. The Board decided to accept the recommendation of the Sichuan Geochemistry Exploration Team and adjusted the Group's normal mining operation with a view to preserving the potential niobium and tantalum ore resources at the Baicao Mine. Accordingly, the mining operation at the Baicao Mine has to be affected for a period of not more than 11 months, beginning from July 2013 and the production of the vanadium-bearing iron concentrates at the Baicao Mine will be reduced significantly. Accordingly, the Board expected that the production volume of the Group's vanadium-bearing iron concentrates for the second half of 2013 and the first half of 2014 will be reduced by not more than 300,000 tonnes and 250,000 tonnes, respectively. As such, the revenue and profits of the Group for the second half of 2013 and the first half of 2014 will be substantially reduced, as compared to those for the same periods in 2012 and 2013, respectively. The Board was, at that time, of the opinion that it was in the interest of the Company and the Shareholders as a whole to pursue the Exploration Work.

As announced on 4 March 2014, although the geological exploration report prepared by the Sichuan Geochemistry Exploration Team indicated that there may be substantial niobium and tantalum ore resources at the Baicao Mine, the two independent research institutes had concluded in their beneficiation and metallurgical testing reports that the niobium and tantalum ore resources at the Baicao Mine would not be economically recovered from the ore. After considering the results of the beneficiation and metallurgical testing reports, the Board was of the view that it would not be in the best interest of the Company to pursue the Exploration Work further. As such, the Board has decided to terminate the Exploration Work from 5 March 2014. The normal mining operations at the Baicao Mine resumed on 13 March 2014 and the decrease in the production volume of the Group's vanadium-bearing iron concentrates for the first half of 2014 as a result of the termination of the Exploration Work was expected to reduce from a maximum of 250,000 tonnes to a maximum of 125,000 tonnes only. Notwithstanding the foregoing, the revenue and profits of the Group for the first half of 2014 were expected to be substantially reduced, as compared to those for the same period in 2013. Please refer to the Company's announcements on 11 July 2013 and 4 March 2014 for further details.

(v) On 17 January 2014, the Board announced that the shareholders of the Joint Venture established for the development of the Dashanshu Section unanimously decided to voluntarily wind-up the Joint Venture due to the uncertainty on the timing to obtain necessary mining permit for its operation and the additional expenses that would be incurred to reach the stage of commercial production. The Board did not foresee that the voluntary winding-up of the Joint Venture would lead to any material adverse impact on the business of the Group. Please refer to the Company's announcement dated 17 January 2014 for further details.

OUTLOOK

Benefiting from Favourable Government Policies and Industry Developments

The Group expects the market environment to remain challenging in the near future. Among the reasons include continuing disputes with Cambodia, the European Union, Thailand and Vietnam on alleged dumping of Chinese steel products, resulting in anti-dumping duties employed by the various governments. All of these disputes will inevitably have repercussions on the downstream business of the steel industry, which in turn will affect the upstream market. In addition, the steel industry will continue to be affected by tight capital liquidity and high interest rate in China. Due to a number of default cases recently, local banks have tightened credit terms imposed on trading companies. In turn, these companies have elected to dump their iron concentrates in order to repay debts, resulting in greater pressure on selling prices.

Opportunities nonetheless exist in the market in the long run, driven by Chinese government policies and increasing market demand. During the Third Plenary Session of the 18th Communist Party of China Central Committee（中共第十八屆三中全會）, the Communist Party discussed in depth major reform-related issues and the means for bringing stability to a slow growing economy. It decided to optimise the system for encouraging healthy urbanisation, hence, the Group expects this will boost market confidence. Correspondingly, the market generally expects urbanisation and construction will continue to accelerate in the future, leading to long-term infrastructure investments and fresh demand for steel.

Such optimism is, however, tempered by the fact that the steel industry presently suffers from fragmentation and overcapacity. The Chinese government has consequently stepped up efforts to eliminate excessive production capacity. According to the "Guiding Opinions of the State Council on Resolving the Conflict of Rampant Overcapacity" (《國務院關於化解產能嚴重過剩矛盾的指導意見》) issued by the state council, the country has demonstrated strong determination to eliminate backward production capacity. To achieve the goal set out in the 12th Five-Year Plan, but one year ahead of schedule, the Chinese government has implemented measures that include increasing financial incentives to encourage local governments to eliminate backward production. By doing so, it hopes to further reduce iron making capacity and steel making capacity by 15.0 Mt each by the end of 2015. In Sichuan, it is planned to eliminate an excessive production capacity of 3.0 Mt in the next few years and in the longer term, the annual production capacity of the steel industry will be maintained at 36.0 Mt. For steel companies that are addressing an imbalance in supply and demand, the elimination of backward production could prove essential for the sustainable and healthy development of the industry.

In a similar vein, MIIT released two notices relating to steel companies (the first batch and the second batch) that met the Standards in 2013. Seven compliant steel companies in the notices including Chengyu Vanadium Titano and Pangang Group Panzhihua Steel Vanadium Co., Ltd.*（攀鋼集團攀枝花鋼釩有限公司）are located at accessible region of the Group's mines. MIIT will work with relevant authorities to support the development of steel companies that fulfil the Standards, including promoting mergers and restructuring, implementing technological reforms and realising structural adjustments, redevelopment and upgrades. Given that the consolidation process will remove unqualified players from the market, the steel industry can therefore be sustained.

A development that will also be of relevance to the steel industry involves China's great western development strategy and plans to increase investment in infrastructure. Already, local governments have taken the initiative of implementing strategies and investing in major projects to drive domestic development. In October 2013, the Sichuan Government presented the "List of Major Investment Projects in Sichuan (2013-2014)" and planned to commence a number of major projects within two years, including railways in Chengdu such as Chengdu-Chongqing Railway Passenger Special Line*（成都至重慶鐵路客運專線）, Chengdu-Kangding (Xinduqiao) section of Sichuan-Tibet Railway*（川藏鐵路成都至康定（新都橋）段）and Chengdu-Lanzhou Railway*（成都至蘭州鐵路）, as well as city infrastructure projects such as expansion of Chengdu Railway Station*（成都站擴能改造）and construction of highways. The significant long-term investment in infrastructure will present potential opportunities to the steel market.

Still a further development of interest involves TiO_2, specifically, a new application has been developed for the material aside from infrastructure. A design company recently used TiO_2 for environmental construction so as to reduce air pollution. It claims that under such an application, emissions from approximately 1,000 vehicles can be neutralised per day. If this technology is promoted and widely adopted in the future, it will boost demand for TiO_2 noticeably.

Business Strategy

Going forward, as mentioned above, the Group terminated the Exploration Work which will enable mining operations to resume as normal. Separately, the shareholders of the Joint Venture established for the development of the Dashanshu Section unanimously decided to voluntarily wind-up the Joint Venture, though the Board maintains the view that such action will not lead to any adverse material impact on the business of the Group. All of these factors will impede the Group's pace of development. To overcome these and other challenges, the Group will leverage its comprehensive business strategies and the solid foundation that it has built over the years.

The aforesaid strategies include increasing resources and reserves in a sustainable manner, such as by extending the boundary of existing mines. To enhance production capacity, the Group will further seek to exploit innovative technologies. In the past year, the management has been actively pursuing potential acquisition opportunities and conducted site visits in China and various countries, including Australia, the Philippines and Indonesia and reviewed the proposals for several mines in China, Malaysia and Brazil etc. Looking ahead, the management will continue to look for suitable opportunities and prudently invest in overseas projects to maximise profits.

While the management is wary of the Group's short-term development, it remains cautiously optimistic about its ability to achieve long-term business growth. The Group will therefore seek to grasp new opportunities and strive to achieve satisfactory results in the coming financial periods.

EXECUTIVE DIRECTORS

Mr. Jiang Zhong Ping（蔣中平）

Mr. Jiang, aged 48, 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 Chuanwei 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. Tang Wei（湯偉）

Mr. Tang, aged 32, is an executive Director and the chief executive officer of the Company. Mr. Tang is primarily responsible for the management of daily operations and development of the operations of the Group. Mr. Tang has 10 years of experience in accounting and finance, capital operations and enterprise management in steel production and mining development. Mr. Tang was the deputy section chief of the accounts section of Chuanwei from May 2005 to May 2006, and was the section chief of the financial management section of the mineral division of Chuanwei from May 2006 to February 2007. Mr. Tang joined the Group in February 2007 as the chief of financial management section of Huili Caitong and was the deputy manager of the financial department, assistant to general manager, and the deputy general manager of Huili Caitong from October 2009. Mr. Tang graduated from Guizhou College of Finance and Economics*（貴州財經學院）in Guizhou with a bachelor's degree in accounting in July 2003.

Mr. Roy Kong Chi Mo（江智武）

Mr. Kong, aged 38, *FCCA, FCIS, FCS(PE) & MHKIoD*, is an executive Director, the chief financial officer and the company secretary of the Company. Mr. Kong has been the chief financial officer of the Company since May 2008 and the company secretary of the Company since September 2009. Mr. Kong has over 15 years of experience in accounting, corporate governance and capital market. Mr. Kong has been appointed as an independent non-executive director of CAA Resources Limited (Stock code: 02112), Huazhang Technology Holdings Limited (Stock code: 08276) and Hengshi Mining Investments Limited (Stock code: 01370), all are listed on the Stock Exchange, since 2013. Prior to joining the Company, Mr. Kong joined KPMG in October 1999 and was a senior manager when he left in December 2007. Prior to joining KPMG, Mr. Kong worked as a finance trainee in Hutchison Telecommunications (Hong Kong) Limited from June 1997 to March 1998 and as a tax associate in PricewaterhouseCoopers from March 1998 to October 1999. 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 Chartered Secretaries and the Institute of Chartered Secretaries and Administrators since February 2012, and a member of the Hong Kong Institute of Directors ("HKIoD") since May 2010. Mr. Kong received bronze certificates of merit in continuing professional development in both 2010 and 2011 and a silver certificate of merit in continuing professional development in 2012 respectively from the HKIoD. Mr. Kong obtained a bachelor's degree in business administration from The Chinese University of Hong Kong on 11 December 1997.

NON-EXECUTIVE DIRECTORS

Mr. Wang Jin（王勁）

Mr. Wang, aged 51, is a non-executive Director of the Company. Mr. Wang is the chairman and the chief executive officer of Chuanwei. 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 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 Chuanwei in September 1987 and was promoted to the chairman of Chuanwei in May 1998. Mr. Wang was a director of 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), from September 1999 to March 2012. Mr. Wang graduated from Chongqing University 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 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 the 11th National People's Congress（第十一屆全國人大代表）from March 2008 to March 2013. He is currently serving as a deputy to the 12th National People's Congress（第十二屆全國人大代表）. 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 Province General Chamber of Commerce China*（四川省工商業聯合會副主席）, 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 61, 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 non-executive director 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.

Mr. Yu Xing Yuan（余興元）

Mr. Yu, aged 44, is a non-executive Director of the Company. 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 Chuanwei from August 1992 to September 2003. Mr. Yu graduated from Northeast Industrial Institute*（東北工學院）in Shenyang, Liaoning with a bachelor's degree in mining engineering in July 1992. Mr. Yu received a master's degree from Chongqing University（重慶大學）in Chongqing in metallurgy engineering in December 2004.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yu Haizong（余海宗）

Mr. Yu, aged 49, has been 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 Land and Resources Department of Sichuan Province（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., Limited*（成都天興儀表股份有限公司）("Tianxing Instruments"), a company listed on the Shenzhen Stock Exchange. Mr. Yu received a bachelor's degree from Southwestern University of Finance and Economics 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 and Tianxing Instruments enables him to meet the requirements under Rule 3.10(2) of the Listing Rules.

Mr. Gu Peidong（顧培東）

Mr. Gu, aged 57, has been 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 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 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 51, has been 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 deputy chief engineering, the director of mining engineering institute and the chief project designer of the mining design office of Sichuan Metallurgical Design and Research Institute. 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. Tang Wei（湯偉）

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

Mr. Roy Kong Chi Mo（江智武）

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

COMPANY SECRETARY

Mr. Roy Kong Chi Mo（江智武）

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

Directors' Report

The Directors hereby present their report and the audited financial statements of the Group for the year ended 31 December 2013.

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 2013 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 2013 are set out in the consolidated statement of profit or loss and other comprehensive income on page 59 of this annual report.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK$0.022 per Share (equivalent to approximately RMB0.017 per Share) for the year ended 31 December 2013 (2012: Nil), representing 20.1% 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 21 May 2014. Based on the number of issued Shares as at 31 December 2013, this represents a total distribution of approximately HK$45.7 million. Subject to the approval of the payment of the final dividend by the Shareholders at the 2014 AGM, it is expected that the proposed final dividend will be paid on or before 30 May 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 8 May 2014 to Monday, 12 May 2014 (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 2014 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 Wednesday, 7 May 2014.

The register of members of the Company will be closed from Monday, 19 May 2014 to Wednesday, 21 May 2014 (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, 21 May 2014 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, 16 May 2014.

PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment of the Group for the year ended 31 December 2013 amounted to approximately RMB140.3 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 32 to financial statements of this annual report.

DISTRIBUTABLE RESERVES

Details of the movements during the year ended 31 December 2013 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 2013, the Company's reserves available for distribution to the Shareholders in accordance with the Articles were 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 4 to 5 of this annual report.

LOANS AND BORROWINGS

Details of the loans and borrowings of the Group are set out in notes 28 and 29 to financial statements of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the years ended 31 December 2013 and 2012, sales to the Group's five largest customers accounted for 84.3% and 80.5% of the total revenue of the Group, respectively, and sales to the largest customer included therein accounted for 18.6% and 21.5%, respectively.

For the years ended 31 December 2013 and 2012, purchases from the Group's five largest suppliers accounted for 53.2% and 55.1% of the total purchases of the Group, respectively, and purchases from the largest supplier included therein accounted for 25.3% and 29.4%, respectively.

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. Tang Wei *(Appointed as an executive Director and the chief executive officer on 8 October 2013)*
Mr. Roy Kong Chi Mo *(Chief financial officer, appointed as an executive Director on 8 October 2013)*
Mr. Liu Feng *(Resigned on 8 October 2013)*

Non-executive Directors

Mr. Wang Jin
Mr. Teo Cheng Kwee
Mr. Yu Xing Yuan *(Re-designated from executive Director to non-executive Director on 8 October 2013)*

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 26 to 29 of this annual report.

In accordance with Article 83(3) of the Articles, Messrs. Tang Wei and Roy Kong Chi Mo will retire at the 2014 AGM and, being eligible, will offer themselves for re-election at the 2014 AGM.

In accordance with Articles 84(1) and 84(2) of the Articles, Messrs. Yu Xing Yuan, Wang Jin and Liu Yi will retire at the 2014 AGM and, being eligible, will offer themselves for re-election at the 2014 AGM.

DIRECTORS' SERVICE CONTRACTS

Each of our executive Directors has entered into a service contract with the Company for a term of one year commencing from 8 October 2013. Each of our non-executive Directors and independent non-executive Directors has entered into a letter of appointment with the Company for a term of one year commencing from 8 October 2013.

None of the Directors proposed for re-election at the 2014 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 packages generally comprise salary, housing allowance, contribution to pension schemes and discretionary bonus relating to the performance of the Group.

When compared to other employees of the Group, the remuneration packages of the Directors and senior management put a heavier weight on their contributions to the performance of the Group. This is achieved by way of share option schemes. 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 33 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 2013, 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 positions in Shares

	Number of Shares held, capacity and nature of interest		
Name of Director	Through parties acting in concert	Total	Percentage of the Company's issued share capital
Mr. Wang Jin	1,006,754,000 (L) (Notes 1&2)	1,006,754,000 (L)	48.52% (L)

Notes:

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

2. 1,006,754,000 Shares were directly held by Trisonic International which was owned as to, inter alia, 42.6% 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.

(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 2013:

Name	Number of share options held	Number of underlying Shares
Mr. Jiang Zhong Ping	8,500,000	8,500,000
Mr. Tang Wei	1,400,000	1,400,000
Mr. Roy Kong Chi Mo	7,500,000	7,500,000
Mr. Yu Xing Yuan	14,500,000	14,500,000

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 2013, so far as is known to all 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 2013 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 01.01.2013	No. of share options exercised during the year	Transfer from other category during the year	Transfer to other category during the year	No. of share options held as at 31.12.2013
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) (Note 1)	–
			29.12.2014 to 28.12.2019	5.05	2,000,000	–	–	(2,000,000) (Note 1)	–
		01.04.2010	01.10.2012 to 31.03.2020	4.99	1,250,000	–	–	(1,250,000) (Note 1)	–
			01.04.2015 to 31.03.2020	4.99	1,250,000	–	–	(1,250,000) (Note 1)	–
	Mr. Tang Wei	29.12.2009	29.06.2012 to 28.12.2019	5.05	–	–	200,000 (Note 2)	–	200,000
			29.12.2014 to 28.12.2019	5.05	–	–	200,000 (Note 2)	–	200,000
	Mr. Roy Kong Chi Mo	29.12.2009	29.06.2012 to 28.12.2019	5.05	1,500,000	–	–	–	1,500,000
			29.12.2014 to 28.12.2019	5.05	1,500,000	–	–	–	1,500,000
		01.04.2010	01.10.2012 to 31.03.2020	4.99	250,000	–	–	–	250,000
			01.04.2015 to 31.03.2020	4.99	250,000	–	–	–	250,000
	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
2.	**Employees** (in aggregate)	29.12.2009	29.06.2012 to 28.12.2019	5.05	1,600,000	–	2,000,000 (Note 1)	(200,000) (Note 2)	3,400,000
			29.12.2014 to 28.12.2019	5.05	1,600,000	–	2,000,000 (Note 1)	(200,000) (Note 2)	3,400,000
		01.04.2010	01.10.2012 to 31.03.2020	4.99	1,700,000	–	1,250,000 (Note 1)	–	2,950,000
			01.04.2015 to 31.03.2020	4.99	1,700,000	–	1,250,000 (Note 1)	–	2,950,000
	Total				29,600,000	–	6,900,000	(6,900,000)	29,600,000

Notes:

1. Mr. Liu Feng resigned as an executive Director of the Company on 8 October 2013. The options granted to Mr. Liu remain exercisable following his resignation as he is still an employee of the Company 's subsidiaries and his options were re-classified to the category "Employees" during the year.

2. Mr. Tang Wei was appointed as an executive Director of the Company on 8 October 2013 and his options were re-classified to the category "Directors/chief executives" during the year.

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 contributed 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). If 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, such 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 by 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 2013 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 01.01.2013	No. of share options exercised during the year	Transfer from other category during the year	Transfer to other category during the year	No. of share options held as at 31.12.2013
1.	**Directors/chief executives**								
	Mr. Jiang Zhong Ping	23.05.2011	23.05.2013 to 22.05.2021	3.6	5,000,000	–	–	–	5,000,000
	Mr. Liu Feng	23.05.2011	23.05.2013 to 22.05.2021	3.6	4,500,000	–	–	(4,500,000) (Note 1)	–
	Mr. Tang Wei	23.05.2011	23.05.2013 to 22.05.2021	3.6	–	–	1,000,000 (Note 2)	–	1,000,000
	Mr. Roy Kong Chi Mo	23.05.2011	23.05.2013 to 22.05.2021	3.6	4,000,000	–	–	–	4,000,000
	Mr. Yu Xing Yuan	23.05.2011	23.05.2013 to 22.05.2021	3.6	5,000,000	–	–	–	5,000,000
2.	**Employees** (in aggregate)	23.05.2011	23.05.2013 to 22.05.2021	3.6	8,800,000	–	4,500,000 (Note 1)	(1,000,000) (Note 2)	12,300,000
	Total				27,300,000	–	5,500,000	(5,500,000)	27,300,000

Notes:

1. Mr. Liu Feng resigned as an executive Director of the Company on 8 October 2013. The options granted to Mr. Liu remain exercisable following his resignation as he is still an employee of the Company 's subsidiaries and his options were re-classified to the category "Employees" during the year.

2. Mr. Tang Wei was appointed as an executive Director of the Company on 8 October 2013 and his options were re-classified to the category "Directors/chief executives" during the year.

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 2013, 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:

Long and short positions in Shares and underlying Shares under equity derivatives:

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)	–	–	–	1,006,754,000 (L)	48.52% (L)
Kingston Grand	1,2,3,4&6	–	–	1,006,754,000 (L)	–	1,006,754,000 (L)	48.52% (L)
Mr. Yang Xianlu	1&4	–	–	1,006,754,000 (L)	–	1,006,754,000 (L)	48.52% (L)
Mr. Wu Wendong	1&4	–	–	1,006,754,000 (L)	–	1,006,754,000 (L)	48.52% (L)
Mr. Li Hesheng	1,2&4	–	–	1,006,754,000 (L)	–	1,006,754,000 (L)	48.52% (L)
Mr. Shi Yinjun	1,2&4	–	–	1,006,754,000 (L)	–	1,006,754,000 (L)	48.52% (L)
Mr. Zhang Yuangui	1,2&4	–	–	1,006,754,000 (L)	–	1,006,754,000 (L)	48.52% (L)
Templeton Asset Management Limited	1	–	–	–	229,994,117 (L)	229,994,117 (L)	11.08% (L)
Morgan Stanley	1&5	–	114,975,000 (L)	–	–	114,975,000 (L)	5.54% (L)
		–	996,000 (S)	–	–	996,000 (S)	0.05% (S)

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 3% by Mr. Li Hesheng, 42.6% 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 2013, 1,006,754,000 Shares were held by Trisonic International. Since 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, 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.

5. The corporate substantial shareholder notice filed by Morgan Stanley indicated that it had a long position of an aggregate of 114,975,000 Shares and a short position of 996,000 Shares (of which 994,000 Shares representing a derivative interest) which were held as follows:

   (i) a long position of 114,973,000 Shares and a short position of 992,000 Shares were held by Morgan Stanley & Co. International plc, which was in turn indirectly wholly-owned by Morgan Stanley;

   (ii) a long position of 2,000 Shares was held by Morgan Stanley & Co. LLC, which was in turn indirectly wholly-owned by Morgan Stanley; and

   (iii) a short position of 4,000 Shares was held by Morgan Stanley Capital Services LLC, which was in turn indirectly wholly-owned by Morgan Stanley.

   Accordingly, Morgan Stanley was deemed to be interested in the Shares held by Morgan Stanley & Co. International plc, Morgan Stanley & Co. LLC and Morgan Stanley Capital Services LLC under the SFO.

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

Save as disclosed above, as at 31 December 2013, 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 and Yanyuan Xiwei.

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.

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 are 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"), 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 would be reviewed and approved by the independent non-executive Directors.

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 customers 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.

3. The Group has subscribed for an Exchangeable Note in the principal amount of US$30 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 2013, sales of vanadium-bearing iron concentrates of approximately RMB64.0 million were made to Chengyu Vanadium Titano, a connected person to the Group under the iron concentrate sale contract entered into between Huili Caitong and Chengyu Vanadium Titano on 21 October 2011, pursuant to which the Group agreed to sell, or procure another member of the Group (other than the Company) to sell, vanadium-bearing iron concentrates to Chengyu Vanadium Titano from time to time from 1 January 2012 to 31 December 2014. 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, 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.

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 transactions, 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.

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 transactions 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.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules (the "CG Code").

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 2013, the audit committee has reviewed: (i) the audited financial statements of the Group and annual results announcement for the year ended 31 December 2012 and (ii) the reviewed financial statements of the Group and interim results announcement for the six months ended 30 June 2013. During the year ended 31 December 2013, the audit committee has reviewed the internal control of the Group. Details of the internal control of the Group are set out on page 55 of this annual report.

REMUNERATION COMMITTEE

The Company established a remuneration committee with written terms of reference in compliance with the CG Code.

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

NOMINATION COMMITTEE

The Company established a nomination committee with written terms of reference in compliance with the CG Code.

The nomination committee currently comprises one executive Director, namely Mr. Jiang Zhong Ping *(Chairman)* and two independent non-executive Directors, namely Mr. Yu Haizong and Mr. Liu Yi.

PRE-EMPTIVE RIGHTS

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

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 2013.

CORPORATE GOVERNANCE

The Company has adopted the CG Code. Throughout the year ended 31 December 2013, the Company has complied with all applicable code provisions as set out in the CG Code except for code provision A.6.7 as described in the Corporate Governance Report.

For details of the Corporate Governance Report, please refer to pages 48 to 56 of this annual report.

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

Throughout the year ended 31 December 2013, 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 of this annual report. In relation to the related party transactions 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. Other related party transactions either did not constitute connected transactions/continuing connected transactions or constituted connected transactions/continuing connected transactions but were exempted from all disclosure and independent shareholders' approval requirements under the Listing Rules.

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 AND DIRECTORS' AND CHIEF EXECUTIVES' INFORMATION

Effective from 8 October 2013, (i) Mr. Yu Xing Yuan was re-designated from an executive Director to a non-executive Director and he had also ceased to be the chief investment officer of the Company; (ii) Mr. Liu Feng resigned as an executive Director and the chief executive officer of the Company; (iii) Mr. Tang Wei was appointed as an executive Director and the chief executive officer of the Company; and (iv) Mr. Roy Kong Chi Mo was appointed as an executive Director.

Each of our executive Directors has entered into a service contract with the Company for a term of one year commencing from 8 October 2013 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 letter of appointment with the Company for a term of one year commencing from 8 October 2013, in which Mr. Wang Jin's director's fee is HK$150,000 per annum and each of other non-executive Directors' 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 2013. A resolution will be proposed for approval by the Shareholders at the 2014 AGM to re-appoint Ernst & Young as auditors of the Company.

On behalf of the Board

Jiang Zhong Ping

Chairman

17 March 2014

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 2013, the Company has complied with the code provisions under the CG Code except for code provision A.6.7 as described below.

Code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of the shareholders. Mr. Wang Jin did not attend the general meeting held on 14 May 2013 and the court meeting held on 15 May 2013 due to other business commitment. Messrs. Teo Cheng Kwee and Gu Peidong did not attend the court meeting held on 15 May 2013 due to other business commitment.

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 the 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 2013.

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. 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, remuneration committee and nomination 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	Nomination Committee
Executive Directors			
Mr. Jiang Zhong Ping *(Chairman)*	–	–	C
Mr. Tang Wei *(Chief executive officer)*	–	–	–
Mr. Roy Kong Chi Mo *(Chief financial officer)*	–	–	–
Non-executive Directors			
Mr. Wang Jin	–	M	–
Mr. Teo Cheng Kwee	–	–	–
Mr. Yu Xing Yuan	–	–	–
Independent non-executive Directors			
Mr. Yu Haizong	C	M	M
Mr. Gu Peidong	M	C	–
Mr. Liu Yi	M	–	M

Notes:

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 26 to 29 of this annual report.

Each of our executive Directors has entered into a service contract with the Company for a term of one year commencing from 8 October 2013. Each of our non-executive Directors and independent non-executive Directors has entered into a letter of appointment with the Company for a term of one year commencing from 8 October 2013. 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 four regular Board meetings for reviewing and approving the financial and operating performance and considering the overall strategies and policies of the Group. 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 (the "Company Secretary") 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 was responsible for keeping minutes for the Board meetings.

During the year, the Company held two general meetings on 14 May 2013 and 15 May 2013, respectively. The following is the attendance record of the meetings held by the Board, audit committee, remuneration committee, nomination committee and the Shareholders for the year ended 31 December 2013:

	Number of meeting attended/Number of meeting held				
Name of Director	Board meeting	Audit committee meeting	Remuneration committee meeting	Nomination committee meeting	General meeting
Mr. Jiang Zhong Ping	4/4	–	–	1/1	2/2
Mr. Tang Wei *(Appointed on 8 October 2013)*	1/1	–	–	–	0/0
Mr. Roy Kong Chi Mo *(Appointed on 8 October 2013)*	1/1	–	–	–	0/0
Mr. Liu Feng *(Resigned on 8 October 2013)*	3/3	–	–	–	0/2
Mr. Wang Jin	4/4	–	2/2	–	0/2
Mr. Teo Cheng Kwee	4/4	–	–	–	1/2
Mr. Yu Xing Yuan *(Re-designated as non-executive Director on 8 October 2013)*	4/4	–	–	–	0/2
Mr. Yu Haizong	4/4	2/2	2/2	1/1	2/2
Mr. Gu Peidong	3/4	2/2	1/2	–	1/2
Mr. Liu Yi	4/4	2/2	–	1/1	2/2

DIRECTORS' TRAINING

According to the code provision A.6.5 of the CG Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contributions to the board remains informed and relevant.

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 Company continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure their compliance and enhance their awareness of good corporate governance practices.

During the year, a training session was organised by the Company for Directors to update the Directors on the Listing Rules and cases in respect of the recent public criticism/censure for breaches of the Listing Rules published by the Stock Exchange. Directors had provided the Company with their respective training records pursuant to the CG Code. During the year, all Directors have participated in appropriate continuous professional development by ways of attending training or reading materials relevant to the Company's business or to Directors' duties and responsibilities.

CHAIRMAN AND CHIEF EXECUTIVE

The roles of the Company's chairman and the chief executive 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. Mr. Liu Feng acted as the chief executive officer of the Company until 8 October 2013. Upon his resignation as an executive Director and the chief executive officer of the Company, Mr. Tang Wei was appointed as an executive Director and the chief executive officer of the Company on 8 October 2013 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, 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.

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 two independent non-executive Directors, namely Mr. Gu Peidong *(Chairman)* and Mr. Yu Haizong and one non-executive Director, namely Mr. Wang Jin.

The remuneration committee's main functions are:

- to review and recommend to the Board in consultation with the chairman of the Board and chief executive, 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 determine with delegated responsibilities, the remuneration packages of individual executive Directors or senior management, which should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- 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 contributed 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.

During the year, the remuneration committee held two meetings, at which the members of remuneration committee have reviewed the remuneration package of the Directors of the Company.

The remuneration payable to the senior management (comprising Directors) for the year ended 31 December 2013 by band is set out below:

Name of Director	Remuneration band RMB	Director's fee %	Salaries, allowances and benefits in kind %	Share options %	Pension scheme contributions %	Total %
Executive Directors						
Mr. Jiang Zhong Ping	2,000,001 – 2,500,000	3.4	16.7	78.9	1.0	100
Mr. Tang Wei *(Appointed on 8 October 2013)*	500,001 – 550,000	3.6	54.8	37.1	4.5	100
Mr. Roy Kong Chi Mo *(Appointed on 8 October 2013)*	2,500,001 – 3,000,000	0.6	39.8	57.5	2.1	100
Mr. Liu Feng *(Resigned on 8 October 2013)*	2,500,001 – 3,000,000	2.1	10.7	86.4	0.8	100
Non-executive Directors						
Mr. Wang Jin	100,001 – 150,000	100	–	–	–	100
Mr. Teo Cheng Kwee	1 – 100,000	100	–	–	–	100
Mr. Yu Xing Yuan *(Re-designated as non-executive Director on 8 October 2013)*	3,500,001 – 4,000,000	2.1	10.3	87.2	0.4	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. The audit committee currently comprises three independent non-executive Directors, Mr. Yu Haizong *(Chairman)*, Mr. Gu Peidong and Mr. Liu Yi.

The 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 are of the opinion that such statements have complied with the applicable accounting standards and the legal disclosure requirements, and that adequate disclosures have been made.

The audit committee has appointed KPMG Advisory (China) Limited ("KPMG") as the internal auditors of the Group in October 2010 to perform internal audit work under a three-year rotation plan based on a risk-based methodology, and renewed the contract with KPMG in November 2013 to perform internal audit work under second three-year 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.

NOMINATION COMMITTEE

The Company established a nomination committee in compliance with the CG Code which currently comprises one executive Director, namely Mr. Jiang Zhong Ping *(Chairman)* and two independent non-executive Directors, namely Mr. Yu Haizong and Mr. Liu Yi. During the year, the nomination committee held one meeting.

The nomination committee's main functions are:

- to review the structure, size, composition (including the skills, knowledge and experience) and diversity (including but not limited to gender, age, cultural and educational background, ethnicity, skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nomination for directorships;
- to formulate the board diversity policy (the "Board Diversity Policy") for the Board's consideration and approval;
- to discuss any revisions to the Board Diversity Policy that may be required, and recommend such revisions to the Board for the Board's consideration and approval;
- to review the Board Diversity Policy and measurable objectives that the Board has set for implementing that policy, and monitor the progress on achieving the objectives;
- to assess the independence of independent non-executive Directors; and
- to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular chairman and chief executive.

During the year, the nomination committee made recommendation to the Board for adoption of the Board Diversity Policy in compliance with the CG Code, effective from 1 September 2013. The Board Diversity Policy is concerned with a view to achieving a sustainable and balanced development and increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. The Board Diversity Policy has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

During the year, the nomination committee assessed a range of diversity perspectives, including the skills, knowledge and experience of Messrs. Tang Wei and Roy Kong Chi Mo and recommended Messrs. Tang Wei and Roy Kong Chi Mo to be new members of the Directors.

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for performing the duties on corporate governance function as set out below:

- to develop and review the Company's policies and practices on corporate governance and make recommendations;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance and legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Company's compliance with the CG Code and disclosure in the corporate governance report.

During the year ended 31 December 2013, the Board adopted the Board Diversity Policy and adopted the revised terms of reference for the nomination committee.

AUDITORS' REMUNERATION

For the year ended 31 December 2013, the Group's external auditors, Ernst & Young, provided interim review and annual audit services. For the year ended 31 December 2013, the total fee paid/payable in respect of services provided by the Group's external auditors is set out below:

	RMB'000
Annual audit services	2,550
Interim review services	1,250

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 flows 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 and the disclosure requirements of 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 pages 57 to 58 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 the importance of a sound internal control system which is also indispensable for mitigating the Group's risk exposure. 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 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 2013 was effective and the Company has complied with the CG Code.

COMPANY SECRETARY

Mr. Roy Kong Chi Mo was appointed as the Company Secretary on 4 September 2009. According to Rule 3.29 of the Listing Rules, an issuer's company secretary must take no less than 15 hours of relevant professional training in each financial year while Mr. Kong has taken no less than 15 hours of relevant professional training in 2013. Mr. Kong received a silver certificate of merit in continuing professional development in 2012 from the HKIoD.

SHAREHOLDERS' RIGHTS

Procedures for convening of an extraordinary general meeting and putting forward proposals at shareholders' meeting

Pursuant to Article 58 of the Articles, Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company (the "Requisitionist(s)") may, by written requisition (the "Requisition") to the Board or the Company Secretary, to require an extraordinary general meeting ("EGM") to be called by the Board for the transaction of any business specified in the Requisition. The Requisition shall be deposited at the principal place of business of the Company in Hong Kong. The EGM shall be held within two months after the deposit of the Requisition. In the event that the Board fails to proceed to convene the EGM within twenty-one days of the deposit of the Requisition, the Requisitionist(s) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Board shall be reimbursed to the Requisitionist(s) by the Company.

Procedures for shareholders to put enquiries to the Board

Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. In respect of other enquiries, Shareholders may put forward enquiries to the Board through the Company's principal place of business in Hong Kong which will direct the enquiries to the Board for handling.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

In 2013, the Company continued to communicate with Shareholders, investors and analysts in an honest manner through various channels. 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 addition, the Group's senior executives 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 Directors answer any questions Shareholders have at the meeting, being attended by the external auditors and the 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 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 in a timely manner. For any matter requiring the approval of the Shareholders, the Company will hold an EGM 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 handle Shareholders' enquiries. Should investors have any enquiries, please contact the Company's external Investor Relations Consultant via email at ir@chinavtmmining.com.

The Company will 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 help the capital market to better understand its development strategies and operating conditions.

EY 安永

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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 138, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other 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 of the Company 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 2013, 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

17 March 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000 (Restated)
REVENUE	4	**1,429,875**	1,533,732
Cost of sales		**(925,372)**	(799,700)
Gross profit		**504,503**	734,032
Other income and gains	5	**100,268**	64,360
Selling and distribution expenses		**(50,665)**	(45,921)
Administrative expenses		**(152,575)**	(118,139)
Other expenses		**(38,094)**	(20,576)
Finance costs	6	**(98,613)**	(42,599)
Share of profits and losses of joint ventures	16	**1,352**	517
PROFIT BEFORE TAX	7	**266,176**	571,674
Income tax expense	9	**(83,704)**	(130,435)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**182,472**	441,239
Attributable to:			
Owners of the Company	10	**179,135**	433,679
Non-controlling interests		**3,337**	7,560
		182,472	441,239
Earnings per Share attributable to ordinary equity holders of the Company:			
Basic and diluted	11	**RMB0.09**	RMB0.21

Details of the dividend proposed for the year ended 31 December 2013 are disclosed in note 35 to the financial statements.

	Notes	31 December 2013 RMB'000	31 December 2012 RMB'000 (Restated note 2.2)	1 January 2012 RMB'000 (Restated note 2.2)
NON-CURRENT ASSETS				
Property, plant and equipment	12	**1,745,221**	1,778,789	1,726,804
Intangible assets	13	**586,402**	574,095	578,525
Prepaid land lease payments	14	**43,388**	49,451	50,678
Investments in joint ventures	16	**3,390**	12,031	584
Financial assets at fair value through profit or loss	17	**275,310**	239,272	207,942
Prepayments and deposits	18	**50,681**	50,835	54,471
Payments in advance	19	**200,577**	202,095	165,712
Goodwill	20	**15,318**	15,318	15,318
Deferred tax assets	21	**75,987**	68,333	63,934
Total non-current assets		**2,996,274**	2,990,219	2,863,968
CURRENT ASSETS				
Inventories	22	**141,663**	180,024	137,333
Trade and bills receivables	23	**385,339**	109,053	134,418
Prepayments, deposits and other receivables	18	**234,775**	68,801	83,431
Investment in a joint venture	16	**9,993**	–	–
Due from related parties	24	**600**	733	600
Pledged time deposits	25	**441,853**	268,783	111,993
Cash and cash equivalents	25	**1,295,018**	1,649,146	946,830
Total current assets		**2,509,241**	2,276,540	1,414,605
CURRENT LIABILITIES				
Trade and bills payables	26	**944,490**	816,558	341,192
Other payables and accruals	27	**293,156**	345,754	278,779
Commercial paper liabilities	28	**150,000**	150,000	–
Interest-bearing bank and other loans	29	**362,439**	317,283	321,514
Due to related parties	24	**8,514**	33,735	85,681
Tax payable		**66,950**	112,425	89,655
Dividend payable		**1,801**	1,801	1,801
Total current liabilities		**1,827,350**	1,777,556	1,118,622
NET CURRENT ASSETS		**681,891**	498,984	295,983
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,678,165**	3,489,203	3,159,951

	Notes	31 December 2013 RMB'000	31 December 2012 RMB'000 (Restated note 2.2)	1 January 2012 RMB'000 (Restated note 2.2)
NON-CURRENT LIABILITIES				
Interest-bearing bank and other loans	29	**50,800**	79,000	101,200
Provision for rehabilitation	30	**8,748**	8,188	7,664
Deferred income	31	**4,000**	4,000	9,574
Other payables	27	**650**	750	500
Total non-current liabilities		**64,198**	91,938	118,938
Net assets		**3,613,967**	3,397,265	3,041,013
EQUITY				
Equity attributable to owners of the Company				
Issued capital	32	**182,787**	182,787	182,787
Reserves	34	**3,362,363**	3,185,041	2,713,924
Proposed final dividend	35	**36,043**	–	122,425
		3,581,193	3,367,828	3,019,136
Non-controlling interests		**32,774**	29,437	21,877
Total equity		**3,613,967**	3,397,265	3,041,013

Jiang Zhong Ping
Director

Tang Wei
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2013

	Attributable to owners of the Company												
	Issued capital RMB'000 note 32	**Share premium account** RMB'000 note 34(a)	**Statutory reserves** RMB'000 note 34(b)	**Safety fund surplus reserve** RMB'000 note 34(d)	**Contributed surplus** RMB'000 note 34(c)	**Share option reserve** RMB'000 note 33	**Difference arising from acquisition of non-controlling interests** RMB'000	**Capital reserve** RMB'000	**Retained earnings** RMB'000	**Proposed final dividend** RMB'000 note 35	**Total** RMB'000	**Non-controlling interests** RMB'000	**Total equity** RMB'000
At 1 January 2012	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
Effect on change in accounting policies (note 2.2)	–	–	–	–	–	–	(14,461)	–	(165,384)	–	(179,845)	–	(179,845)
As restated	182,787	1,876,296	160,603	–	66,654	47,783	(862,867)	–	1,425,455	122,425	3,019,136	21,877	3,041,013
Total comprehensive income for the year (restated)	–	–	–	–	–	–	–	–	433,679	–	433,679	7,560	441,239
Equity-settled share option arrangement	–	–	–	–	–	28,307	–	–	–	–	28,307	–	28,307
Establishment for safety fund surplus reserve	–	–	–	48,388	–	–	–	–	(48,388)	–	–	–	–
Utilisation of safety fund surplus reserve	–	–	–	(3,817)	–	–	–	–	3,817	–	–	–	–
Transfer from/(to) reserves	–	–	43,048	–	–	–	–	–	(43,048)	–	–	–	–
Consideration adjustment in respect of business combination under common control	–	–	–	–	6,136	–	2,995	–	–	–	9,131	–	9,131
Capital injection to a subsidiary by way of transfer from retained earnings	–	–	–	–	–	–	–	186,200	(186,200)	–	–	–	–
Final 2011 dividend declared	–	–	–	–	–	–	–	–	–	(122,425)	(122,425)	–	(122,425)
At 31 December 2012	182,787	1,876,296*	203,651*	44,571*	72,790*	76,090*	(859,872)*	186,200*	1,585,315*	–	3,367,828	29,437	3,397,265
At 1 January 2013	182,787	1,876,296	203,651	44,571	72,790	76,090	(845,411)	186,200	1,720,062	–	3,517,036	29,437	3,546,473
Effect on change in accounting policies (note 2.2)	–	–	–	–	–	–	(14,461)	–	(134,747)	–	(149,208)	–	(149,208)
As restated	182,787	1,876,296*	203,651*	44,571	72,790*	76,090*	(859,872)*	186,200	1,585,315*	–	3,367,828	29,437	3,397,265
Total comprehensive income for the year	–	–	–	–	–	–	–	–	179,135	–	179,135	3,337	182,472
Equity-settled share option arrangement	–	–	–	–	–	12,730	–	–	–	–	12,730	–	12,730
Establishment for safety fund surplus reserve	–	–	–	49,061	–	–	–	–	(49,061)	–	–	–	–
Utilisation of safety fund surplus reserve	–	–	–	(2,813)	–	–	–	–	2,813	–	–	–	–
Transfer from/(to) reserves	–	–	16,525	–	–	–	–	–	(16,525)	–	–	–	–
Consideration adjustment in respect of business combination under common control (note 38(a)(iii))	–	–	–	–	14,448	–	7,052	–	–	–	21,500	–	21,500
Proposed final 2013 dividend (note 35)	–	–	–	–	–	–	–	–	(36,043)	36,043	–	–	–
At 31 December 2013	182,787	1,876,296*	220,176*	90,819*	87,238*	88,820*	(852,820)*	186,200*	1,665,634*	36,043	3,581,193	32,774	3,613,967

* These reserve accounts comprise the consolidated reserves of RMB3,362,363,000 (2012 (restated): RMB3,185,041,000) in the consolidated statement of financial position.

	Notes	2013 RMB'000	2012 RMB'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**266,176**	571,674
Adjustments for:			
Finance costs		**100,367**	41,145
Unrealised foreign exchange gain		**(3,011)**	(232)
Bank interest income	5	**(56,037)**	(28,910)
Equity-settled share option expense	33	**12,730**	28,307
Fair value gains on financial assets at fair value through profit or loss	17	**(36,038)**	(31,330)
Share of profits and losses of joint ventures		**(1,352)**	(517)
Loss on disposal of items of property, plant and equipment	7	**5,535**	–
Write-off of property, plant and equipment	7	**1,389**	–
Gain on disposal of a prepaid land lease payment	5	**(55)**	–
Reversal of write-down of inventories to net realisable value		**–**	(24)
Depreciation	12	**145,218**	117,773
Impairment of items of property, plant and equipment	7	**–**	11,253
Prepaid technical fee released to profit or loss	18(a)	**4,133**	4,133
Amortisation of intangible assets	13	**40,656**	30,927
Amortisation of prepaid land lease payments	14	**1,205**	1,227
		480,916	745,426
Decrease/(increase) in trade and bills receivables		**(276,286)**	25,365
Decrease/(increase) in inventories		**38,361**	(42,667)
Decrease/(increase) in prepayments, deposits and other receivables		**(124,453)**	15,340
Increase in trade and bills payables		**127,932**	475,366
Increase/(decrease) in other payables and accruals		**(40,029)**	51,144
Decrease/(increase) in amounts due from related parties		**133**	(133)
Increase/(decrease) in amounts due to related parties		**2,237**	(34,586)
Cash generated from operations		**208,811**	1,235,255
Interest paid		**(96,285)**	(40,299)
Interest received		**46,999**	28,236
Income tax paid		**(144,003)**	(112,064)
Net cash flows from operating activities		**15,522**	1,111,128

Consolidated Statement of Cash Flows

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(150,413)**	(135,780)
Proceeds from disposal of items of property, plant and equipment		**21,770**	–
Proceeds from disposal of a prepaid land lease payment		**4,913**	–
Increase in long-term deposits		**(1,572)**	(532)
Decrease/(increase) in time deposits with maturity of over three months		**93,800**	(523,800)
Investment in a joint venture	16	**–**	(10,500)
Purchase of intangible assets		**(54,290)**	(46,611)
Prepayment for the acquisition of a subsidiary		**–**	(50,000)
Prepayment for the acquisition of an associate	18	**(34,890)**	–
Increase in pledged bank balances		**(173,070)**	(156,790)
Receipts of government grants	31	**–**	1,600
Net cash flows used in investing activities		**(293,752)**	(922,413)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of commercial papers	28	**150,000**	150,000
Repayment of commercial papers	28	**(150,000)**	–
Transaction fee on the issuance of commercial papers	6	**(735)**	(706)
Proceeds from bank loans		**327,871**	180,000
Repayment of bank loans		**(307,000)**	(207,000)
Proceeds from other loans		**–**	2,800
Repayment of other loans		**–**	(2,000)
Acquisition of a business combination under common control	38(a)(iii)	**(1,330)**	(10,869)
Dividends paid		**–**	(122,425)
Net cash flows from/(used in) financing activities		**18,806**	(10,200)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(259,424)**	178,515
Cash and cash equivalents at beginning of year		**375,346**	196,830
Effect of foreign exchange rate changes, net		**(904)**	1
CASH AND CASH EQUIVALENTS AT END OF YEAR		**115,018**	375,346
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position	25	**1,295,018**	1,649,146
Time deposits with original maturity over three months		**(1,180,000)**	(1,273,800)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**115,018**	375,346

	Notes	2013 RMB'000	2012 RMB'000
NON-CURRENT ASSETS			
Office equipment		**41**	63
Investments in subsidiaries	15	**1,780,277**	1,835,626
Total non-current assets		**1,780,318**	1,835,689
CURRENT ASSETS			
Dividend receivable		**17,157**	17,157
Due from subsidiaries	15	**135,500**	139,635
Prepayments, deposits and other receivables	18	**157**	264
Due from a related party	24	**343**	343
Cash and cash equivalents	25	**1,480**	1,451
Total current assets		**154,637**	158,850
CURRENT LIABILITIES			
Due to a subsidiary	15	**25,121**	22,429
Other payables and accruals	27	**5,268**	5,186
Interest-bearing bank loan	29(a)	**91,453**	94,283
Total current liabilities		**121,842**	121,898
NET CURRENT ASSETS		**32,795**	36,952
Net assets		**1,813,113**	1,872,641
EQUITY			
Issued capital	32	**182,787**	182,787
Reserves	34	**1,594,283**	1,689,854
Proposed final dividend	35	**36,043**	–
Total equity		**1,813,113**	1,872,641

Jiang Zhong Ping
Director

Tang Wei
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 2013, 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. There were no significant changes in the nature of the Group's principal activities during the year.

In the opinion of the Directors of the Company, Trisonic International, a company incorporated in Hong Kong, is the parent and ultimate holding company of the Company.

2.1 BASIS OF PRESENTATION

These financial statements have been prepared in accordance with IFRSs, which comprise standards and interpretations approved by the 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 Hong Kong 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 Company and its subsidiaries for the year ended 31 December 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.1 BASIS OF PRESENTATION (continued)

Basis of consolidation (continued)

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, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES 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 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Government Loans*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
IFRS 10	*Consolidated Financial Statements*
IFRS 11	*Joint Arrangements*
IFRS 12	*Disclosure of Interests in Other Entities*
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12 – *Transition Guidance*
IFRS 13	*Fair Value Measurement*
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
IAS 19 (Revised)	*Employee Benefits*
IAS 27 (Revised)	*Separate Financial Statements*
IAS 28 (Revised)	*Investments in Associates and Joint Ventures*
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of IFRSs issued in May 2012

Other than as further explained below regarding the impact of IFRIC 20, the adoption of the new and revised IFRSs has had no significant financial effect on these financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

The principal effects of adopting IFRIC 20 are as follows:

IFRIC 20 addresses the recognition of waste removal costs that are incurred in surface mining activity during the production phase of a mine as an asset, as well as the initial measurement and subsequent measurement of the stripping activity asset. To the extent that the benefit from the stripping activity is realised in the form of inventory produced, the costs incurred are accounted for in accordance with IAS 2 Inventories. To the extent that the benefit is improved access to ore and when criteria set out in the interpretation are met, the waste removal costs are recognised as a stripping activity asset under non-current assets. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part. When the costs of the stripping activity asset and the inventory produced are not separately identifiable, production stripping costs are allocated between the inventory produced and the stripping activity asset by using an allocation basis that is based on a relevant production measure.

Prior to the adoption of IFRIC 20, the Group deferred and capitalised advanced stripping costs incurred during the production stage of its operations and allocated those costs to the production derived in the subsequent year. The Group adopted the specific identification approach where the deferred stripping costs were allocated to the quantity of mineral ore that became accessible. The deferred stripping costs were 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 was extracted.

The requirements of IFRIC 20 differs from the Group's previous policies in that only waste stripping costs which provide improved access to ore can be capitalised when certain criteria are met, and the capitalisation and amortisation of waste stripping costs is undertaken at the level of individual deposits or components. In addition, specific transitional rules are provided to deal with any opening deferred stripping balances recognised under the previous accounting policies.

As a result of adoption of IFRIC 20, any previously recognised asset balance that resulted from stripping activity undertaken during the production phase (predecessor stripping asset) is reclassified as a part of an existing asset to which the stripping activity related, to the extent that there remains an identifiable component of the ore body with which the predecessor stripping asset can be associated. Such balances are then depreciated or amortised over the remaining expected useful life of the identified component of the ore body to which each predecessor stripping asset balance relates. If there is no identifiable component of the ore body to which the predecessor asset relates, it has been written off through opening retained earnings at the beginning of the earliest period presented. IFRIC 20 has been applied by the Group prospectively to production stripping costs incurred on or after the beginning of the earliest period presented.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

The impact on the consolidated statements of financial position:

	Intangible assets RMB'000	Advanced stripping fees RMB'000	Deferred tax assets RMB'000	Reserves RMB'000
At 1 January 2012 as previously reported	576,901	241,417	3,986	2,893,769
Effect on the adoption of IFRIC 20	1,624	(241,417)	59,948	(179,845)
At 1 January 2012 as restated	578,525	–	63,934	2,713,924
At 31 December 2012 as previously reported	566,302	206,737	18,597	3,334,249
Effect on the adoption of IFRIC 20	7,793	(206,737)	49,736	(149,208)
At 31 December 2012 as restated	574,095	–	68,333	3,185,041

The impact on the consolidated statement of profit or loss and other comprehensive income:

	Decrease in cost of sales RMB'000	Increase in income taxes RMB'000	Increase in profit for the year RMB'000
For the year ended 31 December 2012	40,850	(10,212)	30,638

2.3 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 9	*Financial Instruments*[3]
IFRS 9, IFRS 7 and IAS 39 Amendments	*Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39*[3]
IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised) – *Investment Entities*[1]
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[2]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[1]
IAS 36 Amendments	Amendments to IAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*[1]
IAS 39 Amendments	Amendments to IAS 39 *Financial Instruments: Recognition and Measurements – Novation of Derivatives and Continuation of Hedge Accounting*[1]
Annual Improvements 2010-2012 Cycle	Amendments to a number of IFRSs issued in December 2013[4]
Annual Improvements 2010-2013 Cycle	Amendments to a number of IFRSs issued in December 2013[2]
IFRS 14	*Regulatory Deferral Accounts*[5]
IFRIC 21	*Levies*[1]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 No mandatory effective date yet determined but is available for adoption
4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
5 Effective for first annual IFRS financial statements beginning on or after 1 January 2016

Further information about those IFRSs that are expected to be applicable to 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.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

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 as at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

In November 2013, the IASB added to IFRS 9 the requirements related to hedge accounting and made some related changes to IAS 39 and IFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to IFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to IFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other IFRS 9 requirements at the same time.

IAS 39 is aimed to be replaced by IFRS 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of IFRS 9 was removed by the IASB in November 2013 and a mandatory effective date will be determined after the entire replacement of IAS 39 is completed. However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the final standards including all phases is issued.

The amendments to IFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 rather than consolidate them. Consequential amendments were made to IFRS 12 and IAS 27 (Revised). The amendments to IFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in IFRS 10.

The IAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in IAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

The IAS 36 Amendments remove the unintended disclosure requirement made by IFRS 13 on the recoverable amount for each cash-generating unit to which goodwill or intangible assets with indefinite useful lives had been allocated when they are not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided IFRS 13 is also applied. The Group expects to adopt the amendments from 1 January 2014.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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.

Investments in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in joint ventures are 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 other comprehensive income of joint ventures is included in the consolidated statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its joint ventures are eliminated to the extent of the Group's investment in the joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. The adjustment is taken (i) in profit or loss against either the investor's profit or the share of the joint venture's profit, according to whether the investor or the joint venture recorded the profit on the transaction, respectively; and (ii) in the consolidated statement of financial position against the asset which was the subject of the transaction if it is held by the investor or against the carrying amount for the joint venture if the asset is held by the joint venture. Goodwill arising from the acquisition of joint ventures is included as part of the Group's investments in the joint ventures.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in joint ventures (continued)

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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 to measure 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 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-related 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 acquire.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and fair value of the Group's previously held equity interests in the acquiree over the fair value of 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 acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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.

Where goodwill has been allocated to a part of a cash-generating unit (or 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 the disposal. Goodwill disposed of in these circumstances is measured based on the relative value 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.

Fair value measurement

The Group measures its investment properties, derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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 of disposal, 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 pre-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 an 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 control 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

(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).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 5.5 years to 22.7 years are determined in accordance with the production plans of the entities concerned and the proved and probable reserves of mines using the UOP method.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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

Non-current assets held for distribution to owners

A non-current asset is classified as held for distribution to owners when the entity is committed to distribute the asset to the owners. For this to be the case, the assets must be available for immediate distribution in their present condition and the distribution must be highly probable. For the distribution to be highly probable, actions to complete the distribution must have been initiated and should be expected to be completed within one year from the date of classification. Actions required to complete the distribution should indicate that it is unlikely that significant changes to the distribution will be made or that the distribution will be withdrawn.

Non-current assets classified as held for distribution to owners are measured at the lower of their carrying amounts and the amount that would be received from the distribution.

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 at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Mining rights

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill) (continued)

Exploration rights and assets

Exploration rights are stated at cost less accumulated amortisation and any impairment losses, and exploration assets are stated at cost less 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill) (continued)

Exploration rights and assets (continued)

Exploration and evaluation assets are tested for impairment when reclassified to development tangible or intangible assets, or whenever facts and circumstances indicate impairment. An impairment loss is recognised for the amount by which the exploration and evaluation assets' carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the exploration and evaluation assets' fair value less costs of disposal 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.

Stripping (waste removal) costs

As part of its mining operations, the Group incurs stripping (waste removal) costs both during the development phase and production phase of its operations. Stripping costs incurred in the development phase of a mine, before the production phase commences (development stripping), are capitalised as part of the cost of constructing the mine and subsequently amortised over its useful life using a units of production method. The capitalisation of development stripping costs ceases when the mine/component is commissioned and ready for use as intended by management.

Stripping costs incurred during the production phase are generally considered to create two benefits, being either the production of inventory or improved access to the ore to be mined in the future. Where the benefits are realised in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories. Where the benefits are realised in the form of improved access to ore to be mined in the future, the costs are recognised as a non-current asset, referred to as a stripping activity asset, if the following criteria are met:

a) Future economic benefits (being improved access to the ore body) are probable

b) The component of the ore body for which access will be improved can be accurately identified

c) The costs associated with the improved access can be reliably measured

If all of the criteria are not met, the production stripping costs are charged to profit or loss as operating costs as they are incurred.

In identifying components of the ore body, the Group works closely with the mining operation personnel for each mining operation to analyse each of the mine plans. Generally, a component will be a subset of the total ore body, and a mine may have several components. The mine plans, and therefore the identification of components, can vary between mines for a number of reasons. These include, but are not limited to: the type of commodity, the geological characteristics of the ore body, the geographical location, and/or financial considerations. Given the nature of the Group's operations, components are generally either major pushbacks or phases.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Stripping (waste removal) costs (continued)

The stripping activity asset is accounted for as an addition to, or an enhancement of, an existing asset, being the mine asset, and is presented as part of "Intangible assets" in the statement of financial position. This forms part of the total investment in the relevant cash-generating unit, which is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

The stripping activity asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of ore, plus an allocation of directly attributable overhead costs. If incidental operations are occurring at the same time as the production stripping activity, but are not necessary for the production stripping activity to continue as planned, these costs are not included in the cost of the stripping activity asset.

The stripping activity asset is subsequently depreciated using the UOP method over the life of the identified component of the ore body that became more accessible as a result of the stripping activity. Economically recoverable reserves, which comprise proven and probable reserves, are used to determine the expected useful life of the identified component of the ore body. The stripping activity asset is then carried at cost less depreciation and any impairment losses.

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 are classified, at initial recognition, 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. When financial assets are recognised initially, they are measured at fair value, plus transaction costs that are attributable to the acquisition of the financial assets, 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 marketplace.

2.4 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 positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

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

Loans 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 and gains in profit or loss. The loss arising from impairment is recognised in profit or loss 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 primary derecognised (i.e., removed from the Group's consolidated statement of financial position) 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through 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 Group continues to recognise the transferred asset 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.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have 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 whether objective evidence of impairment exists individually 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.

The amount of any impairment loss identified 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).

The carrying amount of the asset is reduced either directly or through the use of an allowance account and 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 write-off is later recovered, the recovery is credited to other expenses in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

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

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

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 profit or loss 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 profit or loss.

Derecognition of financial liabilities

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of finished goods, comprises direct materials, direct labour and an appropriate proportion of fixed and variable overhead costs, including depreciation and amortisation incurred in converting materials into finished goods, based on the normal production capacity. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

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

Provisions

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

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

Provisions for the Group's obligations for rehabilitation are based on estimates of required expenditure at the mines in accordance with the rules and regulations of the PRC. 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 profit or loss. The asset is depreciated using the UOP method over its expected life and the liability is accreted to the projected expenditure date. Additional disturbances or changes in estimates (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities) will be recognised as additions or charges to the corresponding assets and rehabilitation liabilities when they occur at the appropriate discount rate.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 (and tax laws) 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 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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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.

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 on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

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 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 over 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Dividends

Final dividends proposed by the Directors are classified as a separate allocation of retained earnings 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 payments

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 payments, 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 33 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 in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date 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.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

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 payments, 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.

Other employees' benefits

Pension schemes

The employees of the subsidiaries in Mainland China are required to participate in a defined central pension scheme managed by the local municipal government of the areas in Mainland China in which they 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 in Mainland China are charged to profit or loss as incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in 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 measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

3. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Group's financial statements requires management to make judgement, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. 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 2013 was RMB15,318,000 (2012: RMB15,318,000). Further details are given in note 20.

3. SIGNIFICANT ACCOUNTING ESTIMATES (continued)

Estimation uncertainty (continued)

(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 judgement. 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 2013.

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

The Group's operating subsidiaries in Mainland China are subject to PRC CIT. As a result of the fact that certain matters relating to 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 for 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 expense and tax provision in the period in which the differences realise. The carrying amount of PRC CIT payable as at 31 December 2013 was RMB66,950,000 (2012: RMB112,425,000).

(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 2013 was RMB1,745,221,000 (2012: RMB1,778,789,000).

(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 method 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.

3. SIGNIFICANT ACCOUNTING ESTIMATES (continued)

Estimation uncertainty (continued)

(f) Exploration and evaluation assets

The application of the Group's accounting policy for exploration and evaluation assets requires estimation in determining whether it is likely that future economic benefits will result either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of mine reserves is itself an estimation process that requires varying degrees of uncertainty depending on sub-classification and these estimates directly impact the point of deferral of exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalised is written off in profit or loss in the period when the new information becomes available. The carrying amount of exploration and evaluation assets as at 31 December 2013 was RMB257,783,000 (2012: RMB249,514,000).

(g) 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 2013 was RMB141,663,000 (2012: RMB180,024,000).

(h) 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 2013 (2012: 6.84%) 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 2013 was RMB8,748,000 (2012: RMB8,188,000).

3. SIGNIFICANT ACCOUNTING ESTIMATES (continued)

Estimation uncertainty (continued)

(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 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 2013 was RMB75,987,000 (2012 (restated): RMB68,333,000).

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.

(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 valuer 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 flows, 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 2013 was RMB275,310,000 (2012: RMB239,272,000). Further details are contained in note 17.

(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 also 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. Accordingly, no segment analysis is presented other than entity-wide disclosures.

Entity-wide disclosures

Information about products

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

	2013		2012	
	RMB'000	**%**	RMB'000	%
Self-produced products:				
Vanadium-bearing iron concentrates	**1,102,796**	**77.1**	872,719	56.9
Ordinary iron concentrates	**56,538**	**4.0**	69,535	4.5
Iron pellets	**32,627**	**2.3**	417,307	27.2
Medium-grade titanium concentrates	**–**	**–**	476	0.1
High-grade titanium concentrates	**140,008**	**9.8**	173,695	11.3
Trading of iron products	**97,906**	**6.8**	–	–
	1,429,875	**100.0**	1,533,732	100.0

Geographical information

All external revenue of the Group during each of the two years ended 31 December 2013 and 2012 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:

	2013	2012
	RMB'000	RMB'000
Customer A	**335,608**	329,597
Customer B	**247,249**	234,717
Customer C	**212,480**	255,163
Customer D	**215,658**	182,223
Customer E	**209,455**	233,035

5. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	2013 **RMB'000**	2012 RMB'000
Bank interest income	**56,037**	28,910
Sale of raw materials	**2,368**	3,885
Government grants*	**674**	6
Gain on the disposal of a prepaid land lease payment	**55**	–
Fair value gains on financial assets at fair value through profit or loss (note 17)	**36,038**	31,330
Iron pellets processing fee	**4,424**	–
Miscellaneous	**672**	229
Total other income and gains	**100,268**	64,360

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

6. FINANCE COSTS

	Notes	**2013** **RMB'000**	2012 RMB'000
Interest on bank and other loans wholly repayable within five years		**20,657**	25,104
Interest on short term commercial papers		**12,058**	290
Interest on discounted bills receivable	23	**66,934**	15,195
Unwinding of discount on provision	30	**560**	524
		100,209	41,113
Less: interest capitalised to property, plant and equipment	12(a)	**(577)**	(674)
		99,632	40,439
Transaction fee on issuance of commercial paper		**735**	706
Foreign exchange (gains)/losses, net		**(3,011)**	694
Others		**1,257**	760
		98,613	42,599
Interest rates of borrowing costs capitalised		**7.04%**	7.04% to 7.59%

7. PROFIT BEFORE TAX

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

	Notes	2013 RMB'000	2012 RMB'000 (Restated)
Cost of inventories sold		**925,372**	799,700
Staff costs (including Directors' and chief executive's remuneration (note 8)):			
Wages and salaries		**73,832**	71,805
Welfare and other benefits		**19,832**	18,540
Equity-settled share option expense	33	**12,730**	28,307
Pension scheme contributions			
– Defined contribution fund		**13,459**	10,150
Housing fund			
– Defined contribution fund		**601**	526
Total staff costs		**120,454**	129,328
Depreciation	12	**145,218**	117,773
Amortisation of intangible assets	13	**40,656**	30,927
Amortisation of prepaid land lease payments	14	**1,205**	1,227
Depreciation and amortisation expenses		**187,079**	149,927
Minimum lease payments under operating leases:			
– Land		**127**	108
– Office		**1,691**	1,298
Auditors' remuneration		**3,800**	3,500
Prepaid technical fee released to profit or loss	18(a)	**4,133**	4,133
Write-off of property, plant and equipment		**1,389**	–
Loss on disposal of items of property, plant and equipment		**5,535**	–
Impairment of property, plant and equipment	12(d)	**–**	11,253
Reversal of write-down of inventories to net realisable value		**–**	(24)

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

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

	2013	2012
	RMB'000	RMB'000
Fees	**765**	754
Other emoluments:		
Salaries, allowances and benefits in kind	**2,532**	1,450
Equity-settled share option expense	**9,590**	16,905
Pension scheme contributions – Defined contribution fund	**143**	51
	12,265	18,406
	13,030	19,160

During 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 33 to the financial statements. The fair values of such share 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' and chief executive's remuneration disclosures.

(a) Independent non-executive Directors

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

	2013	2012
	RMB'000	RMB'000
Mr. Yu Haizong	**96**	98
Mr. Gu Peidong	**96**	98
Mr. Liu Yi	**96**	98
	288	294

There were no other emoluments payable to the independent non-executive Directors during the year (2012: Nil).

8. DIRECTORS' AND CHIEF EXECUTIVE'S 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
2013					
Executive Directors					
Mr. Jiang Zhong Ping	80	391	1,849	23	2,343
Mr. Tang Wei*	18	278	188	23	507
Mr. Roy Kong Chi Mo*	19	1,150	1,660	57	2,886
Mr. Liu Feng*	61	311	2,507	23	2,902
	178	2,130	6,204	126	8,638
Non-executive Directors					
Mr. Wang Jin	120	–	–	–	120
Mr. Yu Xing Yuan*	83	402	3,386	17	3,888
Mr. Teo Cheng Kwee	96	–	–	–	96
	299	402	3,386	17	4,104
	477	2,532	9,590	143	12,742

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

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

	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
2012					
Executive Directors					
Mr. Jiang Zhong Ping	80	436	4,160	17	4,693
Mr. Liu Feng	80	408	5,524	17	6,029
Mr. Yu Xing Yuan	80	606	7,221	17	7,924
	240	1,450	16,905	51	18,646
Non-executive Directors					
Mr. Wang Jin	122	–	–	–	122
Mr. Teo Cheng Kwee	98	–	–	–	98
	220	–	–	–	220
	460	1,450	16,905	51	18,866

* Mr. Liu Feng resigned as an executive Director and the chief executive officer on 8 October 2013 and Mr. Tang Wei has been appointed as an executive Director and the chief executive officer of the Company since then. Mr. Roy Kong Chi Mo was appointed as an executive Director on 8 October 2013. Mr. Yu Xing Yuan resigned as an executive Director on 8 October 2013 and has been appointed as a non-executive Director since then.

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year (2012: Nil).

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

(c) Five highest paid employees

The five highest paid employees during the year included four (2012: three) Directors, details of whose remuneration are set out above. Details of the remuneration for the year of the remaining one (2012: two) non-Director and non-chief executive highest paid employee, is as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**450**	1,560
Equity-settled share option expense	**996**	6,737
Pension scheme contributions	**31**	86
	1,477	8,383

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

	Number of employees	
	2013	2012
HK$1,500,001 to HK$2,000,000	**1**	–
HK$4,000,001 to HK$4,500,000	**–**	1
HK$5,500,001 to HK$6,000,000	**–**	1
	1	2

9. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Group was not subject to any income tax in the Cayman Islands and the BVI during the two years ended 31 December 2013.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the two years ended 31 December 2013.

The provision for PRC CIT is based on the respective PRC CIT rates applicable to the subsidiaries located in Mainland China as determined in accordance with the relevant income tax rules and regulations of Mainland China for the year. Except for certain PRC subsidiaries (see note (a) below) that are entitled to a preferential income tax rate, PRC subsidiaries are subject to the PRC CIT rate of 25% during the two years ended 31 December 2013.

9. INCOME TAX (continued)

The major components of income tax expense are as follows:

	Notes	**2013 RMB'000**	2012 RMB'000 (Restated)
Current – the PRC			
Charge for the year	(a)	**73,997**	134,834
Under provision in prior year	(b)	**17,361**	–
Deferred (note 21)		**(7,654)**	(4,399)
Income tax expense for the year		**83,704**	130,435

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

	Notes	**2013 RMB'000**	2012 RMB'000 (Restated)
Profit before tax		**266,176**	571,674
Tax at the applicable tax rate of 25%		**66,544**	142,919
Lower tax rate for certain subsidiaries	(a)	**(2)**	(20,479)
Withholding income tax of 10% on interest paid by a PRC subsidiary a HK subsidiary		**2,818**	(755)
Profits attributable to joint ventures		**(338)**	(129)
Expenses not deductible for tax	(c)	**8,168**	16,877
Income not subject to tax		**(10,425)**	(7,998)
Adjustments in respect of current tax of previous periods	(b)	**17,361**	–
Effect of change in tax rate on deferred tax	(b)	**(422)**	–
Tax expense at the Group's effective tax rate		**83,704**	130,435

9. INCOME TAX (continued)

Notes:

(a) Except for Aba Mining which enjoyed a preferential tax rate of 15% according to the "Western Development Policy",the other subsidiaries of the Group located in Mainland China are liable to PRC CIT at a rate of 25% on the assessable profits generated for the year.

(b) Pursuant to the approval document issued by the Tax Bureau of Huili County on 4 September 2012, Xiushuihe Mining was entitled to a preferential tax rate of 15% in 2012 according to the "Western Development Policy". In May 2013, the Tax Bureau of Huili County notified Xiushuihe Mining that Xiushuihe Mining could only enjoy the preferential tax rate of 15% if Xiushuihe Mining further obtains a confirmation from the SPEIC that the business operations of Xiushuihe Mining fall within the encouraged industries listed in the catalogue of encouraged industries in the western region of China. As Xiushuihe Mining failed to obtain the aforesaid confirmation from the SPEIC, the underprovided income tax for the year ended 31 December 2012 of RMB17,361,000 was recorded in the income tax expense for the year.

(c) Expenses not deductible 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.

(d) The share of tax attributable to joint ventures amounting to RMB543,000 (2012: RMB447,000) is included in "Share of profits and losses of joint ventures" in profit or loss.

10. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 December 2013 includes a loss of RMB72,258,000 (2012: RMB45,531,000) which has been dealt with in the financial statements of the Company (note 34).

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

The calculation of basic 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 (2012: 2,075,000,000) in issue during the year ended 31 December 2013.

No adjustment has been made to the basic earnings per Share amounts presented for the years ended 31 December 2013 and 2012 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 year.

12. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Mining infrastructure RMB'000	Construction in progress ("CIP") RMB'000	Total RMB'000
31 December 2013							
Cost:							
At 1 January 2013	1,328,656	572,485	5,097	10,567	120,716	140,273	2,177,794
Additions	4,207	1,862	187	20	4,014	130,054	140,344
Transferred from CIP	9,411	87,230	112	–	85,059	(181,812)	–
Disposals	(23,415)	(61,216)	(406)	–	–	–	(85,037)
Reversal of impairment	–	11,253	–	–	–	–	11,253
At 31 December 2013	1,318,859	611,614	4,990	10,587	209,789	88,515	2,244,354
Accumulated depreciation:							
At 1 January 2013	185,164	180,824	1,738	5,688	25,591	–	399,005
Provided for the year	65,130	67,177	1,361	1,343	10,207	–	145,218
Disposals	(4,992)	(39,829)	(269)	–	–	–	(45,090)
At 31 December 2013	245,302	208,172	2,830	7,031	35,798	–	499,133
Net carrying amount:							
At 1 January 2013	1,143,492	391,661	3,359	4,879	95,125	140,273	1,778,789
At 31 December 2013	1,073,557	403,442	2,160	3,556	173,991	88,515	1,745,221

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 2012							
Cost:							
At 1 January 2012	1,128,071	504,547	2,473	10,343	87,413	275,189	2,008,036
Additions	13,122	19,259	1,432	224	10,012	144,136	188,185
Transferred from CIP	192,939	61,630	1,192	–	23,291	(279,052)	–
Offset against government grants received (note 31)	(5,476)	(1,698)	–	–	–	–	(7,174)
Impairment	–	(11,253)	–	–	–	–	(11,253)
At 31 December 2012	1,328,656	572,485	5,097	10,567	120,716	140,273	2,177,794
Accumulated depreciation:							
At 1 January 2012	126,348	134,104	1,038	4,214	15,528	–	281,232
Provided for the year	58,816	46,720	700	1,474	10,063	–	117,773
At 31 December 2012	185,164	180,824	1,738	5,688	25,591	–	399,005
Net carrying amount:							
At 1 January 2012	1,001,723	370,443	1,435	6,129	71,885	275,189	1,726,804
At 31 December 2012	1,143,492	391,661	3,359	4,879	95,125	140,273	1,778,789

(a) Additions to CIP during the year included interest capitalised in respect of bank loans amounting to RMB577,000 (2012: RMB674,000) (note 6).

(b) As at 31 December 2013, the Group was in the process of obtaining the relevant building ownership certificates ("BOCs") for certain buildings with an aggregate net carrying amount of RMB5,425,000 (2012: RMB5,736,000). The Group's buildings can only be sold, transferred or mortgaged when the relevant BOCs have been obtained.

(c) As at 31 December 2013, the Group's buildings with a carrying amount of approximately RMB70,675,000 (2012: RMB74,123,000) were erected on the land of which the Group was still in the process of applying for the land use right certificate.

(d) An impairment loss of RMB11,253,000 was recognised during 2012 to write down the carrying amounts of production machinery in the Old Pelletising Plant to their recoverable amounts. On 20 August 2013, the Group disposed of the Old Iron Pelletising plant to an independent third party.

13. INTANGIBLE ASSETS

Group

	Mining rights RMB'000	Stripping activity assets RMB'000	Exploration rights and assets RMB'000	Total RMB'000
31 December 2013				
Cost:				
At 1 January 2013 as previously stated	397,520	–	249,514	647,034
Effect on change in accounting policies	–	22,338	–	22,338
As restated	397,520	22,338	249,514	669,372
Additions	–	44,694	8,269	52,963
At 31 December 2013	397,520	67,032	257,783	722,335
Accumulated amortisation:				
At 1 January 2013 as previously stated	80,732	–	–	80,732
Effect on change in accounting policies	–	14,545	–	14,545
As restated	80,732	14,545	–	95,277
Provided for the year	15,186	25,470	–	40,656
At 31 December 2013	95,918	40,015	–	135,933
Net carrying amount:				
At 1 January 2013 (restated)	316,788	7,793	249,514	574,095
At 31 December 2013	301,602	27,017	257,783	586,402

13. INTANGIBLE ASSETS (continued)

Group (continued)

	Mining rights RMB'000	Stripping activity assets RMB'000	Exploration rights and assets RMB'000	Total RMB'000
31 December 2012				
Cost:				
At 1 January 2012 as previously stated	397,520	–	243,731	641,251
Effect on change in accounting policies	–	1,624	–	1,624
As restated	397,520	1,624	243,731	642,875
Additions	–	20,714	5,783	26,497
At 31 December 2012	397,520	22,338	249,514	669,372
Accumulated amortisation:				
At 1 January 2012 as previously stated	64,350	–	–	64,350
Provided for the year	16,382	14,545	–	30,927
At 31 December 2012	80,732	14,545	–	95,277
Net carrying amount:				
At 1 January 2012 (restated)	333,170	1,624	243,731	578,525
At 31 December 2012 (restated)	316,788	7,793	249,514	574,095

14. PREPAID LAND LEASE PAYMENTS

	Note	Group 2013 RMB'000	2012 RMB'000
Carrying amount at 1 January		**49,451**	50,678
Disposal during the year	(b)	**(4,858)**	–
Amortised during the year		**(1,205)**	(1,227)
Carrying amount at 31 December		**43,388**	49,451

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

(b) On 20 August 2013, the Group disposed of the land use right to the Old Iron Pelletising plant to an independent third party.

15. INVESTMENTS IN SUBSIDIARIES

	Company 2013 RMB'000	2012 RMB'000
Unlisted investments, at cost		
Powerside Holdings Limited ("Powerside")	**1**	1
First China	**618,699**	618,699
Loans to a subsidiary^	**1,129,943**	1,216,926
	1,748,643	1,835,626

^ 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 as at the end of the reporting period included in the Company's current assets and current liabilities were unsecured, interest-free and were repayable on demand or within one year.

As at 31 December 2013, amounts due from subsidiaries (including the above quasi-equity loans) denominated in HK$ and US$ amounted to RMB1,190,672,000 (2012: RMB1,232,664,000) and RMB106,125,000 (2012: RMB123,824,000), respectively. As at 31 December 2013, 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/ registered share capital	Percentage of equity interests attributable to the Company %	Principal activities
Directly held:				
Powerside	BVI 8 January 2008	USD1	100.0	Investment holding
First China	Hong Kong 5 March 2008	HK$2	100.0	Investment holding
Sure Prime Limited	BVI 12 April 2011	USD1	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, iron ore beneficiation and sale of self-produced products
Lingyu**	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 mining products
Xiushuihe Mining	PRC 21 March 2000	RMB200,000,000	95.0	Iron ore mining, iron ore beneficiation and sale of self-produced products
Aba Mining	PRC 27 April 2004	RMB20,000,000	100.0	Iron ore mining, iron ore beneficiation and sale of self-produced products
Huili Caitong Trading Co., Ltd.	PRC 13 June 2012	RMB20,000,000	100.0	Iron ore beneficiation and sale of iron pellets

* Huili Caitong was converted from a domestic limited company to a foreign investment enterprise on 22 September 2006.

** Lingyu is registered as a wholly-foreign-owned enterprise under the PRC law.

16. INVESTMENTS IN JOINT VENTURES

	Group 2013 RMB'000	Group 2012 RMB'000
Unlisted investments, at cost:		
– Sichuan Xinglian Mining and Technology Construction Co., Ltd. ("Sichuan Xinglian")	**550**	550
– Liangshan Weichuan Mining Co., Ltd. ("Weichuan Mining")	**10,500**	10,500
	11,050	11,050
Share of profits and losses		
– Sichuan Xinglian	**2,840**	1,342
– Weichuan Mining	**(507)**	(361)
	2,333	981
Share of net assets	**13,383**	12,031
Balances classified as non-current portion	**3,390**	12,031
Balances classified as current portion*	**9,993**	–

* On 17 January 2014, the shareholders of Weichuan Mining decided to terminate the cooperative agreement and voluntarily wind up Weichuan Mining. Therefore, the investment in Weichuan Mining is classified as a current asset.

Particulars of the Company's joint ventures ("JVs") are as follows:

Name	**Paid-up capital**	**Place of incorporation**	**Percentage of ownership interest**
Sichuan Xinglian	RMB1,000,000	PRC	55%
Weichuan Mining	RMB20,500,000	PRC	51%

Both of the above JVs are indirectly held by the Company.

In the opinion of the Directors, according to the articles of association of the above JVs, neither the Group nor the other shareholders has the controlling power over these JVs, to affect the amount of the investor's returns. Accordingly, investments in these JVs are accounted for as investments in joint ventures.

16. INVESTMENTS IN JOINT VENTURES (continued)

The following table illustrates the summarised financial information of the Group's joint ventures:

	2013 RMB'000	2012 RMB'000
Share of the JVs' assets and liabilities:		
Current assets	**26,009**	14,573
Non-current assets	**1,019**	1,262
Current liabilities	**(13,690)**	(3,850)
Net assets	**13,338**	11,985
Share of the JVs' results:		
Revenue	**10,329**	8,795
Cost of sales	**(6,476)**	(4,865)
Total expenses	**(1,958)**	(2,536)
Tax	**(543)**	(447)
Profit after tax	**1,352**	947

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The balance represented Exchangeable Notes of USD20,000,000 and USD10,000,000 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 25 November 2011. The Exchangeable Notes were issued by a non-listed company incorporated in the BVI.

The movements in the fair value of the Exchangeable Notes are as follows:

	2013 RMB'000	2012 RMB'000
Carrying amount at 1 January	**239,272**	207,942
Fair value gains recognised during the year*	**36,038**	31,330
Carrying amount at 31 December	**275,310**	239,272

* Included in the fair value gains on financial assets at fair value through profit or loss recognised during the year was the amortisation of day one profit of RMB2,999,000 (2012: RMB3,241,000) during the year.

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

The fair value of the Exchangeable Notes 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 2013	31 December 2012
Valuation of liability component		
Risk-free interest rate (Indonesia) (% per annum)	**1.85**	1.57
Credit spread (%)	**20.28**	21.09
Valuation of embedded derivatives		
Current market capitalisation (USD in millions)	**343**	469
Coupon rate (% per annum)	**–**	–
Dividend yield (% per annum)	**–**	–
Equity return volatility (% per annum)	**47.28**	34.58
Probability of initial public offering (% per month for each Lattice step)	**6**	6
Maturity date	**25 November 2014**	25 November 2014
Lattice step	**12**	12
Non-marketability (%)	**20**	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:

	2013 RMB'000	2012 RMB'000
Carrying amount at 1 January	**5,996**	9,237
Amortised to profit or loss during the year	**(2,999)**	(3,241)
Carrying amount at 31 December	**2,997**	5,996

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		Group	
	Notes	**2013** **RMB'000**	2012 RMB'000 (Restated)
Current portion:			
Prepayments consisting of:			
Prepaid technical service fee	(a)	**4,133**	4,133
Purchase of raw materials		**1,240**	3,016
Utilities		**4,263**	6,764
Prepayment for the use right of a road	(b)	**45**	35
Purchase of iron concentrates	(c)	**148,677**	–
Prepayment for acquisition of an associate	(d)	**34,890**	–
Other prepayments		**3,994**	2,286
Bidding deposit	(e)	**14,000**	27,000
Interest income receivable		**19,077**	10,039
Other receivables consisting of:			
Consideration in respect of disposal of the Old Iron Pelletising planting		**1,266**	–
From independent third party processing contractors		**–**	9,467
Compensation		**–**	2,452
Other receivables		**3,190**	3,609
		234,775	68,801
Non-current portion:			
Prepaid technical service fee	(a)	**41,334**	45,467
Prepayment for the use right of a road	(b)	**874**	919
Compensation receivable		**2,452**	–
Long-term environmental rehabilitation deposits	(f)	**6,021**	4,449
		50,681	50,835
		285,456	119,636

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Notes:

(a) 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 (2012: RMB4,133,000).

(b) The balance represented a payment made to Xinqiao Mining Co., Ltd. for the right to use a pavement road connecting to 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 2013.

(c) The balance represented prepayment made to an independent third party in respect of the purchase of ordinary iron concentrates which entitles the Group to a 5% discount on the purchase price as compared to the prevailing market price of the ordinary iron concentrates.

(d) The balance represented prepayment made for acquiring the 30% equity interests in Yuechuan Mining. On 10 March 2014, Huili Caitong and the shareholders of Yuechuan Mining decided to wind-up Yuechuan Mining due to the uncertainty on the timing to obtain necessary mining permit for its operation and the additional expenses that would be incurred to reach the stage of commercial production.

(e) The balance as at 31 December 2013 represented the deposits paid in respect of cultivated land compensation. The balance as at 31 December 2012 represented the biding deposit paid for the biding of an exploration right for a nickel and cobalt mine, which was refunded to the Group in March 2013 as the Group did not succeed in the bidding.

(f) 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 twelve months from 31 December 2013.

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.

Company

As at 31 December 2013 and 2012, prepayments, deposit and other receivables of the Company mainly represented prepayments and deposits for the rent of an office building.

19. PAYMENTS IN ADVANCE

	Group	
	2013	2012
	RMB'000	RMB'000
In respect of:		
Purchase of machinery and equipment	**577**	2,095
Acquisition of a subsidiary	**200,000**	200,000
	200,577	202,095

20. GOODWILL

	Group	
	2013	2012
	RMB'000	RMB'000
At cost	**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 Mining's cash-generating unit as at 31 December 2013 is RMB835,766,000 (2012: RMB1,095,518,000) and has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a ten-year period approved by senior management. The discount rate applied to the cash flow projections is 12.0% (2012: 15.65%) and cash flows beyond the five-year period were assumed to be stable.

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

Production volumes – Estimated production volumes are based on 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.

21. DEFERRED TAX

Group

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

Deferred tax assets

	Losses available for offsetting against future taxable profits RMB'000	Excess tax depreciation over book value of fixed assets RMB'000	Provision for rehabilitation RMB'000	Unrealised profit from intra-group transactions RMB'000	Stripping cost RMB'000	Others RMB'000	Total RMB'000
At 1 January 2012							
As previously stated	3,320	6,517	1,780	1,926	–	273	13,816
Effect on change in accounting policies	–	–	–	–	59,948	–	59,948
As restated	3,320	6,517	1,780	1,926	59,948	273	73,764
Deferred tax credited/(charged) to profit or loss during the year (note 9)	(3,320)	8,027	25	1,288	(10,212)	159	(4,033)
Gross deferred tax assets at 31 December 2012 and 1 January 2013 (restated)	–	14,544	1,805	3,214	49,736	432	69,731

	Losses available for offsetting against future taxable profits RMB'000	**Excess tax depreciation over book value of fixed assets RMB'000**	**Provision for rehabilitation RMB'000**	**Unrealised profit from intra-group transactions RMB'000**	**Stripping Cost RMB'000**	**Others RMB'000**	**Total RMB'000**
At 1 January 2013							
As previously stated	**–**	**14,544**	**1,805**	**3,214**	**–**	**432**	**19,995**
Effect on change in accounting policies	**–**	**–**	**–**	**–**	**49,736**	**–**	**49,736**
As restated	**–**	**14,544**	**1,805**	**3,214**	**49,736**	**432**	**69,731**
Deferred tax credited/(charged) to profit or loss during the year (note 9)	**–**	**17**	**259**	**(1,345)**	**1,087**	**7,636**	**7,654**
At 31 December 2013	**–**	**14,561**	**2,064**	**1,869**	**50,823**	**8,068**	**77,385**

21. DEFERRED TAX (continued)

Deferred tax liabilities

	Government grants receivable RMB'000	Compensation due from a local government RMB'000	Total RMB'000
At 1 January 2012	7,500	2,330	9,830
Deferred tax credited to profit or loss during the year (note 9)	(7,500)	(932)	(8,432)
Gross deferred tax liabilities at 31 December 2012, 1 January 2013 and 31 December 2013	–	1,398	1,398

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:

	2013 RMB'000	2012 RMB'000
Gross deferred tax assets at 31 December	**77,385**	69,731
Less: Gross deferred tax liabilities at 31 December	**(1,398)**	(1,398)
Net deferred tax assets 31 December	**75,987**	68,333

Notes:

(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, except for Aba Mining, a tax rate of 25% is applied in the calculation of deferred taxes which are expected to be realised or settled after 1 January 2014. Regarding the tax rates applicable to Aba Mining, deferred tax assets and deferred tax liabilities are calculated using the tax rates that are expected to apply to the period when the asset is realised or the liability is settled (i.e., 15% for the temporary differences that will be realised or settled prior to 31 December 2020, and 25% thereafter).

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

21. DEFERRED TAX (continued)

Deferred tax liabilities (continued)

Notes: (continued)

(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 Mainland China. The requirement has been effective from 1 January 2008 and applied to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The withholding tax rate for the Group is 10%.

According to the articles of association of Huili Caitong, the Board of Directors of Huili Caitong has the ultimate power to decide Huili Caitong's dividend policy. Pursuant to the resolutions of the Board of Directors of Huili Caitong on 15 January 2014, the net profit of Huili Caitong for the year ended 31 December 2013, after appropriations to the statutory 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 2013 have been recognised.

As at 31 December 2013, no deferred tax liability has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the Directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences as associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB1,845,320,000 (2012: RMB1,722,130,000).

22. INVENTORIES

	Group	
	2013	2012
	RMB'000	RMB'000
At cost:		
Raw materials	**80,928**	84,065
Spare parts and consumables	**32,197**	32,354
Finished goods	**28,538**	63,605
Total inventories	**141,663**	180,024

23. TRADE AND BILLS RECEIVABLES

	Group	
	2013	2012
	RMB'000	RMB'000
Trade receivables	**381,535**	109,053
Bills receivable	**3,804**	–
	385,339	109,053

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 Group temporarily extended the credit term offered to the existing customers from one month to three months since July 2013 given the unfavourable market conditions. 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. The Group does not hold any collateral or other credit enhancements over trade receivables. Trade receivables are non-interest-bearing and unsecured.

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

As at 31 December 2013, the Group endorsed certain bills receivable accepted by banks in the PRC to certain of its suppliers in order to settle the trade payables to these suppliers with a carrying amount in aggregate of RMB226,480,000 (2012: RMB346,797,000); furthermore, as at 31 December 2013, the Group discounted certain bills receivable accepted by banks in the PRC, with a carrying amount in aggregate of RMB410,342,000 (2012: RMB245,666,000) (collectively referred to as the "Derecognised Bills"). The Derecognised Bills have a maturity from three to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated advances on discounting and trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills equal to their face amounts. In the opinion of the Directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the year, the Group has recognised interest expense of RMB66,934,000 (2012: RMB15,195,000) (note 6) on discounted bills receivable. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement and discount of bills receivable have been made evenly throughout the year.

24. BALANCES WITH RELATED PARTIES

	Notes	Group 2013 RMB'000	Group 2012 RMB'000
Due from related parties:			
Non-trade in nature			
– Yanyuan Xiwei	(a)	**286**	286
– Trisonic International	(b)	**314**	314
– Sichuan Xinglian	(c)	**–**	133
		600	733

	Notes	Group 2013 RMB'000	Group 2012 RMB'000
Due to related parties:			
Non-trade in nature			
– Chengyu Vanadium Titano	(d)	**626**	60
– Sichuan Huiyuan Gang Jian Technology Co., Ltd. ("Sichuan Huiyuan")	(e)	**412**	412
– Longwei Hotel Management Co., Ltd. ("Longwei Hotel")	(f)	**527**	519
– Sichuan Xinglian	(c)	**5,182**	2,640
– Chuanwei	(g)	**1,767**	30,104
		8,514	33,735

24. BALANCES WITH RELATED PARTIES (continued)

Notes:

(a) Yanyuan Xiwei is a company controlled by Chuanwei and was a subsidiary of Aba Mining, an indirect subsidiary of the Company, 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) Sichuan Xinglian is a joint venture of the Group. The balances represented mining service fee prepaid and payable by the respective subsidiaries of the Group to Sichuan Xinglian.

(d) 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 represented miscellaneous expenses prepaid by Chengyu Vanadium Titano on behalf of the Group.

(e) Sichuan Huiyuan is a company controlled by Chuanwei. The balance due to Sichuan Huiyuan represented a design fee payable for the provision of construction services to the Group by Sichuan Huiyuan.

(f) 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.

(g) Chuanwei and Trisonic International are ultimately controlled by the same beneficial owners. The balance due to Chuanwei as at the end of the reporting period can be further analysed as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
Payable in respect of acquisition of Aba Mining	**–**	30,000
Others	**1,767**	104
	1,767	30,104

	Company	
	2013	2012
	RMB'000	RMB'000
Due from a related party:		
Trisonic International – Non-trade in nature	**343**	343

25. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	Group	
	2013	2012
	RMB'000	RMB'000
Cash and bank balances	**115,018**	375,346
Time deposits with original maturity of		
– less than three months	**131,417**	68,000
– over three months	**1,490,436**	1,474,583
	1,736,871	1,917,929
Less: pledged time deposits*	**(441,853)**	(268,783)
Cash and cash equivalents	**1,295,018**	1,649,146

* As at 31 December 2013, time deposits of RMB150,000,000 and RMB291,853,000 were pledged to secure a short-term bank loan granted to the Group and the Company (note 29(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:

	2013	2012
	RMB'000	RMB'000
Cash and bank balances denominated in:		
HK$	**642**	1,451
USD	**32,979**	53

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.

Company

All cash and cash equivalents of the Company represented the cash and bank balances as at 31 December 2013 and 31 December 2012, of which RMB1,471,000 and RMB1,398,000 were denominated in HK$ and USD, respectively.

26. TRADE AND BILLS PAYABLES

	Group	
	2013	2012
	RMB'000	RMB'000
Trade payables	**287,070**	423,283
Bills payable	**657,420**	393,275
	944,490	816,558

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 or issuance date, where appropriate, is as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
Within 180 days	**807,852**	666,244
181 to 365 days	**62,974**	76,114
1 to 2 years	**61,449**	64,616
2 to 3 years	**11,545**	9,059
Over 3 years	**670**	525
	944,490	816,558

Trade payables of the Group are non-interest-bearing and are normally settled within 180 days. The bills payable have a maturity period of 180 days.

As at 31 December 2013, the Group's bills payable of RMB657,420,000 (2012: RMB393,275,000) were secured by pledged bank balances (note 25).

As at 31 December 2013, the Group's bills payable include an amount of RMB496,650,000 (2012: RMB277,830,000) relating to bills issued by the Group's subsidiaries and held by banks.

27. OTHER PAYABLES AND ACCRUALS

	Notes	Group 2013 RMB'000	2012 RMB'000
Current portion:			
Advances from customers		**9,202**	62,926
Payables related to:			
Construction in progress		**128,351**	140,515
Taxes other than income tax		**42,617**	14,898
Payroll and welfare payable		**30,999**	34,563
Mining cost and exploration right and assets		**165**	4,034
Huili County Hailong Mining Development Co., Ltd. ("Huili Hailong")	(a)	**27,000**	27,000
Yanbian County Hongyuan Mining Co., Ltd.	(b)	**14,500**	26,977
Consultancy and professional fees		**5,079**	5,020
Deposits received		**616**	1,649
Land occupation compensation payables		**3,692**	9,396
Accrued government surcharges		**17,674**	12,091
Accrued price adjustment fund		**6,503**	3,502
Accrued interest expenses		**3,654**	290
Other payables		**3,104**	2,893
		293,156	345,754
Non-current portion:			
Other payables		**650**	750
		293,806	346,504

Notes:

(a) 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.

(b) The balance as at 31 December 2013 represented the remaining consideration payable of RMB14.5 million (2012: RMB14.5 million) 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 2013 and 2012, other payables and accruals 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. COMMERCIAL PAPER LIABILITIES

Huili Caitong obtained the approval from the National Association of Financial Market Institutional Investors for issuance of short-term commercial papers. The registered cap amount of commercial papers eligible for issuance by Huili Caitong is aggregated to RMB700 million with an effective period of two years since the date of approval (i.e., 7 December 2012).

The balance as at 31 December 2013 represented the second tranche of one-year commercial papers of RMB150 million issued by Huili Caitong on 4 September 2013, bearing a nominal interest rate of 7.5% per annum.

The balance as at 31 December 2012 represented the first tranche of one-year commercial papers of RMB150 million issued by Huili Caitong on 19 December 2012, bearing a nominal interest rate of 5.8% per annum, which had been fully repaid on 19 December 2013.

29. INTEREST-BEARING BANK AND OTHER LOANS

		Group	
	Notes	**2013** **RMB'000**	2012 RMB'000
Bank loans:			
Secured	(a)	**138,239**	94,283
Unsecured	(b)	**255,000**	250,000
Guaranteed	(c)	**16,000**	48,000
Other loans, unsecured	(d)	**4,000**	4,000
		413,239	396,283
Bank loans repayable:			
Within one year or on demand		**359,239**	317,283
In the second year		**25,000**	25,000
In the third to fifth years, inclusive		**25,000**	50,000
		409,239	392,283
Unsecured other loans repayable:			
Within one year or on demand		**3,200**	–
In the second year		**800**	3,200
In the third to fifth years, inclusive		**–**	800
		4,000	4,000
Total bank and other loans		**413,239**	396,283
Balances classified as current liabilities		**(362,439)**	(317,283)
Balances classified as non-current liabilities		**50,800**	79,000

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

Notes:

(a) As at 31 December 2013, the bank loans were secured by the pledge of time deposits of RMB150,000,000 (2012: RMB100,000,000) by the Group. Bank loans of RMB91,453,000 bear interest at the rate of 1.5% per annum above the prevailing Cost of Funds (2012: 2% per annum over the prevailing LIBOR). The remaining bank loans of RMB46,786,000 granted by CMB to the Group on 24 April 2013 bear interest at the rate of 1.45% per annum over LIBOR (2012: Not applicable).

(b) As at 31 December 2013, Huili Caitong had unsecured interest-bearing bank loans of RMB225,000,000 (2012: RMB250,000,000) from CCB Xichang Yuecheng branch at fixed rates ranging from 6.0% to 7.05% (2012: 5.81% to 7.05%) per annum. In accordance with the bank loan agreements entered into between Huili Caitong and CCB Xichang Yuecheng branch, Huili Caitong agreed not to mortgage or pledge Huili Caitong's mining rights to Baicao Mine and the iron concentrates production line with annual production capacity of 500,000 tonnes to any other parties, and CCB Xichang Yuecheng branch will be entitled to a pre-emption right in the event of such mortgage or pledge.

As at 31 December 2013, Aba Mining had one-year interest-bearing bank loans from CCB Aba branch of RMB30,000,000 (2012: Not applicable), bearing interest at the fixed rates of 6.6% per annum. In accordance with the bank loan agreements entered into between Aba Mining and CCB Aba branch, Aba Mining agreed not to mortgage or pledge Aba Mining's mining rights to any other parties, and CCB Aba branch will be entitled to a pre-emption right in the event of such mortgage or pledge.

(c) As at 31 December 2013, Aba Mining had long-term interest-bearing bank loans from CCB Aba branch of RMB16,000,000 (2012: RMB48,000,000), bearing interest at the fixed rate of 7.04% (2012: 6.94% to 7.32%) per annum which are due for repayment within one year. These long-term bank loans from CCB Aba branch were jointly guaranteed by Chengyu Vanadium Titano and Chuanwei for nil consideration (note 38(a)(v)).

(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 rate of 5.76% per annum (2012: 5.76%), of which RMB1,200,000, RMB2,000,000 and RMB800,000 are due for repayment in January 2014, November 2014 and July 2015, respectively.

Management has assessed that the fair values of the Group's short-term interest-bearing bank and other loans approximate to their carrying amounts largely due to the short-term maturities of these instruments. The carrying amounts of the Group's long-term interest-bearing bank and other loans approximate to their fair values based on the prevailing borrowing rates available for loans with similar terms and maturities during the reporting period. The fair value measurement hierarchy of the above interest-bearing bank loans requires significant observable inputs (Level 2).

30. PROVISION FOR REHABILITATION

	Group	
	2013	2012
	RMB'000	RMB'000
At the beginning of year	**8,188**	7,664
Unwinding of discount (note 6)	**560**	524
At the end of year	**8,748**	8,188

30. PROVISION FOR REHABILITATION (continued)

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% (2012: 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.

31. DEFERRED INCOME

	Group	
	2013	2012
	RMB'000	RMB'000
At the beginning of year	**4,000**	9,574
Received during the year	**–**	1,600
Offset against property, plant and equipment (note 12)	**–**	(7,174)
At the end of year	**4,000**	4,000

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.

32. SHARE CAPITAL

Shares

	2013	2012
	RMB'000	RMB'000
Authorised:		
10,000,000,000 (2012: 10,000,000,000) ordinary shares of HK$0.1 each	**880,890**	880,890
Issued and fully paid:		
2,075,000,000 (2012: 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 2013.

33. SHARE OPTION SCHEMES

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

On 15 April 2010, the Company operated 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 consider, at their sole discretion, have contributed or will contribute to the development and growth of the Group. The New Option Scheme will remain in force for 10 years from that date, unless otherwise cancelled or amended.

The maximum number of 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 Board of 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 in the Stock Exchange's daily quotations sheet 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 quotations sheet on the date of grant of the share options.

33. SHARE OPTION SCHEMES (continued)

The exercise price and exercise period of the share options outstanding as at 31 December 2013 and 31 December 2012 are as follows:

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		

The Group has 42,100,000 share options exercisable as at 31 December 2013 (2012: 14,800,000) and the weighted average exercise price was HK$4.10 per Share (2012: HK$5.03).

The Group recognised a share option expense of HK$14,770,000 (equivalent to approximately RMB12,730,000) during the year ended 31 December 2013 (2012: HK$32,953,000 equivalent to approximately RMB28,307,000).

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 2013, 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 ordinary 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.

34. 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.

(b) *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 and Lingyu is required to allocate 10% of its profits after tax, as determined in accordance with the PRC GAAP, to the statutory surplus reserve (the "SSR") until such reserve reaches 50% of its registered capital.

As Lingyu is a wholly-foreign-owned enterprise, allocation to SSR is not required. According to the Rules for the Implementation of Foreign-funded Enterprise Law of the PRC and the articles of association of Lingyu, Lingyu is required to allocate 10% of its profit after tax in accordance with the PRC GAAP to the statutory reserve fund (the "SRF") until such reserve reaches 50% of its registered capital.

As Huili Caitong is a foreign investment enterprise, allocation to the SRF is subject to the board resolution according to Huili Caitong's articles of association.

The SSR and the 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.

(d) *Safety fund surplus reserve*

Pursuant to a Notice regarding Safety Production Expenditure jointly issued by the Ministry of Finance and the State Administration of Work Safety of the PRC in February 2012, the Group is required to establish a safety fund surplus reserve based on volume of mineral ore extracted. The safety fund can only be transferred to retained earnings to offset safety related expenses as and when they are incurred, including expenses related to safety protection facilities and equipment improvement and maintenance as well as safety production inspection, appraisal, consultation and training.

34. RESERVES (continued)

Group (continued)

(e) Share option reserve

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained earnings should the related options expire or be forfeited.

Company

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

	Share premium account	Share option reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2012	1,876,296	47,783	(217,001)	1,707,078
Total loss for the year (note 10)	–	–	(45,531)	(45,531)
Equity-settled share option arrangements (note 33)	–	28,307	–	28,307
At 31 December 2012 and 1 January 2013	1,876,296	76,090	(262,532)	1,689,854
Total loss for the year (note 10)	–	–	(72,258)	(72,258)
Equity-settled share option arrangements (note 33)	–	12,730	–	12,730
Proposed final 2013 dividend	(36,043)	–	–	(36,043)
At 31 December 2013	1,840,253	88,820	(334,790)	1,594,283

35. DIVIDENDS

Dividends attributable to the year

At a meeting of the Directors held on 17 March 2014, the Directors proposed a final dividend of HK$0.022 per Share (equivalent to approximately RMB0.017 per Share amounting to approximately RMB36.0 million) for the year ended 31 December 2013 (2012: Nil).

The proposed final dividend for the year ended 31 December 2013 is subject to the approval of the shareholders at the 2014 AGM and is included in the proposed final dividend within equity of the statement of financial position.

36. OPERATING LEASE ARRANGEMENTS – THE GROUP 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	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**1,413**	1,809	**1,133**	1,444
In the second to fifth years, inclusive	**903**	2,509	**850**	2,162
	2,316	4,318	**1,983**	3,606

37. CAPITAL COMMITMENTS

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

	Group	
	2013	2012
	RMB'000	RMB'000
Contracted, but not provided for:		
– Acquisition of a subsidiary	**400,000**	400,000
– Investment in a joint venture	**–**	40,500
– Plant and machinery	**8,547**	18,220
– Exploration rights and assets	**7,525**	12,110
	416,072	470,830
Authorised, but not contracted for:		
– Plant and machinery	**1,195,376**	32,774
– Exploration rights and assets	**78,093**	83,684
	1,273,469	116,458
	1,689,541	587,288

38. RELATED PARTY TRANSACTIONS

(a) During the year ended 31 December 2013, the Group had the following material transactions with related parties:

Name of related parties	Notes	2013 RMB'000	2012 RMB'000
Recurring transactions			
Sales of goods			
Chengyu Vanadium Titano	(i)	**63,954**	137,131
Office rental			
Longwei Hotel	(ii)	**83**	159
Non-recurring transactions			
Acquisition of Aba Mining			
Chuanwei	(iii)	**(28,670)**	(9,131)
Transportation services			
Sichuan Tongyu Logistics Co., Ltd ("Tong Yu logistics")	(iv)	**348**	–
Bank loans jointly guaranteed by			
Chengyu Vanadium Titano and Chuanwei	(v)	**16,000**	48,000
Construction of property, plant and equipment			
Sichuan Huiyuan	(vi)	**–**	1,408
Mineral exploration and evaluation services			
Sichuan Xinglian	(vii)	**10,155**	4,422

Notes:

(i) The Directors consider that the sales to Chengyu Vanadium Titano were undertaken on commercial terms similar to those offered to 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 at similar locations.

38. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

Notes: (continued)

(iii) According to Aba Mining Acquisition Agreement, Chuanwei is obliged to reimburse to the Group any amount representing the shortfall between the Agreed Net Profits and the audited net profits.

Pursuant to the audited financial statements of Aba Mining for the year ended 31 December 2012, the audited net profit (after taxation and extraordinary items) attributable to equity holders of Aba Mining in 2012 was approximately RMB11,333,000 and the shortfall to the Agreed Net Profits was RMB28,670,000. On 7 May 2013, the Group and Chuanwei entered into a supplemental agreement, pursuant to which the consideration balance payable to Chuanwei as at 31 December 2012 of RMB30,000,000 has been reduced by the Net Profits Difference to RMB1,330,000, which had been fully settled by the Group in November 2013. Accordingly, the adjusted total consideration for the Aba Mining Acquisition of RMB140,870,000 has been further reduced by the Net Profits Difference to approximately RMB112,200,000. The Net Profits Difference after tax impact of RMB21,500,000 has been accounted for in equity during the year.

(iv) The Directors consider that the amount paid by the Group to Tongyu Logistics was determined based on the market price similarly to those paid to independent third parties in the ordinary course of business.

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

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

(vii) The Directors consider that the mineral exploration and evaluation services provided for the Group were undertaken on commercial terms similar to those offered to independent third parties in the ordinary course of business.

(b) Outstanding balances with related parties

Details of the Group's and the Company's balances with its related parties as at the end of the reporting period are disclosed in note 24 to the financial statements. Balances with the related parties are interest-free, unsecured and have no fixed terms of repayment.

(c) Compensation of key management personnel of the Group

Details of Directors' emoluments including key management personnel are set out in note 8 to the financial statements.

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's financial instruments, reasonably approximate to fair values are explained below:

Management has assessed that the fair values of cash and cash equivalents, pledged time deposits, trade and bill receivables, trade and bills payables, financial assets included in deposits and other receivables, financial liabilities included in other payables and accruals and amounts due to subsidiaries approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the audit committee. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities stated at fair value are measured at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair value measurement hierarchy of the Group's financial assets at fair value through profit and loss measured at fair value requires significant unobservable inputs (Level 3) as at 31 December 2013 and 31 December 2012.

40. 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 and accruals, trade and bills payables, amounts due to related parties, dividend payable, commercial papers and interest-bearing bank 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.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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:

			2013		
	On demand RMB'000	**Less than 3 months RMB'000**	**3 to 12 months RMB'000**	**1 to 5 years RMB'000**	**Total RMB'000**
Interest-bearing bank and other loans	**16,000**	**5,492**	**355,086**	**58,064**	**434,642**
Commercial paper liabilities	**–**	**–**	**161,250**	**–**	**161,250**
Trade and bills payables	**136,638**	**419,732**	**388,120**	**–**	**944,490**
Other payables and accruals	**131,883**	**78,455**	**–**	**650**	**210,988**
Dividend payable	**1,801**	**–**	**–**	**–**	**1,801**
Due to related parties	**8,514**	**–**	**–**	**–**	**8,514**
	294,836	**503,679**	**904,456**	**58,714**	**1,761,685**

			2012		
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Interest-bearing bank and other loans	18,000	153,500	156,607	97,473	425,580
Commercial paper liabilities	–	–	158,700	–	158,700
Trade and bills payables	150,314	557,025	109,219	–	816,558
Other payables and accruals	62,768	170,599	–	750	234,117
Dividend payable	1,801	–	–	–	1,801
Due to related parties	33,735	–	–	–	33,735
	266,618	881,124	424,526	98,223	1,670,491

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk

The Group's exposure to interest rate risk relates primarily to the Group's bank deposits, interest-bearing bank and other loans, commercial paper liabilities 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 and commercial paper liabilities are disclosed in notes 28 and 29 to the financial statements.

The Group manages its cash flow interest rate risk exposure arising from all of its 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 the 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 and time deposits are held in major reputable financial institutions located in Mainland China and Hong Kong, which management believes are of high credit quality. The credit risk of the Group's other financial assets, which comprise trade and 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 which is temporarily extended to 90 days since July 2013 given the unfavourable market condition. 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 regard, the Group is exposed to the concentration of credit risk in the steel and titanium industries.

Foreign currency risk

The Group's businesses are located in Mainland 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 or 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. The Group does not consider that it has any significant exposure to the risk of fluctuation in the exchange rate between HK$/USD and RMB as a reasonable possible change of 5% in RMB against HK$/USD would have no significant financial impact on the Group's profit.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair values

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

The fair values 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 values based on the prevailing borrowing rates available for loans with similar terms and maturities during the reporting period.

The carrying amounts of the Group's 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 2013 and 2012, the Group's cash and bank balances exceeded the total interest-bearing bank and other loans and commercial papers. As such, no gearing ratio as at 31 December 2013 or 31 December 2012 is presented.

41. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group entered into set-off arrangements in respect of its balances of trade receivables and trade payables as at 31 December 2013 (31 December 2012: Not applicable). The agreement provided the Group conditional rights to set off that are enforceable and exercisable only in the event of default which is set out as follows:

	Gross amount of recognised financial assets	Gross amount of recognised financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position
	RMB'000	RMB'000	RMB'000
Trade receivables	447,858	(66,323)	381,535
Trade payables	(353,393)	66,323	(287,070)

42. EVENTS AFTER THE REPORTING PERIOD

On 17 January 2014, the Company announced that the shareholders of Weichuan Mining decided to terminate the cooperative agreement and voluntarily wind up Weichuan Mining. Weichuan Mining has experienced severe delays in obtaining the necessary mining permit for its operation. After considering the uncertainty on the timing as to when the necessary mining permit will be obtained and that Weichuan Mining would incur additional expenses to reach the stage of commercial production, the shareholders of Weichuan Mining decided to terminate the cooperative agreement and voluntarily wind up Weichuan Mining. As at 31 December 2013, the Group held 51% equity interests in Weichuan Mining and the Group's investment cost in Weichuan Mining was RMB10,500,000. The net assets of Weichuan Mining as at 31 December 2013 were RMB19,500,000 and the Group collected RMB10,000,000 from Weichuan Mining in January 2014. The Board did not foresee that the voluntary winding-up of Weichuan Mining would lead to any material adverse impact on the Group.

On 4 March 2014, the Company announced that the Board are of the view that it would not be in the best interest of the Company to pursue further exploration work in relation to niobium and tantalum ore resources at the Baicao Mine based on the beneficiation and metallurgical testing reports issued by two independent research institutes, both of which concluded that the niobium and tantalum ore resources at the Baicao Mine could not be economically recovered from the ore. The normal mining operations at the Baicao Mine resumed on 13 March 2014. The exploration expenditure in respect of niobium and tantalum ores amounted to RMB10,155,000 was expensed off accordingly during the year.

43. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the adoption of IFRIC 20 during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made, certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment, and a third statement of financial position as at 1 January 2012 has been presented.

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 17 March 2014.

"12th Five-Year Plan"	the Twelfth Five-Year Plan for the National Economic and Social Development of the PRC
"2010 AGM"	the Shareholders' annual general meeting held on 15 April 2010
"2014 AGM"	the Shareholders' annual general meeting to be held on 12 May 2014
"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 Lingyu (as transferee) and Chuanwei (as transferor) under which the entire interest in Aba Mining was being transferred
"Aba Prefecture"	阿壩藏族羌族自治州, Aba Tibetan and Qiang Autonomous Prefecture
"Agreed Net Profits"	the audited net profits (after taxation and extraordinary items) attributable to the equity holders of Aba Mining in accordance with the PRC GAAP for the year ended 31 December 2012 which would be at least RMB40.0 million
"Articles"	the articles of association of our Company, adopted on 4 September 2009 and as amended from time to time
"Baicao Mine"	白草鐵礦, the vanadium-bearing titano-magnetite mine located in Xiaoheiqing Townlet, Huili County, Sichuan and operated by Huili Caitong, with a mining area of 1.88 sq.km.
"Baicao Processing Plant"	the ore processing plant located at the Baicao Mine and operated by Huili Caitong
"Board"	the board of Directors
"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 the 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
"China VTM Mining", "Company", "our Company", "we" or "us"	China Vanadium Titano-Magnetite Mining Company Limited (中國釩鈦磁鐵礦業有限公司), a limited liability company incorporated in the Cayman Islands on 28 April 2008

"Chuanwei"	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 the Group
"Cizhuqing Mine"	茨竹箐鐵礦, the vanadium-bearing titano-magnetite mine located in Xiaoheiqing Townlet, Huili County, Sichuan, with an exploration area of 2.3 sq.km.
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Companies Ordinance"	Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force immediately before 3 March 2014
"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
"Cost of Funds"	any period the rate payable by the bank for the cost borrowing in the currency of the relevant credit facility for such period in respect of the relevant amount
"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 of the Pingchuan Mine
"Director(s)"	director(s) of the Company or any one of them
"Exchangeable Note(s)"	the exchangeable note(s) in the principal amount due in 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
"Extraordinary General Meeting"	an extraordinary general meeting of the Company convened immediately following the close of the court meeting for the privatisation
"First China"	First China Limited（三民有限公司）, a company incorporated in Hong Kong on 5 March 2008 and a direct wholly-owned subsidiary of the Company
"Group"	the Company and its subsidiaries
"Haibaodang Mine"	海保凼鈦鐵礦, the vanadium-bearing titano-magnetite mine located in Renhe District, Panzhihua City, Sichuan, currently under exploration with an exploration area of 20.37 sq.km.
"Hailong Processing Plant"	the ore processing plant located at Huili County and operated by Huili Caitong

"Heigutian Processing Plant"	the ore processing plant located at Yanbian County and operated by Yanbian Caitong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Huili Caitong"	Huili County Caitong Iron and Titanium Co., Ltd.* (會理縣財通鐵鈦有限責任公司), established in the PRC on 7 July 1998 and has been a foreign equity joint venture in the PRC since 29 December 2010, an indirect wholly-owned subsidiary of the Company
"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
"Indicated resource"	part of a mineral resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of modifying factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit
"Inferred resource"	part of a mineral resource for which quantity and grade (or quality) are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade (or quality) continuity. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes
"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
"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

"Joint Venture"	Liangshan Weichuan Mining Co., Ltd.* (涼山州威川礦業有限公司), a joint venture formed pursuant to the cooperative agreement dated 30 August 2011 entered into between the Company, Sichuan Province Yanyuan County Pingchuan Iron Mine* (四川省鹽源縣平川鐵礦) and Sichuan Nanyu Information Technology Company Limited* (四川南譽信息技術有限公司)
"JORC Code"	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia in 1989 and revised and updated in 1992, 1996, 1999, 2004 and 2012, that sets out minimum standards, recommendations and guidelines for public reporting
"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
"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
"Lingyu"	Sichuan Lingyu Investment Co., Ltd.* (四川省凌御投資有限公司), a limited liability company established in the PRC on 9 June 2010 and an indirect wholly-owned subsidiary of the Company
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Maoling Extended Exploration Area"	formerly an independent exploration region with an area of 2.83 sq.km. covered under the extended exploration permit of the Maoling Mine (covering 1.9 sq.km. of the mining area of the Maoling Mine), has been consolidated with the Yanglongshan Mine since September 2012 to form the Maoling-Yanglongshan Mine
"Maoling Mine"	毛嶺鐵礦, an ordinary magnetite mine owned by Aba Mining and located in Wenchuan County, Sichuan, with a mining area of 1.9 sq.km.
"Maoling Processing Plant"	the ore processing plant located at the Maoling-Yanglongshan Mine and operated by Aba Mining

"Maoling-Yanglongshan Mine"	an exploration region with an area of 11.6 sq.km. covered under the exploration permit of the Maoling-Yanglongshan Mine (the mining area covered is owned by the Maoling Mine), formed from the combination of the original Maoling Extended Exploration Area and the Yanglongshan Mine since September 2012
"Measured resource"	part of a mineral resource for which quantity, grade (or quality), densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of modifying factors to support detailed mine planning and final evaluation of the economic viability of the deposit
"Mineral Resources and Reserves Report"	the Mineral Resources and Reserves Report in respect of the Haibaodang Mine to be issued by the Geological Agent
"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
"Mt"	million tonnes
"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, Sichuan, which is approximately 5.5 km from the Xiushuihe Mine
"Note Certificate"	the note certificate of the Exchangeable Note with the terms and conditions of the Exchangeable Note set out therein
"Old Iron Pelletising Plant"	the plant that produces iron pellets and is located approximately 36 km from the 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
"Panxi Region"	a region in Sichuan located at southwest of Chengdu reaching from Panzhihua to Xichang
"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

"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
"Privatisation Scheme"	the proposed scheme of arrangement between the Company and the Scheme Shareholders under Section 86 of the Companies Law for the implementation of the Proposal, with or subject to any modification, addition or condition approved or imposed by the Grand Court of the Cayman Islands and agreed to by the Company
"Probable reserve"	the economically mineable part of an indicated, and in some circumstances, a measured mineral resource. The confidence in the modifying factors applying to a probable ore reserve is lower than that applying to a proved ore reserve
"Proposal"	the proposed privatisation of the Company to be effected by way of the Privatisation Scheme by Keen Talent Holdings Limited, a company incorporated in Hong Kong, being a wholly-owned subsidiary of Trisonic International
"Proved reserve"	the economically mineable part of a measured mineral resource. A proved ore reserve implies a high degree of confidence in the modifying factors. A proved ore reserve represents the highest confidence category of reserve estimate and implies a high degree of confidence in geological and grade continuity, and the consideration of the modifying factors. The style of mineralisation or other factors could mean that proved ore reserves are not achievable in some deposits
"Renminbi" or "RMB"	the lawful currency of the PRC
"Scheme Document"	this composite document, including each of the letters, statements, appendices and notices in it
"Scheme Shareholder(s)"	the Shareholder(s) other than Trisonic International
"Scheme Shares"	the Shares held by the Scheme Shareholders
"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, Sichuan Haokun Trading Co., Ltd.*（四川省昊坤貿易有限公司）, Sichuan Haihuitian Trading Co., Ltd.*（四川省海匯天貿易有限公司）, Chengdu Jiashide Trading Co., Ltd.*（成都佳仕德貿易有限公司）and Chongqing Xinzhou Metallic Material Co., Ltd.*（重慶鑫宙金屬材料有限公司）

"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$0.1 each
"Shareholder(s)"	holder(s) of the Share(s)
"Sichuan"	the Sichuan Province of the PRC
"sq.km."	square kilometres
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Target Company"	Oriental Mining and Mineral Resources Co., Ltd., a company incorporated in the Cayman Islands on 8 April 2011 and a third party independent of the Company and its connected persons
"TFe"	the symbol for denoting total iron
"TiO_2"	the chemical symbol for titanium dioxide
"titanium concentrate(s)"	concentrate(s) whose main content (by value) is titanium dioxide
"Trisonic International"	Trisonic International Limited（合創國際有限公司）, a company incorporated in Hong Kong on 19 July 2006 and a Controlling Shareholder
"Type 333"	inferred intrinsic economic resources（推斷的內蘊經濟資源量）(Type 333) as defined in the Classification of Solid Mineral Resources and Reserves
"United States" or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US dollars" or "US$"	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

"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, with a mining area of 0.52 sq.km.
"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, an indirect subsidiary of the Company that owns 95.0% equity interest
"Xiushuihe Processing Plant"	the ore processing plant located at the Xiushuihe Mine and operated by Xiushuihe Mining
"Yanglongshan Mine"	羊龍山鐵礦, the iron mine located at Yanglongshan in Wenchuan County, Sichuan, formerly an independent exploration region with an area of 8.79 sq.km. covered under the exploration permit of the Yanglongshan Mine, and has been consolidated as the Maoling-Yanglongshan Mine with the original Maoling Extended Exploration Area since September 2012
"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.
"Yangqueqing Mine's Expansion"	the area between the Yangqueqing Mine and the Baicao Mine
"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
"Yuechuan Mining"	Liangshan Yuechuan Mining Co., Ltd.*（涼山州悦川礦業有限責任公司）, a limited liability company established in the PRC on 8 July 2010

* *For identification purpose only*