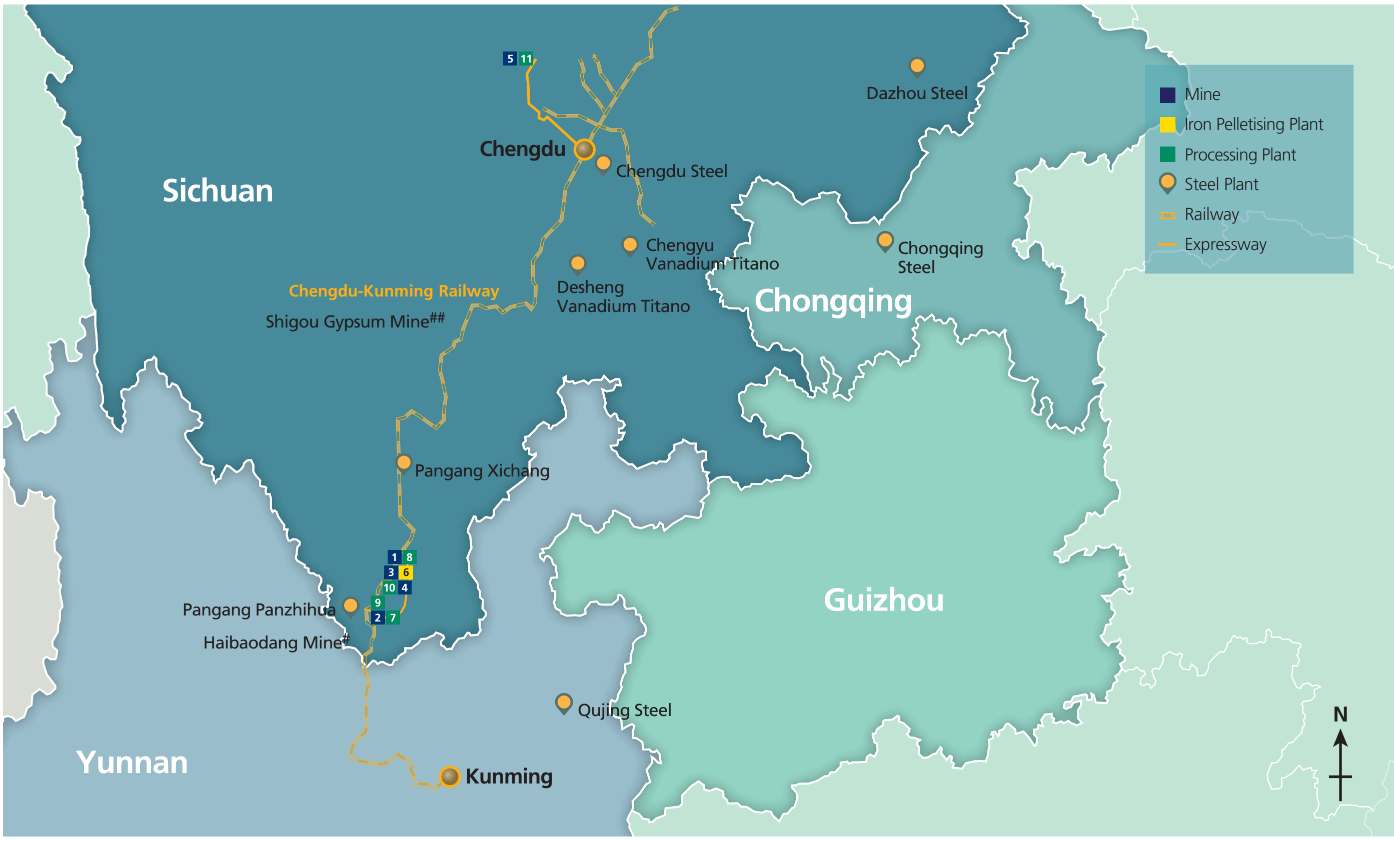
CHINA VANADIUM TITANO-MAGNETITE MINING COMPANY LIMITED
中國釩鈦磁鐵礦業有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 00893

2014 ANNUAL REPORT

FORMING
A FIRM FOUNDATION
ADVANCING
STEADILY FORWARD

Our Presence



Mines

	Name	Location	Area	Type of Resources	Resources under the JORC Code (2004 or 2012 Edition) as at 1 January 2015 (Mt)	Average Grade	Mining Method
1	Baicao Mine	Huili County, Sichuan	Mining area: 1.88 sq.km.	Vanadium-bearing titano-magnetite	93.88	25.08% TFe	Open-pit mining
2	Xiushuihe Mine (including expansion)	Huili County, Sichuan	Exploration area: 1.73 sq.km. (including a mining area of 0.52 sq.km.)	Vanadium-bearing titano-magnetite	84.24	24.44% TFe	Open-pit mining
3	Yangqueqing Mine	Huili County, Sichuan	Mining area: 0.25 sq.km.	Vanadium-bearing titano-magnetite	21.18	25.09% TFe	Open-pit mining
4	Cizhuqing Mine	Huili County, Sichuan	Mining area: 1.279 sq.km.	Vanadium-bearing titano-magnetite	25.57	21.41% TFe	Open-pit mining
5	Maoling-Yanglongshan Mine	Wenchuan County, Sichuan	Exploration area: 11.62 sq.km. (including a mining area of 1.9 sq.km.)	Ordinary magnetite	59.80	22.81% TFe	Underground mining

[#] Haibaodang Mine: Acquisition completed in January 2015 with 107.61 Mt of iron ore resources (Types 332 and 333) with an average TFe grade of 16.50%

[##] Shigou Gypsum Mine: Acquisition pending completion with 10.37 Mt of gypsum ore resources (Types 331 and 333) with an average "gypsum + anhydrite" grade of 90.64%

Iron Pelletising Plant

	Name	Location	Capacity
6	Iron Pelletising Plant	Near the Xiushuihe Mine	1,000.0 Ktpa

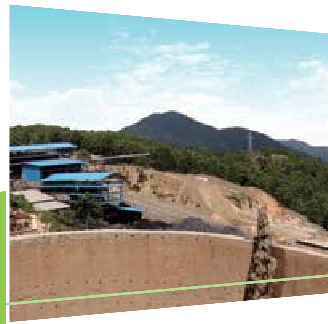
Processing Plants

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

WE AIM TO BE A TOP-NOTCH MINERAL MINING COMPANY
打造一流企業

Mission

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



Core Value

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

Vision

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

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Corporate Information

BOARD OF 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. Teo Cheng Kwee
Mr. Yu Xing Yuan

Independent Non-executive Directors

Mr. Liu Yi
Mr. Wu Wen
Mr. Yu Haizong

AUDIT COMMITTEE

Mr. Yu Haizong *(Chairman)*
Mr. Liu Yi
Mr. Yu Xing Yuan

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

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)*

REGISTERED OFFICE

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Cayman Islands

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PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

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Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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COMPLIANCE ADVISER

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as to Cayman Islands law
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INVESTOR RELATIONS CONSULTANT

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Unit A, 29/F, Admiralty Centre 1
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Hong Kong
Email: ir@chinavtmmining.com

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Level 18, Wheelock House
20 Pedder Street
Central
Hong Kong

SHARE INFORMATION

Board lot size: 1,000

FINANCIAL CALENDAR

1 January to 31 December

WEBSITE

www.chinavtmmining.com

STOCK CODE

00893

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, is set out below.

Results

	For the year ended 31 December				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	**649,094**	1,429,875	1,533,732	1,712,978	1,576,428
Cost of sales	**(661,920)**	(925,372)	(799,700)	(936,244)	(809,557)
Gross profit/(loss)	**(12,826)**	504,503	734,032	776,734	766,871
Other income and gains	**66,912**	100,268	64,360	109,742	69,868
Selling and distribution expenses	**(35,208)**	(50,665)	(45,921)	(46,473)	(47,283)
Administrative expenses	**(193,501)**	(152,575)	(118,139)	(102,219)	(88,678)
Other expenses	**(14,398)**	(38,094)	(20,576)	(19,035)	(38,802)
Impairment loss on property, plant and equipment	**(166,947)**	–	–	–	–
Impairment loss on trade receivables	**(82,125)**	–	–	–	–
Finance costs	**(62,176)**	(98,613)	(42,599)	(21,120)	(17,968)
Share of profits and losses of joint ventures	**(308)**	1,352	517	34	–
Share of loss of an associate	**–**	–	–	–	(4,477)
PROFIT/(LOSS) BEFORE TAX	**(500,577)**	266,176	571,674	697,663	639,531
Income tax credit/(expense)	**133,155**	(83,704)	(130,435)	(122,316)	(98,922)
PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**(367,422)**	182,472	441,239	575,347	540,609
Attributable to:					
Owners of the Company	**(366,381)**	179,135	433,679	568,514	491,954
Non-controlling interests	**(1,041)**	3,337	7,560	6,833	48,655
	(367,422)	182,472	441,239	575,347	540,609
Earnings/(loss) per Share attributable to ordinary equity holders of the Company (RMB) – Basic and diluted	**(0.18)**	0.09	0.21	0.27	0.24
Proposed final dividend per Share (HK$)	**–**	0.022	–	0.073	0.062

Assets, Liabilities and Non-controlling Interests

	As at 31 December				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**3,031,590**	2,996,274	2,990,219	2,863,968	2,345,393
Current assets	**1,832,463**	2,509,241	2,276,540	1,414,605	1,391,964
Non-current liabilities	**(35,048)**	(64,198)	(91,938)	(118,938)	(171,273)
Current liabilities	**(1,601,477)**	(1,827,350)	(1,777,556)	(1,118,622)	(871,309)
Total equity	**3,227,528**	3,613,967	3,397,265	3,041,013	2,694,775
Non-controlling interests	**(31,733)**	(32,774)	(29,437)	(21,877)	(24,917)
Equity attributable to owners of the Company	**3,195,795**	3,581,193	3,367,828	3,019,136	2,669,858

The Board is apprehensive about the Group's short-term development prospects, and the Group will adjust production volume or even suspend production, reduce capital expenditure, diversify into other commodities, and embark on cost-saving measures in order to face this predicament. In view of the development of Western China, urbanisation and the country's ongoing infrastructure investment, the Group intends to seize new opportunities as they arise and has recently extended our business into non-metal mineral resources to strengthen our business foundation.

Jiang Zhong Ping Chairman

Dear Shareholders,

I hereby present the annual results of the Group for the year ended 31 December 2014.

The slowdown in China's economic growth continued during the year under review. In 2014, gross domestic product ("GDP") growth was 7.4%, the lowest rate in the past 24 years, representing a slight drop against 7.7% in 2013. In the work report to the National People's Congress of the PRC in March 2015, Premier Li Keqiang announced that the official GDP growth target in 2015 is 7% only, which indicates that many industries in China could continue to experience difficult times.

The traditional industries are impacted the most and the steel industry is facing challenges from both overseas and domestic markets. For the upstream market, as overseas mining companies have allocated heavy capital expenditure to their iron ore mines since 2008, their production of iron ore products is still rising even as market prices dropped by approximately 50%, in order to maintain their cashflow in a vicious cycle. Therefore, the surge of higher quality imported iron ore products at competitive prices in China has seriously affected the domestic mining companies and further dragged down their profitability.

Turning to the downstream market, as room for growth of domestic demand for steel has been limited, some steel companies shifted to seek business opportunities overseas. However, Europe, the US, Australia as well as Asian countries such as India, Vietnam and Malaysia imposed anti-dumping investigations or levied anti-dumping and countervailing duties on steel products exported from China, which have led to disputes over steel trade as well as deadlocks. In China, the implementation of measures to eliminate backward and overcapacity, new environmental protection policies and ongoing high production costs have placed domestic steel companies in a dilemma.

Due to the sluggish condition of both upstream and downstream markets, the China Iron Ore Price Index and selling price of country's iron ore continued downward trends in 2014, resulting in a decrease in sales volume and selling prices of the Group's iron ore products. Some of the Group's production facilities were forced to temporarily suspend operation and the utilisation rate remained low throughout the year, which led to a significant suspension expense and an impairment loss in property, plant and equipment, and adversely affected the Group's profit margins and profitability for the year.

In the past year, the China Banking Regulatory Commission has clearly stated that it will implement strict credit control within industries with overcapacity. The credit tightening by banks has increased financing costs of steel companies and presented obstacles to securing operating capital. The operating environment of the steel industry in general has become even more challenging as a result. In view of the difficulties facing by its customers, the Group is closely monitoring the recoverability of its trade receivables.

The steel industry in China has experienced varying degrees of difficulty during the past year. Industry analysts are generally pessimistic about the prospects of the industry in 2015. The Chinese Government's active implementation of measures to eliminate backward and overcapacity and environmental protection policies were regarded as catalysts of the industry downturn in the short term. However, these measures can proactively present a positive impact on the sustainable development of China's steel industry in the long run. Besides, to stimulate the economy and drive local and regional development, the Chinese Government has decided to speed up the pace of 300 infrastructure projects during the year. In the fourth quarter of 2014, the National Development and Reform Commission of the PRC has approved 21 infrastructure projects comprising 16 railways and five airports, commanding a total investment of RMB700 billion. The role of steel as an integral construction material for railways, airports and various infrastructures should boost the future development of China's overall steel industry. In addition, to facilitate the development of its five economic zones, the Development and Reform Commission of Sichuan has clearly stated that it will actively push forward specific projects in major infrastructure, public service, ecological and environmental construction in 2015 as well as initiate 264 joint government and social capital projects. These projects are expected to drive local demand for steel and create new opportunities in Sichuan, where we have a business presence.

The Board is apprehensive about the Group's short-term development prospects, and the Group will adjust production volume or even suspend production, reduce capital expenditure, diversify into other commodities, and embark on cost-saving measures in order to face this predicament. In view of the development of Western China, urbanisation and the country's ongoing infrastructure investment, the Group intends to seize new opportunities as they arise and has recently extended our business into non-metal mineral resources through acquisitions, thereby further strengthening the business foundation of the Group.

Lastly, I wish to express my sincere appreciation to all Shareholders, business partners and staff for their ongoing support. The Group will strive our utmost to drive the development of our overall business to achieve sustainable growth.

Jiang Zhong Ping
Chairman

30 March 2015

Management Discussion and Analysis

Diversify Business Development to Tap Future Opportunities

MARKET REVIEW

The year 2014 was surely a challenging year for the steel industry in China. Domestic economic growth slowed down during the year under review. Sales margins of the entire steel industry are razor-thin and together with the excess supply of steel products have spurred steel companies in China to find ways to overcome these problems, leading to substantial growth in the export volume of steel products from China to a record high of more than 90.0 Mt in 2014. However, international trade disputes also increased during the year and many countries around the world have imposed anti-dumping duties on steel products originating from China. The National Bureau of Statistics of the PRC has released data showing that China, the world's largest iron ore consumer, recorded a GDP growth of just 7.4% last year, the slowest increase since 1990. All of these factors have adversely affected the steel industry in China.

Steel companies in China have been facing serious operating pressure in recent years within China, including the Chinese Government's determination to eliminate backward and overcapacity. In September 2013, the State Council of the PRC ("State Council") promulgated the "Action Plan on Prevention and Control of Air Pollution", intended to further reduce iron and steel making capacities by 15.0 Mt by 2015. The State Council also issued the "Guiding Opinions of the State Council on Resolving the Conflict of Rampant Overcapacity" in October the same year which recommended reducing total production capacity of steel to more than 80.0 Mt in the coming five years. All steel companies also have to comply with the new "Environmental Protection Law" effective on 1 January 2015 in the areas of greater investment in environmental protection. The new "Environmental Protection Law" has called for prosecution of companies which illegally discharge pollution. Steel companies in China whose operations are characterised by high energy, resource consumption and pollution would be among the first to be affected.



Turning to the upstream market, the increasing competition from overseas mining companies which supply high quality iron ore products at competitive prices led to declining profits for domestic mining companies. The sluggish condition in both upstream and downstream markets has led to a drop of approximately 50% in the price of iron ore during the year. In addition, the resource tax imposed on mining companies in China is far higher than that in other ore producing countries, which made the operating environment of the domestic mining companies even more difficult. According to the China Iron & Steel Association, the China Iron Ore Price Index fell sharply from 454.25 in January 2014 to 230.20 in February 2015, while the composite price index of domestic steel products dropped from 98.93 in January 2014 to 75.92 in February 2015, reflecting the trough in the steel industry's development in China during 2014 and early 2015. The Group's business was inevitably affected by the negative trend.

As for the titanium industry, excess capacity continued and overall demand was weak during the year under review which dragged down product prices. The price of titanium concentrates in Panzhihua dropped to nearly the lowest level of the whole year. The price of high-grade titanium concentrates fell from a high of RMB710/tonne in January 2014 to a yearly low of RMB480/tonne in late December 2014 (including packaging and without value added tax). In view of the weak performance of the titanium industry, some of the mining companies in China have reduced output or even suspended production during the year to avoid further drops in profitability.

The capital flow of steel companies has become tighter due to the decrease in price of steel products, excess industry capacity and the unfavourable market sentiment. These companies still need to operate under the difficult environment whereby they shoulder heavy loans and debt. The China Banking Regulatory Commission has implemented strict credit control over companies with overcapacity and tightened their credit limit since early 2014. This measure has increased the financing costs of steel companies. In addition, according to the data issued by the China Iron & Steel Association, the average asset-to-liability ratio of its member companies was as high as 72% in late 2014 with total bank loans amounting to more than RMB1,300 billion, although the People's Bank of China has announced in February 2015 its second interest rate cut within three months aiming to alleviate the operating cost pressure of companies in various industries. As for this issue, the Group is paying close attention to the recoverability of its trade receivables and discussing strategies with customers in order to navigate the difficult times for the industry.

BUSINESS AND OPERATIONS REVIEW

During the year, due to the severely unfavourable downstream market and the production reduction of steel companies within the southwest of China, the demand of the upstream market declined, which led to the periodic suspension of production and adversely affected our performance. The Group's revenue significantly decreased by 54.6% to approximately RMB649.1 million as compared to the corresponding period of last year. The gross loss of the Group for the year was approximately RMB12.8 million and the gross profit of the Group for the year ended 31 December 2013 was approximately RMB504.5 million. The loss and total comprehensive loss attributable to owners of the Company was approximately RMB366.4 million.

In July 2013, the Group has engaged the Geochemistry Exploration Brigade of Sichuan Bureau of Exploration and Development of Geology and Mineral Resources ("Sichuan Geochemistry Exploration Team") to prepare a geological exploration report and engaged two independent research institutes to prepare beneficiation and metallurgical testing reports on niobium and tantalum ore resources at the Baicao Mine. 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 decided to terminate all exploration work from 5 March 2014. The normal mining operations at the Baicao Mine resumed on 13 March 2014.

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 the necessary mining permit for its operation and the additional expenses that would be incurred to reach the stage of commercial production.

On 22 May 2014, Huili Caitong and Panzhihua Shuhai entered into an equity transfer agreement pursuant to which Panzhihua Shuhai had conditionally agreed to sell the equity interest, being 51% of the paid-up registered capital of Sichuan Haoyuan, to Huili Caitong at a consideration of RMB370.0 million. Sichuan Haoyuan has a wholly-owned subsidiary, namely Hanyuan County Xinjin Mining Co., Ltd.* （漢源縣鑫金礦業有限公司）("Hanyuan Xinjin") which currently holds the mining permit of the Shigou Gypsum Mine with an annual output of 300.0 Kt of gypsum raw ore. The consideration was determined based on arm's length negotiations between the parties after taking into account, primarily, a comparable transaction analysis of mining company acquisitions, consideration paid per unit of mining resource and discount applied to the prevailing market price of the mining products. Accordingly, the Board was of the view that the acquisition (including the consideration) was fair and reasonable and in the interests of the Company and the Shareholders as a whole.

On 28 May 2014, Lingyu and the Sellers entered into a second supplemental agreement, whereby the Sellers would instruct an independent geological agent (the "Geological Agent") to carry out further exploration works on the Haibaodang Mine for a period of six months from 1 June 2014. On 29 December 2014, the Sellers, Lingyu and Huili Caitong entered into a third supplemental agreement to modify or supplement certain terms and conditions of acquisition agreement (as supplemented by the first supplemental agreement and the second supplemental agreement), including, among other things, the replacement of Lingyu by Huili Caitong as the purchaser of the acquisition, and the adjustment and finalisation of the final consideration to approximately RMB301.3 million. The acquisition was completed in January 2015.

As at 2 December 2014, Sure Prime Limited (the "Investor"), a wholly-owned subsidiary of the Company, did not receive any part of the redemption amount payable by the Issuer under the Exchangeable Notes, and there occurred an event of default under the Exchangeable Notes (the "Event of Default"). On 30 December 2014, the Investor, subject to the consent of the other noteholders, (i) granted a waiver in favour of the Issuer to waive the Event of Default; and (ii) entered into the supplemental deed with the Issuer, its ultimate beneficial owner, and the Target Company. Pursuant to the supplemental deed, (a) the final maturity date of 25 November 2014 under the Exchangeable Notes (the "Final Maturity Date") has been extended to 25 June 2015; (b) the yield to maturity for the entire term of the Exchangeable Notes and until the full redemption thereof has been revised from 20% to 25% per annum; and (c) the Investor shall be entitled to exchange all or any part of the Exchangeable Notes at any time prior to the full redemption of the Exchangeable Notes by a single or multiple presentation of exchange notice (the "Supplemental Arrangement").

On 8 January 2015, the Investor received the consent from the other noteholders to give effect to the waiver and the Supplemental Arrangement except that the Final Maturity Date under the Supplemental Arrangement shall be brought forward from 25 June 2015 to 25 March 2015. For details of the aforesaid events, please refer to the section headed "Other Significant Events" in this report.

As at 25 March 2015, the Investor did not receive any part of the redemption amount payable by the Issuer under the Exchangeable Notes. On even date, under the instruction of the Investor, its legal advisor issued a notice of potential event of default to the Issuer requesting for the payment of the redemption amount in accordance with the terms of the Exchangeable Notes and reminding the Issuer about the potential occurrence of an Event of Default if the Investor does not receive the full redemption amount by 1 April 2015.

As at 31 December 2014, the Group owned the Baicao Mine, the Xiushuihe Mine, the Yangqueqing Mine, the Cizhuqing Mine and the Maoling-Yanglongshan Mine. Furthermore, the Group owned the Baicao Processing Plant, the Xiushuihe Processing Plant, the Hailong Processing Plant, the Heigutian Processing Plant and the Iron Pelletising Plant in the Panxi Region and also owned the Maoling Processing Plant in Aba Prefecture. As at 31 December 2014, the Group's annual 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		
	2014	2013	Change
	(Kt)	(Kt)	(%)
Vanadium-bearing iron concentrates			
Baicao Processing Plant	**150.2**	226.3	-33.6
Xiushuihe Processing Plant	**322.8**	657.4	-50.9
Heigutian Processing Plant	**225.5**	682.3	-67.0
Hailong Processing Plant	**128.9**	238.1	-45.9
Total production volume	**827.4**	1,804.1	-54.1
Total sales volume	**857.1**	1,937.2	-55.8
Ordinary iron concentrates			
Maoling Processing Plant	**99.1**	61.8	60.4
Total production volume	**99.1**	61.8	60.4
Total sales volume	**96.9**	57.9	67.4
Purchase from an independent third party for trading purpose	**298.4**	118.7	151.4
Sale to an independent third party for trading purpose	**298.4**	118.7	151.4

	For the year ended 31 December		
	2014	2013	Change
	(Kt)	(Kt)	(%)
Iron pellets			
Iron Pelletising Plant	**–**	43.8	-100.0
Total production volume	**–**	43.8	-100.0
Total sales volume	**–**	38.3	-100.0
Medium-grade titanium concentrates			
Baicao Processing Plant	**46.6**	–	N/A
Total production volume	**46.6**	–	N/A
Total sales volume	**16.6**	–	N/A
High-grade titanium concentrates			
Baicao Processing Plant	**1.5**	40.8	-96.3
Xiushuihe Processing Plant	**24.6**	89.5	-72.5
Heigutian Processing Plant	**1.4**	59.1	-97.6
Total production volume	**27.5**	189.4	-85.5
Total sales volume	**28.1**	196.3	-85.7

The exploration work carried out for the potential niobium and tantalum ore resources at the Baicao Mine before 13 March 2014 coupled with the periodic production suspension at the Baicao Mine and the Xiushuihe Mine due to the continuing gloomy market condition, led to the significant decline in total production volume and total sales volume for the Group's products. Total production volume and total sales volume of vanadium-bearing iron concentrates decreased by 54.1% and 55.8%, respectively as compared to the corresponding period of last year. Total production volume and total sales volume of ordinary iron concentrates increased by 60.4% and 67.4%, respectively as compared to the corresponding period of last year. Total production volume and total sales volume of high-grade titanium concentrates decreased by 85.5% and 85.7%, respectively as compared to the corresponding period of last year. There was no output of iron pellets during the year.

During the year, the Group continued to conduct the trading business with the independent third parties for ordinary iron concentrates. The purchase of ordinary iron concentrates and the sales of ordinary iron concentrates for trading purpose were 298.4 Kt and 298.4 Kt, respectively. The agreements entered into with the independent third parties 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

During the year, the Group's revenue was approximately RMB649.1 million (2013: RMB1,429.9 million), representing a decrease of 54.6% as compared to the corresponding period in 2013. Such decrease was due to the significant decrease in sales volume and average selling prices of the Group's products. The revenue also included the sale of ordinary iron concentrates to an independent third party of approximately RMB221.6 million for trading purpose.

Cost of Sales

The 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. During the year, the Group's cost of sales was approximately RMB661.9 million (2013: RMB925.4 million), representing a decrease of 28.5% as compared to the corresponding period in 2013. The decrease was primarily due to the significant decrease in sales volume of the Group's products. During the year, the unit production costs of vanadium-bearing iron concentrates increased as compared to the corresponding period in 2013 mainly because of the increased stripping costs, depreciation and other miscellaneous expenses, and the increase in stripping costs was primarily due to the higher ratio of waste to raw iron ore during the extraction.

Gross Profit/(Loss) and Margin

As a result of the foregoing, the gross loss for the year was approximately RMB12.8 million and the gross profit for the year ended 31 December 2013 was approximately RMB504.5 million. The gross loss margin for the year was approximately 2.0% and the gross profit margin for the year ended 31 December 2013 was approximately 35.3%. The decrease in gross profit margin was primarily because of the decreased selling prices of the Group's products due to unfavourable market condition, coupled with the impact of increased unit production costs as explained above.

Other Income and Gains

The other income and gains decreased by 33.3%, from approximately RMB100.3 million for the year ended 31 December 2013 to approximately RMB66.9 million for the year. The other income and gains of the Group for the year mainly included bank interest income, fair value gains on the Exchangeable Notes and government grant from local government. The decrease was mainly due to the decrease in fair value gains on the Exchangeable Notes.

Selling and Distribution Expenses

The selling and distribution expenses decreased by 30.6%, from approximately RMB50.7 million for the year ended 31 December 2013 to approximately RMB35.2 million for the year. The selling and distribution expenses primarily consisted of transportation fees, which mainly represented the road transportation costs, goods loading and unloading fees, platform storage and administration fees. The decrease was mainly due to the significant decrease in sales volume of the Group's products.

Administrative Expenses

The administrative expenses increased by 26.8%, from approximately RMB152.6 million for the year ended 31 December 2013 to approximately RMB193.5 million for the year. The increase in administrative expenses was mainly because the suspension expenses during the year including staff costs and overheads were recorded in the administrative expenses in aggregate of approximately RMB80.7 million, as a result of (i) the suspension of production of the Iron Pelletising Plant and (ii) the periodic suspension of production in the Baicao Mine and the Xiushuihe Mine.

The equity-settled share option expenses of approximately RMB17.0 million for the year (2013: RMB12.7 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 15 April 2014, respectively.

Other Expenses

The other expenses decreased by 62.2%, from approximately RMB38.1 million for the year ended 31 December 2013 to approximately RMB14.4 million for the year, mainly representing bank charges and write down of inventories to net realisable value. The decrease was mainly because there were processing costs of iron pellets, exploration expenditure for niobium and tantalum ore resources and loss on disposal of the old iron pelletising plant in 2013.

Impairment Loss

The impairment loss in aggregate was approximately RMB249.1 million for the year, representing the impairment loss on property, plant and equipment of the Iron Pelletising Plant and trade receivables.

Finance Costs

The finance costs decreased by 36.9%, from approximately RMB98.6 million for the year ended 31 December 2013 to approximately RMB62.2 million for the year, primarily due to the decrease in interest on discounted bills receivable.

Income Tax Credit/(Expense)

The income tax credit for the year was RMB133.2 million and the income tax expense for the year ended 31 December 2013 was RMB83.7 million. The income tax credit for the year mainly included (i) the over-provision of income tax for Huili Caitong of approximately RMB55.3 million for the years 2012 and 2013, as the local tax bureau informed that Huili Caitong is entitled to the preferential tax rate of 15% in May 2014; (ii) the over-provision of income tax for Xiushuihe Mining of approximately RMB9.7 million for the year 2013, as Xiushuihe Mining obtained the confirmation from the Sichuan Provincial Economic and Information Commission (the "SPEIC") on 30 December 2013 and further obtained the approval document issued by the local tax bureau on 19 March 2014 for its entitlement of the preferential tax rate of 15%; and (iii) the deferred income tax assets of approximately RMB67.1 million for the impairment loss on property, plant and equipment of the Iron Pelletising Plant and trade receivables and unused tax losses during the year.

Profit/(Loss) and Total Comprehensive Income/(Loss)

As a result of the foregoing, the loss and total comprehensive loss for the year was approximately RMB367.4 million and the profit and total comprehensive income for the year ended 31 December 2013 was approximately RMB182.5 million.

Profit/(Loss) and Total Comprehensive Income/(Loss) Attributable to Owners of the Company

The loss and total comprehensive loss attributable to owners of the Company was approximately RMB366.4 million for the year and the profit and total comprehensive income attributable to owners of the Company was approximately RMB179.1 million for the year ended 31 December 2013.

Final Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 December 2014 (2013: HK$0.022 per Share).

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 2014 and 2013:

	For the year ended 31 December			
	2014		2013	
	RMB'000	**RMB'000**	RMB'000	RMB'000
Cash and cash equivalents as stated in the consolidated statement of cash flows at beginning of year		**115,018**		375,346
Net cash flows from/(used in) operating activities	**(764,466)**		15,522	
Net cash flows from/(used in) investing activities	**452,960**		(293,752)	
Net cash flows from financing activities	**400,572**		18,806	
Net increase/(decrease) in cash and cash equivalents		**89,066**		(259,424)
Effect of foreign exchange rate changes, net		**(1,273)**		(904)
Cash and cash equivalents as stated in the consolidated statement of cash flows at end of year		**202,811**		115,018

Net Cash Flows from/(Used in) Operating Activities

The Group's net cash flows from operating activities were approximately RMB15.5 million for the year ended 31 December 2013 and the net cash flows used in operating activities were approximately RMB764.5 million for the year. It primarily included (i) the loss before tax of approximately RMB500.6 million; (ii) the increase in trade and bills receivables of approximately RMB230.1 million which was mainly due to the extension of credit terms; and (iii) the decrease in trade and bills payables of approximately RMB643.0 million due to less procurement of raw materials and settlement to major suppliers. The above factors were partially offset by (i) certain non-cash expenses such as impairment loss, depreciation and amortisation in aggregate of approximately RMB420.0 million; (ii) the decrease in prepayments, deposits and other receivables of approximately RMB113.4 million which was mainly due to the settlement of a prepayment made for purchase of ordinary iron concentrates to an independent third party; and (iii) increase in other payables and accruals of approximately RMB70.5 million which was mainly due to increased tax other than income tax.

Net Cash Flows from/(Used in) Investing Activities

The Group's net cash flows used in investing activities were approximately RMB293.8 million for the year ended 31 December 2013 and the net cash flows from investing activities were approximately RMB453.0 million for the year. It primarily included the decrease in time deposits with maturity of over three months of RMB852.2 million and the decrease in pledged bank balances of approximately RMB241.2 million for the issuance of bills payable, which were partially offset by the prepayment for the acquisition of Sichuan Haoyuan and Panzhihua Yixingda of approximately RMB433.0 million and the purchase of items of property, plant and equipment and intangible assets in aggregate of approximately RMB217.4 million.

Net Cash Flows from Financing Activities

The Group's net cash flows from financing activities were approximately RMB18.8 million for the year ended 31 December 2013 and approximately RMB400.6 million for the year. It primarily included the proceeds from bank loans of approximately RMB1,241.6 million, which were partially offset by the repayment of bank loans and commercial papers in aggregate of approximately RMB805.0 million and the payment of final dividend of approximately RMB36.0 million.

Analysis of Inventories

The Group's inventories increased by 9.3%, from approximately RMB141.7 million as at 31 December 2013 to approximately RMB154.9 million as at 31 December 2014, primarily due to the increase in raw ore and unit production costs of the Group's products as a result of the reduction in production volume during the year.

Analysis of Trade and Bills Receivables

The Group's trade and bills receivables increased by 38.4%, from approximately RMB385.3 million as at 31 December 2013 to approximately RMB533.4 million as at 31 December 2014. Trade receivable turnover days were approximately 243 days (year ended 31 December 2013: 67 days). The Group has extended its used credit terms to the customers from 90 days to 180 days since April 2014 under such current unfavourable market condition.

Analysis of Trade and Bills Payables

The Group's trade and bills payables decreased by 68.0%, from approximately RMB944.5 million as at 31 December 2013 to approximately RMB302.1 million as at 31 December 2014, primarily due to (i) less procurement of raw materials as a result of the decrease in production volume of the Group's products and (ii) the increase in settlement to major suppliers.

Analysis of Net Current Assets Position

The Group's net current assets position decreased by 66.1%, from approximately RMB681.9 million as at 31 December 2013 to approximately RMB231.0 million as at 31 December 2014, primarily because of the significant decrease in cash and cash equivalents as a result of the prepayment for the acquisition of Sichuan Haoyuan and Panzhihua Yixingda and the payments made for construction of property, plant and equipment.

Borrowings

As at 31 December 2014, the Group's borrowings mainly included (i) a secured bank loan of RMB120.0 million with an annual interest rate of 9.0% from Shanghai Pudong Development Bank Chengdu Branch ("SPDB Chengdu") to Xiushuihe Mining which was pledged by the mining right of the Xiushuihe Mine and 95% equity interest in Xiushuihe Mining; (ii) secured bank loans of RMB225.0 million with an annual interest rate of 5.32% from China Construction Bank ("CCB") Huili branch to Huili Caitong which was pledged by the mining right of the Baicao Mine; (iii) a secured bank loan of US$15.5 million (approximately RMB94.8 million) with an annual interest rate of prevailing LIBOR plus 3.1% from China Merchants Bank ("CMB') to First China and was secured by a deposit of approximately RMB100.0 million pledged by Huili Caitong at CMB Yingmenkou branch; (iv) unsecured bank loans of RMB75.0 million with an annual interest rate of 6.55% from CCB Xichang Yuecheng branch to Huili Caitong, of which RMB50.0 million is repayable within one year; (v) unsecured bank loans of RMB405.4 million and RMB76.5 million with annual interest rates ranging from 5.6% to 6.6% and 6.0% from CMB Yingmenkou branch, Industrial and Commercial Bank of China Liangshan branch and SPDB Chengdu to Huili Caitong and Xiushuihe Mining, respectively; and (vi) loans of RMB3.3 million with an annual interest rate of 5.76% from Wenchuan County State Assets Investment Co., Ltd. ("Wenchuan State Assets Investment") to Aba Mining.

Contingent Liabilities

As at 31 December 2014, the Group did not have any material contingent liabilities.

Pledge of Assets

As at 31 December 2014, the mining right of the Xiushuihe Mine and 95% equity interest in Xiushuihe Mining were pledged to SPDB Chengdu for the bank loan of RMB120.0 million. The mining right of the Baicao Mine was pledged to CCB Huili branch for the bank loan of RMB225.0 million. The Group's deposits of approximately RMB100.0 million were pledged to CMB Yingmenkou branch for the bank loan of US$15.5 million (approximately RMB94.8 million). In addition, the Group's deposits of approximately RMB100.6 million were pledged at banks for the issurance of bills payable.

Foreign Currency Risk

The Group's business is 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 Hong Kong office that are denominated in Hong Kong dollars, and the bank loan obtained from CMB as well as the Exchangeable Notes that 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 transactions to manage the potential fluctuation in foreign currencies. Management monitors the Group's foreign currency exposure and will consider hedging significant foreign currency exposure when the needs rise.

The following table demonstrates the sensitivity to a 5.0% change in RMB against HK$ and US$, respectively. The 5.0% is the rate used when reporting currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in the foreign currency rate. The sensitivity analyses of the Group's exposure to foreign currency risk at the end of each reporting period have been determined based on the adjustment of translation of the monetary assets and liabilities at the end of each reporting period for a 5.0% change in RMB against HK$ and US$, respectively, with all other variables held constant, of the Group's profit before tax for the year ended 31 December 2014 (due to changes in the fair value of cash and cash equivalents, financial assets at fair value through profit and loss and bank loans denominated in HK$ and US$):

	RMB'000
Increase/(decrease) in profit before tax	
If RMB weakens against HK$ and US$	14,721
If RMB strengthens against HK$ and US$	(14,721)

Interest Rate Risk

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

Contractual Obligations

As at 31 December 2014, the Group's contractual obligations amounted to approximately RMB51.0 million, and decreased by RMB365.1 million as compared to approximately RMB416.1 million as at 31 December 2013, which was primarily due to the prepayment for the acquisition of Sichuan Haoyuan and Panzhihua Yixingda.

Capital Expenditure

The Group's total capital expenditure increased by RMB367.7 million from approximately RMB228.2 million for the year ended 31 December 2013 to approximately RMB595.9 million for the year. The capital expenditure consisted of (i) payment in advance of RMB354.0 million and RMB79.0 million in respect of the acquisition of 51% equity interest in Sichuan Haoyuan and 100% equity interest in Panzhihua Yixingda, respectively; (ii) the stripping costs classified as stripping activity assets of approximately RMB78.5 million; (iii) the construction of vanadium-bearing iron concentrates production line at the Xiushuihe Mine of approximately RMB59.5 million; and (iv) the development of the construction of miscellaneous projects and acquisition of machinery equipment of approximately RMB24.9 million.

Financial Instruments

As at 31 December 2014, 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 and other 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 2014, gearing ratio was 12.7% (31 December 2013: nil).

RESOURCE AND RESERVE OF MINES UNDER THE JORC CODE (2012 EDITION) AS AT 1 JANUARY 2015

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	27.13	25.09	10.73	0.20	6,807	2,910	54
Indicated resource	41.41	24.13	10.02	0.21	9,992	4,150	87
Total (M+I)	**68.54**	**24.51**	**10.30**	**0.21**	**16,799**	**7,060**	**141**
Inferred resource	25.34	26.63	10.98	0.23	6,748	2,783	58
Xiushuihe Mine (including expansion)							
Measured resource	47.99	25.24	9.58	0.23	12,115	4,596	110
Indicated resource	29.02	23.60	8.17	0.19	6,849	2,371	55
Total (M+I)	**77.01**	**24.63**	**9.05**	**0.21**	**18,964**	**6,967**	**165**
Inferred resource	7.23	22.43	7.40	0.17	1,622	535	12

(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	11.68	25.18	10.54	0.22	2,942	1,231	26
Probable reserve	24.02	26.08	10.24	0.22	6,265	2,460	53
Total	**35.70**	**25.78**	**10.34**	**0.22**	**9,207**	**3,691**	**79**
Xiushuihe Mine (including expansion)							
Proved reserve	34.07	24.54	9.43	0.22	8,362	3,213	74
Probable reserve	21.37	23.80	8.57	0.20	5,086	1,832	42
Total	**55.44**	**24.25**	**9.10**	**0.21**	**13,448**	**5,045**	**116**

All assumptions and technical parameters set out in the technical report of Behre Dolbear Asia, Inc. as shown in the prospectus of the Company dated 24 September 2009 with respect to the Baicao Mine and the Xiushuihe Mine have not been materially changed and are continued to apply to the above resource and reserve data.

Resource Summary of the Maoling-Yanglongshan Mine

JORC Mineral Resource Category

	Tonnage	Grade	Contained Metals
	(Mt)	TFe (%)	TFe (Kt)
Maoling-Yanglongshan Mine			
Measured resource	–	–	–
Indicated resource	12.56	22.62	2,840
Total (M+I)	**12.56**	**22.62**	**2,840**
Inferred resource	47.24	22.86	10,801

Resource Summary of the Yangqueqing Mine (including expansion) and the Cizhuqing Mine

The resources of the Yangqueqing Mine (including expansion) and the Cizhuqing Mine under the JORC Code (2004 Edition) have not been changed since the disclosure in our 2011 interim report.

The material assumptions and technical parameters as set out in the Company's announcement dated 13 February 2015 in preparing the resource data with respect to the Maoling-Yanglongshan Mine, the Yangqueqing Mine (including expansion) and the Cizhuqing Mine have not been materially changed and are continued to apply.

RESOURCE OF MINES UNDER THE CLASSIFICATION FOR RESOURCES/RESERVES OF SOLID FUELS AND MINERAL COMMODITIES (GB/T 17766-1999) AS AT 1 JANUARY 2015

Resource Summary of the Haibaodang Mine

	Tonnage (Mt)	Grade TFe (%)	Contained Metals TFe (Kt)
Haibaodang Mine			
Types 332 and 333	107.61	16.50	17,756

Note: Assumption: 10% TFe cut-off grade and 2 metres minimum width

Resource Summary of the Shigou Gypsum Mine

	Tonnage (Mt)	Grade Gypsum + Anhydrite (%)	Contained Minerals Gypsum and Anhydrite (Kt)
Shigou Gypsum Mine			
Types 331 and 333	10.37	90.64	9,399

Notes:
(1) Assumption: 82.51% "gypsum + anhydrite" cut-off grade and 1 metre minimum width
(2) Acquisition of the Shigou Gypsum Mine pending completion

EMPLOYEES AND EMOLUMENT POLICIES

As at 31 December 2014, the Group had a total of 1,864 dedicated full time employees (31 December 2013: 2,018 employees), including 130 management and administrative staff, 58 technical staff, 13 sales and marketing staff and 1,663 operational staff. For the year ended 31 December 2014, the employee benefit expense (including Directors' remuneration in the form of salaries, equity-settled share option expenses and other allowances) was approximately RMB88.7 million (2013: RMB120.5 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) In July 2013, the Group has engaged Sichuan Geochemistry Exploration Team to prepare a geological exploration report and engaged two independent research institutes to prepare beneficiation and metallurgical testing reports on niobium and tantalum ore resources at the Baicao Mine. Although the geological exploration report prepared by 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 decided to terminate all exploration work from 5 March 2014. The normal mining operations at the Baicao Mine resumed on 13 March 2014. Please refer to the Company's announcements on 11 July 2013 and 4 March 2014 for further details.

(ii) 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.

(iii) On 22 May 2014, Huili Caitong and Panzhihua Shuhai entered into an equity transfer agreement pursuant to which Panzhihua Shuhai had conditionally agreed to sell the equity interest, being 51% of the paid-up registered capital of Sichuan Haoyuan, to Huili Caitong at a consideration of RMB370.0 million. Sichuan Haoyuan has a wholly-owned subsidiary, namely Hanyuan Xinjin which currently holds the mining permit of the Shigou Gypsum Mine with an annual output of 300.0 Kt of gypsum raw ore. According to the "Sichuan Hanyuan County Shigou Gypsum Mine Geological Exploration Report*（《四川省漢源縣石溝礦區石膏礦勘探地質報告》）" issued by Brigade 606 of Sichuan Metallurgical and Geological Exploration Bureau*（四川省冶金地質勘查局606大隊）in November 2011, there are 10,369,700 tonnes of gypsum ore resources (Types 331 and 333) with an average "gypsum + anhydrite" grade of 90.64% through gypsum exploration activities. The consideration was determined based on arm's length negotiations between the parties after taking into account, primarily, a comparable transaction analysis of mining company acquisitions, consideration paid per unit of mining resource and discount applied to the prevailing market price of the mining products. The result of the comparable transaction analysis amounted to approximately RMB467.0 million. The consideration represents an approximately 20.8% discount against the result of the comparable transaction analysis. Accordingly, the Directors were of the view that the acquisition (including the consideration) was fair and reasonable and in the interests of the Company and the Shareholders as a whole. Please refer to the Company's announcements dated 22 May 2014 and 27 May 2014 for further details.

(iv) Pursuant to an equity transfer agreement entered into between Lingyu and the Sellers on 28 December 2011 (the "Acquisition Agreement"), completion of the acquisition of the equity interest in Panzhihua Yixingda is conditional upon, among other things, the Mineral Resources and Reserves Report 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 was required by the Geological Agent to prepare 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.

In March 2014, the Geological Agent issued the Mineral Resources and Reserves Report, in which it was estimated that the Haibaodang Mine had approximately 40.0 Mt of mineral resources and reserves with a minimum average iron content (Type 333 or above) of 15% or above, well below the 100.0 Mt required to satisfy the condition precedent to the completion of the acquisition under the Acquisition Agreement. After considering the contents of the Mineral Resources and Reserves Report and the extent of the works done by the Geological Agent, the Company was of the view that the bases upon which the volume of the relevant mineral resources and reserves at the Haibaodang Mine were estimated in the Mineral Resources and Reserves Report were not sufficient. As such, it was of the view that further exploration works should be carried out to further confirm the estimated volume of the relevant mineral resources and reserves at the Haibaodang Mine. Therefore, on 28 May 2014, Lingyu and the Sellers entered into a second supplemental agreement, whereby the Sellers would instruct the Geological Agent to carry out further exploration works at the Haibaodang Mine for a period of six months from 1 June 2014.

In August 2014, the Geological Agent issued a mineral resources and reserves survey report on the findings of the exploration works. Meanwhile, Lingyu also appointed the Sichuan Geochemistry Exploration Team to supervise the further exploration works on the Haibaodang Mine conducted by the Geological Agent appointed by the Sellers. In September 2014, the Sichuan Geochemistry Exploration Team issued the mineral resources and reserves supervision report accordingly (collectively, the "Reports"). According to the Reports, it was estimated that the Haibaodang Mine had approximately 107.61 Mt of mineral resources and reserves with a minimum average iron content (Types 332 and 333) of 15% or above, and hence satisfying the aforesaid condition precedent.

On 29 December 2014, the Sellers, Lingyu and Huili Caitong entered into a third supplemental agreement to modify or supplement certain terms and conditions of the Acquisition Agreement (as supplemented by the first supplemental agreement and the second supplemental agreement), including, among other things, the replacement of Lingyu by Huili Caitong as the purchaser of the acquisition, and the adjustment and finalisation of the final consideration to approximately RMB301.3 million. Please refer to the Company's announcements dated 29 December 2011, 22 April 2013, 28 May 2014 and 29 December 2014 for further details. The acquisition was completed in January 2015.

(v) As disclosed in the announcements of the Company dated 2 May 2011, 9 August 2011, 30 September 2011, 18 November 2011 and 25 November 2011 in relation to the subscription by the Investor of the Exchangeable Notes in the aggregate principal amount of US$30 million issued by the Issuer, there is a term under the Note Certificate that all of the Exchangeable Notes, which has not been exchanged into shares, shall be redeemed on the Final Maturity Date. As at 2 December 2014, the Investor did not receive any part of the redemption amount payable by the Issuer under the Exchangeable Notes and there occurred an Event of Default.

On 30 December 2014, the Investor, subject to the consent of the other noteholders, (i) granted a waiver in favour of the Issuer to waive the Event of Default; and (ii) entered into the supplemental deed with the Issuer, its ultimate beneficial owner, and the Target Company. Any consent granted by the other noteholders will be in respect of both the waiver and the supplemental deed. Likewise, the other noteholders would require the Investor's consent in order to give effect to any waiver or other amendments to their Exchangeable Notes. Pursuant to the supplemental deed, (a) the Final Maturity Date has been extended to 25 June 2015; (b) the yield to maturity for the entire term of the Exchangeable Notes and until the full redemption thereof has been revised from 20% to 25% per annum; and (c) the Investor shall be entitled to exchange all or any part of the Exchangeable Notes at any time prior to the full redemption of the Exchangeable Notes by a single or multiple presentation of exchange notice.

On 8 January 2015, the Investor received the consent from the other noteholders to give effect to the waiver and the Supplemental Arrangement except that the Final Maturity Date under the Supplemental Arrangement shall be brought forward from 25 June 2015 to 25 March 2015. Save for the above, there are no other revisions made to the Supplemental Arrangement. Accordingly, the Final Maturity Date has been extended from 25 November 2014 to 25 March 2015 under the Supplemental Arrangement. On even date, the Investor granted its consent to the other noteholders in relation to such other noteholders' waiver and supplemental arrangement which are materially similar in content to the Supplemental Arrangement. Please refer to the Company's announcements dated 2 December 2014, 31 December 2014 and 8 January 2015 for further details.

On 25 March 2015, which was the Final Maturity Date under the Supplemental Arrangement, the Investor did not receive any part of the redemption amount payable by the Issuer under the Exchangeable Notes. In view of this, on even date, the legal advisor of the Investor, for and on its behalf, issued a notice of potential event of default to the Issuer requesting for the payment of the redemption amount in accordance with the terms of the Exchangeable Notes and reminding the Issuer about the potential occurrence of an Event of Default if the Investor does not receive the full redemption amount by 1 April 2015. The Company will issue further announcement to update the Shareholders and potential investors on the progress of this matter in accordance with the Listing Rules.

OUTLOOK

Industry development and prospects

The Group expects the operating environment of the steel industry to remain challenging in the coming years. According to the data from The Steel Index, the recent price of iron ore has declined to its lowest level since May 2009. Industry analysts are generally pessimistic about the industry trend in 2015. Overseas mining companies have greatly increased their production capacity and exported iron ore to China while the country is experiencing a slowdown in economic growth. With the imbalance in supply and demand, the price of iron ore in China is expected to drop further in 2015. Facing the sluggish market, about one-third of domestic mining companies have suspended production in January 2015. On the other hand, excess capacity in the titanium industry is likely to persist and the industry will experience consolidation. Taking that into account, the Group commenced execution of a series of cost control measures, streamlined the corporate structure and allocated its human resources more flexibly so as to better cope with this difficult market situation.

The steel industry in China still offers development potential in the long run. The Chinese Government has strived to promote a healthy development of the steel industry and has implemented measures to redress the long-standing overcapacity. Measures taken by the Ministry of Industry and Information Technology of the PRC have already resulted in the elimination of 27.9 Mt of backward capacity by the end of November 2014, attaining the goal of phasing out obsolete steel production facilities set out in the 12th Five-Year Plan one year ahead of schedule. After the "2014 Work Plan on Resolving the Conflict of Rampant Overcapacity and Facilitating Structural Industry Adjustment in Sichuan*（《四川省化解產能過剩矛盾促進產業結構調整2014年工作計劃》）" was implemented in early 2014, phasing out backward capacity and optimising industrial structure have become the major tasks of the transformation and upgrading of Sichuan's industries. According to the data of the SPEIC, the capacity of steel production facilities phased out in the past year occupied around 6% of total domestic capacity. The SPEIC also issued the "2015 Guidance and Opinions on Industrial Energy Conservation and Emissions Reduction across the Province*（《2015年全省工業節能減排指導意見》）" in March 2015, which stated that the iron and steel making capacities in Sichuan have to be maintained at approximately 36 Mt and boost its efforts in promoting the transformation and upgrade to green and low-carbon emissions during the course of elimination of backward and overcapacity. In addition, the National Development and Reform Commission of the PRC has issued Directive No. 22, with the full article published in the "Catalogue of Industries for Guiding Foreign Investment (2015 Revision)" in March 2015. The principal changes are decreasing the number of industrial sectors restricted to foreign investors, greatly reducing the regulation of foreign investment in the manufacturing of general goods and eliminating the minimum domestic Chinese shareholding requirement for the steel industry. These amended investment policies are conducive to attracting more foreign investment in the restructuring of domestic steel companies, accelerating the reform of the steel industry and facilitating the upgrade of steel products. These policies are aimed at achieving the sustainability of the steel industry.

China's economic growth has continued to slow down. A number of provinces have experienced a drop in actual GDP growth in 2014 and failed to achieve the target set early last year. Some 29 provinces have substantially adjusted their GDP growth targets this year. As such, the Chinese Government has decided to speed up 300 infrastructure projects commanding a total investment of RMB7,000 billion this year to stimulate the economy and ensure that economic growth did not dip below 7%. These projects are expected to be completed by the end of 2016. The National Development and Reform Commission of the PRC has approved 21 infrastructure projects in the fourth quarter of 2014. These projects comprise 16 railways and five airports, mostly in the central and western regions, commanding a total investment of RMB700 billion. The Group believes that these projects not only can promote the economic development of these areas and provinces, but also boost the demand along with the product price of those major construction materials, such as steel, thus supporting the long-term development of domestic steel industry.

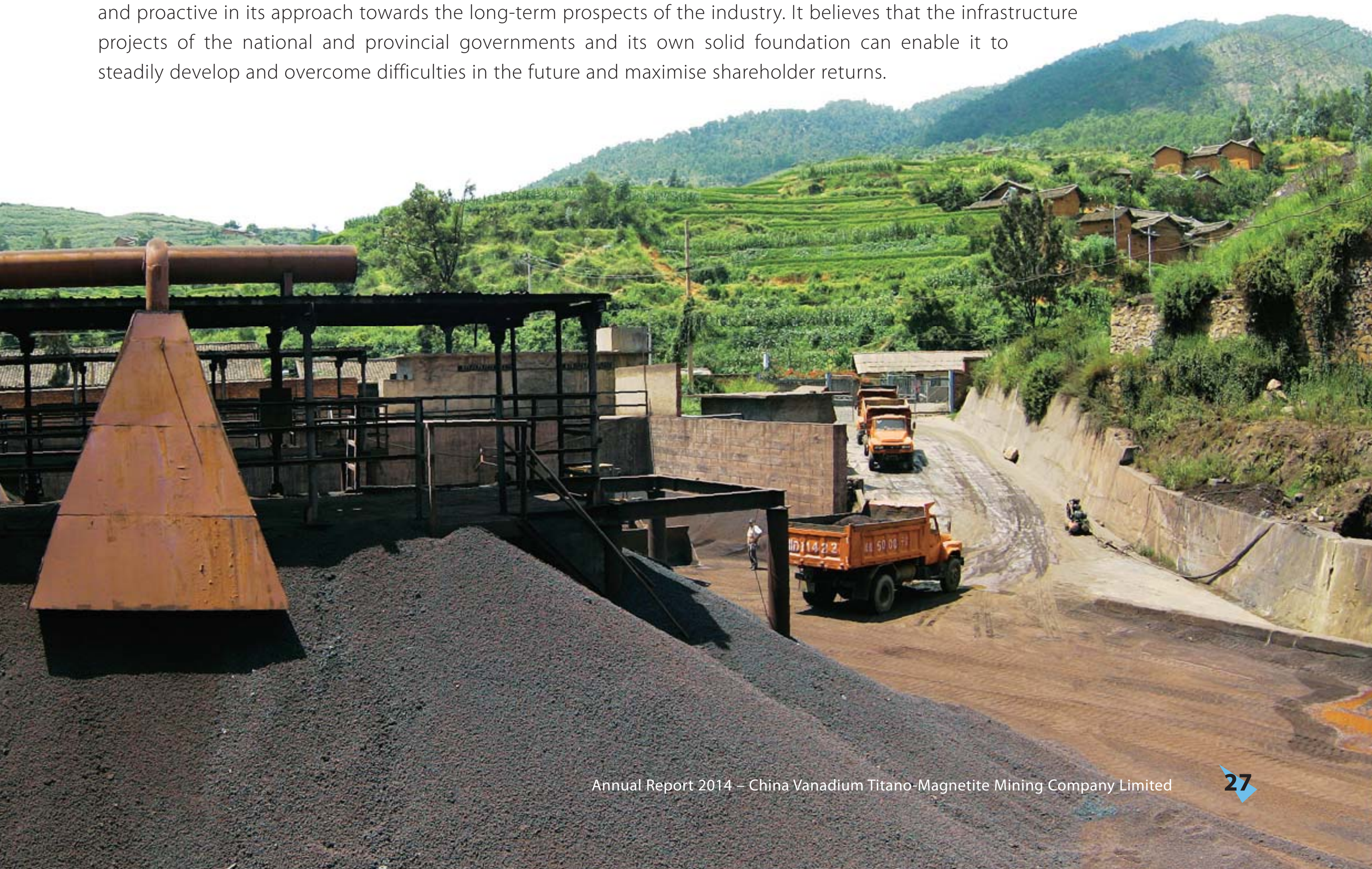
Within Sichuan, the Development and Reform Commission of Sichuan has announced that several key infrastructure, public service and ecological and environmental projects will be implemented in 2015 to promote the development of five economic zones. In December 2014, the People's Government of Sichuan has announced 264 public and private cooperative projects commanding a total investment of approximately RMB253.4 billion, of which railway projects occupy 10% which is expected to boost the demand for steel there. In January 2015, the Sichuan Provincial Department of Housing and Urban-Rural Development has stated at the Provincial Housing and Urban-Rural Development Conference*（全省住房城鄉建設工作會議）that the department will continue to promote urbanisation, cancel restrictions on property purchases and property prices and stimulate property consumption in 2015. These measures are expected to assist in realising the goal of achieving a development and investment value of not less than RMB480 billion in the property market in Sichuan and a year-on-year growth of 10%. The Group believes these measures would boost the demand for steel and the prices of steel products in Sichuan.

Business Strategy

Looking ahead, the Group will strategically adjust its production as product prices have yet to recover. A longer production suspension period may occur if the market situation keeps deteriorating. The low utilisation rate means that economies of scale would not be present, which would significantly affect the Group's short-to-medium term performance. In response, the Group will leverage the solid foundation built over the years and continue to adopt a series of cost control measures to overcome the challenges in the market. Nevertheless, the Group will continue preparation to maximise the business opportunities when the market rebounds. It has already obtained the mining permit at the Cizhuqing Mine with an annual capacity of 1.6 Mt of raw iron ore in January 2015. Besides, the Group will evaluate the feasibility of developing new resources, aiming to build a diverse product mix and to broaden its income sources. The Group will also seek overseas investment and merger and acquisition opportunities offering strong potential. A pragmatic approach in seeking appropriate investment and acquisition opportunities will enable the Group to strengthen its business foundation.

On 22 May 2014, Huili Caitong has entered into an equity transfer agreement with Panzhihua Shuhai to acquire a 51% equity interest of Sichuan Haoyuan at a consideration of RMB370.0 million. Sichuan Haoyuan, through its wholly-owned subsidiary, currently holds the mining permit of the Shigou Gypsum Mine with an annual output of 300.0 Kt of raw gypsum ore, enabling the Group to extend its business into gypsum mine resources, an area previously outside its scope of operation. Gypsum is a material which is widely used for construction, industrial and medical purposes. The development and operation of the Shigou Gypsum Mine can also help to enhance the Group's revenue and investment return potential. Currently, the Group is actively evaluating development plans and formulating investment plans for the Shigou Gypsum Mine with the aim to obtain reasonable returns from a minimal investment. Looking ahead, the Group plans to focus on the research and development of high-end gypsum products.

Although the management is not sanguine about the short-term development of the steel and iron ore market, it remains prudent and proactive in its approach towards the long-term prospects of the industry. It believes that the infrastructure projects of the national and provincial governments and its own solid foundation can enable it to steadily develop and overcome difficulties in the future and maximise shareholder returns.



EXECUTIVE DIRECTORS

Mr. Jiang Zhong Ping（蔣中平）

Mr. Jiang, aged 49, 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. Jiang is the chairman of the nomination committee and a member of the remuneration committee of the Company and a director of certain subsidiaries of the Company.

Mr. Tang Wei（湯偉）

Mr. Tang, aged 33, 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 39, *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 17 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 Holding Limited (Stock code: 01673) and Hengshi Mining Investments Limited (Stock code: 01370), all are listed on the Main Board of 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 2010 and 2011 and silver certificates of merit in continuing professional development in 2012 and 2013 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. Teo Cheng Kwee（張青貴）

Mr. Teo, aged 62, is a non-executive Director of the Company. Mr. Teo 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). Mr. Teo 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 45, 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 in Chongqing in metallurgy engineering in December 2004. Mr. Yu is a member of the audit committee of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Liu Yi（劉毅）

Mr. Liu, aged 52, 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 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. Mr. Liu is the chairman of the remuneration committee and a member of the audit committee and nomination committee of the Company.

Mr. Wu Wen（吳文）

Mr. Wu, aged 46, has been an independent non-executive Director of the Company since 1 November 2014. Mr. Wu is a qualified lawyer in the PRC. Mr. Wu graduated from Peking University School of Law in 1990. Mr. Wu obtained a Juris Doctor degree from Northwestern School of Law of Lewis and Clark College in 1998. Mr. Wu worked as an associate of Sichuan Canway Law Firm from August 1998 to May 2002 and later became a partner from February 2003 to December 2008. Mr. Wu also worked as legal counsel in Kodak (China) Company Limited from May 2002 to December 2002. Mr. Wu practised law as a partner of Tahota Law Firm from February 2009 to February 2014. Since March 2014, Mr. Wu has been a partner of Zhonglun Law Firm. Mr. Wu is a member of the Chinese Bar Association.

Mr. Yu Haizong（余海宗）

Mr. Yu, aged 50, 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, a member of the expert panels of Land and Resources Department of Sichuan Province and Science and Technology Department of Sichuan*（四川省科學技術廳）. Mr. Yu is 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）, and a professor, master and doctoral supervisor of the Accounting Faculty of Southwestern University of Finance and Economics 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）, a company listed on the Shenzhen Stock Exchange, as well as an independent non-executive director and a chairman of audit committee of Sichuan Expressway Company Limited, a company listed on the Shanghai Stock Exchange and the 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 or chairman of audit committee of various public companies enables him to meet the requirements under Rule 3.10(2) of the Listing Rules. Mr. Yu is the chairman of the audit committee and a member of the nomination committee and remuneration committee of the Company.

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 2014.

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 2014 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 2014 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 does not recommend the payment of a final dividend for the year ended 31 December 2014 (2013: HK$0.022 per Share).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 13 May 2015 to Friday, 15 May 2015 (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 2015 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 Tuesday, 12 May 2015.

PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment of the Group for the year ended 31 December 2014 amounted to approximately RMB83.3 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 2014 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 2014, the Company's reserves available for distribution to the Shareholders in accordance with the Articles were RMB1,840.3 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 2014 and 2013, sales to the Group's five largest customers accounted for 73.3% and 84.3% of the total revenue of the Group, respectively, and sales to the largest customer included therein accounted for 29.0% and 18.6%, respectively.

For the years ended 31 December 2014 and 2013, purchases from the Group's five largest suppliers accounted for 84.3% and 53.2% of the total purchases of the Group, respectively, and purchases from the largest supplier included therein accounted for 32.7% and 25.3%, respectively.

None of the Directors or any of their close 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 *(Chief executive officer)*
Mr. Roy Kong Chi Mo *(Chief financial officer)*

Non-executive Directors

Mr. Teo Cheng Kwee
Mr. Wang Jin *(Resigned on 27 June 2014)*
Mr. Yu Xing Yuan

Independent non-executive Directors

Mr. Gu Peidong *(Resigned on 8 October 2014)*
Mr. Liu Yi
Mr. Wu Wen *(Appointed on 1 November 2014)*
Mr. Yu Haizong

Biographical details of the current Directors are set out in the section headed "Profile of Directors and Senior Management" on pages 28 to 31 of this annual report.

In accordance with Article 83(3) of the Articles, Mr. Wu Wen will retire at the 2015 AGM and, being eligible, will offer himself for re-election at the 2015 AGM.

In accordance with Articles 84(1) and 84(2) of the Articles, Messrs. Jiang Zhong Ping, Teo Cheng Kwee and Yu Haizong will retire at the 2015 AGM and, being eligible, will offer themselves for re-election at the 2015 AGM.

DIRECTORS' SERVICE CONTRACTS

Each of our executive Directors and non-executive Directors has entered into a new service contract or letter of appointment with the Company for a term of one year commencing from 8 October 2014. Each of our independent non-executive Directors has entered into a new letter of appointment with the Company for a term of three years commencing from 8 October 2014, except for Mr. Wu Wen's appointment commencing from 1 November 2014.

None of the Directors proposed for re-election at the 2015 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 schemes 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 2014, 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:

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 2014:

Name	Capacity	Number of share options held	Number of underlying Shares	Percentage of the Company's issued share capital
Mr. Jiang Zhong Ping	Beneficial owner	17,000,000	17,000,000	0.82%
Mr. Tang Wei	Beneficial owner	9,400,000	9,400,000	0.45%
Mr. Roy Kong Chi Mo	Beneficial owner	14,500,000	14,500,000	0.70%
Mr. Teo Cheng Kwee	Beneficial owner	200,000	200,000	0.01%
Mr. Yu Xing Yuan	Beneficial owner	28,300,000	28,300,000	1.36%
Mr. Liu Yi	Beneficial owner	100,000	100,000	0.00%
Mr. Yu Haizong	Beneficial owner	100,000	100,000	0.00%

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 2014, 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 a 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.

Details of the share options outstanding as at 31 December 2014 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 01.01.2014	No. of share options exercised during the year	No. of share options held as at 31.12.2014
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. Tang Wei	29.12.2009	29.06.2012 to 28.12.2019	5.05	200,000	–	200,000
		29.12.2014 to 28.12.2019	5.05	200,000	–	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	3,400,000	–	3,400,000
		29.12.2014 to 28.12.2019	5.05	3,400,000	–	3,400,000
	01.04.2010	01.10.2012 to 31.03.2020	4.99	2,950,000	–	2,950,000
		01.04.2015 to 31.03.2020	4.99	2,950,000	–	2,950,000
Total				29,600,000	–	29,600,000

SUMMARY OF THE NEW OPTION SCHEME

The purposes of adopting the New Option Scheme are: (i) to broaden the scope of eligible persons to include all substantial Shareholders of the Company and any person whom the Board considers to have contributed to the development and growth of the Company; (ii) to provide incentive or reward to eligible persons for their contributions to, and continuing efforts to promote the interests of the Company; and (iii) to enable the Group to recruit and retain high-calibre employees. The eligible persons include Directors, chief executives, substantial Shareholders or employees (whether full time or part time) of any member of the Group and any person who the Board considers, at its sole discretion, have 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 a 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 a general meeting at which all connected persons of the Company shall abstain from voting in favour of the grant 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 as an eligible person ceases.

Details of the share options outstanding as at 31 December 2014 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 01.01.2014	No. of share options granted during the year (Note)	No. of share options lapsed during the year	No. of share options exercised during the year	No. of share options held as at 31.12.2014
1.	**Directors/chief executives**								
	Mr. Jiang Zhong Ping	23.05.2011	23.05.2013 – 22.05.2021	3.60	5,000,000	–	–	–	5,000,000
		15.04.2014	15.10.2014 – 14.04.2024	1.00	–	4,250,000	–	–	4,250,000
			15.04.2015 – 14.04.2024	1.00	–	2,125,000	–	–	2,125,000
			15.10.2015 – 14.04.2024	1.00	–	2,125,000	–	–	2,125,000
	Mr. Tang Wei	23.05.2011	23.05.2013 – 22.05.2021	3.60	1,000,000	–	–	–	1,000,000
		15.04.2014	15.10.2014 – 14.04.2024	1.00	–	4,000,000	–	–	4,000,000
			15.04.2015 – 14.04.2024	1.00	–	2,000,000	–	–	2,000,000
			15.10.2015 – 14.04.2024	1.00	–	2,000,000	–	–	2,000,000
	Mr. Roy Kong Chi Mo	23.05.2011	23.05.2013 – 22.05.2021	3.60	4,000,000	–	–	–	4,000,000
		15.04.2014	15.10.2014 – 14.04.2024	1.00	–	3,500,000	–	–	3,500,000
			15.04.2015 – 14.04.2024	1.00	–	1,750,000	–	–	1,750,000
			15.10.2015 – 14.04.2024	1.00	–	1,750,000	–	–	1,750,000
	Mr. Teo Cheng Kwee	15.04.2014	15.10.2014 – 14.04.2024	1.00	–	100,000	–	–	100,000
			15.04.2015 – 14.04.2024	1.00	–	50,000	–	–	50,000
			15.10.2015 – 14.04.2024	1.00	–	50,000	–	–	50,000
	Mr. Wang Jin	15.04.2014	15.10.2014 – 14.04.2024	1.00	–	1,000,000	(1,000,000)	–	–
			15.04.2015 – 14.04.2024	1.00	–	500,000	(500,000)	–	–
			15.10.2015 – 14.04.2024	1.00	–	500,000	(500,000)	–	–
	Mr. Yu Xing Yuan	23.05.2011	23.05.2013 – 22.05.2021	3.60	5,000,000	–	–	–	5,000,000
		15.04.2014	15.10.2014 – 14.04.2024	1.00	–	6,900,000	–	–	6,900,000
			15.04.2015 – 14.04.2024	1.00	–	3,450,000	–	–	3,450,000
			15.10.2015 – 14.04.2024	1.00	–	3,450,000	–	–	3,450,000
	Mr. Gu Peidong	15.04.2014	15.10.2014 – 14.04.2024	1.00	–	50,000	(50,000)	–	–
			15.04.2015 – 14.04.2024	1.00	–	25,000	(25,000)	–	–
			15.10.2015 – 14.04.2024	1.00	–	25,000	(25,000)	–	–
	Mr. Liu Yi	15.04.2014	15.10.2014 – 14.04.2024	1.00	–	50,000	–	–	50,000
			15.04.2015 – 14.04.2024	1.00	–	25,000	–	–	25,000
			15.10.2015 – 14.04.2024	1.00	–	25,000	–	–	25,000
	Mr. Yu Haizong	15.04.2014	15.10.2014 – 14.04.2024	1.00	–	50,000	–	–	50,000
			15.04.2015 – 14.04.2024	1.00	–	25,000	–	–	25,000
			15.10.2015 – 14.04.2024	1.00	–	25,000	–	–	25,000
2.	**Employees** (in aggregate)	23.05.2011	23.05.2013 – 22.05.2021	3.60	12,300,000	–	–	–	12,300,000
		15.04.2014	15.10.2014 – 14.04.2024	1.00	–	1,050,000	–	–	1,050,000
			15.04.2015 – 14.04.2024	1.00	–	525,000	–	–	525,000
			15.10.2015 – 14.04.2024	1.00	–	525,000	–	–	525,000
	Total				27,300,000	41,900,000	(2,100,000)	–	67,100,000

Note:

The closing price per Share on 14 April 2014, the trading date immediately before the date on which the share options were granted on 15 April 2014, was HK$0.99.

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 2014, 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 positions in Shares and underlying Shares under equity derivatives:

Name	Notes	Directly beneficially owned	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 & 5	1,006,754,000 (L)	–	–	1,006,754,000 (L)	48.52% (L)
Kingston Grand	1, 2, 3, 4 & 5	–	1,006,754,000 (L)	–	1,006,754,000 (L)	48.52% (L)
Mr. Wang Jin	1, 2, 3, 4 & 5	–	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	–	–	234,066,117 (L)	234,066,117 (L)	11.28% (L)

Notes:

1. The letter "L" represents the entity's/individual's long 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.

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

4. As at 31 December 2014, 1,006,754,000 Shares were 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, Messrs. Wang Jin, Yang Xianlu, Wu Wendong, Li Hesheng, Shi Yinjun and Zhang Yuangui were parties acting in concert, each of Kingston Grand, Messrs. Wang Jin, Yang Xianlu, Wu Wendong, Li Hesheng, Shi Yinjun and Zhang Yuangui were deemed to be interested in 1,006,754,000 Shares held by Trisonic International.

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



Save as disclosed above, as at 31 December 2014, 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 were 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 were 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. 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 an entity 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.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Sale of products to Chengyu Vanadium Titano during the year

On 21 October 2011, Chengyu Vanadium Titano, a connected person to the Group, entered into the iron concentrate sale contract with Huili Caitong, 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, and 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 are no less favourable than those independent customers of the Group in the same region.

The sale of vanadium-bearing iron concentrates constitutes 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. For the year ended 31 December 2014, no sale of vanadium-bearing iron concentrates was made to Chengyu Vanadium Titano (2013: RMB64.0 million).

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 two independent non-executive Directors, namely Mr. Yu Haizong *(Chairman)* and Mr. Liu Yi and one non-executive Director, namely Mr. Yu Xing Yuan.

During the year ended 31 December 2014, the audit committee has reviewed: (i) the audited financial statements of the Group and annual results announcement for the year ended 31 December 2013 and (ii) the reviewed financial statements of the Group and interim results announcement for the six months ended 30 June 2014. During the year ended 31 December 2014, the audit committee has reviewed the internal control of the Group. Details of the internal control of the Group are set out on page 54 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. Liu Yi *(Chairman)* and Mr. Yu Haizong and one executive Director, namely Mr. Jiang Zhong Ping.

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 2014.

CORPORATE GOVERNANCE

The Company has adopted the CG Code. Throughout the year ended 31 December 2014, the Company has complied with all applicable code provisions as set out in the CG Code except for code provisions A.6.7 and E.1.2 as described in the Corporate Governance Report.

For details of the Corporate Governance Report, please refer to pages 46 to 56 of this annual report.

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

Throughout the year ended 31 December 2014, 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 39 to financial statements of this annual report. These 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 as 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 27 June 2014, (i) Mr. Wang Jin resigned as a non-executive Director and a member of the remuneration committee of the Company and (ii) Mr. Jiang Zhong Ping was appointed as a member of the remuneration committee of the Company.

Effective from 8 October 2014, (i) Mr. Gu Peidong resigned as an independent non-executive Director, the chairman of the remuneration committee and a member of the audit committee of the Company; (ii) Mr. Liu Yi was appointed as the chairman of the remuneration committee of the Company; and (iii) Mr. Yu Xing Yuan was appointed as a member of the audit committee of the Company.

Effective from 1 November 2014, Mr. Wu Wen was appointed as an independent non-executive Director.

Each of our executive Directors has entered into a new service contract with the Company for a term of one year commencing from 8 October 2014 and the director's fee is RMB80,000 per annum.

Each of our non-executive Directors and independent non-executive Directors has entered into a new letter of appointment with the Company for a term of one year and three years, respectively commencing from 8 October 2014, except for Mr. Wu Wen's appointment commencing from 1 November 2014. Each of the non-executive Directors' and the 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 2014. A resolution will be proposed for approval by the Shareholders at the 2015 AGM to re-appoint Ernst & Young as auditors of the Company.

On behalf of the Board

Jiang Zhong Ping

Chairman

30 March 2015

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 2014, the Company has complied with the code provisions under the CG Code except for code provisions A.6.7 and E.1.2 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. Code provision E.1.2 stipulates that the chairman of the board should invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend the annual general meeting. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. Messrs. Wang Jin, Yu Xing Yuan, Teo Cheng Kwee, Liu Yi and Gu Peidong (the then chairman of the remuneration committee of the Company) did not attend the annual general meeting held on 12 May 2014 due to other business commitments while Mr. Yu Haizong (chairman of the audit committee of the Company) did not attend the said annual general meeting due to a flight delay as a result of poor weather.

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 2014.

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 provides 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 made up of majority 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)*	–	M	C
Mr. Tang Wei *(Chief executive officer)*	–	–	–
Mr. Roy Kong Chi Mo *(Chief financial officer)*	–	–	–
Non-executive Directors			
Mr. Teo Cheng Kwee	–	–	–
Mr. Yu Xing Yuan	M	–	–
Independent non-executive Directors			
Mr. Liu Yi	M	C	M
Mr. Wu Wen	–	–	–
Mr. Yu Haizong	C	M	M

Notes:

C: Chairman

M: Member

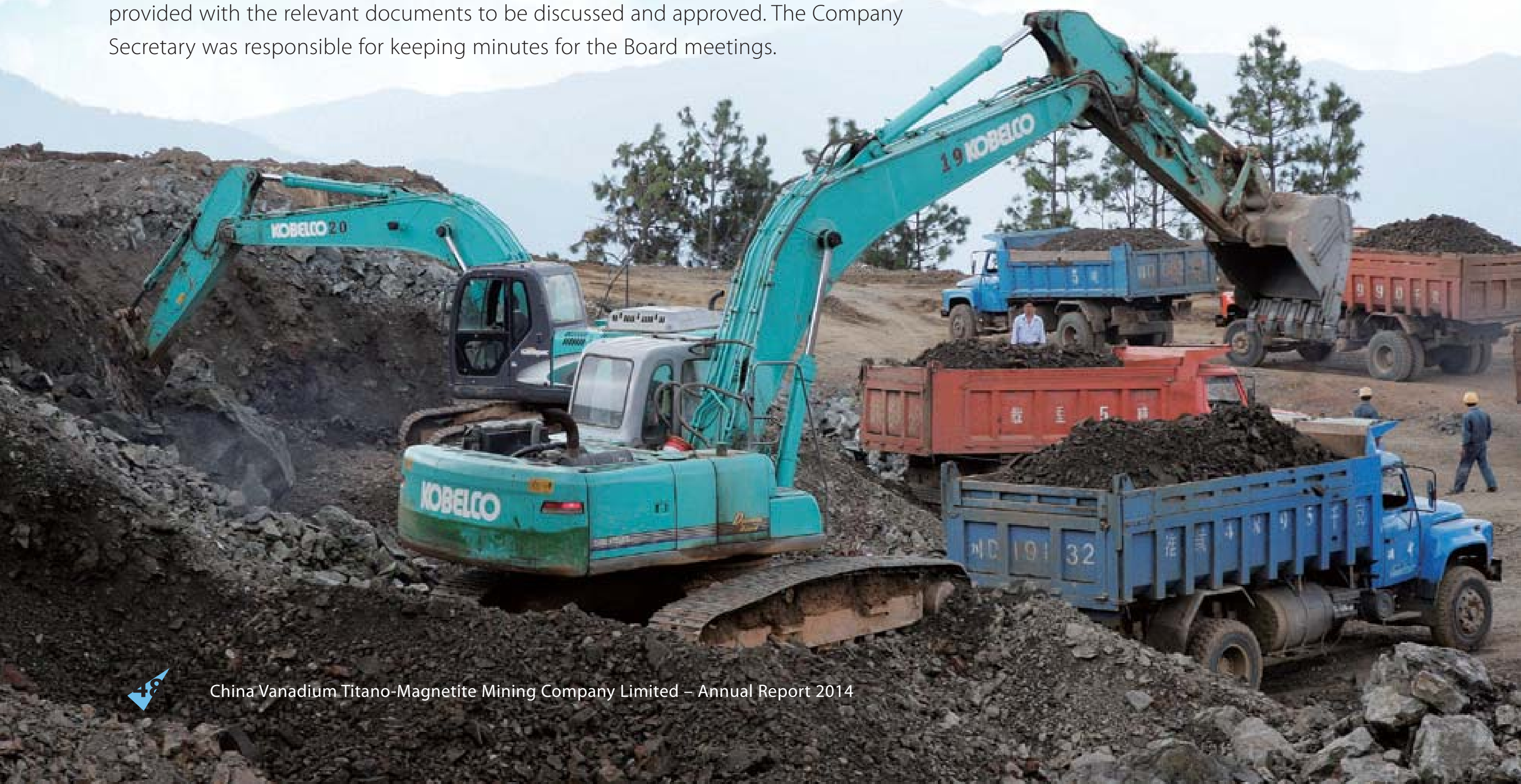
Biographical details of the above Directors are set out in the section headed "Profile of Directors and Senior Management" on pages 28 to 31 of this annual report.

Each of our executive Directors has entered into a new service contract with the Company for a term of one year commencing from 8 October 2014. Each of our non-executive Directors and independent non-executive Directors has entered into a new letter of appointment with the Company for a term of one year and three years, respectively commencing from 8 October 2014, except for Mr. Wu Wen's appointment commencing from 1 November 2014. 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 one general meeting on 12 May 2014. 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 2014:

	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	1/1	1/1
Mr. Tang Wei	4/4	–	–	–	1/1
Mr. Roy Kong Chi Mo	4/4	–	–	–	1/1
Mr. Teo Cheng Kwee	3/4	–	–	–	0/1
Mr. Wang Jin *(Resigned on 27 June 2014)*	1/2	–	1/1	–	0/1
Mr. Yu Xing Yuan	3/4	–	–	–	0/1
Mr. Gu Peidong *(Resigned on 8 October 2014)*	3/3	2/2	2/2	–	0/1
Mr. Liu Yi	4/4	2/2	–	1/1	0/1
Mr. Wu Wen *(Appointed on 1 November 2014)*	1/1	–	–	–	–
Mr. Yu Haizong	4/4	2/2	2/2	1/1	0/1

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.

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. Tang Wei is the executive Director and the chief executive officer of the Company who takes charge of the supervision of the execution of the policies determined by the Board. The chairman chairs the Board meetings and briefs the Board members on the issues discussed at the Board meetings. The chairman also ensures that the Board members work together with the management with the capability and authority to engage management in constructive views on various matters, including strategic issues and business planning processes.

APPOINTMENT AND RE-ELECTION OF THE DIRECTORS

According to the Articles, 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. Liu Yi *(Chairman)* and Mr. Yu Haizong and one executive Director, namely Mr. Jiang Zhong Ping.

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 has 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 the 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 2014 by band is set out below:

Name of Director	Remuneration band	Director's fee	Salaries, allowances and benefits in kind	Share options	Pension scheme contributions	Total
	RMB	%	%	%	%	%
Executive Directors						
Mr. Jiang Zhong Ping	3,000,001 – 3,500,000	2.5	4.7	92.2	0.6	100
Mr. Tang Wei	2,000,001 – 2,500,000	3.7	6.8	88.6	0.9	100
Mr. Roy Kong Chi Mo	2,500,001 – 3,000,000	2.7	38.9	56.5	1.9	100
Non-executive Directors						
Mr. Teo Cheng Kwee	1 – 100,000	100	–	–	–	100
Mr. Wang Jin *(Resigned on 27 June 2014)*	1 – 100,000	100	–	–	–	100
Mr. Yu Xing Yuan	5,500,001 – 6,000,000	1.6	–	98.4	–	100
Independent non-executive Directors						
Mr. Gu Peidong *(Resigned on 8 October 2014)*	1 – 100,000	100	–	–	–	100
Mr. Liu Yi	100,001 – 150,000	79.8	–	20.2	–	100
Mr. Wu Wen *(Appointed on 1 November 2014)*	1 – 100,000	100	–	–	–	100
Mr. Yu Haizong	100,001 – 150,000	79.8	–	20.2	–	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 two independent non-executive Directors, Mr. Yu Haizong *(Chairman)* and Mr. Liu Yi and one non-executive Director, namely Mr. Yu Xing Yuan.

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 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 a 2^{nd} 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 report 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.

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 Mr. Wu Wen and recommended Mr. Wu Wen to be appointed as a new member of the Board.

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.

AUDITORS' REMUNERATION

For the year ended 31 December 2014, the Group's external auditors, Ernst & Young, provided interim review and annual audit services. For the year ended 31 December 2014, the total fee paid/payable (excluding out-of-pocket expenses and value added tax) in respect of services provided by the Group's external auditors is set out below:

	RMB'000
Annual audit services	2,650
Interim review services	1,300

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 Hong Kong 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 ensure it is 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 2014 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 2014.

SHAREHOLDERS' RIGHTS

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

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, 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 2014, the Company continued to communicate with Shareholders, investors and analysts in an honest manner through various channels. Timely disclosure of corporate information 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:

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, 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 will 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 144, which comprise the consolidated and company statements of financial position as at 31 December 2014, 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 2014, and of the Group's loss 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

30 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
REVENUE	4	**649,094**	1,429,875
Cost of sales		**(661,920)**	(925,372)
Gross profit/(loss)		**(12,826)**	504,503
Other income and gains	5	**66,912**	100,268
Selling and distribution expenses		**(35,208)**	(50,665)
Administrative expenses		**(193,501)**	(152,575)
Other expenses		**(14,398)**	(38,094)
Impairment loss on property, plant and equipment	12	**(166,947)**	–
Impairment loss on trade receivables	23	**(82,125)**	–
Finance costs	6	**(62,176)**	(98,613)
Share of profits and losses of joint ventures	16	**(308)**	1,352
PROFIT/(LOSS) BEFORE TAX	7	**(500,577)**	266,176
Income tax credit/(expense)	9	**133,155**	(83,704)
PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**(367,422)**	182,472
Attributable to:			
Owners of the Company	10	**(366,381)**	179,135
Non-controlling interests		**(1,041)**	3,337
		(367,422)	182,472
Earnings/(loss) per Share attributable to ordinary equity holders of the Company:			
Basic and diluted	11	**RMB(0.18)**	RMB0.09

Consolidated Statement of Financial Position

31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**1,525,517**	1,745,221
Intangible assets	13	**628,107**	586,402
Prepaid land lease payments	14	**42,282**	43,388
Investments in joint ventures	16	**–**	3,390
Financial assets at fair value through profit or loss	17	**–**	275,310
Prepayments and deposits	18	**44,046**	50,681
Payments in advance	19	**633,186**	200,577
Goodwill	20	**15,318**	15,318
Deferred tax assets	21	**143,134**	75,987
Total non-current assets		**3,031,590**	2,996,274
CURRENT ASSETS			
Inventories	22	**154,901**	141,663
Trade and bills receivables	23	**533,426**	385,339
Prepayments, deposits and other receivables	18	**122,724**	234,775
Investment in a joint venture	16	**–**	9,993
Financial assets at fair value through profit or loss	17	**290,171**	–
Due from related parties	24	**–**	600
Pledged time deposits	25	**200,618**	441,853
Cash and cash equivalents	25	**530,623**	1,295,018
Total current assets		**1,832,463**	2,509,241
CURRENT LIABILITIES			
Trade and bills payables	26	**302,057**	944,490
Other payables and accruals	27	**313,087**	293,156
Commercial paper liabilities	28	**–**	150,000
Interest-bearing bank and other loans	29	**975,042**	362,439
Due to related parties	24	**5,245**	8,514
Tax payable		**4,245**	66,950
Dividend payable		**1,801**	1,801
Total current liabilities		**1,601,477**	1,827,350
NET CURRENT ASSETS		**230,986**	681,891
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,262,576**	3,678,165

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other loans	29	**25,000**	50,800
Provision for rehabilitation	30	**9,347**	8,748
Deferred income	31	**–**	4,000
Other payables	27	**701**	650
Total non-current liabilities		**35,048**	64,198
Net assets		**3,227,528**	3,613,967
EQUITY			
Equity attributable to owners of the Company			
Issued capital	32	**182,787**	182,787
Reserves	34	**3,013,008**	3,362,363
Proposed final dividend	35	**–**	36,043
		3,195,795	3,581,193
Non-controlling interests		**31,733**	32,774
Total equity		**3,227,528**	3,613,967

Jiang Zhong Ping
Director

Tang Wei
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2014

	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 note 34	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 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 policy	–	–	–	–	–	–	(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	–	–	–	–	14,448	–	7,052	–	–	–	21,500	–	21,500
Proposed final 2013 dividend	–	–	–	–	–	–	–	–	(36,043)	36,043	–	–	–
At 31 December 2013 and 1 January 2014	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
Total comprehensive loss for the year	–	–	–	–	–	–	–	–	366,381	–	366,381	(1,041)	367,422
Equity-settled share option arrangement	–	–	–	–	–	17,026	–	–	–	–	17,026	–	17,026
Establishment for safety fund surplus reserve	–	–	–	17,080	–	–	–	–	(17,080)	–	–	–	–
Utilisation of safety fund surplus reserve	–	–	–	(1,804)	–	–	–	–	1,804	–	–	–	–
Final 2013 dividend declared	–	(36,043)	–	–	–	–	–	–	36,043	(36,043)	(36,043)	–	(36,043)
At 31 December 2014	182,787	1,840,253*	220,176*	106,095*	87,238*	105,846*	(852,820)*	186,200*	1,320,020	–	3,195,795	31,733	3,227,528

* These reserve accounts comprise the consolidated reserves of RMB3,013,008,000 (2013: RMB3,362,363,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**(500,577)**	266,176
Adjustments for:			
Finance costs		**58,896**	100,367
Unrealised foreign exchange losses/(gains)	6	**1,460**	(3,011)
Bank interest income	5	**(32,218)**	(56,037)
Equity-settled share option expense	33	**17,026**	12,730
Fair value gains on financial assets at fair value through profit or loss	17	**(14,861)**	(36,038)
Share of profits and losses of joint ventures	16	**308**	(1,352)
Loss on disposal of items of property, plant and equipment	7	**765**	5,535
Write-off of property, plant and equipment	7	**–**	1,389
Gain on disposal of a prepaid land lease payment	5	**–**	(55)
Write-down of inventories to net realisable value	7	**7,658**	–
Depreciation	12	**131,972**	145,218
Impairment of items of property, plant and equipment	7	**166,947**	–
Impairment of trade receivables	7	**82,125**	–
Prepaid technical fee released to profit or loss	7	**4,133**	4,133
Gain on winding up a joint venture	7	**(95)**	–
Fair value loss on previously held equity interest under step acquisition of a subsidiary	7	**73**	–
Goodwill written off	7	**280**	–
Amortisation of intangible assets	13	**37,893**	40,656
Amortisation of prepaid land lease payments	14	**1,106**	1,205
		(37,109)	480,916
Increase in trade and bills receivables		**(230,134)**	(276,286)
Decrease/(increase) in inventories		**(20,787)**	38,361
Decrease/(increase) in prepayments, deposits and other receivables		**113,370**	(124,453)
Increase/(decrease) in trade and bills payables		**(643,038)**	127,932
Increase/(decrease) in other payables and accruals		**70,515**	(40,029)
Decrease in amounts due from related parties		**6,061**	133
Increase in amounts due to related parties		**1,903**	2,237
Cash generated from/(used in) operations		**(739,219)**	208,811
Interest paid		**(61,951)**	(96,285)
Interest received		**33,401**	46,999
Income tax refund/income tax (paid)		**3,303**	(144,003)
Net cash flows from/(used in) operating activities		**(764,466)**	15,522

Consolidated Statement of Cash Flows

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(132,464)**	(150,413)
Proceeds from disposal of items of property, plant and equipment		**163**	21,770
Proceeds from disposal of a prepaid land lease payment		**–**	4,913
Proceeds from winding up a joint venture		**10,000**	–
Increase in long-term deposits		**–**	(1,572)
Decrease in time deposits with maturity of over three months		**852,188**	93,800
Purchase of intangible assets		**(84,945)**	(54,290)
Prepayment for the acquisition subsidiaries		**(433,030)**	–
Prepayment for the acquisition of an associate		**–**	(34,890)
Decrease/(increase) in pledged bank balances		**241,235**	(173,070)
Step acquisition of a subsidiary	36	**(187)**	–
Net cash flows from/(used in) investing activities		**452,960**	(293,752)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of commercial papers	28	**–**	150,000
Repayment of commercial papers	28	**(150,000)**	(150,000)
Transaction fee on the issuance of commercial papers	6	**–**	(735)
Proceeds from bank loans		**1,241,602**	327,871
Repayment of bank loans		**(654,987)**	(307,000)
Acquisition of a business combination under common control		**–**	(1,330)
Dividends paid		**(36,043)**	–
Net cash flows from financing activities		**400,572**	18,806
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**89,066**	(259,424)
Cash and cash equivalents at beginning of year		**115,018**	375,346
Effect of foreign exchange rate changes, net		**(1,273)**	(904)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**202,811**	115,018
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position	25	**530,623**	1,295,018
Time deposits with original maturity over three months		**(327,812)**	(1,180,000)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**202,811**	115,018

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Office equipment		**18**	41
Investments in subsidiaries	15	**1,176,305**	1,780,277
Total non-current assets		**1,176,323**	1,780,318
CURRENT ASSETS			
Dividend receivable		**17,157**	17,157
Due from subsidiaries	15	**613,203**	135,500
Prepayments, deposits and other receivables	18	**9**	157
Due from a related party	24	**–**	343
Cash and cash equivalents	25	**1,769**	1,480
Total current assets		**632,138**	154,637
CURRENT LIABILITIES			
Due to a subsidiary	15	**31,341**	25,121
Due to a related party	24	**3,016**	–
Other payables and accruals	27	**5,091**	5,268
Interest-bearing bank loan		**–**	91,453
Total current liabilities		**39,448**	121,842
NET CURRENT ASSETS		**582,690**	32,795
Net assets		**1,769,013**	1,813,113
EQUITY			
Issued capital	32	**182,787**	182,787
Reserves	34	**1,586,226**	1,594,283
Proposed final dividend	35	**–**	36,043
Total equity		**1,769,013**	1,813,113

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 2014, 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 PREPARATION

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, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements 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 2014. 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 PREPARATION (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 revised standards and new interpretation for the first time for the current year's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27	*Investment Entities*
Amendments to IAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to IAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to IAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
IFRIC 21	*Levies*
Amendment to IFRS 2 included in *Annual Improvements 2010-2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to IFRS 3 included in *Annual Improvements 2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]

1 Effective from 1 July 2014

Other than explained below regarding the impact of amendments to IAS 32 and IAS 36, the adoption of the above revised standards and interpretation has had no significant financial effect on these financial statements.

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 amendment has had no impact on the Group as there is a legally enforceable right to set off the Group's financial assets and financial liabilities as disclosed in note 42 to the financial statement.

The IAS 36 Amendments remove the unintended disclosure requirement made by IFRS 13 on the recoverable amount of a cash-generating unit which is 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. Disclosures of the recoverable amounts for the Group's impaired cash-generating units are included in note 12 to the financial statements.

2.3 NEW AND REVISED IFRSS AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

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*[4]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*[2]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
IFRS 14	*Regulatory Deferral Accounts*[5]
IFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to IAS 1	*Disclosure Initiative*[2]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[2]
Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to IAS 27	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010-2012 Cycle	Amendments to a number of IFRSs[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of IFRSs[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs[2]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018
5 Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

2.3 NEW AND REVISED IFRSS AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED (continued)

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. The Group expects that the adoption of IFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. The Group expects to adopt IFRS 15 on 1 January 2017 and is currently assessing the impact of IFRS 15 upon adoption.

Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

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 profit or loss and other comprehensive income ("OCI"), respectively. 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 investments in the joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. 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 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 of the acquiree.

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 financial assets at fair value through profit or loss 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 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); and

(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 6.5 years to 23.7 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.

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 are not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowing funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill) (continued)

Exploration rights and assets (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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; and

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Stripping (waste removal) costs (continued)

The stripping activity asset is subsequently amortised 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

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.

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.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is 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 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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 judgements, 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 assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or 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 2014 was RMB15,318,000 (2013: RMB15,318,000). Further details are given in note 20 to the financial statements.

(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. The impairment provision for trade receivables as at 31 December 2014 was RMB82,125,000 (2013: Nil). Further details are given in note 23 to the financial statements.

3. SIGNIFICANT ACCOUNTING ESTIMATES (continued)

Estimation uncertainty (continued)

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

The Group's operating subsidiaries in Mainland China are subject to PRC CIT. As a result of the fact that certain matters relating to 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 2014 was RMB4,245,000 (2013: RMB66,950,000).

(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 2014 was RMB1,525,517,000 (2013: RMB1,745,221,000).

(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.

(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 2014 was RMB258,901,000 (2013: RMB257,783,000).

3. SIGNIFICANT ACCOUNTING ESTIMATES (continued)

Estimation uncertainty (continued)

(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 2014 was RMB154,901,000 (2013: RMB141,663,000).

(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 6.46% as at 31 December 2014 (2013: 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 2014 was RMB9,347,000 (2013: RMB8,748,000).

(i) Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised 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 gross amount of deferred tax assets recognised as at 31 December 2014 was RMB143,134,000 (2013: RMB77,385,000).

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.

3. SIGNIFICANT ACCOUNTING ESTIMATES (continued)

Estimation uncertainty (continued)

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

The Group's exchangeable notes are designated upon initial recognition as at fair value through profit or loss and re-measured to fair value through profit or loss in subsequent reporting periods. The Group engaged an independent professional valuer to assist in determining the fair value of these exchangeable notes. The fair value of the exchangeable notes was estimated by the independent professional valuer and the estimation included some assumptions not supported by observable market prices or rates 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 2014 was RMB290,171,000 (2013: RMB275,310,000). 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. The impairment provision for property, plant and equipment as at 31 December 2014 was RMB166,947,000 (2013: Nil).

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 Province, the PRC. Accordingly, no segment analysis is presented other than entity-wide disclosures.

4. REVENUE AND OPERATING SEGMENT INFORMATION (continued)

Entity-wide disclosures

Information about products

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

	2014		2013	
	RMB'000	**%**	RMB'000	%
Self-produced iron products:				
Vanadium-bearing iron concentrates	**335,518**	**51.7**	1,102,796	77.1
Ordinary iron concentrates	**78,874**	**12.2**	56,538	4.0
Iron pellets	**–**	**–**	32,627	2.3
Medium-grade titanium concentrates	**769**	**0.1**	–	–
High-grade titanium concentrates	**12,324**	**1.9**	140,008	9.8
Trading of iron products	**221,609**	**34.1**	97,906	6.8
	649,094	**100.0**	1,429,875	100.0

Geographical information

All external revenue of the Group during each of the two years ended 31 December 2014 and 2013 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:

	2014	2013
	RMB'000	RMB'000
Customer A	**187,968**	335,608
Customer B	**–**	247,249
Customer C	**83,811**	212,480
Customer D	*****	215,658
Customer E	*****	209,455
Customer F	**81,607**	–

* Less than 10%

5. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	2014 RMB'000	2013 RMB'000
Bank interest income	**32,218**	56,037
Sale of raw materials	**421**	2,368
Government grants*	**17,613**	674
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)	**14,861**	36,038
Iron pellet processing fee	**–**	4,424
Miscellaneous	**1,799**	672
Total other income and gains	**66,912**	100,268

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

6. FINANCE COSTS

	Notes	2014 RMB'000	2013 RMB'000
Interest on bank and other loans wholly repayable within five years		**37,221**	20,657
Interest on short term commercial papers		**7,922**	12,058
Interest on discounted bills receivable		**13,154**	66,934
Unwinding of discount on provision	30	**599**	560
		58,896	100,209
Less: interest capitalised to property, plant and equipment		**–**	(577)
		58,896	99,632
Transaction fee on issuance of commercial papers		**–**	735
Foreign exchange losses/(gains), net		**1,460**	(3,011)
Others		**1,820**	1,257
		62,176	98,613
Interest rates of borrowing costs capitalised		**–**	7.04%

7. PROFIT/(LOSS) BEFORE TAX

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

	Notes	2014 RMB'000	2013 RMB'000
Cost of inventories sold		**661,920**	925,372
Employee benefit expenses (including Directors' and chief executive's remuneration (note 8)):			
Wages and salaries		**52,209**	73,832
Welfare and other benefits		**6,276**	19,832
Equity-settled share option expense	33	**17,026**	12,730
Pension scheme contributions			
– Defined contribution fund		**12,545**	13,459
Housing fund			
– Defined contribution fund		**604**	601
Total employee benefit expenses		**88,660**	120,454
Depreciation	12	**131,972**	145,218
Amortisation of intangible assets	13	**37,893**	40,656
Amortisation of prepaid land lease payments	14	**1,106**	1,205
Depreciation and amortisation expenses		**170,971**	187,079
Minimum lease payments under operating leases:			
– Land		**–**	127
– Office		**1,455**	1,691
Auditors' remuneration		**3,950**	3,800
Prepaid technical fee released to profit or loss		**4,133**	4,133
Write-off of property, plant and equipment		**–**	1,389
Loss on disposal of items of property, plant and equipment		**765**	5,535
Impairment loss on property, plant and equipment	12	**166,947**	–
Impairment loss on trade receivables	23	**82,125**	–
Write-down of inventories to net realisable value		**7,658**	–
Gain on winding up a joint venture	16(b)	**(95)**	–
Goodwill written off	36	**280**	–
Fair value loss on previously held equity interest under step acquisition of a subsidiary	36	**73**	–

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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "HKSE") and section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	2014	2013
	RMB'000	RMB'000
Fees	**773**	765
Other emoluments:		
Salaries, allowances and benefits in kind	**1,444**	2,532
Equity-settled share option expense	**12,213**	9,590
Pension scheme contributions – Defined contribution fund	**95**	143
	13,752	12,265
	14,525	13,030

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

	Fees	**Equity-settled share option expense**	**Total**
	RMB'000	RMB'000	RMB'000
2014			
Mr. Yu Haizong	**95**	**24**	**119**
Mr. Gu Peidong(i)	**79**	**–**	**79**
Mr. Liu Yi	**95**	**24**	**119**
Mr. Wu Wen(ii)	**16**	**–**	**16**
	285	**48**	**333**
2013			
Mr. Yu Haizong	96	–	96
Mr. Gu Peidong	96	–	96
Mr. Liu Yi	96	–	96
	288	–	288

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

(a) Independent non-executive Directors (continued)

(i) Mr. Gu Peidong retired as the Company's independent non-executive Director on 8 October 2014.

(ii) Mr. Wu Wen was appointed as the Company's independent non-executive Director on 1 November 2014.

(b) Executive Directors, non-executive Directors and the chief executive

	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
2014					
Executive Directors					
Mr. Jiang Zhong Ping	80	148	2,906	19	3,153
Mr. Tang Wei(i)	80	146	1,908	19	2,153
Mr. Roy Kong Chi Mo	80	1,150	1,669	57	2,956
	240	1,444	6,483	95	8,262
Non-executive Directors					
Mr. Wang Jin(ii)	58	–	–	–	58
Mr. Yu Xing Yuan	95	–	5,730	–	5,825
Mr. Teo Cheng Kwee	95	–	–	–	95
	248	–	5,730	–	5,978
	488	1,444	12,213	95	14,240

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
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

(i) Mr. Tang Wei who acts as an executive Director of the Company is also the chief executive of the Company.

(ii) Mr. Wang Jin resigned as the Company's non-executive Director on 27 June 2014.

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year (2013: 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 three (2013: four) Directors (include the chief executive who is also the executive Director of the Company), details of whose remuneration are set out above. Details of the remuneration for the year of the remaining two (2013: one) highest paid employees who are neither a non-Director nor chief executive of the Company, highest paid employee, are as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**164**	450
Equity-settled share option expense	**2,770**	996
Pension scheme contributions	**38**	31
	2,972	1,477

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	
	2014	2013
HK$1,500,001 to HK$2,000,000	**2**	1
	2	1

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 2014.

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 2014.

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 subsidiaries domiciled in the PRC (the "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 2014.

9. INCOME TAX (continued)

The major components of income tax expense/(credit) are as follows:

	2014 RMB'000	2013 RMB'000
Current – the PRC		
Charge for the year	**1,770**	73,997
Underprovision/(overprovision) in prior years	**(67,778)**	17,361
Deferred (note 21)	**67,147**	(7,654)
Income tax expense/(credit) for the year	**133,155**	83,704

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

	Notes	2014 RMB'000	2013 RMB'000
Profit/(loss) before tax		**500,577**	266,176
Tax at the applicable tax rate of 25%		**(125,144)**	66,544
Lower tax rate for certain subsidiaries	(a)	**43,679**	(2)
Withholding income tax of 10% on interest paid by a PRC subsidiary to a HK subsidiary		**–**	2,818
Profits/(loss) attributable to joint ventures		**77**	(338)
Expenses not deductible for tax	(e)	**12,128**	8,168
Income not subject to tax		**(3,716)**	(10,425)
Adjustments in respect of current tax of previous periods	(b), (c) & (d)	**(67,778)**	17,361
Effect of change in tax rate on deferred tax	(b), (c)	**7,599**	(422)
Tax expense/(credit) at the Group's effective tax rate		**133,155**	83,704

9. INCOME TAX (continued)

Notes:

(a) Except for Aba Mining, Huili Caitong and Xiushuihe 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 were liable to PRC CIT at a rate of 25% on the assessable profits generated for the year.

(b) Pursuant to the notice 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% unless 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 (the "Catalogue"). As Xiushuihe Mining has not obtained the aforesaid confirmation from the SPEIC in 2013, the PRC CIT was calculated at the rate of 25% on its assessable profits generated during the year ended 31 December 2013.

Pursuant to the approval document issued by the Tax Bureau of Huili County on 19 March 2014, Xiushuihe Mining is entitled to a preferential tax rate of 15% since 2013 according to "Western Development Policy" as it is engaged in the encouraged industries listed in the Catalogue based on the confirmation obtained from the SPEIC on 30 December 2013 and revenue from such activities during the two years ended 31 December 2014 accounted for over 70% of its total revenue. Consequently, the overprovided income tax for the year ended 31 December 2013 of RMB9,667,000 was reversed in the income tax expense for the year.

(c) Pursuant to the approval document issued by the Tax Bureau of Huili County on 9 December 2013, Huili Caitong was entitled to a preferential tax rate of 15% since 2012 according to the "Western Development Policy" as it is engaged in the encouraged industries listed in the Catalogue based on the confirmation obtained from the SPEIC on 8 July 2013. During the years ended 31 December 2012 and 2013, Huili Caitong purchased certain iron concentrates from Xiushuihe Mining and sold to independent third party customers after the iron concentrates were further processed at the processing plant of Huili Caitong in order to improve the iron concentrates grade. There is no clear guidance as to whether the above processing activities would fall within the Catalogue. If those processing activities do not fall within the Catalogue, the revenue of Huili Caitong from the encouraged industries listed in the Catalogue would fail to meet the 70% of its total revenue, a prerequisite to enjoy a preferential tax rate under the "Western Development Policy". Therefore, Huili Caitong continued to adopt the rate of 25% for its PRC CIT computation for the years ended 31 December 2012 and 2013.

The preferential income tax rate of 15% for the years ended 31 December 2012 and 2013 was confirmed by the Tax Bureau of Huili County in May 2014 as Huili Caitong submitted a representation to the Tax Bureau of Huili County based on the communication with the SPEIC, which clarifies the reason of providing the above-mentioned processing activities. Consequently, the overprovided income tax for the years ended 31 December 2012 and 2013 aggregated to RMB55,303,000 was reversed in the income tax expense for the year.

9. INCOME TAX (continued)

Notes: (continued)

(d) Pursuant to the prevailing PRC tax regulations, qualified foreign institutional investors are subject to withholding tax at a rate of 10% on their PRC-sourced interest income upon payment or upon accrual of interest by PRC resident enterprises. First China waived interest income receivables of its shareholder's loan granted to Huili Caitong for the year ended 31 December 2013 pursuant to its board resolution dated 20 September 2014. Consequently, the withholding income tax for the year ended 31 December 2013 of RMB2,808,000 was reversed in the income tax expense for the year.

(e) 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.

(f) During the year, no share of tax attributable to joint ventures was included in "Share of profits and losses of joint ventures" in profit or loss (2013: RMB543,000).

10. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 December 2014 includes a loss of RMB25,083,000 (2013: RMB72,258,000) 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 (2013: 2,075,000,000) in issue during the year ended 31 December 2014.

No adjustment has been made to the basic earnings per Share amounts presented for the years ended 31 December 2014 and 2013 in respect of a dilution as the exercise prices of the Company's outstanding share options were higher than the average market prices for the Shares during the current and prior year.

12. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Mining infrastructure RMB'000	Construction in progress ("CIP") RMB'000	Total RMB'000
31 December 2014							
Cost:							
At 1 January 2014	1,318,859	611,614	4,990	10,587	209,789	88,515	2,244,354
Additions	2,020	3,205	31	–	320	77,769	83,345
Acquisition of a subsidiary (note 36)	–	–	133	665	–	–	798
Transferred from CIP	95,921	2,723	–	–	24,496	(123,140)	–
Offset against government grants received (note 31)	(4,000)	–	–	–	–	–	(4,000)
Disposals	(707)	(393)	–	(570)	–	–	(1,670)
At 31 December 2014	1,412,093	617,149	5,154	10,682	234,605	43,144	2,322,827
Accumulated depreciation and impairment:							
At 1 January 2014	245,302	208,172	2,830	7,031	35,798	–	499,133
Provided for the year	69,544	52,023	1,009	1,101	8,295	–	131,972
Impairment recognised during the year	66,586	99,900	200	261	–	–	166,947
Disposals	(101)	(72)	–	(569)	–	–	(742)
At 31 December 2014	381,331	360,023	4,039	7,824	44,093	–	797,310
Net carrying amount:							
At 1 January 2014	1,073,557	403,442	2,160	3,556	173,991	88,515	1,745,221
At 31 December 2014	1,030,762	257,126	1,115	2,858	190,512	43,144	1,525,517

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 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

An impairment loss of RMB166,947,000 (31 December 2013: Nil) was recognised during the year to write down the carrying amounts of the production machinery in the new pelletising plant to their recoverable amounts. The recoverable amounts of RMB4,678,000 were determined with reference to the best information available to reflect amount that the Group could obtain from the disposal of the production machinery in the pelletising plant at the end of the useful life of the production machinery with a discount rate of 12%.

13. INTANGIBLE ASSETS

Group

	Mining rights RMB'000	Stripping activity assets RMB'000	Exploration rights and assets RMB'000	Total RMB'000
31 December 2014				
Cost:				
At 1 January 2014	397,520	67,032	257,783	722,335
Additions	–	78,480	1,118	79,598
At 31 December 2014	397,520	145,512	258,901	801,933
Accumulated amortisation:				
At 1 January 2014	95,918	40,015	–	135,933
Provided for the year	7,286	30,607	–	37,893
At 31 December 2014	103,204	70,622	–	173,826
Net carrying amount:				
At 1 January 2014	301,602	27,017	257,783	586,402
At 31 December 2014	294,316	74,890	258,901	628,107

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 2013				
Cost:				
At 1 January 2013 as previously stated	397,520	–	249,514	647,034
Effect on change in accounting policy	–	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 policy	–	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

As at 31 December 2014, the mining rights of the Baicao Mine and the Xiushuihe Mine with a net carrying amount of RMB58,621,000 and RMB12,029,000, respectively, were pledged to secure the Group's bank loans (2013: Nil).

14. PREPAID LAND LEASE PAYMENTS

	Group	
	2014	2013
	RMB'000	RMB'000
Carrying amount at 1 January	**43,388**	49,451
Disposal during the year	**–**	(4,858)
Amortised during the year	**(1,106)**	(1,205)
Carrying amount at 31 December	**42,282**	43,388

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

15. INVESTMENTS IN SUBSIDIARIES

	Company	
	2014	2013
	RMB'000	RMB'000
Unlisted investments, at cost:		
Powerside Holdings Limited ("Powerside")	**1**	1
First China	**618,699**	618,699
Loans to a subsidiary^	**557,605**	1,161,577
	1,176,305	1,780,277

^ In the opinion of the 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 2014, amounts due from subsidiaries (including the above quasi-equity loans) denominated in HK$ and US$ amounted to RMB1,170,808,000 (2013: RMB1,190,952,000) and nil (2013: RMB106,125,000), respectively. As at 31 December 2014, amounts due to subsidiaries denominated in US$ amounted to RMB10,930,000 (2013: Nil).

15. INVESTMENTS IN SUBSIDIARIES (continued)

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

Company name	Place 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	USD1	100.0	Investment holding
First China	Hong Kong	HK$2	100.0	Investment holding
Sure Prime Limited ("Sure Prime")	BVI	USD1	100.0	Investment holding
Indirectly held:				
Simply Rise Holdings Limited	Hong Kong	HK$1	100.0	Investment holding
Huili Caitong*	PRC	RMB610,520,000	100.0	Iron ore mining, iron ore beneficiation and sale of self-produced products
Lingyu**	PRC	HK$770,000,000	100.0	Product trading and investment holding
Yanbian County Caitong Iron and Titanium Co., Ltd.	PRC	RMB1,000,000	100.0	Sale and processing of mining products
Xiushuihe Mining	PRC	RMB200,000,000	95.0	Iron ore mining, iron ore beneficiation and sale of self-produced products
Aba Mining	PRC	RMB20,000,000	100.0	Iron ore mining, iron ore beneficiation and sale of self-produced products
Aba Trading Co., Ltd. (formerly known as Huili Caitong Trading Co., Ltd.)	PRC	RMB20,000,000	100.0	Iron ore beneficiation and sale of iron pellets
Sichuan Xinglian Mining and Technology Construction Co., Ltd. ("Sichuan Xinglian")***	PRC	RMB1,000,000	100.0	Mining and construction consulting

* 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.

*** During the year, Lingyu further acquired 45% equity interest in Sichuan Xinglian from an independent third party via step acquisition. upon completion of the acquisition, Sichuan Xinglian became an indirect wholly-owned subsidiary of the Company. Particulars of the acquisition are set out in note 36 to the financial statements.

16. INVESTMENTS IN JOINT VENTURES

Group

	Notes	2014 RMB'000	2013 RMB'000
Unlisted investments, at cost:			
– Sichuan Xinglian	(a)	–	550
– Liangshan Prefecture Weichuan Mining Co., Ltd. ("Weichuan Mining")	(b)	–	10,500
		–	11,050
Share of profits and losses			
– Sichuan Xinglian		–	2,840
– Weichuan Mining		–	(507)
		–	2,333
Share of net assets		–	13,383
Balances classified as non-current portion		–	3,390
Balances classified as current portion		–	9,993

16. INVESTMENTS IN JOINT VENTURES (continued)

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

	2014	2013
	RMB'000	RMB'000
Group's share of the joint ventures' assets and liabilities:		
Current assets	–	26,009
Non-current assets	–	1,019
Current liabilities	–	(13,690)
Net assets	–	13,338
Group's share of the joint ventures' results:		
Revenue	–	10,329
Cost of sales	–	(6,476)
Total expenses	**(308)**	(1,958)
Tax	–	(543)
Profit/(loss) after tax	**(308)**	1,352

(a) During the year ended 31 December 2014, Lingyu further acquired 45% equity interest in Sichuan Xinglian from an independent third party via a step acquisition. Further details of this acquisition are set out in note 36 to the financial statements.

(b) On 17 January 2014, the shareholders of Weichuan Mining decided to terminate the cooperative agreement and voluntarily winding up Weichuan Mining. The winding up of Weichuan Mining has been completed in September 2014 and the Group recognised a gain of RMB95,000 in profit or loss as a result of the winding up.

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 Sure Prime on 2 May 2011 and 18 November 2011, respectively and designated as financial assets at fair value through profit or loss upon initial recognition. The Exchangeable Notes were issued by a non-listed company incorporated in the BVI. The original maturity dates of the Exchangeable Notes were 25 November 2014.

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

As at 2 December 2014, Sure Prime did not receive any part of the redemption amount payable by the Issuer under the Exchangeable Notes, and there occurred the Event of Default. On 30 December 2014, Sure Prime, subject to the consent of the other noteholders, (i) granted a waiver in favour of the Issuer to waive the Event of Default; and (ii) entered into the supplemental deed with the Issuer, its ultimate beneficial owner, and Oriental Mining and Mineral Resources Co., Ltd.. Pursuant to the supplemental deed, (a) the Final Maturity Date has been extended to 25 June 2015; (b) the yield to maturity for the entire term of the Exchangeable Notes and until the full redemption thereof has been revised from 20% to 25% per annum; and (c) Sure Prime shall be entitled to exchange all or any part of the Exchangeable Notes at any time prior to the full redemption of the Exchangeable Notes by a single or multiple presentation of exchange notice.

On 8 January 2015, Sure Prime received the consent from the other noteholders to give effect to the waiver and the Supplemental Arrangement except that the Final Maturity Date under the Supplemental Arrangement shall be brought forward from 25 June 2015 to 25 March 2015. Accordingly, the Final Maturity Date has been extended from 25 November 2014 to 25 March 2015. In addition, as the Issuer will have a 60 days standstill period in the case of an event of default under any noteholder finance document has elapsed from the date on which that noteholder enforcement notice becomes effective, which means the final default date is 25 May 2015. For details, please refer to the Company's announcements dated 2 December 2014, 31 December 2014 and 8 January 2015.

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

	2014	2013
	RMB'000	RMB'000
Carrying amount at 1 January	**275,310**	239,272
Fair value gains recognised during the year*	**14,861**	36,038
Carrying amount at 31 December	**290,171**	275,310

* 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 RMB2,997,000 (2013: RMB2,999,000) during the year.

The fair value the Exchangeable Notes as at 31 December 2014 was estimated by an independent professional valuer based on the estimated recoverable amount of the Exchangeable Notes discounted with a risk-free interest rate. The following table lists the key inputs used by the independent professional valuer:

	31 December 2014
Risk-free interest rate (Indonesia) (% per annum)	**0.32**
Recovery rate (%)	**69.25%**

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

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

In respect of the financial assets at fair value through profit or loss, the Group uses the valuation technique 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:

	2014	2013
	RMB'000	RMB'000
Carrying amount at 1 January	**2,997**	5,996
Amortised to profit or loss during the year	**(2,997)**	(2,999)
Carrying amount at 31 December	**–**	2,997

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		Group	
		2014	2013
	Notes	**RMB'000**	RMB'000
Current portion:			
Prepayments consisting of:			
Prepaid technical service fee		**4,133**	4,133
Purchase of raw materials		**3,171**	1,240
Utilities		**7,923**	4,263
Prepayment for the use right of a road		**45**	45
Purchase of iron concentrates		**7,169**	148,677
Prepayment for acquisition of an associate	(a)	**4,890**	34,890
Prepaid stripping and mining fees	(b)	**62,261**	–
Prepaid transportation fees		**3,725**	–
Other prepayments		**4,800**	3,994
Bidding deposit		**–**	14,000
Interest income receivable		**17,984**	19,077
Other receivables consisting of:			
Consideration in respect of disposal of the old iron pelletising plant		**39**	1,266
Compensation receivable		**2,452**	–
Other receivables		**4,132**	3,190
		122,724	234,775
Non-current portion:			
Prepaid technical service fee		**37,201**	41,334
Prepayment for the use right of a road		**829**	874
Compensation receivable		**–**	2,452
Long-term environmental rehabilitation deposits		**6,016**	6,021
		44,046	50,681
		166,770	285,456

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Notes:

(a) The balance represented a prepayment made for acquiring the 30% equity interest in Liangshan Yuechuan Mining Co., Ltd. ("Yuechuan Mining"). On 3 March 2014, Huili Caitong and the shareholders of Yuechuan Mining decided to wind-up Yuechuan Mining due to the uncertainty on the mining to obtain necessary mining permit for its operation and the additional expenses that would be incurred to reach the stage of commercial production. Consequently, the Group collected RMB30,000,000 from Yuechuan Mining in March 2014.

(b) The balance represented prepaid stripping and mining fees made to an independent third party contractor for stripping and mining activities at the Xiushuihe Mine so as to entitle lower stripping and mining rates offered by the said contractor.

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

	2014	2013
	RMB'000	RMB'000
Prepayments in respect of office rental	**–**	145
Office rental deposit	**2**	2
Other receivables	**7**	10
	9	157

19. PAYMENTS IN ADVANCE

	Group	
	2014	2013
	RMB'000	RMB'000
In respect of:		
Purchase of machinery and equipment	**131**	577
Acquisition of subsidiaries	**633,055**	200,000
	633,186	200,577

19. PAYMENTS IN ADVANCE (continued)

As at 31 December 2014, payments in advance in respect of acquisition of subsidiaries consisted of:

(a) the prepayment of RMB354,025,000 made to Panzhihua Shuhai (2013: Nil), an independent third party, in respect of the acquisition of 51% equity interest in Sichuan Haoyuan at a consideration of RMB370,000,000, pursuant to an equity purchase agreement entered between Huili Caitong and Panzhihua Shuhai on 22 May 2014; and

(b) the prepayment of RMB279,030,000 made the Sellers in respect of the acquisition of 100% equity interest in Panzhihua Yixingda (2013: RMB200,000,000). Pursuant to the third supplemental agreement dated 29 December 2014 to the equity transfer agreement (as supplemented by the first and second supplemental agreement), the final purchase consideration of the acquisition has been adjusted from the minimum consideration of RMB600,000,000 to approximately RMB301,300,000. The acquisition was completed on 10 January 2015. Further details are given in note 43 to the financial statements.

20. GOODWILL

	Group	
	2014	2013
	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 is allocated to Xiushuihe Mining cash-generating unit for impairment testing.

The recoverable amount of Xiushuihe Mining's cash-generating unit as at 31 December 2014 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 15.63% (2013: 15.63%) 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.

20. GOODWILL (continued)

Impairment testing of goodwill (continued)

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

Discount rate – The discount rate used is pre-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 taxable profits	Excess tax depreciation over book value of fixed assets	Provision for rehabilitation	Unrealised profit from intra-group transactions	Stripping cost	Provision for impairment	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013 as previously stated	–	14,544	1,805	3,214	–	–	432	19,995
Effect on change in accounting policy	–	–	–	–	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	–	17	259	(1,345)	1,087	–	7,636	7,654
Gross deferred tax assets at 31 December 2013 and 1 January 2014	–	14,561	2,064	1,869	50,823	–	8,068	77,385
Deferred tax credited/ (charged) to profit or loss during the year (note 9)	32,193	(4,620)	(61)	(1,036)	5,313	37,361	(3,401)	65,749
At 31 December 2014	32,193	9,941	2,003	833	56,136	37,361	4,667	143,134

21. DEFERRED TAX (continued)

Deferred tax liabilities

	Compensation due from a local government RMB'000
Gross deferred tax liabilities at 31 December 2013 and 1 January 2014	1,398
Deferred tax credited to profit or loss during the year	(1,398)
As at 31 December 2014	–

As at 31 December 2014, the Group has tax losses arising from Mainland China of RMB214,620,000 that will expire in five years for offsetting against future taxable profits.

Deferred tax assets recognised in respect of these losses arising from subsidiaries that have been loss making in 2014 are considered probable. Based on management's profit forecast projections, taxable profits will be available against which the tax losses can be utilised within five years before the expiry of the unused tax losses.

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:

	2014 RMB'000	2013 RMB'000
Gross deferred tax assets at 31 December	**143,134**	77,385
Less: gross deferred tax liabilities at 31 December	**–**	(1,398)
Net deferred tax assets 31 December	**143,134**	75,987

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, Huili Caitong and Xiushuihe 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 2015. Regarding the tax rates applicable to Aba Mining, Huili Caitong and Xiushuihe 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%.

As at 31 December 2014, 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 (2013: RMB1,845,320,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

22. INVENTORIES

	Group	
	2014	2013
	RMB'000	RMB'000
At cost:		
Raw materials	**90,340**	80,928
Spare parts and consumables	**30,590**	32,197
Finished goods	**41,744**	28,538
	162,674	141,663
Inventory provision	**(7,773)**	–
	154,901	141,663

23. TRADE AND BILLS RECEIVABLES

	Group	
	2014	2013
	RMB'000	RMB'000
Trade receivables	**564,515**	381,535
Bills receivable	**51,036**	3,804
	615,551	385,339
Impairment on trade receivables	**(82,125)**	–
	533,426	385,339

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 and further extended to six months since 1 April 2014 given the unfavourable market conditions. Trade receivables are non-interest-bearing and unsecured.

An ageing analysis of the trade receivables (net of impairment) as at the end of each reporting period, based on the invoice date, is as follows:

	2014	2013
	RMB'000	RMB'000
Within 3 months	**213,573**	381,535
3 to 6 months	**10,022**	–
9 to 12 months	**258,795**	–
	482,390	381,535

Impairment of trade receivables recognised during the year ended 31 December 2014 represented a provision for individually impaired trade receivables of RMB82,125,000 (2013: Nil) with a carrying amount before provision of RMB82,125,000 (2013: Nil). The individually impaired trade receivables related to a customer that was in financial difficulties and none of the receivables is expected to be recovered.

23. TRADE AND BILLS RECEIVABLES (continued)

The ageing analysis of the trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	2014 RMB'000	2013 RMB'000
Neither past due nor impaired	**223,595**	381,535
Less than 6 months past due	**258,795**	–
	482,390	381,535

Receivables that were past due but not impaired relate to the Group's certain customers that have a good record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

As at 31 December 2014, 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 RMB294,495,000 (2013: RMB226,480,000); furthermore, as at 31 December 2014, the Group discounted certain bills receivable accepted by banks in the PRC, with a carrying amount in aggregate of RMB39,045,000 (2013: RMB410,342,000) (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 is 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 RMB13,154,000 (2013: RMB66,934,000) (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

		Group	
	Note	**2014** **RMB'000**	2013 RMB'000
Due from related parties:			
Non-trade in nature			
– Yanyuan Xiwei	(a)	**–**	286
– Trisonic International	(b)	**–**	314
		–	600
Due to related parties:			
Non-trade in nature			
– Chengyu Vanadium Titano	(d)	**–**	626
– Trisonic International	(b)	**3,046**	–
– Yanyuan Xiwei	(a)	**1,339**	–
– Sichuan Huiyuan Gang Jian Technology Co., Ltd. ("Sichuan Huiyuan")	(e)	**–**	412
– Longwei Hotel Management Co., Ltd. ("Longwei Hotel")	(f)	**562**	527
– Sichuan Xinglian	(c)	**–**	5,182
– Chuanwei	(g)	**298**	1,767
		5,245	8,514

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 due to Yanyuan Xiwei as at 31 December 2014 represented certain expenses paid by Yanyuan Xiwei on behalf of Aba Mining.

The balance as at 31 December 2013 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 to Trisonic International as at 31 December 2014 represented miscellaneous expenses prepaid by Trisonic International on behalf of the Company.

The balance as at 31 December 2013 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.

24. BALANCES WITH RELATED PARTIES (continued)

Notes: (continued)

(c) The balances as at 31 December 2013 represented mining service fees 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 as at 31 December 2013 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 as at 31 December 2013 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. Balances 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. Balances due to Chuanwei mainly comprised staff remuneration paid by Chuanwei on behalf of Lingyu and Aba Mining.

	Company	
	2014	2013
	RMB'000	RMB'000
Due from a related party:		
Trisonic International – Non-trade in nature	**–**	343
Due to a related party:		
Trisonic International – Non-trade in nature	**3,016**	–

25. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	Group	
	2014	2013
	RMB'000	RMB'000
Cash and bank balances	**200,623**	115,018
Time deposits with original maturity of		
– less than three months	**2,188**	131,417
– over three months	**528,430**	1,490,436
	731,241	1,736,871
Less: pledged time deposits*	**(200,618)**	(441,853)
Cash and cash equivalents	**530,623**	1,295,018

* As at 31 December 2014, time deposits of RMB100,000,000 and RMB100,618,000 were pledged to secure a short-term bank loan granted to the Group (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:

	2014	2013
	RMB'000	RMB'000
Cash and bank balances denominated in:		
HK$	**2,011**	642
USD	**2,230**	32,979

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

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

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

Company

The cash and cash equivalents of the Company represented the cash and bank balances as at 31 December 2014 and 31 December 2013, of which RMB1,762,000 and RMB1,471,000 were denominated in HK$ and USD, respectively.

26. TRADE AND BILLS PAYABLES

	Group	
	2014	2013
	RMB'000	RMB'000
Trade payables	**243,956**	287,070
Bills payable	**58,101**	657,420
	302,057	944,490

An ageing 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	
	2014	2013
	RMB'000	RMB'000
Within 180 days	**154,385**	807,852
181 to 365 days	**54,039**	62,974
1 to 2 years	**56,528**	61,449
2 to 3 years	**21,325**	11,545
Over 3 years	**15,780**	670
	302,057	944,490

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 2014, the Group's bills payable of RMB48,880,000 (2013: RMB657,420,000) were secured by pledged time deposits (note 25).

27. OTHER PAYABLES AND ACCRUALS

	Notes	Group 2014 RMB'000	2013 RMB'000
Current portion:			
Advances from customers		**12,670**	9,202
Payables related to:			
Construction in progress		**120,311**	128,351
Taxes other than income tax		**71,274**	42,617
Payroll and welfare payable		**58,997**	30,999
Mining cost and exploration right and assets		**–**	165
Huili County Hailong Mining Development Co., Ltd. ("Huili Hailong")	(a)	**–**	27,000
Yanbian County Hongyuan Mining Co., Ltd.	(b)	**–**	14,500
Sichuan Xingchen Mining Co., Ltd. ("Xingchen")	(c)	**2,543**	–
Consultancy and professional fees		**2,680**	5,079
Deposits received		**620**	616
Land occupation compensation payables		**7,524**	3,692
Accrued government surcharges		**25,331**	17,674
Accrued price adjustment fund		**8,003**	6,503
Accrued interest expenses		**–**	3,654
Other payables		**3,134**	3,104
		313,087	293,156
Non-current portion:			
Other payables		**701**	650
		313,787	293,806

Notes:

(a) The balance as at 31 December 2013 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, which was settled in September 2014.

27. OTHER PAYABLES AND ACCRUALS (continued)

Notes: (continued)

(b) The balance as at 31 December 2013 represented the remaining consideration payable in respect of the acquisition of a production line of iron concentrates and high-grade titanium concentrates with an annual production capacity of 800 Kt and 120 Kt (together with a tailing storage facility), respectively, and the related land use rights, machinery and equipment located at Heigutianshe, Xinjiu Town, Yanbian County, Sichuan. The legal titles of land use rights were transferred to the Group in November 2014 and the remaining balance was settled accordingly.

(c) The balance as at 31 December 2014 represented the remaining consideration payable to Xingchen in relation to acquisition of 45% equity interest in Sichuan Xinglian by Lingyu.

Company

As at 31 December 2014 and 2013, 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 aggregate registered cap amount of commercial papers eligible for issuance by Huili Caitong is 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, which was repaid by Huili Caitong at the maturity date on 3 September 2014.

29. INTEREST-BEARING BANK AND OTHER LOANS

		Group	
	Notes	**2014**	2013
		RMB'000	RMB'000
Bank loans:			
Secured	(a)	**439,845**	138,239
Unsecured	(b)	**556,945**	255,000
Guaranteed	(c)	**–**	16,000
Other loans, unsecured	(d)	**3,252**	4,000
		1,000,042	413,239
Bank loans repayable:			
Within one year or on demand		**971,790**	359,239
In the second year		**25,000**	25,000
In the third to fifth years, inclusive		**–**	25,000
		996,790	409,239
Unsecured other loans repayable:			
Within one year or on demand		**3,252**	3,200
In the second year		**–**	800
		3,252	4,000
Total bank and other loans		**1,000,042**	413,239
Balances classified as current liabilities		**(975,042)**	(362,439)
Balances classified as non-current liabilities		**25,000**	50,800

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

Notes:

(a) The balance as at 31 December 2014 consisted of (i) a bank loan of RMB94,845,000 granted by CMB in April 2014 bear interest at the rate of 3.1% above 12-month LIBOR per annum, which were secured by the pledge of time deposits of RMB100,000,000 by the Group; (ii) a bank loan of RMB120,000,000 granted by SPDB Chengdu to the Group in September 2014 bear interest at the rate of 9.0% per annum, which are pledged by the mining right of the Xiushuihe Mine and 95% equity interest in Xiushuihe Mining; and (iii) bank loans aggregated to RMB225,000,000 granted by CCB Huili Branch to the Group in December 2014 bear interest at the rate of 5.32% per annum are pledged by the mining right of Baicao Mine.

(b) As at 31 December 2014, Huili Caitong had unsecured interest-bearing bank loans of RMB75,000,000 (2013: RMB225,000,000) from CCB Xichang Yuecheng Branch at a fixed rate of 6.55% (2013: 6.0% to 7.05%) per annum, of which RMB25,000,000 were classified as non-current portion due to repayment in December 2016.

In addition, as at 31 December 2014, Huili Caitong and Xiushuihe Mining had unsecured interest-bearing bank loans of RMB405,445,000 and RMB76,500,000 at fixed rates ranging from 5.60% to 6.6% and 6.0% per annum respectively, both of which were guaranteed by the Company at nil consideration.

(c) The balance as at 31 December 2013 represented long-term interest-bearing bank loans obtained by Aba Mining from CCB Aba Branch of RMB16,000,000, bearing interest at the fixed rate of 7.04% per annum which were repaid by Aba Mining in December 2014. These long-term bank loans from CCB Aba Branch were jointly guaranteed by Chengyu Vanadium Titano and Chuanwei for nil consideration.

(d) Other loans represented interest-bearing loans granted by Wenchuan State Assets Investment to Aba Mining for the reconstruction of production plants affected by the earthquake in May 2008. Other loans are unsecured and interest bearing at the fixed rate of 5.76% per annum (2013: 5.76%), all of which are due for repayment in July 2015.

As at 31 December 2014, except for bank loans of RMB94,845,000 (2013: RMB91,453,000), which were denominated in USD, the remaining bank and other loans were denominated in RMB.

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 3).

30. PROVISION FOR REHABILITATION

	Group	
	2014	2013
	RMB'000	RMB'000
At the beginning of year	**8,748**	8,188
Unwinding of discount (note 6)	**599**	560
At the end of year	**9,347**	8,748

31. DEFERRED INCOME

	Group	
	2014	2013
	RMB'000	RMB'000
At the beginning of year	**4,000**	4,000
Offset against property, plant and equipment (note 12)	**(4,000)**	–
At the end of year	**–**	4,000

Deferred income represented government grants received by the Group in respect of the construction of processing plants. Such deferred income was 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

	2014 RMB'000	2013 RMB'000
Authorised:		
10,000,000,000 (2013: 10,000,000,000) ordinary shares of HK$0.1 each	**880,890**	880,890
Issued and fully paid:		
2,075,000,000 (2013: 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 year ended 31 December 2014.

33. SHARE OPTION SCHEMES

On 4 September 2009, the Company adopted the Old Share 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 Share Option Scheme include the Company's Directors, including non-executive Directors, and other employees of the Group.

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

The maximum number of the Shares in respect of which options may be granted under the New Share 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 Share 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 Share Option Scheme to each eligible participant in the New Share 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.

33. SHARE OPTION SCHEMES (continued)

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, 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 with an aggregate value (based on the closing price of the Shares quoted on the Stock Exchange at the date of grant) in excess of HK$5 million 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, but may not be less than the highest of (i) the nominal value of Shares; (ii) the average closing price of the Shares for the five trading days immediately preceding the date of grant of the share options; and (iii) the Stock Exchange closing price of the Shares on the date of grant of the share options.

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

	Notes	**Weighted average exercise price** HK$ per Share	**Number of options** '000
As at 1 January 2014	(a)	4.34	56,900
Granted during the year	(b)	1.00	41,900
Forfeited during the year	(c)	1.00	(2,100)
As at 31 December 2014		2.97	96,700

Notes:

(a) The share options outstanding as at 1 January 2014 represented share options granted under the Old Share Option Scheme and the New Share Option Scheme by the Company on 29 December 2009, 1 April 2010 and 23 May 2011 at the exercise prices of HK$5.05, HK$4.99 and HK$3.60 per Share, respectively.

(b) On 15 April 2014, options to subscribe for a total of 41,900,000 new Shares with a nominal value of HK$0.10 each in the share capital of the Company were granted under the New Share Option Scheme at the exercise price of HK$1.00 per Share.

(c) The share options granted to Mr. Wang Jin and Mr. Gu Peidong under the New Share Option Scheme were forfeited following resignation of the two participants during the year.

33. SHARE OPTION SCHEMES (continued)

The exercise price and exercise period of the share options outstanding as at 31 December 2014 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
19,900	1.00	15 October 2014 to 14 April 2024
9,950	1.00	15 April 2015 to 14 April 2024
9,950	1.00	15 October 2015 to 14 April 2024
96,700		

The Group has 72,100,000 share options exercisable as at 31 December 2014 (2013: 42,100,000) with the weighted average exercise price was HK$3.38 per Share (2013: HK$4.10).

The fair value of share option granted during the year was HK$15,832,000 (equivalent to approximately RMB12,572,000) or HK$0.38 each (equivalent to approximately RMB0.30 each). The Group recognised a share option expense of HK$20,506,000 (equivalent to approximately RMB17,026,000) during the year ended 31 December 2014 (2013: HK$14,770,000 equivalent to approximately RMB12,730,000).

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			
	15 April 2014	23 May 2011	1 April 2010	29 December 2009
Dividend yield (%)	**2.17**	2.07	1.36	1.41
Expected volatility (%)	**49.47**	62.40	66.40	68.56
Risk-free interest rate (%)	**2.270**	2.430	2.788	2.652

33. SHARE OPTION SCHEMES (continued)

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

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

At 31 December 2014, the Company had 29,600,000 share options outstanding under the Old Share Option Scheme and 67,100,000 share options outstanding under the New Share 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 96,700,000 additional ordinary Shares of the Company and additional share capital of HK$9,670,000 and share premium of HK$277,326,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 96,700,000 share options outstanding, which represented approximately 4.66% of the 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. Under the constitutional documents and the Companies Law, the share premium is distributable as dividend on the condition that the Company is able to pay its debts when they fall due in the ordinary course of business at the time the proposed dividend is to be paid.

(b) Statutory reserve fund

In accordance with the Company Law of the PRC and the respective articles of association of 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 Generally Accepted Accounting Principles (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 PRC GAAP to the statutory reserve fund (the "SRF") until such reserve reaches 50% of its registered capital.

34. RESERVES (continued)

Group (continued)

(b) Statutory reserve fund (continued)

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 Shares issued in exchange of or consideration paid for subsidiaries acquired and the aggregate amount of the nominal value for 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.

(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.

(f) Capital reserve

The capital reserve represented the Group's capital injection to a subsidiary by way of transfer from retained earnings in 2012.

34. RESERVES (continued)

Company

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

	Share premium account RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 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 and 1 January 2014	1,876,296	88,820	(370,833)	1,594,283
Total loss for the year (note 10)	–	–	(25,083)	(25,083)
Final 2013 dividend declared	(36,043)	–	(36,043)	–
Equity-settled share option arrangements (note 33)	–	17,026	–	17,026
At 31 December 2014	1,840,253	105,846	(359,873)	1,586,226

35. DIVIDENDS

(a) Dividends attributable to the year

At a meeting of the Directors held on 30 March 2015, the Directors resolved not to recommend the payment of a final dividend to Shareholders for the year ended 31 December 2014.

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

	RMB'000
Final dividend in respect of the financial year ended 31 December 2013 of RMB0.017 per Share	
Declared during the year	36,043
Paid during the year	(36,043)
	–

36. BUSINESS COMBINATION

On 24 October 2014, Lingyu and Xingchen, an independent third party, entered into a share transfer agreement, pursuant to which Lingyu acquired the remaining 45% equity interest held by Xingchen in Sichuan Xinglian at a cash consideration of RMB2,813,000. The consideration was determined based on an external valuation of the net assets of Sichuan Xinglian by an independent third party valuer. The acquisition was completed on 27 November 2014 when Sichuan Xinglian revised its business registration to reflect the acquisition of 45% equity interest in Sichuan Xinglian by Lingyu. After the acquisition, Sichuan Xinglian became a wholly-owned subsidiary of Lingyu.

The fair values of the identifiable assets and liabilities of Sichuan Xinglian as at the acquisition date were as follows:

	Notes	**Fair value recognised on acquisition** RMB'000
Property, plant and equipment	12	798
Cash and bank balances		83
Trade receivables		78
Inventories		109
Due from related parties		5,461
Trade and other payables		(889)
Due to related parties		(10)
Total identifiable assets at fair value		5,630
Less: Acquisition-date fair value of previously held 55% equity interest	(a)	3,097
Acquisition-date fair value of identifiable assets acquired (45% equity interest)		2,533
Goodwill on acquisition	(b)	280
Consideration for the acquisition of 45% equity interest		2,813
Satisfied by:		
Cash	(c)	270
Other payables – Xingchen	27(c)	2,543
		2,813

36. BUSINESS COMBINATION (continued)

Notes:

(a) Goodwill arising on acquisition was written off to profit or loss immediately after the completion of the acquisition as the amount was immaterial.

(b) The Group recognised a loss of RMB73,000 in profit or loss as a result of remeasuring its previously held interest from its equity-accounted amount of RMB3,170,000 to its fair value of RMB3,097,000 at the business combination date.

(c) An analysis of cash flows in respect of the step acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration paid	(270)
Cash and bank balances acquired	83
Net outflow of cash and cash equivalents included in cash flows from investing activities	(187)

37. 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	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**1,140**	1,413	**1,137**	1,133
In the second to fifth years, inclusive	**782**	903	**782**	850
	1,922	2,316	**1,919**	1,983

38. CAPITAL COMMITMENTS

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

	Group	
	2014	2013
	RMB'000	RMB'000
Contracted, but not provided for:		
– Acquisition of subsidiaries	**40,788**	400,000
– Plant and machinery	**8,500**	8,547
– Exploration rights and assets	**1,700**	7,525
	50,988	416,072
Authorised, but not contracted for:		
– Plant and machinery	**–**	1,195,376
– Exploration rights and assets	**78,091**	78,093
	78,091	1,273,469
	129,079	1,689,541

39. RELATED PARTY TRANSACTIONS

(a) During the year ended 31 December 2014, the Group had the following material transactions with related parties:

Name of related parties	Notes	2014 RMB'000	2013 RMB'000
Recurring transactions			
Sales of goods			
Chengyu Vanadium Titano	(i)	–	63,954
Office rental			
Longwei Hotel	(ii)	–	83
Non-recurring transactions			
Acquisition of Aba Mining			
Chuanwei	(iii)	–	(28,670)
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**	16,000
Mineral exploration and evaluation services			
Sichuan Xinglian	(vi)	–	10,155
Construction of property, plant and equipment			
Sichuan Huiyuan	(vii)	**2,770**	–

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.

39. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

Notes: (continued)

(iii) According to the acquisition agreement entered into between the Group and Chuanwei on 30 May 2011, the estimated net profits (after taxation and extraordinary items) of Aba Mining attributable to the equity holders in 2012 would be at least RMB40.0 million (the "Guaranteed Net Profits"). Chuanwei is obliged to reimburse to the Group any amount representing the shortfall between the Guaranteed 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 Guaranteed Net Profits was RMB28,670,000 (the "Net Profits Difference"). 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 2013.

(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 Chengyu Vanadium Titano and Chuanwei for nil consideration.

(vi) The Director 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.

(vii) 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.

(b) Outstanding balances with related parties

Details of the Group 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 note 8 to the financial statements.

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's financial instruments reasonably approximate to fair values are as 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 required significant unobservable inputs (Level 3) as at 31 December 2014 and 31 December 2013.

41. 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.

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 review 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.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

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:

	2014				
	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	**2,452**	**80,092**	**936,370**	**28,275**	**1,047,189**
Trade and bills payables	**243,956**	**2,400**	**55,701**	**–**	**302,057**
Other payables and accruals	**123,066**	**47,082**	**–**	**701**	**170,849**
Dividend payable	**1,801**	**–**	**–**	**–**	**1,801**
Due to related parties	**5,245**	**–**	**–**	**–**	**5,245**
	376,520	**129,574**	**992,071**	**28,976**	**1,527,141**

	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

Interest rate risk

The Group's exposure to interest rate risk relates primarily to the Group's bank deposits, interest-bearing bank loans and other loans, commercial paper liabilities and exchangeable notes (which are subject to fair value interest rate risk). The interest rates and terms of repayment of commercial paper liabilities and interest-bearing bank loans are disclosed in notes 28 and 29 to the financial statements, respectively.

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.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 one month which is temporarily extended to three months since July 2013 and further extended to six months since 1 April 2014 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 steel producers 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 US$.

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

The following table demonstrates the sensitivity to a 5.0% change in RMB against HK$ and US$, respectively. The 5.0% is the rate used when reporting currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in the foreign currency rate. The sensitivity analyses of the Group's exposure to foreign currency risk at the end of each reporting period have been determined based on the adjustment of translation of the monetary assets and liabilities at the end of each reporting period for a 5.0% change in RMB against HK$ and US$, respectively, with all other variables held constant, of the Group's profit before tax for the year ended 31 December 2014 (due to changes in the fair value of cash and cash equivalents, financial assets at fair value through profit and loss and bank loans denominated in HK$ and US$):

	RMB'000
Increase/(decrease) in profit before tax	
If RMB weakens against HK$ and US$	14,721
If RMB strengthens against HK$ and US$	(14,721)

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

The Group does not consider that it has any significant exposure to the risk of fluctuation in the exchange rates 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.

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 amounts 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 2014, the gearing ratio was 12.7% (31 December 2013: Not applicable).

42. 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 2014 (31 December 2013: RMB66,323,000).

Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements are 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 amount of financial assets presented in the statement of financial position**
	RMB'000	RMB'000	RMB'000
Trade receivables	508,977	(26,587)	482,390
Trade payables	(270,543)	26,587	243,956

43. EVENTS AFTER THE REPORTING PERIOD

On 4 January 2015, Huili Caitong paid the last instalment of RMB22.3 million to the Sellers and the acquisition of 100% equity interest in Panzhihua Yixingda is completed. The change of business registration is completed on the same date to reflect the share transfer. Upon completion of the above-mentioned acquisition, Panzhihua Yixingda becomes an indirectly wholly-owned subsidiary of the Company.

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 30 March 2015.

"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
"2015 AGM"	the Shareholders' annual general meeting to be held on 15 May 2015
"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 Prefecture"	阿壩藏族羌族自治州, Aba Tibetan and Qiang Autonomous Prefecture
"Anhydrite"	an anhydrous sulfate mineral with the chemical formula $CaSO_4$
"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 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 near 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 Huili County, Sichuan and operated by Huili Caitong, with a mining area of 1.279 sq.km.
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands

"Controlling Shareholder(s)"	has the meaning ascribed thereto in the Listing Rules and in the context of this report, refers to Trisonic International, Kingston Grand, Messrs. Wang Jin, Shi Yinjun, Yang Xianlu, Wu Wendong, Zhang Yuangui and Li Hesheng
"Dashanshu Section"	the Dashanshu section* (大杉樹礦段) of the Pingchuan Mine which has an exploration area of approximately 5 sq.km. within the exploration area set out in the exploration permit of the Pingchuan Mine
"Director(s)"	director(s) of the Company or any one of them
"Exchangeable Note(s)"	the exchangeable note(s) issued by the Issuer in accordance with the Secured Exchangeable Note Purchase Agreement with its terms and conditions set out in the Note Certificate
"First China"	First China Limited, 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
"Gypsum"	a soft hydrous sulfate mineral with the chemical formula $CaSO_4 \cdot 2H_2O$
"Haibaodang Mine"	海保凼鈦鐵礦, the vanadium-bearing titano-magnetite mine located in Renhe District, Panzhihua City, Sichuan, with an exploration area of 20.37 sq.km.
"Hailong Processing Plant"	the ore processing plant located near the Cizhuqing Mine and operated by Huili Caitong
"Heigutian Processing Plant"	the ore processing plant located near the Yangqueqing Mine 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
"Iron Pelletising Plant"	the plant that produces iron pellets and is located in Huili County, Sichuan, which is approximately 5.5 km from the Xiushuihe Mine and operated by Huili Caitong
"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 (2004 Edition)"	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 and 2004 that sets out minimum standards, recommendations and guidelines for public reporting
"JORC Code (2012 Edition)"	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 located in Wenchuan County, Sichuan, with a mining area of 1.9 sq.km.
"Maoling Processing Plant"	the ore processing plant located near the Maoling-Yanglongshan Mine and operated by Aba Mining

"Maoling-Yanglongshan Mine"	an exploration region with a total area of 11.62 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 Maoling Extended Exploration Area and the Yanglongshan Mine since September 2012 and operated by Aba Mining
"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 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
"Note Certificate"	the note certificate of the Exchangeable Note with the terms and conditions of the Exchangeable Note set out therein
"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 Shuhai"	Panzhihua Shuhai Construction Co., Ltd.# (攀枝花蜀海建設工程有限公司), a limited liability company established in the PRC on 26 December 2002
"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 established 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
"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

"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
"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)
"Shigou Gypsum Mine"	Shigou gypsum mine located at Hanyuan County, Ya'an City, Sichuan, with a mining area of 0.1228 sq. km.
"Sichuan"	the Sichuan Province of the PRC
"Sichuan Haoyuan"	Sichuan Haoyuan New Materials Co., Ltd.# (四川省浩遠新材料有限公司), a limited liability company established in the PRC on 18 July 2011
"sq.km."	square kilometres

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Oriental Mining and Mineral Resources Co., Ltd., a company incorporated in the Cayman Islands on 8 April 2011 and a third party independent of the Company and its connected persons
"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 331"	measured intrinsic economic resources (Type 331) as defined in the Classification for Resources/ Reserves of Solid Fuels and Mineral Commodities
"Type 332"	indicated intrinsic economic resources (Type 332) as defined in the Classification for Resources/ Reserves of Solid Fuels and Mineral Commodities
"Type 333"	inferred intrinsic economic resources (Type 333) as defined in the Classification for Resources/ Reserves of Solid Fuels and Mineral Commodities
"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 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 near the Xiushuihe Mine and operated by Xiushuihe Mining
"Yanbian Caitong"	Yanbian County Caitong Iron and Titanium Co., Ltd.*（鹽邊縣財通鐵鈦有限責任公司）, established in the PRC on 26 January 2010 and an indirect wholly-owned subsidiary of the Company
"Yanglongshan Mine"	羊龍山鐵礦, an ordinary magnetite mine located 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 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 and operated by Huili Caitong, with a mining area of 0.25 sq.km.
"Yanyuan Xiwei"	Yanyuan County Xiwei Mining Company Limited*（鹽源縣西威礦業有限責任公司）, a limited liability company established in the PRC on 7 December 2007

* *For identification purpose only*