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

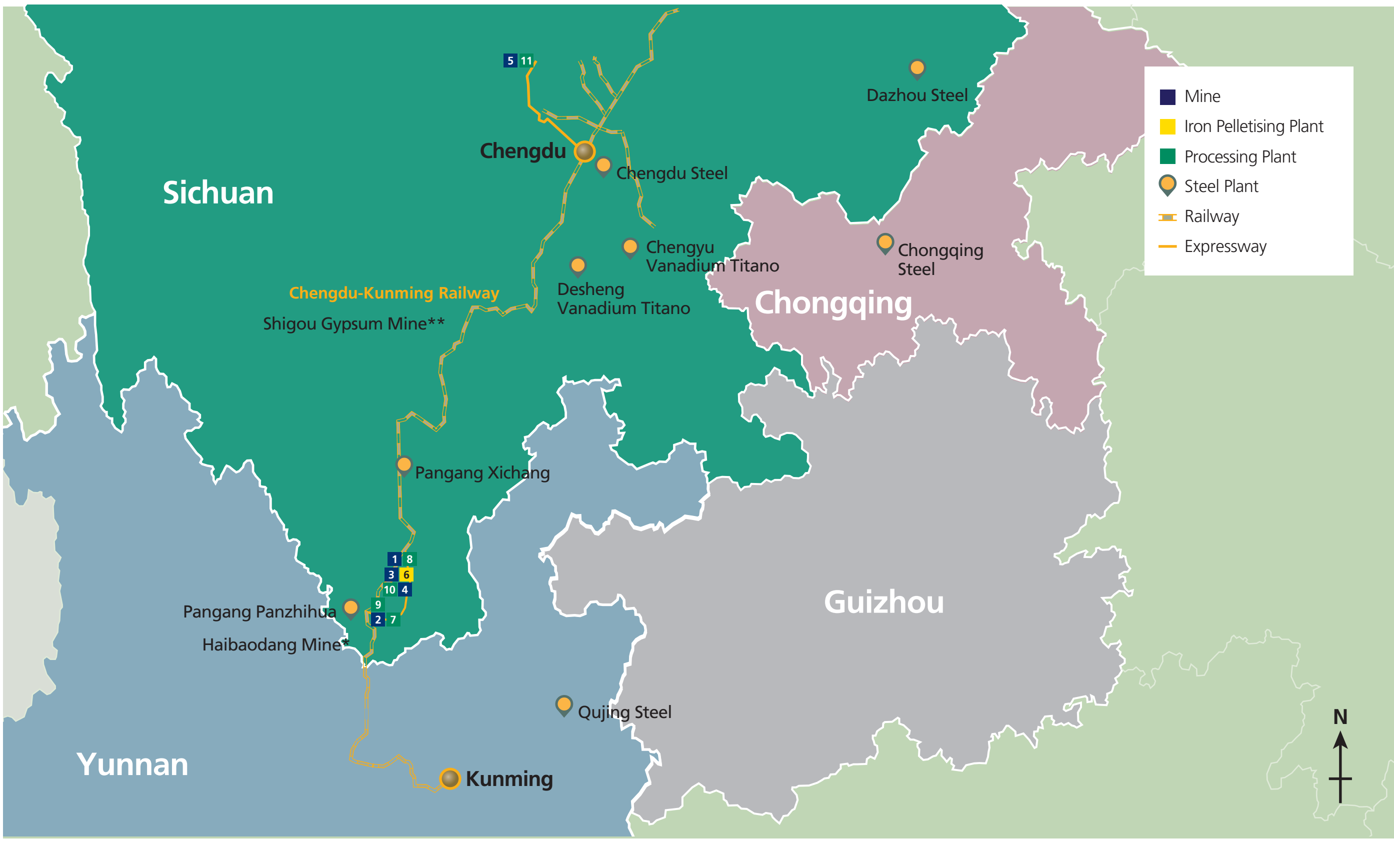
(Incorporated in the Cayman Islands with limited liability)

Stock Code: 00893

Streamlining Foundation To Seek Greater Prospects

ANNUAL REPORT 2015

Our Presence



Mines

Name	Location	Area	Type of Resources	Resources under the JORC Code (2004 or 2012 Edition) as at 1 January 2016 (Mt)	Average Grade	Mining Method
1 Baicao Mine	Huili County, Sichuan	Mining area: 1.88 sq.km.	Vanadium-bearing titano-magnetite	93.69	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	82.69	24.38% 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	59.20	22.80% 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 completed in July 2015 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

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

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

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Jiang Zhong Ping *(Chairman)*
(Appointed as acting chief executive officer on 15 May 2015)
Mr. Zheng Zhiquan
(Appointed as executive Director and financial controller on 15 May 2015)
Mr. Tang Wei
(Resigned as executive Director and chief executive officer on 15 May 2015)
Mr. Roy Kong Chi Mo
(Resigned as executive Director and chief financial officer on 15 May 2015)

Non-executive Directors

Mr. Yu Xing Yuan *(Resigned on 29 February 2016)*
Mr. Teo Cheng Kwee *(Resigned on 15 May 2015)*

Independent Non-executive Directors

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

AUDIT COMMITTEE

Mr. Yu Haizong *(Chairman)*
Mr. Liu Yi
Mr. Yu Xing Yuan *(Resigned on 29 February 2016)*
Mr. Wu Wen *(Appointed on 29 February 2016)*

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

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit A on 4th Floor
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Nos.166-168 Des Voeux Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

AUDITORS

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1 Tim Mei Avenue
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Hong Kong

Corporate Information

LEGAL ADVISERS

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88 Queensway
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as to Cayman Islands law
Conyers Dill & Pearman
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Cayman Islands

INVESTOR RELATIONS CONSULTANT

Cornerstones Communications Limited
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46 Lyndhurst Terrace
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Email: ir@chinavtmmining.com

COMPETENT PERSON

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Level 18, Wheelock House
20 Pedder Street
Central
Hong Kong

WEBSITE

www.chinavtmmining.com

STOCK CODE

00893

SHARE INFORMATION

Board lot size: 1,000

FINANCIAL CALENDAR

1 January to 31 December

Five-Year Financial Summary

SUMMARY OF FINANCIAL INFORMATION

A summary of the results, assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below.

Results

	For the year ended 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	**516,365**	649,094	1,429,875	1,533,732	1,712,978
Cost of sales	**(539,535)**	(661,920)	(925,372)	(799,700)	(936,244)
Gross profit/(loss)	**(23,170)**	(12,826)	504,503	734,032	776,734
Other income and gains	**23,971**	52,051	100,268	64,360	109,742
Selling and distribution expenses	**(53,789)**	(35,208)	(50,665)	(45,921)	(46,473)
Administrative expenses	**(197,698)**	(193,501)	(152,575)	(118,139)	(102,219)
Other expenses	**(74,563)**	(14,398)	(38,094)	(20,576)	(19,035)
Impairment loss on goodwill	**(15,318)**	–	–	–	–
Impairment loss on property, plant and equipment	**(258,270)**	(166,947)	–	–	–
Impairment loss on intangible assets	**(35,715)**	–	–	–	–
Impairment loss on trade receivables	**(181,916)**	(82,125)	–	–	–
Impairment loss on assets held for sale	**(60,555)**	–	–	–	–
Fair value gains/(losses) on financial assets at fair value through profit or loss	**(68,999)**	14,861	–	–	–
Finance costs	**(64,465)**	(62,176)	(98,613)	(42,599)	(21,120)
Share of profits and losses of joint ventures	**–**	(308)	1,352	517	34
PROFIT/(LOSS) BEFORE TAX	**(1,010,487)**	(500,577)	266,176	571,674	697,663
Income tax credit/(expense)	**(102,704)**	133,155	(83,704)	(130,435)	(122,316)
PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**(1,113,191)**	(367,422)	182,472	441,239	575,347
Attributable to:					
Owners of the Company	**(1,105,519)**	(366,381)	179,135	433,679	568,514
Non-controlling interests	**(7,672)**	(1,041)	3,337	7,560	6,833
	(1,113,191)	(367,422)	182,472	441,239	575,347
Earnings/(loss) per Share attributable to ordinary equity holders of the Company (RMB) – Basic and diluted	**(0.53)**	(0.18)	0.09	0.21	0.27
Proposed final dividend per Share (HK$)	**–**	–	0.022	–	0.073

Five-Year Financial Summary

Assets, Liabilities and Non-controlling Interests

	As at 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**2,588,298**	3,031,590	2,996,274	2,990,219	2,863,968
Current assets	**1,449,690**	1,832,463	2,509,241	2,276,540	1,414,605
Non-current liabilities	**(11,065)**	(35,048)	(64,198)	(91,938)	(118,938)
Current liabilities	**(1,555,457)**	(1,601,477)	(1,827,350)	(1,777,556)	(1,118,622)
Total equity	**2,471,466**	3,227,528	3,613,967	3,397,265	3,041,013
Non-controlling interests	**(379,551)**	(31,733)	(32,774)	(29,437)	(21,877)
Equity attributable to owners of the Company	**2,091,915**	3,195,795	3,581,193	3,367,828	3,019,136

Chairman's Statement

Jiang Zhong Ping
CHAIRMAN

Dear Shareholders,

I hereby present the annual results of the Group for the year ended 31 December 2015.

In early 2016, many areas have just endured one of the coldest winters and bitterest snowstorms, akin to the harsh and icy economic environment before us. During the year under review, growth of China's gross domestic product ("GDP") fell to less than 7% for the first time since 1990. In an article published in the China Securities Journal, the National Development and Reform Commission of the PRC stated that it foresaw China's economy posting an even lower GDP growth of 6.5% in 2016, suggesting that hopes of near-term economic recovery for the country could be wiped out.

In 2015, the steel industry in China continued to operate in a challenging environment amidst massive overcapacity, aggressive destocking, falling steel prices and lower capacity utilisation. The expected weak steel market forced many steel companies (including some of the largest producers) to halt their production at different levels in order to cap losses. For the upstream market, China's iron ore companies, which produce about half of the worldwide output, have been battling against losses, oversupply and falling prices as local consumption continued to shrink while operating costs have escalated. The implementation of measures to tackle overcapacity issues and comply with new environmental protection policies in the already weak market condition has further burdened domestic mining companies, which have seen many of such operations incurring substantial losses.

In 2015, the Group intensified efforts to streamline operations and rationalise assets, with the primary objectives to ensure that the Group's processing plants and distribution business could continue to operate on a commercially viable basis over a longer term. Various strategic plans were initiated to reduce direct cost per unit, improve efficiency per factory, minimise loss on operations, scale back capacity, reduce headcounts, trim operating expenses budgets and reduce marketing investments Undoubtedly, the challenging upstream and downstream conditions resulted in severe declines in both sales volume and selling price of the Group's iron ore products for the year 2015. As such, suspension of operations at some of the Group's production facilities was forced to continue in 2015 in order to minimise operating losses. Despite strenuous efforts on all fronts from management, utilisation rate remained low throughout the year, which led to substantial impairment losses on the back of this lower-than-expected assets utilisation and incidental suspension expenses recorded for the year 2015.

Chairman's Statement

As part of the Group's strategic decisions and assets rationalisation plans, the entire production line of the Heigutian Processing Plant ceased production and was held for sale during the year under review. Meanwhile, the Group also initiated necessary actions trying to recover impaired trade receivables related to certain customers. The Group will continue to take proactive steps to manage its fixed costs and rationalise other parts of its assets going forward given the weak market condition – while working on hopeful ways to break even or more realistically, to minimise operating losses in 2016.

Looking ahead, as China's economy enters a "new normal" development stage, many statistics have suggested that China will see a lower annual GDP growth than previous years. Such economic environment, while it is not totally unexpected, will be challenging for iron and steel producers, as consumption of these raw materials are quite directly tied to the pace of a country's development and growth, as demand is expected to continually lag far behind supply. Industry analysts also state widespread pessimism about the prospects of the industry in the short-term and do not see much potential turning points for the current operating environment. A deepening downturn in local demand and stiffer oppositions to steel exports may further drive the slump. The oversupply of steel in China is so critical that there could be further closures of unneeded (or smaller) mills to deal with the obvious supply glut. In January 2016, the Chinese Government announced its plan to make an annual investment of RMB100 billion in the next four to five years to reduce production in sectors such as coal and steel, in an effort to ease overcapacity and promote industry upgrades. These plans are aimed to cut steel production capacity by 100-150 Mt and reduce more than 2,000 steel companies currently in operation down to a lesser number.

Whilst the control measures to be put in place to curb overcapacity will bring immense pressures to companies in the industry, the Group remains committed to meeting these future challenges. Steel will still be used in different industries, including energy, construction, automotive and transportation, infrastructure, manufacturing and machinery. It is also the main material used in delivering renewable energy such as thermal, solar and tidal power. While the Group will evaluate various business opportunities to assess if this industry development could help to expand demand over a medium-term, immediate outcomes remain to be seen.

The Board remains cautious about the Group's short-term development prospects, and sees need to continue its production suspension, scale back facilities, keep operating costs low and reduce capital expenditure (even some equipment upgrade is required to boost output). The good news is the Group's operations have since become more nimble and adaptive to the highly volatile operating environment following the operational streamlining exercise and cost control discipline. Meanwhile, it remains strategically important for the Group to evaluate various opportunities and other operating models – potentially, to collaborate with other industrial players or possibly, to diversify its businesses for sustainable growth strategies.

Lastly, I wish to express my sincere appreciation to all Shareholders, business partners and staff for their patience and ongoing support.

Jiang Zhong Ping
Chairman

Hong Kong, 21 March 2016

Management Discussion and Analysis

Navigating Challenges Through Tactic Change and Determination

MARKET REVIEW

2015 continued to be a challenging year for the steel industry in China. The National Bureau of Statistics of the PRC released data showing that China, the world's largest iron ore consumer, recorded a GDP growth of only 6.9% in 2015, as compared to 7.4% in the previous year, its slowest pace since 1990.

As China's economic growth continued to slow down, coupled with overcapacity and weak demand in the steel industry, the price of iron ore was significantly affected. During the year under review, overseas mining companies continued to increase their iron ore output, imposing further pressure to the iron ore price. According to the World Steel Association, China's crude steel production in 2015 declined by 2.3% to 803.8 Mt as compared to 823.0 Mt in the previous year. As demand fell at a faster rate than that of production, price competition was fierce among steel companies to maintain sales. As shown by the statistics of the China Iron and Steel Association (the "CISA"), cumulative losses of its steel enterprises members further expanded to RMB64.5 billion in 2015, with over half of the steel companies resulting in losses in the face of sluggish domestic demand, large quantities of China's steel were sold abroad.

China's steel exports climbed by 20% year-on-year to 112.4 Mt in 2015, and the industry came up against ever-more anti-dumping complaints and lawsuits from countries around the world. In June 2015, India's finance ministry imposed an anti-dumping duty on steel originating from China in a bid to support its domestic steel industry battling low prices and resulting weak margins. This added India to the list of countries, including the United States, countries in the European Union, Japan and South Korea that have enacted anti-dumping duties on China's steel, dampening the potential for China's steel makers to offload excess steel production abroad caused by persistent lackluster domestic demand.

In addition, capital investments to comply with the new environmental laws have been substantial for steel companies since its enactment in early 2014. Some steel companies were thus forced to halt operating furnaces and required to further invest in facility upgrades. All of these factors have adversely affected the profitability of the steel industry in China as a whole.

Management Discussion and Analysis

The China Steel Price Index compiled by the CISA declined by 31% from 81.9 in early January 2015 to 56.4 at the end of December 2015. The iron ore price was heavily affected by this severely unfavourable downstream market condition. As such, the China Iron Ore Price Index, also compiled by the CISA, demonstrated a downward trend in the same time frame, with a substantial decrease of 37% from 253.9 to 160.5. The iron ore and steel markets remained weak as both suffered from abundant capacity and weak demand. The Group's business was inevitably affected by these negative trends.

As for the titanium industry, along with the persistent weak demand and sluggish economic state, the domestic titanium market remained dim during the year under review, which dragged down product prices. Though the price of high-grade titanium concentrates in Panzhihua gained a slight increase from RMB470-RMB500/tonne in early January 2015 to RMB570-RMB590/tonne in late June 2015, mainly due to temporary stock replenishment, the price has since dropped to RMB510-RMB530/tonne at the end of December 2015. In view of the weak industry sentiment, some of the titanium mining companies in China reduced output or even suspended production during the year under review to prevent further declines in profitability or to cap losses.

More negative than positive factors have daunted the iron ore market during the year under review, and the industry "winter" will likely last. In face of the unfavourable operating environment, the Group has strengthened its strategy in streamlining its operations to combat such challenging business conditions. The overall supply demand conflicts in the steel and iron ore industries were not resolved throughout 2015, which severely affected the Group's financial performance.

BUSINESS AND OPERATIONS REVIEW

Overview

During the year in 2015, the downstream market conditions of our industry (a continued trend from year 2014) – remained unfavourable. In May 2015, Mr. Jiang Zhong Ping (who is also the executive Director and chairman of the Company) was appointed as acting chief executive officer, who then led the management in conducting major strategic reviews for the Group. These strategic reviews were based on the Group's operating experience in the industry with the primary objectives to ensure that the Group's processing plants and distribution business could continue to operate in more efficient ways and on a commercially viable basis over a longer term when market conditions remained highly uncertain. More importantly, the Group has since intensified efforts to streamline operations and initiated plans to rationalise assets in order to minimise operating losses and improve cash flows given the challenging operating environment in which the Group operates.

The Group's revenue decreased significantly by 20.4% to approximately RMB516.4 million as compared to the corresponding period of last year due mainly to lower trade volumes and lower selling prices, which resulted in a gross loss for the year as certain direct production costs were fixed. The gross loss of the Group was approximately RMB23.2 million and the gross loss margin was approximately 4.5%. The impairment losses on goodwill, property, plant and equipment, intangible assets, trade receivables and assets held for sale were in aggregate of approximately RMB551.8 million, the fair value loss on the Exchangeable Notes was approximately RMB69.0 million and the loss and total comprehensive loss attributable to owners of the Company was approximately RMB1,105.5 million. On a positive note, the operating losses for the Group (excluding impairment losses) improved in 2nd half of 2015 over that of 1st half of 2015 following the Group's operational streamlining exercise, discretionary suspension of loss-making productions, strategic decisions to scale back certain facilities and costs control discipline.

The Group currently owns the Baicao Mine, the Xiushuihe Mine, the Yangqueqing Mine, the Cizhuqing Mine, the Maoling-Yanglongshan Mine, the Haibaodang Mine and the Shigou Gypsum Mine. Furthermore, the Group owns 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 owns the Maoling Processing Plant in the Aba Prefecture.

Management Discussion and Analysis

Operations

During the year, the severely weak market sentiment caused significant reductions in (i) production volume of many steel companies in Sichuan and (ii) demand for iron ore product in the upstream market. As a result, the sales volume and average selling price of the Group's iron ore products significantly declined. The sales volume and production volume of vanadium-bearing iron concentrates, the Group's major product, decreased by 12.2% and 32.4%, respectively as compared to the corresponding period of last year. The Group had no output for iron pellets since last year and low output for high-grade titanium concentrates during the year. Aba Mining resumed production since 2011 and completed reconstruction to achieve the planned production capacity during the year and hence the sales volume and production volume of ordinary iron concentrates increased by 31.7% and 35.6%, respectively. The gross loss margin for vanadium-bearing iron concentrates was 24.7% and the gross profit margins for ordinary iron concentrates (self-produced) and high-grade titanium concentrates were 16.0% and 9.0%, respectively. Please refer to the table summarised the breakdown of the total production volume and total sales volume of the Group's products in this section for further details.

Under such unfavourable market conditions, the Group intended to explore new opportunities and diversify the business. As such, the trading of steel was conducted since the second half of this year. During the year, vanadium-bearing iron concentrates, ordinary iron concentrates (self-produced), ordinary iron concentrates (trading), high-grade titanium concentrates and trading of steel contributed 33.8%, 16.5%, 14.0%, 2.8% and 32.9% of the total revenue, respectively. Loss before interest, tax, depreciation and amortisation increased from approximately RMB270.7 million for the year ended 31 December 2014 to approximately RMB839.6 million for the year, this was mainly due to the impairment losses on goodwill, property, plant and equipment, intangible assets, trade receivables and assets held for sale in aggregate of approximately RMB551.8 million. Such impairment losses were estimated and recorded mainly based on the underlying basis of lower-than-expected utilisation rates, lower estimated recoverable amounts and updated fair values for the respective assets.

Management Discussion and Analysis

Risk and Uncertainties

As mentioned above, the financial performance of the Group deteriorated given the weak market conditions and the Group also faced several risks and uncertainties. The capacity utilisation of the Group's plants fell sharply which led to a discretionary suspension of the Group's vanadium-bearing iron concentrates processing lines and high-grade titanium concentrates processing lines. Based on the Group's operating experience in the industry with the primary objectives to ensure that the Group's processing plants and distribution business could continue to operate in more efficient ways and on a commercially viable basis over a longer term, management has conducted strategic reviews of the mines and processing plants and as such, the Group has intensified efforts to streamline operations and initiated plans to rationalise assets, which is extremely important in battling market uncertainty amidst continued weak operating environment. The Group, in addition to the internal assessment, has engaged independent valuers to assess assets impairment which would has been largely based on such operational streamlining exercises and assets rationalisation plans which the management initiated during the year under review. Please refer to the Company's announcement dated 24 June 2015 for further details.

During the year, apart from suspension of certain production facilities, management has also planned to rationalise part of the Group's assets, which have been loss-making and operating at below optimal utilisation – one of which being the entire production line of the Heigutian Processing Plant that the Group has since closed down; and have since been classified it as assets held for sale as at 31 December 2015. These assets held for sale of approximately RMB378.3 million, representing the property, plant and equipment and land use right of the Heigutian Processing Plant were recorded at fair value less cost to sell as at 31 December 2015. Management has since been actively seeking for potential buyer and has established a non-legally binding agreement framework and meeting minutes in August 2015 and December 2015, respectively, in finalising the potential sale.

Given the downturn of China's economy, many banks and financial institutions in China have tightened their lending policies and adopted more prudent loan measures, especially for those businesses, which are perceived to be unfavourable or in higher risk industries while experiencing massive overcapacities. Such bank loans, if any, are likely to remain callable on demand, subject to short-term reviews or be offered with a much higher cost of fund. The Group's businesses, as fall under the categories which have been extensively affected by these conservative banking approaches, is well aware of the difficulties and uncertainty in obtaining long-term banking facilities and thus, management has been working on and evaluating alternative financing structure over a medium term so that the Group's ability to continue as a going concern is not materially affected by the current banking practices. Despite such management efforts, management reckons that there is no certainty for the Group in finalising these alternative financing plans and considered that the liquidity risks for the Group have since increased. In the event that there is no improvement in such operating environment for and funding structure of the Group going forward, the going concern of the Group may be affected.

During the year, whilst part of the trade receivables was received, the recoverability remained low. The Group individually impaired trade receivables related to certain customers that were in financial difficulties to which the Group had stopped supplying goods, initiated discussions on repayment terms and was in the midst of monitoring their repayment schedules. Whilst the Group continued to follow up closely on the receivable status, the recoverability of part of the receivables has specifically been affected by the weak market conditions. As such, part of the collections may be delayed by a longer-than-expected period or part of the receivables may not be recoverable. As such, the Group made an impairment loss of approximately RMB181.9 million during the year. Despite such impairment and longer-than-expected repayment periods, the Group has initiated and will continue to initiate necessary actions to recover these receivables in part or in full.

Management Discussion and Analysis

Exchangeable Notes

Regarding the Group's investment in an Indonesian mine, 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 during the year. On 30 December 2014, the Investor, subject to the consent of the other noteholders, granted a waiver in favour of the Issuer to waive the event of default and entered into the supplemental deed with the Issuer, its ultimate beneficial owner, and the Target Company. Pursuant to the supplemental deed, the final maturity date of 25 November 2014 under the Exchangeable Notes has been extended to 25 June 2015, which was then brought forward to 25 March 2015 on 8 January 2015.

On 25 March 2015, which was the final maturity date under the supplemental deed, 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 did not receive the full redemption amount by 1 April 2015.

On 1 April 2015, the Investor did not receive any part of the redemption amount payable by the Issuer under the Exchangeable Notes. In view of this, the Investor's legal advisor had issued a formal notice to the Issuer informing the occurrence of an event of default and preserving the rights of the Investor under the relevant transaction documents. On 28 July 2015, the Investor, with the consent of the other noteholders, granted a waiver in favour of the Issuer to waive the event of default and entered into a supplemental deed, pursuant to which, the final maturity date has been extended from 25 March 2015 to 25 August 2015.

On 2 September 2015, the Investors did not receive any part of the redemption amount payable by the Issuer within five business days following the final maturity date, which was 25 August 2015, under the Exchangeable Notes. In view of this, the Investor's legal advisor issued a formal notice to the Issuer informing the occurrence of an event of default, demanding for forthwith payment of the redemption amount payable by the Issuer under the Exchangeable Notes and preserving the rights of the Investor under the relevant transaction documents. Please refer to the section headed "Other Significant Events" in this annual report for further details. The Group also wishes to highlight that since the granting of the waiver, the Investor has not received any part of the amount repayable by the Issuer from the redemption of the Exchangeable Notes. Management has been following up with the Issuer since then. According to an independent third party research report, the operation of the Indonesian mine in the coming future will be filled with uncertainties due to the iron ore export ban exerted by the Indonesian government and the weakened iron ore price in the region. Given the lower cost advantage of the Indonesian mine, the Group still sees business potential which could reflect the mine's value. However, the Group has no plan to make further capital investment in mine smelting according to its current strategy of streamlining operations and scaling back facilities, as previously guided under the strategic reviews. As at 31 December 2015, the fair value of the Exchangeable Notes was recorded at approximately RMB221.2 million. As mentioned in the above, the Group has closely been pursuing to the recoverability of the Exchangeable Notes and considering other potential course of actions, including enforcement actions against the Issuer of the Exchangeable Notes to fully recover the Exchangeable Notes during the year and this has since become one of the material uncertainties. The recoverability of these Exchangeable Notes, has a material impact on the financial position of the Group which is critical for the Group to operate as a going concern under the current weak market conditions.

Management Discussion and Analysis

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		
	2015	2014	Change
	(Kt)	(Kt)	(%)
Vanadium-bearing iron concentrates			
Baicao Processing Plant	**36.6**	150.2	-75.6%
Xiushuihe Processing Plant	**381.9**	322.8	18.3%
Heigutian Processing Plant	**–**	225.5	-100.0%
Hailong Processing Plant	**140.8**	128.9	9.2%
Total production volume	**559.3**	827.4	-32.4%
Total sales volume	**752.6**	857.1	-12.2%
Ordinary iron concentrates			
Maoling Processing Plant	**134.4**	99.1	35.6%
Total production volume	**134.4**	99.1	35.6%
Total sales volume	**127.6**	96.9	31.7%
Purchase from an independent third party for trading purpose	**110.9**	298.4	-62.8%
Sale to an independent third party for trading purpose	**110.9**	298.4	-62.8%
Medium-grade titanium concentrates			
Baicao Processing Plant	**12.8**	46.6	-72.5%
Total production volume	**12.8**	46.6	-72.5%
Total sales volume	**–**	16.6	-100.0%

Management Discussion and Analysis

	For the year ended 31 December		
	2015 **(Kt)**	2014 (Kt)	Change (%)
High-grade titanium concentrates			
Baicao Processing Plant	**–**	1.5	-100.0%
Xiushuihe Processing Plant	**33.1**	24.6	34.6%
Heigutian Processing Plant	**–**	1.4	-100.0%
Total production volume	**33.1**	27.5	20.4%
Total sales volume	**33.1**	28.1	17.8%
Steels			
Purchase from an independent third party for trading purchase	**135.0**	–	N/A
Sales to an independent third party for trading purpose	**95.0**	–	N/A

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

During the year, the Group's revenue was approximately RMB516.4 million (2014: RMB649.1 million), decreased by 20.4% as compared to the corresponding period in 2014 due mainly to the significant fall in both sales volume and average selling prices of the Group's products. The revenue also included the trading sales of ordinary iron concentrates and steels to independent third parties of approximately RMB72.2 million and RMB169.9 million, respectively.

Cost of Sales

Cost of sales primarily included contracting fees for mining and stripping as well as materials, labour, power and other utilities, repair and maintenance, depreciation and amortisation, and the purchase costs of ordinary iron concentrates and steels from the independent third parties for trading purposes. During the year, the Group's cost of sales was approximately RMB539.5 million (2014: RMB661.9 million), decreased by 18.5% as compared to the corresponding period in 2014 given lower sales volume of the Group's products and decrease in purchase of trading-related ordinary iron concentrates, despite increase in trading-related steel purchase. During the year, the unit production costs of vanadium-bearing iron concentrates decreased as compared to the corresponding period in 2014 mainly because of lower stripping costs as a result of lower ratio of waste to raw iron ore during the extraction process.

Gross Loss and Margin

As a result of the foregoing – lower revenue and higher cost of sales given the unfavorable market conditions, the gross loss for the year was approximately RMB23.2 million (2014: RMB12.8 million). The gross loss margin for the year was approximately 4.5% (2014: 2.0%).

Other Income and Gains

Other income and gains significantly decreased by 53.9%, from approximately RMB52.1 million for the year ended 31 December 2014 to approximately RMB24.0 million for the year. During the year, Huili Caitong disposed Yanbian Caitong and recognised a gain on disposal of approximately RMB17.6 million. The decrease in other income and gains of the Group for the year was mainly due to the decrease in bank interest income and government grants.

Selling and Distribution Expenses

Selling and distribution expenses increased by 52.8%, from approximately RMB35.2 million for the year ended 31 December 2014 to approximately RMB53.8 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 increase was mainly due to (i) higher transportation costs for vanadium-bearing iron concentrates as these costs were borne by the Group for the customers since January 2015 to promote higher sales volume amid the unfavourable market conditions and (ii) the transportation costs for ordinary iron concentrates increased due to the longer transportation distance undertaken in order to expand the sales volume.

Management Discussion and Analysis

Administrative Expenses

Administrative expenses increased by 2.2%, from approximately RMB193.5 million for the year ended 31 December 2014 to approximately RMB197.7 million for the year. The administrative expenses during the year mainly consisted of (i) the suspension expenses including staff costs and overheads in aggregate of approximately RMB94.3 million; (ii) the prepaid technical service fee written off of approximately RMB39.3 million which was previously paid to Sichuan Nanjiang Mining Group Co., Ltd. ("Nanjiang"), as no economic benefits from such technical consultancy services is expected to be realised in the foreseeable future given the continuing weak market conditions and (iii) unallocated fixed overheads of approximately RMB17.5 million due to low production of vanadium-bearing iron concentrates.

Other Expenses

Other expenses increased by 418.1%, from approximately RMB14.4 million for the year ended 31 December 2014 to approximately RMB74.6 million for the year. The significant increase was mainly due to (i) mine landslide treatment expense of RMB45.0 million incurred for the Xiushuihe Mine on account of safety concerns to the villagers nearby arising from landslide risks and (ii) the inventories of vanadium-bearing iron concentrates and medium-grade titanium concentrates in aggregate of approximately RMB10.4 million were written down to net realisable value due to the significant decrease in the market selling price during the year.

Impairment Losses

During the year, management has conducted strategic reviews of the mines and processing plants and as such, the Group has intensified efforts to streamline operations and initiated plans to rationalise assets. The impairment losses, estimated and recorded mainly on the grounds of lower utilisation rates, lower recoverable amounts and lower fair values for various assets affected by the operational streamlining exercise and assets rationalisation plans, were approximately RMB551.8 million for the year (2014: RMB249.1 million), representing the impairment losses on goodwill of approximately RMB15.3 million, property, plant and equipment of approximately RMB258.3 million, intangible assets of approximately RMB35.7 million, trade receivables of approximately RMB181.9 million and assets held for sale of approximately RMB60.6 million.

Fair Value Loss on Financial Assets at Fair Value Through Profit or Loss

Fair value loss recorded on financial assets for the year was approximately RMB69.0 million, given lower fair value for the Exchangeable Notes. The Exchangeable Notes are now recorded at the fair value of approximately RMB221.2 million.

Finance Costs

Finance costs increased by 3.7%, from approximately RMB62.2 million for the year ended 31 December 2014 to approximately RMB64.5 million for the year, primarily due to the increase in interest on bank and other loans.

Income Tax Credit/(Expense)

Income tax expense for the year was approximately RMB102.7 million compared to an income tax credit for the year ended 31 December 2014 of approximately RMB133.2 million. The income tax expense for the year was mainly due to the reversal of deferred tax arising from impairment losses, tax losses and stripping costs recognised in the prior year.

Loss and Total Comprehensive Loss

As a result of the foregoing, loss and total comprehensive loss for the year was approximately RMB1,113.2 million (2014: RMB367.4 million).

Loss and Total Comprehensive Loss Attributable to Owners of the Company

Loss and total comprehensive loss attributable to owners of the Company was approximately RMB1,105.5 million for the year (2014: RMB366.4 million).

Management Discussion and Analysis

Final Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: Nil)..

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 2015 and 2014:

	For the year ended 31 December			
	2015		2014	
	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		**202,811**		115,018
Net cash flows used in operating activities	**(201,877)**		(764,466)	
Net cash flows from investing activities	**369,377**		452,960	
Net cash flows from/(used in) financing activities	**(181,676)**		400,572	
Net increase/(decrease) in cash and cash equivalents		**(14,176)**		89,066
Effect of foreign exchange rate changes, net		**(795)**		(1,273)
Cash and cash equivalents as stated in the consolidated statement of cash flows at end of year		**187,840**		202,811

Net Cash Flows Used in Operating Activities

The Group's net cash flows used in operating activities were approximately RMB764.5 million for the year ended 31 December 2014 and approximately RMB201.9 million for the year, an improvement over last corresponding year following streamlining exercise and costs control. Loss before tax was approximately RMB1,010.5 million, partially reduced by non-cash adjustments such as (i) impairment losses on goodwill, property, plant and equipment, intangible assets, assets held for sale and trade receivables in aggregate of approximately RMB551.8 million; (ii) prepaid technical service fee written off of approximately RMB39.3 million; (iii) fair value loss on changes in fair value arising from the Exchangeable Notes of approximately RMB69.0 million and (iv) depreciation and amortisation in aggregate of approximately RMB108.7 million, in arriving at the net cash flows used in operating activities for the year.

Net Cash Flows from Investing Activities

The Group's net cash flows from investing activities were approximately RMB453.0 million for the year ended 31 December 2014 and approximately RMB369.4 million for the year. It primarily included the withdrawals of time deposits with maturity of over three months of approximately RMB327.8 million and the decrease in pledged bank balances of approximately RMB187.7 million for the issuance of bills payable, which were partially offset by the purchase of items of property, plant and equipment and intangible assets in aggregate of approximately RMB124.5 million.

Management Discussion and Analysis

Net Cash Flows from/(Used in) Financing Activities

The Group's net cash flows from financing activities were approximately RMB400.6 million for the year ended 31 December 2014 and the net cash flows used in financing activities were approximately RMB181.7 million for the year. It primarily included the repayment of bank loans of approximately RMB271.0 million, which was offset by the proceeds from bank loans of approximately RMB89.4 million.

Analysis of Inventories

The Group's inventories increased by 51.4%, from approximately RMB154.9 million as at 31 December 2014 to approximately RMB234.5 million as at 31 December 2015, primarily due to the additional inventories in relation to the trading of steels, which have been fully sold in February 2016.

Analysis of Trade and Bills Receivables

The Group's trade and bills receivables decreased by 40.0%, from approximately RMB533.4 million as at 31 December 2014 to approximately RMB320.1 million as at 31 December 2015. Trade receivable turnover days were approximately 277 days (year ended 31 December 2014: 243 days). The Group had previously warned of higher credit risks under the challenging business environment, which the management needs to be more vigilant in monitoring its overall collection cycles closely and assessing these credit risks more regularly. During the year, the Group recognised impairment loss on trade receivables of approximately RMB181.9 million related to certain customers that were in financial difficulties while trying to initiate necessary actions to recover these debts. Please refer to the section headed "Business and Operations Review" in this annual report for further details.

Assets Classified as Held for Sale

The assets classified as held for sale were approximately RMB378.3 million as at 31 December 2015, representing the property, plant and equipment and land use right of the Heigutian Processing Plant. The impairment loss of the Heigutian Processing Plant of approximately RMB60.6 million was recognised for the year – value was written down to their fair value less cost to sell.

Analysis of Trade and Bills Payables

The Group's trade and bills payables increased by 3.1%, from approximately RMB302.1 million as at 31 December 2014 to approximately RMB311.6 million as at 31 December 2015, primarily due to longer settlement period from major suppliers.

Analysis of Net Current Assets/(Liabilities) Position

The Group's net current assets position was approximately RMB231.0 million as at 31 December 2014 and the net current liabilities position was approximately RMB105.8 million as at 31 December 2015. It was primarily due to the operating loss incurred during the year, impairment loss on trade receivables and fair value loss on the Exchangeable Notes.

Borrowings

As at 31 December 2015, the Group's borrowings included mainly (i) a bank loan of RMB120.0 million with an annual interest rate of 5.88% from Shanghai Pudong Development Bank ("SPDB") Chengdu Branch to Xiushuihe Mining which was secured by the mining right of the Xiushuihe Mine and 95% equity interest in Xiushuihe Mining; (ii) 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 secured by the mining right of the Baicao Mine; (iii) a bank loan of RMB28.7 million with an annual interest rate of 6.48% from SPDB Chengdu Branch to Aba Mining which was secured by the mining right of the Maoling Mine; (iv) an unsecured bank loan of RMB75.0 million with an annual interest rate of 6.55% from CCB Xichang Branch to Huili Caitong and (v) unsecured bank loans of RMB136.2 million, RMB112.7 million and RMB120.0 million with annual interest rates ranging from 5.35% to 6.0%, 5.6% to 6.0% and 5.88% from China Merchant Bank ("CMB") Yingmenkou Branch, Industrial and Commercial Bank of China ("ICBC") Liangshan Branch and SPDB Chengdu Branch, respectively, to Huili Caitong and Xiushuihe Mining.

Management Discussion and Analysis

Contingent Liabilities

As at 31 December 2015, the Group did not have any material contingent liabilities.

Pledge of Assets

As at 31 December 2015, 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 loans of RMB225.0 million and the mining right of the Maoling Mine was pledged to SPDB Chengdu branch for the bank loan of RMB28.7 million. In addition, the Group's deposits of approximately RMB12.9 million were pledged at banks for the issuance 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 the Hong Kong office that are denominated in Hong Kong dollars, and 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$, respectively. The 5.0% is the rate used when reporting currency risk internally to key management personnel and represents management's assessment of the reasonably possible changes in the foreign currency rate. The sensitivity analyses of the Group's exposure to foreign currency risk at the end of each reporting period have been determined based on the adjustment of translation of the monetary assets and liabilities at the end of each reporting period for a 5.0% change in RMB against HK$ and US$, respectively, with all other variables held constant, of the Group's loss before tax for the year ended 31 December 2015 (due to changes in the fair value of cash and cash equivalents and financial assets at fair value through profit and loss):

	RMB'000
Increase/(decrease) in loss before tax	
If RMB strengthens against HK$ and US$	11,204
If RMB weakens against HK$ and US$	(11,204)

Management Discussion and Analysis

Interest Rate Risk

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

Contractual Obligations

As at 31 December 2015, the Group's contractual obligations amounted to approximately RMB9.1 million, decreased by RMB41.9 million as compared to approximately RMB51.0 million as at 31 December 2014, primarily due to partial settlement of the consideration payable in respect of acquisition of 51% equity interests in Sichuan Haoyuan.

Capital Expenditure

The Group's total capital expenditure decreased by RMB442.1 million from approximately RMB595.9 million for the year ended 31 December 2014 to approximately RMB153.8 million for the year. The capital expenditure consisted of (i) technical improvement on the processing line for vanadium-bearing iron concentrates in the Xiushuihe Processing Plant of approximately RMB58.0 million; (ii) the construction of tailing storage facilities at the Baicao Mine and the Xiushuihe Mine of approximately RMB55.0 million and RMB10.0 million, respectively; (iii) the last installment in respect of the acquisition of 51% equity interests in Sichuan Haoyuan of RMB16.0 million; (iv) the development of the construction of miscellaneous projects and acquisition of machinery equipment of approximately RMB11.5 million; and (v) the stripping costs classified as stripping activity assets of approximately RMB3.3 million.

Financial Instruments

As at 31 December 2015, the Group had Exchangeable Notes in the principal amount of US$30.0 million. The Exchangeable Notes were recorded as financial assets at fair value of approximately RMB221.2 million.

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, 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 2015, gearing ratio was 20.3% (31 December 2014: 12.7%).

Management Discussion and Analysis

RESOURCE AND RESERVE OF MINES UNDER THE JORC CODE (2012 EDITION) AS AT 1 JANUARY 2016

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	27.04	25.09	10.73	0.20	6,784	2,901	54
Indicated resource	41.32	24.13	10.02	0.21	9,970	4,141	87
Total (M+I)	**68.35**	**24.51**	**10.30**	**0.21**	**16,754**	**7,042**	**141**
Inferred resource	25.34	26.63	10.98	0.23	6,749	2,783	58
Xiushuihe Mine (including expansion)							
Measured resource	46.96	25.16	9.49	0.23	11,816	4,455	107
Indicated resource	28.50	23.60	8.13	0.19	6,727	2,318	54
Total (M+I)	**75.46**	**24.57**	**8.97**	**0.21**	**18,543**	**6,772**	**161**
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	11.60	25.18	10.54	0.22	2,921	1,223	26
Probable reserve	23.94	26.08	10.24	0.22	6,243	2,451	53
Total	**35.54**	**25.79**	**10.34**	**0.22**	**9,164**	**3,674**	**79**
Xiushuihe Mine (including expansion)							
Proved reserve	33.11	24.54	9.43	0.22	8,125	3,122	72
Probable reserve	20.89	23.80	8.57	0.20	4,970	1,790	41
Total	**53.99**	**24.25**	**9.10**	**0.21**	**13,095**	**4,912**	**112**

Notes:

1. All assumptions and technical parameters set out in the technical report of the 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 (including expansion) are continued to apply.
2. The last digit of the figures in the table may not add up correctly because of rounding.

Management Discussion and Analysis

Resource Summary of the Maoling-Yanglongshan Mine

JORC Mineral Resource Category

	Tonnage (Mt)	Grade TFe (%)	Contained Metals TFe (Kt)
Maoling-Yanglongshan Mine			
Measured resource	–	–	–
Indicated resource	11.96	22.56	2,698
Total (M+I)	**11.96**	**22.56**	**2,698**
Inferred resource	47.24	22.86	10,801

Note: The last digit of the figures in the table may not add up correctly because of rounding.

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 continue 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 2016

Resource Summary of the Haibaodang Mine

The resources of the Haibaodang Mine under the Classification for Resources/Reserves of Solid Fuels and Mineral Commodities (GB/T 17766-1999) have not been changed since the disclosure in our 2014 annual report. The assumption of the resources of the Haibaodang Mine is 10% TFe cut-off grade and 2 metres minimum width.

Resource Summary of the Shigou Gypsum Mine

The resources of the Shigou Gypsum Mine under the Classification for Resources/Reserves of Solid Fuels and Mineral Commodities (GB/T 17766-1999) have not been changed since the disclosure in our 2014 annual report. The assumption of the resources of the Shigou Gypsum Mine is 82.51% "gypsum + anhydrite" cut-off grade and 1 metre minimum width.

EMPLOYEES AND EMOLUMENT POLICIES

As at 31 December 2015, the Group had a total of 1,497 dedicated full time employees (31 December 2014: 1,864 employees), including 58 management and administrative staff, 56 technical staff, 11 sales and marketing staff and 1,372 operational staff. For the year ended 31 December 2015, the employee benefit expense (including Directors' remuneration in the form of salaries, equity-settled share option expenses and other allowances) was approximately RMB51.7 million (2014: RMB88.7 million). Details are set out in note 7 to the 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.

Management Discussion and Analysis

OTHER SIGNIFICANT EVENTS

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. 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 2 December 2014.

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 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. Save for the above, there are no other revisions made to the Supplemental Arrangement.

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 reminded the Issuer about the potential occurrence of an event of default if the Investor did not receive the full redemption amount by 1 April 2015.

On 1 April 2015, the Investor did not receive any part of the redemption amount payable by the Issuer under the Exchangeable Notes. In view of this, the Investor's legal advisor issued a formal notice to the Issuer informing the occurrence of an event of default and preserving the rights of the Investor under the relevant transaction documents. On 28 July 2015, the Investor, with the consent of the other noteholders, granted a waiver in favour of the Issuer to waive the event of default and entered into a supplemental deed, pursuant to which, the final maturity date was extended from 25 March 2015 to 25 August 2015.

On 2 September 2015, the Investor did not receive any part of the redemption amount payable by the Issuer within five business days following the final maturity date, which was 25 August 2015, under the Exchangeable Notes. In view of this, the Investor's legal advisor issued a formal notice to the Issuer informing the occurrence of an event of default, demanding for forthwith payment of the redemption amount payable by the Issuer under the Exchangeable Notes, and preserving the rights of the Investor under the relevant transaction documents. Please refer to the Company's announcements dated 8 January 2015, 1 April 2015, 28 July 2015 and 2 September 2015 for further details.

Management Discussion and Analysis

OUTLOOK

Industry Development and Prospects

China's economy is now undergoing an adjustment period, while it is not totally unexpected, major industries including the commodities sector are experiencing growth deceleration with China's GDP growth having reduced by half compared to 14.2% in 2007. At the Fourth Plenary Session of 12th National People's Congress of the PRC held in early March 2016, it was announced that according to the 13th Five-Year plan, the annual GDP growth target has been set at an average of 6.5% for the next five years, a sign of China's slowing pace of growth. Market analysis also forecasted that China's GDP growth to show a downward trend till 2017, as property construction slowdown continues and excess capacity in the industrial and mining sectors suppresses investment and industrial demand.

China's steel industry reached a long predicted turning point in 2015, as the economy slowed down and oversupply in the property sector cramped demand for construction, machinery and automobiles. This saw China's steel consumption decline for the first time in 20 years. A report released by the China Metallurgical Industry Planning and Research Institute at the end of November 2015 said that China's steel production would likely outstrip demand in 2016, with steel production to fall 3.1% to 781 Mt in 2016, outpacing a drop in consumption of 3% to 648 Mt. According to the government institute, the declines are set to continue in 2016 as economic growth moderates.

For the global market, the World Steel Association forecasted the global steel demand to increase by 0.7% to 1,523 Mt in 2016, according to its report released in October 2015. It lowered the growth forecast from 1.4% in its outlook report in April 2015, considering the continued growth deceleration in China. On a positive note, the report stated that there was a recovery of steel demand in the developed economies but the momentum is expected to remain weak. However, conditions in China's steel market remain pessimistic given concerns over massive overcapacity in the industry and aggressive destocking among the steel enterprises.

The global iron ore market is currently at a huge surplus, as the demand from China's steel sector has weakened considerably since 2015. Since China is the largest consumer of iron ore, the global demand is also expected to remain muted during 2016 and demand is expected to continue lagging behind the supply side. Despite weakness on the demand side, major overseas iron ore producers still plan to ramp up production levels in 2016, adding to the overabundance in global iron ore supply. Given the prevailing overcapacity situation, it is unlikely that iron ore prices will recover or increase significantly in the near term according to market analysis. In October 2015, a global financial institution reported that prices are predicted to fall below US$40 per tonne during the first half of 2016.

The 13th Five-Year Plan (the "Plan") for China's steel industry was announced in late 2015. Riding on the 12th Five-Year Plan, the Plan continues to aim at easing overcapacity imbalances, strengthening industrial consolidation and enhancing environmental control with stricter operation measures. In addition, the Ministry of Industry and Information Technology of the PRC also expressed its plan on deploying a restructuring scheme to ease overcapacity in the steel industry. In late January 2016, measures have been cited by the Chinese Government to support the steel industry in resolving the persistent problem of overcapacity, including an annual investments of RMB100 billion in the coming four to five years to reduce production, cutting steel production capacity by 100-150 Mt and decreasing the number of steel companies from over 2,000 to a lesser number. These announcements came at a critical point as market participants seek for direction amid the industry's shrinking margins.

Management Discussion and Analysis

Business Strategy

Given the unfavourable operating environment, management conducted strategic reviews for the Group's business in 2015 while expecting the market conditions and operating environment to remain challenging looking forward. Management has proactively implemented and will continue to initiate various strategic plans to streamline its operations and rationalise assets for improving efficiency, economies of scale and cash flows. These will include initiatives to continue suspension on its loss-making production, scale back capacity, reduce headcounts, trim operating expenses and reduce investments. As previously guided, the Group will also continue to maintain its flexibility in all operational levels to cope with ever-changing market conditions, which include production volume adjustments according to order placements. On the other hand, the Group has intensified efforts to control costs, improve efficiency and minimise loss on operations. All these measures will continue to take effect to ensure that the Group's processing plants and distribution business could operate in more efficient ways and on a more commercially viable basis over a longer term.

In June 2015, management carried out a full scope review on its operating assets and recognised impairment losses on property, plant and equipment, intangible assets, goodwill and assets held for sale in the first half of 2015. Under the persistent weakening demand in the steel industry, the Group anticipates its processing plants will continue to operate at below optimal utilisation levels. Management has also evaluated if it could relocate or merge some of its facilities for better capacity utilisation or alternatively, it may close down part of its processing plants permanently. Specifically that, the entire production line of the Heigutian Processing Plant has since been closed down and classified as assets held for sale given its below optimal utilisation levels. While monitoring the fast-changing market conditions closely, assets rationalisation plans remain relevant in view of the difficult operating situation. In doing so, management will continue to assess utilisation rates at different levels, review its assets' fair values, monitor its overall productivity and evaluate ways to optimise its mining rights.

As China's economy enters a "new normal" development stage, its GDP growth is expected to be stinted around 5% to 6%. The slower growth rate is a sign that China's enormous economy has passed the ramping up stage and is beginning to mature. Such slowdown, together with the fluctuation of Renminbi, low inflation and low interest rates in the coming years, will have significant macroeconomic effects on China's economy. Market environment for iron and steel producers will appear even more challenging, following the adjusted pace of the country's development and growth. In face of this difficult operating environment, the Group will further tighten its credit control measures given the higher credit risks perceived in the industry and from its customers. Meanwhile, management will monitor the market conditions closely, manage working capital prudently, implement good cost control discipline and actively seek for alternative business opportunities which could pose better growth potential.

Whilst the Group remains extremely cautious over the short-term outlook for the steel industry and iron ore market, it remains proactive in its management approach in implementing good cost control discipline, optimising assets utilisation and identifying business opportunities towards increasing profitability, improving efficiencies and preserving Shareholders' value over a longer term amid the current market downturn, which the management believes it could be cyclical.

Profile of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Jiang Zhong Ping（蔣中平）

Mr. Jiang, aged 50, is an executive Director, the chairman and acting chief executive officer 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 is currently a director and general manager of Sichuan Lingyu Investment Co., Ltd.* ("Lingyu")（四川省凌御投資有限公司）and a director of Huili Caitong, First China Limited ("First China"), Simply Rise Holdings Limited ("Simply Rise") and the Investor. Lingyu, Huili Caitong, First China, Simply Rise and the Investor are all wholly-owned subsidiaries of the Company. 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.

Mr. Zheng Zhiquan（鄭志泉）

Mr. Zheng, aged 51, is an executive Director and financial controller of the Company. Mr. Zheng joined the Group in February 2015 as the deputy head of funds department. Mr. Zheng has nearly 30 years of experience in financial management and had organised and involved in corporate finance project management including foreign investment, overseas initial public offering projects and corporate reorganisations. Prior to joining the Group, Mr. Zheng was the chief financial officer and deputy general manager of Sichuan Huiyuan Steel Construction Science & Technology Stock Co., Ltd.* (四川匯源鋼建科技股份有限公司) and also acted as the financial controller of Xibu Huiyuan Steel Construction Science & Technology Co., Ltd.* (西部匯源鋼建科技有限公司) from December 2009 to February 2015. Mr. Zheng was the chief financial officer of Sichuan Xingchuancheng Cement Co., Ltd.* (四川省星船城水泥股份有限公司) from March 2003 to December 2009. He was the head of finance office of Sichuan Chonglong Stock Co., Ltd.* (四川重龍股份有限公司) from September 2001 to March 2003 and was also the financial executive and financial controller of Chengyu Vanadium Titano and its affiliated company from July 1986 to May 2001. Mr. Zheng has professional qualifications as International Certified Practicing Accountant (Senior) and International Certified Management Accountant. Mr. Zheng obtained a master degree in Business Administration from Business School of Sichuan University (四川省工商管理學院).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Liu Yi（劉毅）

Mr. Liu, aged 53, 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.

Profile of Directors and Senior Management

Mr. Wu Wen（吳文）

Mr. Wu, aged 47, 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. Wu is a member of the audit committee of the Company.

Mr. Yu Haizong（余海宗）

Mr. Yu, aged 51, 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. Mr. Yu was 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 from June 2012 to June 2015. Currently, Mr. Yu is 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 and acting chief executive officer of the Company. Details of his biography are set out above in this section.

Mr. Zheng Zhiquan（鄭志泉）

Mr. Zheng is the financial controller of the Company. Details of his biography are set out above in this section.

Profile of Directors and Senior Management

COMPANY SECRETARY

Mr. Roy Kong Chi Mo（江智武）

Mr. Kong, *FCCA, FCIS, FCS (PE) & MHKIoD*, aged 40, has been the company secretary and authorised representative of the Company since September 2009. Mr. Kong is working for the Company on a full time basis. Mr. Kong currently holds directorship in the following companies listed on the main board of the Stock Exchange:

Name of listed company	Stock code	Position held	Period
CAA Resources Limited	02112	Independent non-executive director	April 2013 – Present
Hengshi Mining Investments Limited	01370	Independent non-executive director	June 2013 – Present
Huazhang Technology Holding Limited	01673	Independent non-executive director	May 2013 – Present

Mr. Kong has over 18 years of experience in accounting, internal control, corporate governance and capital market. Mr. Kong was the executive director and chief financial officer of the Company from October 2013 to May 2015 and from May 2008 to May 2015, respectively. Mr. Kong worked at KPMG from October 1999 and was a senior manager before 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 silver certificates of merit in continuing professional development in 2012 and 2013 and gold certificate of merit in continuing professional development in 2014 from the HKIoD. Mr. Kong graduated from the Chinese University of Hong Kong with a bachelor's degree in business administration in May 1997.

Directors' Report

The Directors hereby present their report and the audited financial statements of the Group for the year ended 31 December 2015.

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 2015 are set out in note 1 to the financial statements of this annual report. There were no significant changes in the nature of the Group's principal activities during the year.

BUSINESS REVIEW

A fair review of the business of the Group as well as a discussion and analysis of the Group's performance during the year as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the laws of Hong Kong), including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the sections headed "Chairman's Statement", "Management Discussion and Analysis" and "Environment, Social and Governance Report" of this annual report. These discussions form part of this Directors' report.

PERMITTED INDEMNITY

The Articles provides that the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the Directors.

A directors' liability insurance is in place to protect the Directors against potential costs and liabilities arising from claims brought against the Directors.

RESULTS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on page 69 of this annual report.

Directors' Report

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 23 May 2016 to Wednesday, 25 May 2016 (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 2016 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 no later than 4:30 p.m. on Friday, 20 May 2016.

PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment of the Group for the year ended 31 December 2015 amounted to approximately RMB133.5 million. Details of the movements during the year in the Group's property, plant and equipment are set out in note 12 to the 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 29 to the financial statements of this annual report.

DISTRIBUTABLE RESERVES

Details of the movements during the year ended 31 December 2015 in the reserves of the Group are set out in the consolidated statement of changes in equity on page 72 of this annual report.

As at 31 December 2015, 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.

Directors' Report

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 note 27 to financial statements of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the years ended 31 December 2015 and 2014, sales to the Group's five largest customers accounted for 70.0% and 73.3% of the total revenue of the Group, respectively, and sales to the largest customer included therein accounted for 23.5% and 29.0%, respectively.

For the years ended 31 December 2015 and 2014, purchases from the Group's five largest suppliers accounted for 79.5% and 84.3% of the total purchases of the Group, respectively, and purchases from the largest supplier included therein accounted for 49.0% and 32.7%, 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) (Appointed as acting chief executive officer on 15 May 2015)*
Mr. Zheng Zhiquan *(Appointed as executive Director and financial controller on 15 May 2015)*
Mr. Tang Wei *(Resigned as executive Director and chief executive officer on 15 May 2015)*
Mr. Roy Kong Chi Mo *(Resigned as executive Director and chief financial officer on 15 May 2015)*

Non-executive Directors

Mr. Yu Xing Yuan *(Resigned on 29 February 2016)*
Mr. Teo Cheng Kwee *(Resigned on 15 May 2015)*

Independent non-executive Directors

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

Biographical details of the current Directors are set out in the section headed "Profile of Directors and Senior Management" on pages 27 to 29 of this annual report.

Directors' Report

In accordance with Article 83(3) of the Articles, Mr. Zheng Zhiquan will retire at the 2016 AGM and, being eligible, will offer himself for re-election at the 2016 AGM.

In accordance with Articles 84(1) and 84(2) of the Articles, Messrs Jiang Zhong Ping and Liu Yi will retire at the 2016 AGM and, being eligible, will offer themselves for re-election at the 2016 AGM.

DIRECTORS' SERVICE CONTRACTS

Mr. Jiang Zhong Ping, an executive Director, entered into a new service contract with the Company for a term of one year commencing from 8 October 2015. Mr. Zheng Zhiquan, an executive Director, entered into a service contract with the Company for a term of one year commencing from 15 May 2015 and Mr. Zheng entered into a supplemental contract with the Company on 8 October 2015 to adjust his director's fee. Mr. Yu Xing Yuan, a former non-executive Director, entered into a new letter of appointment with the Company for a term of one year commencing from 8 October 2015 and Mr. Yu resigned as a non-executive Director on 29 February 2016.

Each of our independent non-executive Directors entered into a 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. Each of our independent non-executive Directors entered into a supplemental letter of appointment on 8 October 2015 to adjust his director's fee.

None of the Directors proposed for re-election at the 2016 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 annual report and note 30 to the financial statements.

Directors' Report

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 2015, 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 2015:

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. Yu Xing Yuan *(Resigned on 29 February 2016)*	Beneficial owner	28,300,000	28,300,000	1.36%
Mr. Yu Haizong	Beneficial owner	100,000	100,000	0.00%
Mr. Liu Yi	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 annual report.

Save as disclosed above, as at 31 December 2015, 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.

Directors' Report

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.

The Company had 28,200,000 Shares available for issue under the Old Option Scheme, which represented approximately 1.36% of the Company's Shares in issue as at the date of this annual report.

Directors' Report

Details of the share options outstanding as at 31 December 2015 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 01.01.2015	No. of share options lapsed during the year	No. of share options exercised during the year	Transfer from other category during the year	Transfer to other category during the year	No. of share options held as at 31.12.2015
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	–	–	1,500,000	–	4,900,000
			29.12.2014 to 28.12.2019	5.05	3,400,000	–	–	1,500,000	–	4,900,000
		01.04.2010	01.10.2012 to 31.03.2020	4.99	2,950,000	(500,000)	–	250,000	–	2,700,000
			01.04.2015 to 31.03.2020		2,950,000	(500,000)	–	250,000	–	2,700,000
	Total				29,600,000	(1,400,000)	–	3,500,000	(3,500,000)	28,200,000

Note: Mr. Yu Xing Yuan resigned as a non-executive Director on 29 February 2016. His share options remain exercisable following his resignation as at the date of this annual report and will be lapsed on 28 March 2016 according to his respective offer letters.

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.

Directors' Report

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. The Company had 207,500,000 Shares available for issue under the New Option Scheme, which represented 10% of the Company's Shares in issue as at the date of this annual report.

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.

Directors' Report

Details of the share options outstanding as at 31 December 2015 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 01.01.2015	No. of share options lapsed during the year	No. of share options exercised during the year	Transfer from other category during the year	Transfer to other category during the year	No. of share options held as at 31.12.2015
1.	**Directors/chief executives**									
	Mr. Jiang Zhong Ping	23.05.2011	23.05.2013 to 22.05.2021	3.60	5,000,000	–	–	–	–	5,000,000
		15.04.2014	15.10.2014 to 14.04.2024	1.00	4,250,000	–	–	–	–	4,250,000
			15.04.2015 to 14.04.2024	1.00	2,125,000	–	–	–	–	2,125,000
			15.10.2015 to 14.04.2024	1.00	2,125,000	–	–	–	–	2,125,000
	Mr. Tang Wei	23.05.2011	23.05.2013 to 22.05.2021	3.60	1,000,000	(1,000,000)	–	–	–	–
		15.04.2014	15.10.2014 to 14.04.2024	1.00	4,000,000	(4,000,000)	–	–	–	–
			15.04.2015 to 14.04.2024	1.00	2,000,000	(2,000,000)	–	–	–	–
			15.10.2015 to 14.04.2024	1.00	2,000,000	(2,000,000)	–	–	–	–
	Mr. Roy Kong Chi Mo	23.05.2011	23.05.2013 to 22.05.2021	3.60	4,000,000	–	–	–	(4,000,000)	–
		15.04.2014	15.10.2014 to 14.04.2024	1.00	3,500,000	–	–	–	(3,500,000)	–
			15.04.2015 to 14.04.2024	1.00	1,750,000	–	–	–	(1,750,000)	–
			15.10.2015 to 14.04.2024	1.00	1,750,000	–	–	–	(1,750,000)	–
	Mr. Teo Cheng Kwee	15.04.2014	15.10.2014 to 14.04.2024	1.00	100,000	(100,000)	–	–	–	–
			15.04.2015 to 14.04.2024	1.00	50,000	(50,000)	–	–	–	–
			15.10.2015 to 14.04.2024	1.00	50,000	(50,000)	–	–	–	–
	Mr. Yu Xing Yuan	23.05.2011	23.05.2013 to 22.05.2021	3.60	5,000,000	–	–	–	–	5,000,000
		15.04.2014	15.10.2014 to 14.04.2024	1.00	6,900,000	–	–	–	–	6,900,000
			15.04.2015 to 14.04.2024	1.00	3,450,000	–	–	–	–	3,450,000
			15.10.2015 to 14.04.2024	1.00	3,450,000	–	–	–	–	3,450,000
	Mr. Yu Haizong	15.04.2014	15.10.2014 to 14.04.2024	1.00	50,000	–	–	–	–	50,000
			15.04.2015 to 14.04.2024	1.00	25,000	–	–	–	–	25,000
			15.10.2015 to 14.04.2024	1.00	25,000	–	–	–	–	25,000
	Mr. Liu Yi	15.04.2014	15.10.2014 to 14.04.2024	1.00	50,000	–	–	–	–	50,000
			15.04.2015 to 14.04.2024	1.00	25,000	–	–	–	–	25,000
			15.10.2015 to 14.04.2024	1.00	25,000	–	–	–	–	25,000
2.	**Employees** (in aggregate)	23.05.2011	23.05.2013 to 22.05.2021	3.60	12,300,000	(1,000,000)	–	4,000,000	–	15,300,000
		15.04.2014	15.10.2014 to 14.04.2024	1.00	1,050,000	(50,000)	–	3,500,000	–	4,500,000
			15.04.2015 to 14.04.2024	1.00	525,000	(25,000)	–	1,750,000	–	2,250,000
			15.10.2015 to 14.04.2024	1.00	525,000	(25,000)	–	1,750,000	–	2,250,000
	Total				67,100,000	(10,300,000)	–	11,000,000	(11,000,000)	56,800,000

Note: Mr. Yu Xing Yuan resigned as a non-executive Director on 29 February 2016. His share options remain exercisable following his resignation as at the date of this annual report and will be lapsed on 28 March 2016 according to his respective offer letters.

Save as disclosed above, at no time during the year was the Company, its parent 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.

Directors' Report

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 2015, 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:

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, 6 & 7	1,006,754,000(L)	–	–	1,006,754,000 (L)	48.52% (L)
Kingston Grand	1, 2, 3 & 6	–	1,006,754,000 (L)	–	1,006,754,000 (L)	48.52% (L)
Mr. Wang Jin	1, 2, 6 & 7	–	1,006,754,000 (L)	–	1,006,754,000 (L)	48.52% (L)
Mr. Yang Xianlu	1 & 6	–	1,006,754,000 (L)	–	1,006,754,000 (L)	48.52% (L)
Mr. Wu Wendong	1 & 6	–	1,006,754,000 (L)	–	1,006,754,000 (L)	48.52% (L)
Mr. Li Hesheng	1, 2 & 6	–	1,006,754,000 (L)	–	1,006,754,000 (L)	48.52% (L)
Mr. Shi Yinjun	1, 2 & 6	–	1,006,754,000 (L)	–	1,006,754,000 (L)	48.52% (L)
Mr. Zhang Yuangui	1, 2 & 6	–	1,006,754,000 (L)	–	1,006,754,000 (L)	48.52% (L)
Long Sino International Limited	1, 3, 4 & 6	–	1,006,754,000 (L)	–	1,006,754,000 (L)	48.52% (L)
Mr. Zou Hua	1, 4, 5 & 6	–	1,006,754,000 (L)	–	1,006,754,000 (L)	48.52% (L)
Ms. Jiang Hua	1, 5 & 6	–	1,006,754,000 (L)	–	1,006,754,000 (L)	48.52% (L)
Templeton Asset Management Limited	1	–	–	248,646,617(L)	248,646,617 (L)	11.98% (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 Long Sino International Limited.

4. The issued share capital of Long Sino International Limited was owned as to 100% by Mr. Zou Hua.

5. Ms. Jiang Hua was the spouse of Mr. Zou Hua.

6. As at 31 December 2015, 1,006,754,000 Shares were held by Trisonic International. Since Trisonic International, Kingston Grand, Messrs. Wang Jin, Yang Xianlu, Wu Wendong, Li Hesheng, Shi Yinjun, Zhang Yuangui, Long Sino International Limited, Mr. Zou Hua and Ms. Jiang Hua were parties acting in concert, each of Kingston Grand, Messrs. Wang Jin, Yang Xianlu, Wu Wendong, Li Hesheng, Shi Yinjun, Zhang Yuangui, Long Sino International Limited, Mr. Zou Hua and Ms. Jiang Hua was deemed to be interested in 1,006,754,000 Shares held by Trisonic International.

7. Mr. Wang Jin was a director of Trisonic International.

Directors' Report

Save as disclosed above, as at 31 December 2015, 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.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Except for the service contracts, share option schemes as disclosed in this annual report, there were no transactions, arrangements, or contracts of significance in relation to the business of the Group, to which the Company, its parent companies, its subsidiaries or fellow subsidiaries was a party and in which a Director or an entity connected with 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' Report

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

For the year ended 31 December 2015, there were no non-exempt continuing connected transactions (2014: nil).

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.

During the year, the audit committee comprised two independent non-executive Directors, namely Mr. Yu Haizong (Chairman) and Mr. Liu Yi and one non-executive Director, namely Mr. Yu Xing Yuan. Mr. Yu Xing Yuan resigned as a non-executive Director and a member of the audit committee on 29 February 2016 and Mr. Wu Wen, an independent non-executive Director, was appointed as a member of the audit committee on 29 February 2016.

Directors' Report

During the year ended 31 December 2015, the audit committee has reviewed: (i) the audited financial statements of the Group and annual results announcement for the year ended 31 December 2014 and (ii) the financial statements of the Group and interim results announcement for the six months ended 30 June 2015. During the year ended 31 December 2015, 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 2015.

CORPORATE GOVERNANCE

The Company has adopted the CG Code. Throughout the year ended 31 December 2015, the Company has complied with all applicable code provisions as set out in the CG Code except for code provisions A.2.1 and A.6.7 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 2015, 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 37 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.

Directors' Report

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 15 May 2015, (i) Mr. Tang Wei resigned as an executive Director and chief executive officer of the Company; (ii) Mr. Roy Kong Chi Mo resigned as an executive Director and chief financial officer of the Company; (iii) Mr. Teo Cheng Kwee resigned as a non-executive Director; (iv) Mr. Jiang Zhong Ping was appointed as an acting chief executive officer of the Company and (v) Mr. Zheng Zhiquan was appointed as an executive Director and financial controller of the Company.

Effective from 29 February 2016, Mr. Yu Xing Yuan resigned as a non-executive Director.

Pursuant to Rule 13.51(B) of the Listing Rules, the changes in information of Directors/chief executives subsequent to the publication of the interim report of the Company for the six months ended 30 June 2015 are set out below:

Name of Director	**Details of changes**
Mr. Jiang Zhong Ping	Annual director's fee was adjusted to RMB120,000 with effect from 8 October 2015.
Mr. Zheng Zhiquan	Annual director's fee was adjusted to RMB120,000 with effect from 8 October 2015.
Mr. Yu Haizong	Annual director's fee was adjusted to RMB120,000 with effect from 8 October 2015.
Mr. Liu Yi	Annual director's fee was adjusted to RMB120,000 with effect from 8 October 2015.
Mr. Wu Wen	Annual director's fee was adjusted to RMB120,000 with effect from 8 October 2015.

RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

(i) Employees

During the year, the Group cut down the headcount of the employees due to the unfavourable market conditions. As at 31 December 2015, the Group had a total of 1,497 dedicated full time employees, a reduction of approximately 19.7% as compared to the total dedicated full time employees as at 31 December 2014. Management maintained good communications with the employees and encouraged feedbacks from them. The proper training programmes were implemented in order to promote employees' career development and progression within the Group. The Group evaluated the employees regularly, promotions and further trainings were provided when necessary.

(ii) Suppliers

During the year, production volume of the Group's iron ore products significantly declined and purchases from suppliers were significantly reduced. Under such unfavourable market conditions, the Group negotiated extended payment terms with suppliers and decreased the settlements to major suppliers. The Group intends to diversify the business and the relationship with new suppliers of trading business was built.

Directors' Report

(iii) Customers

During the year, the Group tried to maintain good relationships with customers and extended the credit terms to them under the unfavourable market conditions. Certain customers were in financial difficulties and the recoverability of their trade receivables was still low. The Group, therefore, stopped supplying goods, initiated discussions on repayment terms and is in the midst of monitoring their repayment schedules.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws, rules and regulations by the Group that have significant impact on the business and operations of the Group.

AUDITORS

The Company appointed Ernst & Young as auditors of the Company for the year ended 31 December 2015. A resolution will be proposed for approval by the Shareholders at the 2016 AGM to re-appoint Ernst & Young as auditors of the Company.

On behalf of the Board
Jiang Zhong Ping
Chairman

21 March 2016

Corporate Governance Report

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 2015, the Company has complied with the code provisions under the CG Code except for code provisions A.2.1 and A.6.7 as described below.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company deviates from this code provision by Mr. Jiang Zhong Ping, being the chairman and acting chief executive officer of the Company concurrently. On 15 May 2015, Mr. Tang Wei resigned as an executive Director and chief executive officer of the Company and Mr. Jiang Zhong Ping was appointed as the acting chief executive officer of the Company on 15 May 2015 to assume Mr. Tang's responsibilities who takes charge of the supervision of the execution of the policies determined by the Board prior to the appointment of the new chief executive officer. The nomination committee of the Company will consider and identify a suitable individual and make recommendations to the Board on the appointment of the chief executive officer as soon as possible.

Code provision A.6.7 of the CG Code 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. Messrs. Tang Wei, Yu Xing Yuan, Wu Wen and Yu Haizong did not attend the annual general meeting held on 15 May 2015 due to other business commitments.

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 2015.

BOARD OF DIRECTORS

The Board currently comprises a combination of 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. 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 and acting chief executive officer)*	–	M	C
Mr. Zheng Zhiquan *(Financial controller)*	–	–	–
Independent non-executive Directors			
Mr. Liu Yi	M	C	M
Mr. Wu Wen	M	–	–
Mr. Yu Haizong	C	M	M

Notes:

C: Chairman

M: Member

Corporate Governance Report

Biographical details of the above Directors are set out in the section headed "Profile of Directors and Senior Management" on pages 27 to 29 of this annual report.

Mr. Jiang Zhong Ping, an executive Director, entered into a new service contract with the Company for a term of one year commencing from 8 October 2015. Mr. Zheng Zhiquan, an executive Director, entered into a service contract with Company for a term of one year commencing from 15 May 2015. Mr. Yu Xing Yuan, a non-executive Director entered into a new letter of appointment with the Company for a term of one year commencing from 8 October 2015 and he resigned as a non-executive Director on 29 February 2016. Each of our independent non-executive Directors entered into a 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. 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.

Corporate Governance Report

During the year, the Company held one general meeting on 15 May 2015. 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 2015:

	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. Zheng Zhiquan *(Appointed on 15 May 2015)*	3/3	–	–	–	–
Mr. Tang Wei *(Resigned on 15 May 2015)*	1/1	–	–	–	0/1
Mr. Roy Kong Chi Mo *(Resigned on 15 May 2015)*	1/1	–	–	–	1/1
Mr. Teo Cheng Kwee *(Resigned on 15 May 2015)*	0/1	–	–	–	1/1
Mr. Yu Xing Yuan *(Resigned on 29 February 2016)*	4/4	2/2	–	–	0/1
Mr. Liu Yi	4/4	2/2	1/1	1/1	1/1
Mr. Wu Wen	4/4	–	–	–	0/1
Mr. Yu Haizong	4/4	2/2	1/1	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

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 and Mr. Tang Wei acted as the chief executive officer of the Company until 15 May 2015. On 15 May 2015, Mr. Tang Wei resigned as an executive Director and chief executive officer of the Company and Mr. Jiang Zhong Ping was appointed as the acting chief executive officer of the Company on 15 May 2015 to assume Mr. Tang's responsibilities who takes charge of the supervision of the execution of the policies determined by the Board prior to the appointment of the new chief executive officer. Code provision A.2.1 of the CG Code stipulates that the roles of the chairman and chief executive should be separate and should not be performed by the same individual. The Company deviates from this code provision by Mr. Jiang Zhong Ping, being the chairman and acting chief executive officer of the Company concurrently. The nomination committee of the Company will consider and identify a suitable individual and make recommendations to the Board on the appointment of the chief executive officer as soon as possible.

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.

Corporate Governance Report

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 one meeting, at which the members of the remuneration committee have reviewed the remuneration package of the Directors of the Company.

Corporate Governance Report

The remuneration payable to the senior management (comprising Directors) for the year ended 31 December 2015 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	750,001-1,000,000	9.9	24.3	62.7	3.1	100
Mr. Zheng Zhiquan *(Appointed on 15 May 2015)*	250,001-500,000	21.1	70.7	–	8.2	100
Mr. Tang Wei *(Resigned on 15 May 2015)*	1-250,000	56.6	35.9	–	7.5	100
Mr. Roy Kong Chi Mo *(Resigned on 15 May 2015)*	1,500,001-1,750,000	1.8	67.3	27.5	3.4	100
Non-executive Directors						
Mr. Teo Cheng Kwee *(Resigned on 15 May 2015)*	1-250,000	100	–	–	–	100
Mr. Yu Xing Yuan *(Resigned on 29 February 2016)*	1,000,001-1,250,000	8.7	–	91.3	–	100
Independent non-executive Directors						
Mr. Liu Yi	1-250,000	94.4	–	5.6	–	100
Mr. Wu Wen	1-250,000	100	–	–	–	100
Mr. Yu Haizong	1-250,000	94.4	–	5.6	–	100

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the CG Code. During the year, the audit committee comprised two independent non-executive Directors, Mr. Yu Haizong (Chairman) and Mr. Liu Yi and one non-executive Director, namely Mr. Yu Xing Yuan. Mr. Yu Xing Yuan resigned as a non-executive Director and a member of the audit committee on 29 February 2016 and Mr. Wu Wen, an independent non-executive Director, was appointed as a member of the audit committee on 29 February 2016.

The audit committee's main functions are:

- to be responsible for the relationship with the Company's external auditors, including making recommendations to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of its resignation or dismissal;

- to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards and to develop and implement policy on the engaging of an external auditors to supply non-audit services;

Corporate Governance Report

- to monitor the integrity of the Company's and the Group's financial statements and annual/half-year reports and quarterly reports (if prepared for publication) and to review significant financial reporting judgments contained in them; and

- to oversight of the Group's financial reporting system, risk management and internal control systems.

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 the Group's financial statements for the year ended 31 December 2015 have complied with the applicable accounting standards and the legal disclosure requirements, and that adequate disclosures have been made.

The audit committee has appointed Ernst & Young (China) Advisory Limited ("E&Y Advisory") as the internal auditors of the Group in December 2015 to perform internal audit work under a 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.

Corporate Governance Report

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. Zheng Zhiquan and recommended Mr. Zheng Zhiquan 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.

During the year ended 31 December 2015, the Board reviewed and revised the terms of reference for the audit committee in compliance with the new requirements of the CG Code.

AUDITORS' REMUNERATION

For the year ended 31 December 2015, the remuneration paid/payable (excluding out-of-pocket expenses and value added tax) by the Group to the Group's external auditors, Ernst & Young, is set out below:

	RMB
Assurance services	3,350,000
Advisory services	400,000
Total	3,750,000

Corporate Governance Report

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND GOING CONCERN STATEMENT

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.

As at 31 December 2015, the Group's financial position has been materially and adversely affected by a combination of factors, like weak market demand for iron ore products, substantial drop in iron ore price, low plants' utilisation rates, escalated costs for operations, etc. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. As guided in the Strategic Review and Business Update of the Company dated 24 June 2015, the Group has taken various measures to control costs and streamline operations in order to cope with the challenging operating environment amid market uncertainty. If the Group is unable to successfully implement the aforesaid measures or if market conditions turnout to be significantly less favourable to the Group than predicted, the Group may not have sufficient working capital to finance its operations and its financial liquidity may be adversely impacted. In preparing the consolidated financial statements for the year ended 31 December 2015, the Directors have assessed the going concern status of the Group. As disclosed in note 2.1 to financial statements of this annual report, taking into account the measures the Group implemented or is in the process of implementing, the Directors consider that the Group will have sufficient working capital to finance its operations and to pay its financial obligations as and when they fall due. Accordingly, the consolidated financial statements for the year ended 31 December 2015 have been prepared on a going concern basis.

In view of the above, the Company's auditors have included an "Emphasis of Matter" paragraph in its Independent Auditors' Report and the reporting responsibility of the Company's auditors on the consolidated financial statements of the Group for the year ended 31 December 2015 is set out in the Independent Auditors' Report on pages 67 to 68 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 2015 was effective and adequate, and the Company has complied with the CG Code.

Corporate Governance Report

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 2015.

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 2015, 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 the capital market 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.

Corporate Governance Report

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.

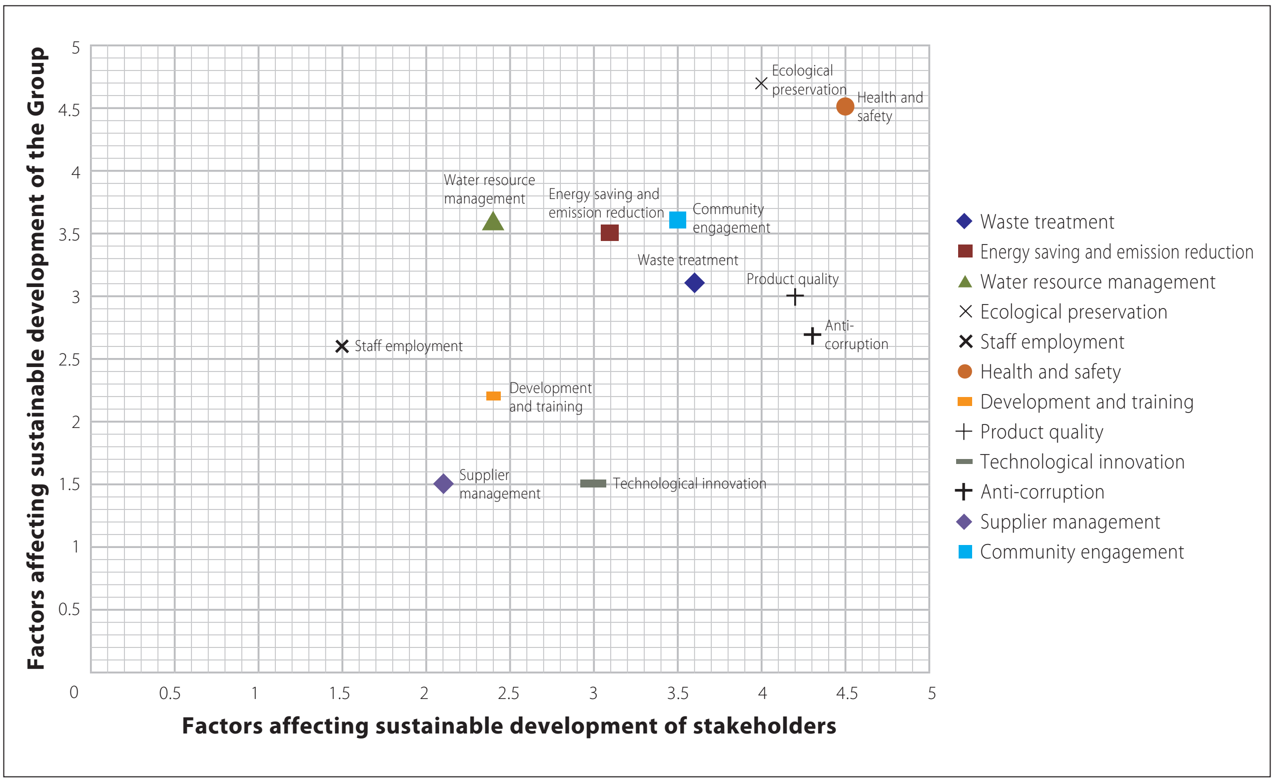
Environment, Social and Governance Report

With a strong foothold in western China, the Group has always been dedicated to providing quality products, promoting the economic development of western China and making contributions to the modernisation of the society. On the bases of main operation and production models, the Group gives due consideration to the environmental impacts brought about by all stages of its operations from ore mining and processing to transportation. In practice, the Group has opened up communication with villages of minority tribes in close proximity to where it operates, and has engaged stakeholders in its corporate strategy formulation and decision making process, so as to realise sustainable development of both the community and the Group.

Based on business nature and operating characteristics, the Group's major stakeholders include:

- customers
- shareholders
- suppliers
- employees
- governments
- local communities
- scientific research institutes

In the course of daily operations, all functional departments and staff members of the Group take initiatives to obtain feedbacks, recommendations and needs from its stakeholders and strive to give prompt response in return. On this basis and with broad reference to the disclosures of benchmark enterprises in respect of sustainable development, its strategic development plan and key concerns raised by the public, as represented by the media, the Group has made judgement on its key sustainability issues for 2015 and by which, identified the information to be disclosed in this report and determined the disclosure level. The conclusion is set out below:



Environment, Social and Governance Report

Based on the conclusion of key issues, the Group established a system in 2015 to collect information on the sustainable development of all operating units for the disclosures as required under the "Environmental, Social and Governance Reporting Guide" of the Stock Exchange (the "ESG Guide"). Some information is not fully disclosed herein in compliance with the requirements of the ESG Guide due to internal control. In 2016, the Group will continue to optimise its corporate, social and governance systems to ensure the completeness of information disclosures.

1. ENVIRONMENT

1.1. Waste Treatment

The Group seeks to minimise the discharge of "three wastes" by strengthening the management of mine waste rocks and mine tailings, enhancing the comprehensive utilisation of tailing slags, preventing any sudden environmental incidents at tailing storage facilities and reducing the environmental pollution caused by slags.

To achieve an improved system for waste treatment, the Group focuses on three areas, namely building up organisational regime, management capability and a sound evaluation system, and hence, has worked out the "Professional Management Measures for Safety and Environmental Protection" (《安全環保專業管理辦法》) and "Rules for Evaluating Safety and Environmental Protection" (《安全環保考核細則》).

The Group adopts open-pit mining and underground mining as its main mining methods. Mine waste rocks with noise are generated in the mining process which only involves the removal of waste rocks. The adoption of physical magnetic separation as its processing method generates tailing slurries and wastewater.

Volume of wastes generated by the Group in 2015

Type of wastes	Volume
Waste rocks (Kt)	567.00
Tailing slurries (Kt)	1,960.14

With the goal of sustainable development, the Group treats the wastes generated during production by reasonable and effective methods as follows:

- Airborne dust during mining: set up reasonable ventilation and exhaustion systems, adopt effective management measures and use confinement technologies to reduce secondary dusting and secondary pollution;
- Noise: adopt innovative technologies and install silencers on empty devices and operating facilities with greater noise and vibration. On top of eliminating the source of noise and vibration, measures are put in place for noise screening and sound proofing;
- Waste oil: actively take part in recycling and treatment by engaging qualified third parties;
- Mine waste rocks: provide support to local third party enterprises for re-utilisation of mine waste rocks by offering incentives at a rate of RMB10 to RMB20 per tonne of mine waste rocks; and
- Tailings: develop capability in risk management and prevent leakage incidents at tailing storage facilities; sell some tailing slurries to local third parties for further extraction of iron ores, thereby achieving economic and environmental benefits.

Environment, Social and Governance Report

All mines owned by the Group have been in exploration phase since the inception of their operations and there are no abandoned mines. The Group actively implements its mine ecological management plans at the mines or shafts in operation. Every year in spring, staff members are called to participate in tree planting activities held in the vicinity of the mines in order to reduce the impacts of our business operations on the surrounding areas.

1.2. Energy Saving and Emission Reduction

The Group advocates green business operations and practices. In daily operations, efforts are made to lower the emission of greenhouse gases by reducing energy and resource consumption with measures including reducing business travels, encouraging telephone conferences in lieu of on-site meetings, promoting paperless office, and reducing the use of printers.

1.2.1. Energy Consumption

The Group is primarily engaged in mining, ore processing, iron pelletising and sales of iron concentrates, iron pellets and titanium concentrates. There is a great demand for energy supply, especially electricity. Technological upgrading, equipment replacement and energy efficiency improvements are the moves taken by the Group to save energy and reduce consumption.

Energy consumption by the Group during the year is set out below:

Energy consumption by the Group in 2015

Type of energy		Volume
Gasoline (Kl)		66.37
Diesel (Kl)		416.63
Electricity (megawatts per hour)	Electricity purchased from external grids	11,256.00
	Electricity purchased from external power plants	6,697.00
Energy consumption per production value of RMB10,000 (kgce)		69.86

1.2.2. Emission of Greenhouse Gases (GHGs)

Climate change has become a major challenge to the world. Production and manufacturing enterprises, being players in the industries characterised by high energy consumption and high pollution, should shoulder more responsibility in combatting climate change. As a mining enterprise, the Group has set energy saving and emission reduction as one of its main priorities for years. In order to effectively address climate change, the Group takes scientific measurement of its carbon emission levels. Through ongoing monitoring and management, the Group aims to minimise the impacts of its business operations on the environment.

Indirect energy emissions and direct emissions from business vehicles are the main sources of GHGs emitted by the Group. There is no direct emission from boilers or other coal-fired and gas-fired equipment in the process of production. To achieve a lower level of GHG emissions, the Group has taken actions to adjust its energy consumption structure by using more clean energy. In 2015, the Maoling-Yanglongshan Mine and the Maoling Processing Plant, which are both owned by the Group, renewed their purchase contracts with Minjiang Hydropower Plant (岷江水電廠). During the year, all the electricity consumed by them is generated from the local hydropower plant.

Environment, Social and Governance Report

GHG emissions by the Group in 2015

Type of GHG emissions	Source of emissions	Volume of carbon dioxide (CO_2) emissions (tonnes)
Direct emissions	Gasoline and diesel used for business vehicles and production facilities	1,243.95
Indirect energy emissions	Electricity purchased	17,457.50
Total		**18,701.45**
CO_2 emissions per production value of RMB10,000		0.36

Note: According to the latest Baseline Emission Factors for Regional Power Grids in China (2014), $EF_{grid,OM,y}$ =0.9724. CO_2 emissions from fossil fuels is calculated based on the "Accounting Methodologies and Reporting Guide of Greenhouse Gases Emissions by the PRC Steel Producers" (《中國鋼鐵生產企業溫室氣體排放核算方法與報告指南（試行）》).

1.3. Consumption of Water Resource

Water is an essential resource for iron ore processing. Taking into account the features of the environment in which our operations take place, the mines owned by the Group are all situated in locations where water is plentiful. The Group has obtained the Water Drawing Permit (取水許可證) pursuant to the laws for natural water extraction. The mines situated in Wenchuan County are adjacent to Minjiang, where water is drawn directly, and spring water from mines in operation is used for ore processing and production. The mines situated in Huili County directly draw water from local reservoirs.

In order to make full use of water resources, the Group applies sewage treatment technologies to recover the water that has been used in ore processing for meeting the prescribed standard of water discharge and water recycling. Tailing effluents are regularly tested by local environmental departments at quarterly intervals to ensure national environmental standards relevant to the indicators including COD and ammonia nitrogen contents are met. During the year, the Group recorded zero pollution incident in respect of waste water discharge.

Water consumption by the Group in 2015

Consumption of water resource	Volume
Water drawing (Kt)	3,111.34
Utilisation rate of recovered waste water used in ore processing (%)	85
Recycled water (Kt)	466.70
Waste water discharged (Kt)	2,644.63
Water consumption per production value of RMB10,000 (tonnes)	60.25

Environment, Social and Governance Report

2. EMPLOYEES

2.1. Employment Relationship

The Group is respectful to the labour rights entitled to every employee. In strict compliance with the requirements under the Labour Law of the PRC (《中華人民共和國勞動法》), the Labour Contract Law (勞動合同法) and other laws and regulations, the Group enters into labour contracts or service agreements with its employees. The Group is against using child labours or forced labours, and our employees are assured that their sex, age, race, religion, location or otherwise are not factors affecting their employment, remuneration package, training and career promotion. The Group is also committed to creating a fair workplace for employees' development.

The Group recruits their employees from the community through open recruitment process. Candidates shall submit a copy of identification card and present the original for verification. In case an incident of child labour is uncovered, the child will be escorted home under care of his/her guardian. During the year, all employees of the Group complied with the relevant PRC laws and regulations.

As at 31 December 2015, the Group had a total of 1,497 employees, 100% of whom have signed labour contracts and 100% of them have been covered by social insurances. The number of departed employees was 80.

Employee distribution by function

Function	Number of employees	Number of departed employees	Turnover rate* (%)
Management and administrative staff	58	12	17.14
Technical staff	56	8	12.50
Operational staff	1,372	60	4.19
Sales and marketing staff	11	0	0
Total	**1,497**	**80**	**5.07**

Employee distribution by age

Age	Number of employees	Number of departed employees	Turnover rate* (%)
≤28	169	17	9.14
28-35	340	32	8.60
35-50	896	27	2.93
≥50	92	4	4.17
Total	**1,497**	**80**	**5.07**

Environment, Social and Governance Report

Employee distribution by sex

Sex	Number of employees	Number of departed employees	Turnover rate* (%)
Male	1,037	67	6.07
Female	460	13	2.75
Total	**1,497**	**80**	**5.07**

Employee distribution by location

Region	Number of employees	Number of departed employees	Turnover rate* (%)
Domestic	1,496	80	5.08
International	1	0	0
Total	**1,497**	**80**	**5.07**

* Turnover rate = Number of employees as at 31 December 2015 / (Number of employees as at 31 December 2015 + Number of departed employees during 2015)

2.2. Health and safety

The Group actively puts into practice the approaches and indicators of safety production with clearly defined safety production responsibility. The Group always strives for better management of safety production and endeavours to curb or minimise the occurrence of incidents in this regard.

In collaboration with the health check and medical centres and hospitals in Sichuan, the Group offers occupational checkups for frontline staff every year and has launched various health check programmes specific to employees' positions for all of their benefits.

Occupational health and safety in 2015

Occupational health and safety	Number
Occupational diseases (cases)	0
Injuries and fatalities at work (cases)	0
Minor injuries (cases)	7
Lost time due to work injury (hours)	165

Environment, Social and Governance Report

2.2.1. Systems and Standardisation

The Group has constituted a series of standardised systems and documents including the "Safety Supervision System" (《安全監察制度》), the "Management Measures for Occupational Health" (《職業健康管理辦法》), the "Management System of Safety Production for Mine Safety Standardisation" (《礦山安全標準化各項安全生產管理制度》), the "Liability System of Safety Production for Mine Safety Standardisation"(《礦山安全標準化安全生產責任制》), the "Document on Process of Mine Safety Standardisation" (《礦山安全標準化程序文件》), the "Working Instructions for Mine Safety Standardisation" (《礦山安全標準化作業指導書》) and the "Emergency Response Plan for Mine Safety Standardisation" (《礦山安全標準化應急預案》), for the purposes of strengthening the management of employees' occupational health and safety. The Group distributes protection items to workers periodically to standardise and achieve safety production, in order to ensure the occupational health and safety for the Group's employees and production safety as a whole.

The "Safety Supervision System" (《安全監察制度》) currently in force requires the Group to conduct a routine comprehensive safety inspection on the 20th day of each month. Under the leadership of the corporate safety committee comprising chairmen of all subsidiaries, such inspections will be carried out by our safety personnel and technicians. Since October 2015, the Group has increased the number of routine safety inspections in each month to two, which will be conducted on the 20th and 28th, respectively.

For the main production sites, video surveillance systems have been installed with designated personnel on duty round the clock to monitor the production safety. Every shaft worker is equipped with GPS location tracker and emergency intercom, so that their locations can be tracked instantly through the surveillance system and emergency response plans will be activated in case of danger. A dedicated team of safety personnel has been set up to be responsible for daily safety monitoring and inspection. The Group continues to strengthen its daily, weekly, monthly and quarterly inspections as well as its random and cross inspections. In doing so, any hidden danger can be detected and rectified in a timely and effective manner. Simultaneously, the Group requests its third party partners to have the corresponding safety personnel and conduct self-inspection of safety.

As for the key sites such as mining fields, explosive storage facilities, processing plants and tailing storage facilities, and the specialised equipment, together with the specialised operation positions such as blasting, the Group has established management regime and safety operation rules. The relevant personnel shall obtain qualification certificates before assuming their posts and attend trainings as required by the relevant PRC regulations.

2.2.2. Safety Education and Promotion

Every year, the Group organises trainings for safety production management officers, education trainings for project safety personnel and safety trainings for employees who resume their duties, with views to enhancing their skills in safeguarding health and safety awareness.

- To promote the Group's approaches to the management staff at all levels, professional technicians and operators by ways of distributing management handbook for safety standardisation, internal publications and posting notices to bulletin boards;

Environment, Social and Governance Report

- To enhance employees' knowledge in the laws and regulations in respect of safety production and other requirements, the safety production committee of the Group organises or engages the relevant staff to attend trainings on laws and regulations and to participate in quiz games; and

- To organise trainings for staff to ensure their sound knowledge and thorough understanding of safety production approaches. The rate of understanding of the approaches and targets of safety production has exceeded 90%.

2.2.3. Emergency Response Management

In view of the environmental and engineering properties of the mining industry, it largely involves dangerous business activities. Therefore, the Group has devised a number of emergency response plans, which include the "Explosive Emergency Response Plan" (《爆炸物品專項預案》), the "Fire Emergency Response Plan" (消防專項預案) and the "Flood Period Emergency Response Plan" (《汛期應急預案》). It has also submitted filings to local work safety administrations and signed the "Medical and Ambulance Agreement" (《醫療救護協議》). These initiatives enable workers to be more capable of giving emergency response when incident happens, ensure the Group can coordinate rescue works promptly and prevent the incident from worsening, in an effort to minimise any loss and effect arising from such incident to the smallest extent possible.

To familiarise with the above emergency response plans, all production units of the Group conduct fire drills twice a year, and emergency response drills according to the time of flood season, so as to improve the capability of emergency response of all staff.

2.3. Development and Training

The Group believes in increasing employees' expertise knowledge and individual competence. The Group endeavours to create a favourable workplace for employees' development by optimising and strengthening its training management system through approaches that combine trainings with performance quality improvements, external trainings, in-house trainings, as well as off-work trainings with monthly summary trainings.

Staff trainings of the Group can be mainly categorised into three types:

- A three-level induction training for new staff members

- An on-job training for frontline staff that is organised at the end of each year

- Professional trainings for particular officers

During the year, 75.09% of the Group's staff received trainings.

Environment, Social and Governance Report

3. OPERATING PRACTICES

3.1. Management of Supply Chain

The Group has outsourced its underground mining operations to third party mining companies. All tasks of ore transportation and trucking rail laying in-situ are undertaken by third party mining companies. Thus, the Group basically liaises with suppliers of materials that are used in the production process after mining operations, such as explosives, steel balls, plates; energy suppliers such as electricity; and logistic and transportation service providers. For the procurement of all regulated raw materials, the Group strictly follows the relevant PRC requirements and transacts only with designated suppliers after obtaining the approval of local regulators.

The Group engages with 12 suppliers, all of whom are located in mainland China. Purchases are made based on the purchase plans regularly reported by production heads, as approved by production safety person-in-charge and aggregated by the finance department. Procurement procedures commence upon the approval of purchase plan.

3.2. Anti-corruption

The Group puts great emphasis on probity and stands resolutely against corruption. The Group has developed a set of anti-corruption principles to reinforce the supervision of leaders and key personnel, with the effect that no power is abused, no wrongful decision is made and no misconduct is committed.

The Group regularly organises anti-corruption trainings for its management members, who are required to confirm in their annual work report if there is any cases of corruption.

The Group monitors the procurement behaviour between its procurement staff and suppliers by making audio records to enhance the transparency of tender and procurement procedures. All bidding suppliers are provided with an anti-corruption card which sets out telephone number for reporting any misbehaviour.

Environment, Social and Governance Report

3.3. Product Responsibility

To pursue a professional quality control system, raise the awareness of the quality of all staff and production processes, ensure all processes are controlled with quality efficiency and profits; realise continued improvement and uplift the quality of products and works, the Group's subsidiaries have formulated the "Measures on Professional Quality Management" (《質量專業管理辦法》), which sets defined goals for product quality:

Goals for product quality

- Guaranteed value of TFe in vanadium-bearing iron concentrates > 54% (Heigutian Processing Plant and Baicao Processing Plant – 55%, Xiushuihe Processing Plant – 54%);
- Chemical contents meet the standards as agreed
- Granularity high of vanadium-bearing iron concentrates < 200, with a target amount of not less than 50%
- Guaranteed value of TFe in ordinary iron concentrates ≥ 65%
- Customer satisfaction level: 90%

The Group takes innovation as an important driver for business growth. Hence, it has constructed a management system for internal technological innovation, under which, our employees are encouraged to work on the research and development of new products and technologies. In 2015, in response to the changing operating and market environment, the Group adjusted its product mix by investing approximately RMB0.2 million in further improving the grade of ordinary iron concentrates (self-produced). The upgraded product mix is expected to increase profitability of the Group in 2016.

4. COMMUNITY

The Group has always endeavoured to grow with the community. Thus, the Group maintains close relationship with local communities, actively contributes towards community building and has established interactive communication channels with local residents. On top of tax contributions, the Group's mining operations strongly push forward the development of local ancillary industries and enterprises of logistics, processing and other sectors. As an example, in Wenchuan County where some of our mines are located, treatment tasks of waste rocks and tailings are outsourced to the local village and town enterprises. Such moves create job opportunities for local residents and increase their income.

To facilitate the development of community welfare and standardise the donation procedures, the Group has developed a set of management measures for donations, which sets out the approval mechanism and procedures of donations. In addition, the Group has given continued support to the local cultural and sports development, and has been actively involved in the cultural activities and sports events organised by government bodies. In 2015, the Group made contributions to the community with a total amount of RMB132,000, mainly as sponsorships of local marathon and badminton competitions.

The Group's mines have all been put into operation for years. The latest mine expansion works took place in 2010. Relocation arrangements have been duly made for the affected residents in accordance with the relevant PRC requirements. In the last five years, no relocation or settlement arrangements were needed to be made for the communities neighbouring the operations of the Group.

INDEPENDENT AUDITORS' REPORT

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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 (the "Company") and its subsidiaries set out on pages 69 to 151, which comprise the consolidated statement of financial position as at 31 December 2015, 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.

INDEPENDENT AUDITORS' REPORT

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 2.1 to the financial statements which indicates the Group incurred a net loss of RMB1,113,191,000 for the year ended 31 December 2015 and, as at that date, the Group's current liabilities exceeds its current assets by RMB105,767,000. These conditions, along with other matters as set out in note 2.1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Ernst & Young
Certified Public Accountants
Hong Kong

21 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
REVENUE	4	**516,365**	649,094
Cost of sales		**(539,535)**	(661,920)
Gross loss		**(23,170)**	(12,826)
Other income and gains	5	**23,971**	52,051
Selling and distribution expenses		**(53,789)**	(35,208)
Administrative expenses		**(197,698)**	(193,501)
Other expenses		**(74,563)**	(14,398)
Impairment loss on goodwill		**(15,318)**	–
Impairment loss on property, plant and equipment	12	**(258,270)**	(166,947)
Impairment loss on intangible assets	13	**(35,715)**	–
Impairment loss on trade receivables	20	**(181,916)**	(82,125)
Impairment loss on assets held for sale	24	**(60,555)**	–
Fair value gains/(losses) on financial assets at fair value through profits or loss	21	**(68,999)**	14,861
Finance costs	6	**(64,465)**	(62,176)
Share of profits and losses of joint ventures		**–**	(308)
LOSS BEFORE TAX	7	**(1,010,487)**	(500,577)
Income tax credit/(expense)	9	**(102,704)**	133,155
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(1,113,191)**	(367,422)
Attributable to:			
Owners of the Company		**(1,105,519)**	(366,381)
Non-controlling interests		**(7,672)**	(1,041)
		(1,113,191)	(367,422)
Loss per Share attributable to ordinary equity holders of the Company:			
Basic and diluted	11	**RMB(0.53)**	RMB(0.18)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**855,644**	1,525,517
Intangible assets	13	**1,651,472**	628,107
Prepaid land lease payments	14	**37,642**	42,282
Prepayments and deposits	15	**6,670**	44,046
Payments in advance	16	**156**	633,186
Goodwill	17	**–**	15,318
Deferred tax assets	18	**36,714**	143,134
Total non-current assets		**2,588,298**	3,031,590
CURRENT ASSETS			
Inventories	19	**234,529**	154,901
Trade and bills receivables	20	**320,114**	533,426
Prepayments, deposits and other receivables	15	**88,703**	122,724
Financial assets at fair value through profit or loss	21	**221,172**	290,171
Due from related parties	22	**6,064**	–
Pledged time deposits	23	**12,904**	200,618
Cash and cash equivalents	23	**187,840**	530,623
		1,071,356	1,832,463
Assets classified as held for sale	24	**378,334**	–
Total current assets		**1,449,690**	1,832,463
CURRENT LIABILITIES			
Trade and bills payables	25	**311,601**	302,057
Other payables and accruals	26	**414,946**	310,269
Interest-bearing bank and other loans	27	**818,366**	975,042
Due to related parties	22	**4,819**	5,245
Tax payable		**3,924**	7,063
Dividend payable		**1,801**	1,801
Total current liabilities		**1,555,457**	1,601,477
NET CURRENT ASSETS/(LIABILITIES)		**(105,767)**	230,986
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,482,631**	3,262,576

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other loans	27	**–**	25,000
Provision for rehabilitation	28	**9,987**	9,347
Other payables	26	**1,078**	701
Total non-current liabilities		**11,065**	35,048
Net assets		**2,471,466**	3,227,528
EQUITY			
Equity attributable to owners of the Company			
Issued capital	29	**182,787**	182,787
Reserves	31	**1,909,128**	3,013,008
		2,091,915	3,195,795
Non-controlling interests		**379,551**	31,733
Total equity		**2,471,466**	3,227,528

Jiang Zhong Ping
Director

Zheng Zhi Quan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

	Attributable to owners of the Company											
	Issued capital RMB'000 note 29	**Share premium account** RMB'000 note 31(a)	**Statutory reserves** RMB'000 note 31(b)	**Safety fund surplus reserve** RMB'000 note 31(d)	**Contributed surplus** RMB'000 note 31(c)	**Share option reserve** RMB'000 note 30	**Difference arising from acquisition of non-controlling interests** RMB'000 note 31(f)	**Capital reserve** RMB'000	**Retained earnings** RMB'000	**Total** RMB'000	**Non-controlling interests** RMB'000	**Total equity** RMB'000
At 1 January 2014	182,787	1,876,296	220,176	90,819	87,238	88,820	(852,820)	186,200	1,701,677	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)
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
At 1 January 2015	**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**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,105,519)**	**(1,105,519)**	**(7,672)**	**(1,113,191)**
Equity-settled share option arrangement	**–**	**–**	**–**	**–**	**–**	**1,639**	**–**	**–**	**–**	**1,639**	**–**	**1,639**
Establishment for safety fund surplus reserve	**–**	**–**	**–**	**8,881**	**–**	**–**	**–**	**–**	**(8,881)**	**–**	**–**	**–**
Acquisition of a subsidiary (note 33)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**355,490**	**355,490**
At 31 December 2015	**182,787**	**1,840,253***	**220,176***	**114,976***	**87,238***	**107,485***	**(852,820)***	**186,200***	**205,620**	**2,091,915**	**379,551**	**2,471,466**

* These reserve accounts comprise the consolidated reserves of RMB1,909,128,000 (2014: RMB3,013,008,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(1,010,487)**	(500,577)
Adjustments for:			
Finance costs	6	**62,170**	58,896
Unrealised foreign exchange losses	6	**795**	1,460
Bank interest income	5	**(4,043)**	(32,218)
Reversal of accrued interest income on bank time deposits		**10,577**	–
Equity-settled share option expense	30	**1,639**	17,026
Fair value losses/(gains) on financial assets at fair value through profit or loss	21	**68,999**	(14,861)
Share of profits and losses of joint ventures		**–**	308
Loss on disposal of items of property, plant and equipment	7	**–**	765
Prepayment written off		**4,890**	–
Write-down of inventories to net realisable value	7	**10,437**	7,658
Impairment losses recognised	7	**551,774**	249,072
Prepaid technical fee released to profit or loss	7	**2,068**	4,133
Prepaid technical fee written off	7	**39,266**	–
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
Gain on disposal of a subsidiary	5	**(17,583)**	–
Depreciation	12	**100,598**	131,972
Amortisation of intangible assets	13	**7,016**	37,893
Amortisation of prepaid land lease payments	14	**1,106**	1,106
		(170,778)	(37,109)
Decrease/(increase) in trade and bills receivables		**31,366**	(230,134)
Increase in inventories		**(90,065)**	(20,787)
Decrease in prepayments, deposits and other receivables		**11,675**	113,370
Decrease/(increase) in amounts due from related parties		**(6,064)**	6,061
Increase/(decrease) in trade and bills payables		**9,544**	(643,038)
Increase in other payables and accruals		**46,933**	70,515
Increase/(decrease) in amounts due to related parties		**(426)**	1,903
Cash used in operations		**(167,815)**	(739,219)
Interest paid		**(42,373)**	(61,951)
Interest received		**11,450**	33,401
Income tax refunded/(income tax paid)		**(3,139)**	3,303
Net cash flows used in operating activities		**(201,877)**	(764,466)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(124,467)**	(132,464)
Proceeds from disposal of items of property, plant and equipment		**1,177**	163
Proceeds from winding up of a joint venture		**–**	10,000
Decrease in time deposits with maturity of over three months		**327,812**	852,188
Purchase of intangible assets		**(4,361)**	(84,945)
Prepayment for the acquisition of subsidiaries		**–**	(433,030)
Acquisition of subsidiaries	33	**(18,047)**	–
Disposal of a subsidiary	34	**(451)**	–
Decrease in pledged bank balances		**187,714**	241,235
Step acquisition of a subsidiary		**–**	(187)
Net cash flows from investing activities		**369,377**	452,960
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of commercial papers		**–**	(150,000)
Proceeds from bank loans		**89,370**	1,241,602
Repayment of bank loans		**(271,046)**	(654,987)
Dividends paid		**–**	(36,043)
Net cash flows from/(used in) financing activities		**(181,676)**	400,572
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(14,176)**	89,066
Cash and cash equivalents at beginning of year		**202,811**	115,018
Effect of foreign exchange rate changes, net		**(795)**	(1,273)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**187,840**	202,811
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position	23	**187,840**	530,623
Time deposits with original maturity over three months		**–**	(327,812)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**187,840**	202,811

NOTES TO FINANCIAL STATEMENTS
31 December 2015

1. CORPORATE AND GROUP 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 Unit A, 4/F, E168, Nos. 166-168 Des Voeux Road, Central, Hong Kong.

During the year ended 31 December 2015, the Group were principally engaged in the business of mining, ore processing, sale of vanadium-bearing iron concentrates, ordinary iron concentrates and titanium concentrates and management of strategic investments. There were no significant changes in the nature of the Group's principal activities during the year.

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

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Company name	Place of incorporation/ registration	Issued share/ registered share capital	Percentage of equity interests attributable to the Company %	Principal activities
Directly held:				
Powerside Holdings Limited	British Virgin Islands ("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	Hong Kong	HK$1	100.0	Investment holding
Huili Caitong[(a)]	PRC	RMB610,520,000	100.0	Iron ore mining, iron ore beneficiation and sale of self-produced products
Lingyu[(b)]	PRC	HK$770,000,000	100.0	Product trading and investment holding
Xiushuihe Mining[(c)]	PRC	RMB200,000,000	95.0	Iron ore mining, iron ore beneficiation and sale of self– produced products

NOTES TO FINANCIAL STATEMENTS

31 December 2015

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Company name	Place of incorporation/ registration	Issued share/ registered share capital	Percentage of equity interests attributable to the Company %	Principal activities
Aba Mining[c]	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.)[c]	PRC	RMB20,000,000	100.0	Iron ore beneficiation and sale of iron concentrates
Sichuan Xinglian Mining and Technology Construction Co.,[c] ("Sichuan Xinglian")	PRC	RMB1,000,000	100.0	Mining and construction consulting Ltd.
Panzhihua Yixingda Industrial Trading Co., Ltd. ("Panzhihua Yixingda")[c]	PRC	RMB1,000,000	100.0	Iron ore mining, iron ore beneficiation and sale of self-produced products
Sichuan Haoyuan[c]	PRC	RMB20,000,000	51.0	Gypsum ore beneficiation and sale of self-produced products
Hanyuan County Xinjin Mining Co., Ltd. ("Xinjin Mining")[c]	PRC	RMB1,150,000	51.0	Gypsum ore mining, gypsum ore beneficiation and sale of self-produced products

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

(b) Lingyu is registered as a wholly-foreign-owned enterprise under the PRC law.

(c) These subsidiaries are registered as domestic enterprises under the PRC law.

During the year, the Group acquired 51% equity interest in Sichuan Haoyuan, comprising Sichuan Haoyuan and its wholly owned subsidiary, namely Xinjin Mining (collectively, "Sichuan Haoyuan Group") and 100% equity interest in Panzhihua Yixingda. Further details of these acquisitions are included in note 33 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with IFRSs and the disclosure requirement of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value. Assets held for sale are stated at the lower of their carrying amounts and fair value less costs to sell as further explained in note 24. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

Going concern basis

During the year ended 31 December 2015, the Group incurred a consolidated net loss of RMB1,113,191,000 (2014: RMB367,422,000) and had a net cash outflows from operating activities of RMB201,877,000 (2014: RMB764,466,000). As at 31 December 2015, the Group had net current liabilities of RMB105,767,000.

In view of these circumstances, the Directors have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. In order to improve the Group's liquidity and cash flows to sustain the Group as a going concern, the Group implemented or is in the process of implementing the following measures:

(a) As at 31 December 2015, the Group's total borrowings amounted to RMB818,366,000, all of which will be due within twelve months from 31 December 2015. The Group has not experienced any significant difficulties in renewing its short-term borrowings upon their maturities and there is no indication that the banks will not renew the existing borrowings if the Group applies for the renewal. Subsequent to 31 December 2015 and up to the date of approval of these financial statements, two banks has confirmed in writing to renew the loans of approximately RMB352,725,000 for another twelve months when they fall due in 2016. The Group will actively negotiate with the respective banks for the renewal of its borrowings when they fall due to secure necessary facilities to meet the Group's working capital and financial requirements. The Directors have evaluated all the relevant facts available to them and are of the opinion that there have a good track record or relationship with the banks so that the bank loans will be renewed upon expiry.

(b) The Group is taking the necessary measures to expedite the disposal of Heigutian Processing Plant (as defined in note 24) at indicative disposal prices under a framework agreement signed with the potential buyers, which is expected to be completed before the first half of 2016.

(c) The Group is closely pursuing to the recoverability of the Exchangeable Notes and considering other potential course of action, including enforcement actions against the issuer of the Exchangeable Notes to fully recover the Exchangeable Notes.

(d) The Group is actively following up with its customers on outstanding trade receivables with an aim of agreeing a repayment schedule with each of them. On the other hand, the Group initiated necessary actions to recover impaired trade receivables related to certain customers.

(e) The Group will proactively implement various strategic plans to streamline its operations to improve profitability and initiate plans to rationalise assets. These will include initiatives to continue suspension on loss-making production, scale back capacity, reduce headcounts, trim operating expenses and reduce capital expenditure.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.1 BASIS OF PREPARATION (continued)

Going concern basis (continued)

The Directors the Company have reviewed the Group's cash flow forecast prepared by management which covers a period of twelve months from the end of the reporting period. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the Directors are of the opinion that it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2015 on a going concern basis.

Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at the amounts other than which they are currently recorded in the consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2015. A subsidiary is an 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 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 Company 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

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 profits, 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 for the first time for the current year's financial statements.

Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*
Annual Improvements 2010-2012 Cycle	
Annual Improvements 2011-2013 Cycle	

The adoption of the above revised standards has had no significant financial effect on these financial statements.

In addition, the Company has adopted the amendments to the Listing Rules issued relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

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

IFRS 9	*Financial Instruments*[3]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[6]
Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
IFRS 14	*Regulatory Deferral Accounts*[5]
IFRS 15	*Revenue from Contracts with Customers*[3]
IFRS 16	*Leases*[4]
Amendments to IAS 1	*Disclosure Initiative*[1]
Amendments to IAS 7	*Disclosure Initiative*
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[2]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[1]
Amendments to IAS 27	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2017
3 Effective for annual periods beginning on or after 1 January 2018
4 Effective for annual periods beginning on or after 1 January 2019
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
6 No mandatory effective date yet determined but is available for adoption

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

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

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 to account for 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. In July 2015, the IASB issued an amendment to IFRS 15 regarding a one-year deferral of the mandatory effective date of IFRS 15 to 1 January 2018. The Group expects to adopt IFRS 15 on 1 January 2018 and is currently assessing the impact of IFRS 15 upon adoption.

In January 2016, the IASB issued IFRS 16 which requires lessees to recognise assets and liabilities for most leases. Under the new standard, a lease is a contract, or part of a contract, that conveys the right to use an identified asset for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset if, throughout the period of use, the customer has the right to obtain substantially all of the economic benefits from the use of the identified asset and direct the use of the identified asset. Lessees are required to initially recognise a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the identified asset for the lease term. Subsequently, lessees accrete the lease liability to reflect interest and reduce the liability to reflect lease payments made. The related right-of-use asset is depreciated in accordance with the depreciation requirements of IAS 16 Property, Plant and Equipment. For lessors, there is little change to the existing accounting in IAS 17 Leases. The Group expects to adopt IFRS 16 on 1 January 2019.

Amendments to IAS 1 include narrow-focus improvement in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in IAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that the entities have flexibility as to the order in which they present the notes to the financial statements; and

(iv) that the share of other comprehensive income of associate and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and statement of profit or loss. The Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

In January 2016, the IASB published Amendments to IAS 7. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments are not expected to have any significant impact on the financial position or performance of the Group upon adoption on 1 January 2017.

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

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 is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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.

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.

When the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognised.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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.

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, deferred tax assets and non-current assets classified as held for sale), 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

An assessment is made at the end of each reporting period as to whether there is 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.

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);
- (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); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

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. When an item of property, plant and equipment is classified as held for sale, it is not depreciated and in accordance with IFRS 5, as further explained in the accounting policy for "Non-current assets held for sale". 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 remaining estimated useful lives of the mining infrastructure at the end of the reporting period ranging from 5.5 years to 22.7 years are determined in accordance with the production plans of the entities concerned and the proved and probable reserves of mines using the UOP method.

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable.

Non-current assets (other than financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

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.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill) (continued)

Exploration rights and assets (continued)

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.

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 purpose 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.

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 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.

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 the UOP method. The capitalisation of development stripping costs ceases when the mine/component is commissioned and ready for use as intended by management.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Stripping (waste removal) costs (continued)

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.

The stripping activity asset is subsequently amortised using the UOP method over the life of the identified component of the ore body that has become 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

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 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

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 consolidated 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.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. In prior years, final dividends proposed by the Directors were classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. Following the implementation of the Hong Kong Companies Ordinance (Cap. 622), proposed final dividends are disclosed in the notes to the financial statements.

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 30 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting 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.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

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 employee 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 independently administered fund.

Housing fund

Contributions to a defined contribution housing fund administered by the Public Accumulation Funds Administration Centre in Mainland China are charged to profit or loss as incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

These financial statements are presented in RMB, which is the functional currency of the Company. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND 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.

Judgement

The Directors have prepared the financial statements on a going concern basis as they are of the opinion that the Group has adequate sources of liquidity to fund the Group's working capital and to meet its debt obligations as they become due based on the measures implemented or being in the process of implementing by the Group as disclosed in note 2.1. Any adverse result on these measures would affect the Group's ability to continue as a going concern.

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 impairment provision goodwill as at 31 December 2015 was RMB15,318,000 (2014: Nil). Further details are given in note 17 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

3. SIGNIFICANT ACCOUNTING ESTIMATES (continued)

Estimation uncertainty (continued)

(b) *Impairment of receivables*

Impairment of receivables is estimated based on an assessment of the recoverability of receivables. The assessment of impairment of receivables involves the use of estimates and judgement. An estimate for doubtful debts is made when collection of the full amount under the invoice is no longer probable, as supported by objective evidence using available contemporary and historical information to evaluate the exposure. Bad debts are written off as incurred. Where the actual outcome or expectation in the future is different from the original estimate 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 2015 was RMB264,041,000 (2014: RMB82,125,000). Further details are given in note 20 to the financial statements.

(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 2015 was RMB3,924,000 (2014: RMB7,063,000).

(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 2015 was RMB855,644,000 (2014: RMB1,525,517,000).

3. SIGNIFICANT ACCOUNTING ESTIMATES (continued)

Estimation uncertainty (continued)

(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 2015 was RMB431,566,000 (2014: RMB258,901,000).

(g) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in downstream industries that consume the Group's products. Management reassesses these estimates at the end of each reporting period. The carrying amount of inventories as at 31 December 2015 was RMB234,529,000 (2014: RMB154,901,000).

NOTES TO FINANCIAL STATEMENTS

31 December 2015

3. SIGNIFICANT ACCOUNTING ESTIMATES (continued)

Estimation uncertainty (continued)

(h) Provision for rehabilitation

Provision for rehabilitation is based on estimates of future expenditures incurred by management to undertake rehabilitation and restoration work which were discounted at a rate of 6.35% as at 31 December 2015 (2014: 6.46%) 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 2015 was RMB9,987,000 (2014: RMB9,347,000).

(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 2015 was RMB36,714,000 (2014: RMB143,134,000). The amount of unrecognised tax losses as at 31 December 2015 was RMB814,982,000 (2014: RMB214,620,000). Further details are contained in note 18 to the financial statements.

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

(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 2015 was RMB221,172,000 (2014: RMB290,171,000). Further details are contained in note 21.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

3. SIGNIFICANT ACCOUNTING ESTIMATES (continued)

Estimation uncertainty (continued)

(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 provisions for property, plant and equipment, intangible assets and assets classified as held for sale as at 31 December 2015 were RMB425,217,000 (2014: RMB166,947,000), RMB35,715,000 (2014: Nil) and RMB60,555,000 (2014: Nil), respectively.

4. REVENUE AND OPERATING SEGMENT INFORMATION

Revenue 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.

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:

	2015		2014	
	RMB'000	**%**	RMB'000	%
Self-produced iron products:				
Vanadium-bearing iron concentrates	**174,304**	**33.8**	335,518	51.7
Ordinary iron concentrates	**85,426**	**16.5**	78,874	12.2
Medium-grade titanium concentrates	**–**	**–**	769	0.1
High-grade titanium concentrates	**14,548**	**2.8**	12,324	1.9
Trading of steels	**169,932**	**32.9**	–	–
Trading of iron products	**72,155**	**14.0**	221,609	34.1
	516,365	**100.0**	649,094	100.0

NOTES TO FINANCIAL STATEMENTS

31 December 2015

4. REVENUE AND OPERATING SEGMENT INFORMATION (continued)

Entity-wide disclosures (continued)

Geographical information

All external revenue of the Group during each of the two years ended 31 December 2015 and 2014 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:

	2015 **RMB'000**	2014 RMB'000
Customer A	*	187,968
Customer B	**122,971**	*
Customer C	**77,600**	81,607
Customer D	**72,278**	83,811
Customer E	**53,266**	–

* Less than 10%

5. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	2015 **RMB'000**	2014 RMB'000
Bank interest income	**4,043**	32,218
Sale of raw materials	**842**	421
Government grants*	**60**	17,613
Gain on disposal of a subsidiary (note 34)	**17,583**	–
Miscellaneous	**1,443**	1,799
Total other income and gains	**23,971**	52,051

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

6. FINANCE COSTS

	Notes	2015 RMB'000	2014 RMB'000
Interest on bank and other loans		**58,294**	37,221
Interest on short-term commercial papers		**–**	7,922
Interest on discounted bills receivable		**3,236**	13,154
Unwinding of discount on provision	28	**640**	599
		62,170	58,896
Foreign exchange losses, net		**795**	1,460
Others		**1,500**	1,820
		64,465	62,176

7. LOSS BEFORE TAX

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

	Notes	2015 RMB'000	2014 RMB'000
Cost of inventories sold		**539,535**	661,920
Employee benefit expenses (including Directors' and chief executive's remuneration (note 8)):			
Wages and salaries		**36,883**	52,209
Welfare and other benefits		**3,580**	6,276
Equity-settled share option expense	30	**1,639**	17,026
Pension scheme contributions			
– Defined contribution fund		**9,409**	12,545
Housing fund			
– Defined contribution fund		**144**	604
Total employee benefit expenses		**51,655**	88,660

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7. LOSS BEFORE TAX (continued)

	Notes	2015 RMB'000	2014 RMB'000
Depreciation	12	**100,598**	131,972
Amortisation of intangible assets	13	**7,016**	37,893
Amortisation of prepaid land lease payments	14	**1,106**	1,106
Depreciation and amortisation expenses		**108,720**	170,971
Impairment losses recognised on:			
Property, plant and equipment	12	**258,270**	166,947
Intangible assets	13	**35,715**	–
Goodwill	17	**15,318**	–
Assets classified as held for sale	24	**60,555**	–
Trade receivables	20	**181,916**	82,125
Total impairment losses recognised		**551,774**	249,072
Operating lease rentals		**1,415**	1,455
Auditors' remuneration		**3,350**	3,950
Amortisation of prepaid technical service fee		**2,068**	4,133
Technical service fee written off		**39,266**	–
Loss on disposal of items of property, plant and equipment		**–**	765
Write-down of inventories to net realisable value		**10,437**	7,658
Gain on winding up of a joint venture		**–**	(95)
Goodwill written off		**–**	280
Prepayment written off		**4,890**	–
Reversal of accrued interest income on time deposits with maturity over three months		**10,577**	–
Fair value losses/(gains) on financial assets at fair value through profit or loss	21	**68,999**	(14,861)
Fair value loss on previously held equity interest under step acquisition of a subsidiary		**–**	73

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

Directors' and chief executives' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2015	2014
	RMB'000	RMB'000
Fees	**644**	773
Other emoluments:		
Salaries, allowances and benefits in kind	**1,586**	1,444
Equity-settled share option expense	**2,069**	12,273
Pension scheme contributions		
– Defined contribution fund	**113**	95
	3,768	13,812
	4,412	14,585

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 30 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.

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

(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
2015			
Mr. Yu Haizong	**101**	**6**	**107**
Mr. Liu Yi	**101**	**6**	**107**
Mr. Wu Wen	**101**	**–**	**101**
	303	**12**	**315**
2014			
Mr. Yu Haizong	95	24	119
Mr. Gu Peidong	79	–	79
Mr. Liu Yi	95	24	119
Mr. Wu Wen	16	–	16
	285	48	333

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

(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
2015					
Executive Directors					
Mr. Jiang Zhong Ping(i)	89	219	565	28	901
Mr. Zheng Zhiquan(ii)	59	198	–	23	280
Mr. Tang Wei(iii)	30	19	–	4	53
Mr. Roy Kong Chi Mo(iv)	30	1,150	471	58	1,709
	208	1,586	1,036	113	2,943
Non-executive Directors					
Mr. Yu Xing Yuan	97	–	1,021	–	1,118
Mr. Teo Cheng Kwee(v)	36	–	–	–	36
	133	–	1,021	–	1,154
	341	1,586	2,057	113	4,097

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

(b) Executive Directors, non-executive Directors and the chief executive (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
2014					
Executive Directors					
Mr. Jiang Zhong Ping	80	148	2,906	19	3,153
Mr. Tang Wei	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	58	–	–	–	58
Mr. Yu Xing Yuan	95	–	5,730	–	5,825
Mr. Teo Cheng Kwee	95	–	12	–	107
	248	–	5,742	–	5,990
	488	1,444	12,225	95	14,252

(i) Mr. Jiang Zhong Ping was appointed as the Company's acting chief executive officer of the Company on 15 May 2015.

(ii) Mr. Zheng Zhiquan was appointed as the Company's executive Director on 15 May 2015.

(iii) Mr. Tang Wei resigned as the Company's executive Director and the chief executive officer on 15 May 2015.

(iv) Mr. Roy Kong Chi Mo resigned as the Company's executive Director and the chief financial officer on 15 May 2015.

(v) Mr. Teo Cheng Kwee resigned as the Company's non-executive Director on 15 May 2015.

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

(c) Five highest paid employees

The five highest paid employees during the year included four (2014: three) Directors (including the acting 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 one (2014: two) highest paid employee who is neither a Director nor chief executive of the Company are as follows:

	2015	2014
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**123**	164
Equity-settled share option expense	**22**	2,770
Pension scheme contributions	**155**	38
	300	2,972

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	
	2015	2014
Nil to HK$1,000,000	**1**	–
HK$1,000,001 to HK$2,000,000	**–**	2
	1	2

NOTES TO FINANCIAL STATEMENTS

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9. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and 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 2015.

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 2015.

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, the PRC subsidiaries are subject to the PRC CIT rate of 25% during the two years ended 31 December 2015.

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

	2015	2014
	RMB'000	RMB'000
Current – the PRC		
Charge for the year	**–**	1,770
Overprovision in prior years	**(3,061)**	(67,778)
Deferred (note 18)	**105,765**	(67,147)
Income tax expense/(credit) for the year	**102,704**	(133,155)

NOTES TO FINANCIAL STATEMENTS

31 December 2015

9. INCOME TAX (continued)

A reconciliation of the tax expense applicable to 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	2015 RMB'000	2014 RMB'000
Loss before tax		**(1,010,487)**	(500,577)
Tax at the applicable tax rate of 25%		**(252,622)**	(125,144)
Lower tax rate for certain subsidiaries	(a)	**25,262**	43,679
Profits attributable to joint ventures		**–**	77
Expenses not deductible for tax	(b)	**5,892**	12,128
Tax effect of tax losses not recognised		**81,091**	–
Tax effect of deductible temporary differences not recognised		**128,096**	–
Reversal of deferred tax assets recognised in prior year		**122,442**	–
Income not subject to tax		**(4,396)**	(3,716)
Over provision of current tax in prior years		**(3,061)**	(67,778)
Effect of change in tax rate on deferred tax		**–**	7,599
Tax expense/(credit) at the Group's effective tax rate		**102,704**	(133,155)

NOTES TO FINANCIAL STATEMENTS

31 December 2015

9. INCOME TAX (continued)

Notes:

(a) Pursuant to the Circular on Issues Concerning Tax Policies for In-depth Implementation of Western Development Strategies of the State Administration of Taxation, the Ministry of Finance and General Administration of Customs (Cai Shui [2011] No. 58), the tax preferential treatments for the Western Region Development are valid until 2020. According to the Circular, "from 1 January 2011 to 31 December 2020, corporate income tax may be levied at a reduced tax rate of 15% for enterprises established in the western region and engaged in encouraged industries. The above-mentioned industries shall refer to enterprises whose principal businesses are the industrial projects prescribed in the Catalogue of Encouraged Industries in the Western Region (the "Catalogue"), the income of which accounts for more than 70% of the total income of such enterprises. The Catalogue of Encouraged Industries in the Western Region shall be issued separately." At present, the Catalogue of Encouraged Industries in the Western Region has been approved by the State Council, and shall be implemented as of 1 October 2014.

Aba Mining and Xiushuihe Mining were assumed to have enjoyed the preferential corporate income tax rate of 15% for the two years ended 31 December 2015 according to the "Western Development Policy". For Huili Caitong, as its revenue fall below the 70% threshold from the industrial projects prescribed in the Catalogue, Huili Caitong is expected to be subject to the PRC CIT rate of 25% for the year ended 31 December 2015 (2014: 15%).

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) Expenses not deductible for tax mainly consist of impairment losses on property, plant and equipment, intangible assets and trade receivables which are deductible differences with no deferred tax assets recognised, fair value losses on financial assets at fair value through profit or loss, unrealised foreign exchange losses, equity-settled share option expense and administrative expenses incurred by offshore companies. These expenses are not expected to be deductible for tax.

10. DIVIDENDS

At a meeting of the Directors held on 21 March 2016, the Directors did not recommend to pay a final dividend for the year ended 31 December 2015 (2014 final dividend: Nil).

11. LOSS 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 (2014: 2,075,000,000) in issue during the year ended 31 December 2015.

No adjustment has been made to the basic earnings per Share amounts presented for the years ended 31 December 2015 and 2014 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 Company's Shares during the current and prior year.

12. PROPERTY, PLANT AND EQUIPMENT

	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 2015							
Cost:							
At 1 January 2015	1,412,093	617,149	5,154	10,682	234,605	43,144	2,322,872
Additions	126,831	2,912	–	–	–	3,788	133,531
Acquisition of a subsidiary (note 33)	572	–	64	522	–	1,493	2,651
Transferred from CIP	23	299	–	–	–	(322)	–
Disposal of a subsidiary (note 34)	(2,438)	(13,681)	(344)	–	–	(194)	(16,657)
Assets classified as held for sale (note 24)	(514,297)	(98,271)	(277)	–	–	–	(612,845)
Disposals	–	(853)	–	(968)	–	–	(1,821)
At 31 December 2015	1,022,784	507,555	4,597	10,236	234,605	47,909	1,827,686
Accumulated depreciation and impairment:							
At 1 January 2015	381,331	360,023	4,039	7,824	44,093	–	797,310
Provided for the year	51,691	36,085	759	1,004	11,059	–	100,598
Disposal of a subsidiary (note 34)	(532)	(5,180)	(290)	–	–	–	(6,002)
Assets classified as held for sale (note 24)	(128,224)	(49,003)	(263)	–	–	–	(177,490)
Impairment recognised during the year	170,059	49,498	117	106	38,490	–	258,270
Disposals	–	(223)	–	(421)	–	–	(644)
At 31 December 2015	474,325	391,200	4,362	8,513	93,642	–	972,042
Net carrying amount:							
At 1 January 2015	1,030,762	257,126	1,115	2,858	190,512	43,144	1,525,517
At 31 December 2015	548,459	116,355	235	1,723	140,963	47,909	855,644

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12. PROPERTY, PLANT AND EQUIPMENT (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 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	–	–	133	665	–	–	798
Transferred from CIP	95,921	2,723	–	–	24,496	(123,140)	–
Offset against government grants received	(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)

Impairment assessment in 2015

In accordance with the Group's accounting policies, each asset or cash-generating unit ("CGU") is evaluated annually at 31 December, to determine whether there are any indications of impairment. If any such indications of impairment exist, a formal estimate of the recoverable amount is performed. In respect of the goodwill which has been allocated to the CGU, the impairment test for goodwill is performed annually or whenever there is an impairment indication. Given the fact that the carrying amount of the Group's net assets exceeded the Group's market capitalisation as at 31 December 2015, management has performed impairment assessment on the Group's property, plant and equipment and intangible assets related to Baicao Mine, Xiushuihe Mine and Maoling Mine.

In assessing whether an impairment is required, the carrying value of the asset or CGU is compared with its recoverable amount. The recoverable amount is the higher of the CGU's fair value less costs of disposal and value in use ("VIU"). Management has performed impairment assessment on all of the carrying amounts of the Group's property, plant and equipment and intangible assets. For the purpose of impairment assessment, Baicao CGU (comprising the mining right to Baicao Mine, stripping activity assets of Baicao Mine and Baicao processing plant), Xiushuihe CGU (comprising mining right to Xiushuihe Mine, Xiushuihe processing plant and Hailong processing plant) and Maoling CGU (comprising mining right to Maoling Mine and Maoling processing plant) are treated as three separate CGUs. The recoverable amounts of Baicao CGU, Xiushuihe CGU and Maoling CGU were estimated based on their respective VIU, determined by discounting the future cash flows to be generated from the continuing use of these CGUs. The recoverable amounts are determined based on a value-in-use calculation using cash flow projections according to financial budgets covering a five-year period approved by management with pre-tax discount rates of 14.24%, 14.60% and 15.05% for Baicao CGU, Xiushuihe CGU and Maoling CGU, respectively. The CGU cash flows beyond the five-year period are extrapolated using a zero growth rate until the end of the respective asset useful lives. Other key assumptions used in the estimation of value in use are as follows:

Recoverable reserves – Economic recoverable reserves represent management's expectations at the time of completing the impairment testing, which comprise proved and probable reserves based on reserves statements prepared by appropriate competent persons.

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margin achieved in the recent years, adjusted for management's expectations for possible changes in the production costs and estimated market prices.

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.

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31 December 2015

12. PROPERTY, PLANT AND EQUIPMENT (continued)

Based on the above-mentioned impairment assessment, the recoverable amounts, carrying amounts and impairment provision of Baicao CGU, Xiushuihe CGU and Maoling CGU as at 31 December 2015 are as follows:

	Recoverable amount RMB'000	**Carrying amount** RMB'000	**Impairment provision** RMB'000
Baicao CGU	249,542	434,281	184,739
Xiushuihe CGU	455,887	571,397	115,510
Maoling CGU	140,680	149,734	9,054

The impairment provision on Baicao CGU, Xiushuihe CGU and Maoling CGU as at 31 December 2015 results in impairment on the following assets.

Impairment loss recognised on property, plant and equipment

An impairment loss of RMB258,270,000 was recognised during the year to write down the carrying amounts of Baicao processing plant, Xiushuihe processing plant and Hailong processing plant, and Maoling processing plant to their respective recoverable amounts of RMB217,420,000, RMB422,208,000 and RMB116,306,000, as at 31 December 2015.

Impairment loss recognised on intangible assets

An impairment loss of RMB35,715,000 (note 13) was recognised during the year to write down the carrying amounts of the mining right and stripping activity assets of Baicao Mine, the mining right and exploration rights and assets of Xiushuihe Mine, and the mining right of Maoling Mine to their respective recoverable amounts of RMB32,122,000, RMB33,679,000 and RMB24,374,000, as at 31 December 2015.

Impairment loss recognised on goodwill

An impairment loss of RMB15,318,000 (note 17) was recognised during the year to fully write down the goodwill arising from the acquisition of Xiushuihe Mining by the Group as at 31 December 2015.

In relation to Baicao CGU, Xiushuihe CGU and Maoling CGU that were impaired during the year, any variation in the key assumptions above would either result in further impairment or lead to a reversal of impairment.

The determination of respective VIU of Baicao CGU, Xiushuihe CGU and Maoling CGU is considered to be Level 3 fair value measurements for the year ended 31 December 2015 (2014: Not applicable), as they are derived from valuation techniques that include inputs that are not based on observable market data. The Group considers the inputs and the valuation approach to be consistent with the approach taken by market participants.

Impairment assessment in 2014

An impairment loss of RMB166,947,000 was recognised during the year ended 31 December 2014 to write down the carrying amount of the production machinery in the new pelletising plant to its recoverable amounts.

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13. INTANGIBLE ASSETS

	Mining rights RMB'000	Stripping activity assets RMB'000	Exploration rights and assets RMB'000	Total RMB'000
31 December 2015				
Cost:				
At 1 January 2015	397,520	145,512	258,901	801,933
Additions	–	3,335	1,026	4,361
Acquisition of subsidiaries (note 33)	761,861	–	299,874	1,061,735
Transfer from exploration rights and assets	122,233	–	(122,233)	–
At 31 December 2015	1,281,614	148,847	437,568	1,868,029
Accumulated amortisation and impairment:				
At 1 January 2015	103,204	70,622	–	173,826
Impairment recognised for the year (note 12)	14,574	15,139	6,002	35,715
Amortisation provided during the year	4,740	2,276	–	7,016
At 31 December 2015	122,518	88,037	6,002	216,557
Net carrying amount:				
At 1 January 2015	294,316	74,890	258,901	628,107
At 31 December 2015	1,159,096	60,810	431,566	1,651,472

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13. INTANGIBLE ASSETS (continued)

	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

As at 31 December 2015, the mining rights of the Baicao Mine, the Xiushuihe Mine and the Maoling Mine with net carrying amounts of RMB47,260,000 (net of impairment loss of RMB11,113,000 recognised during the year) (31 December 2014: RMB58,621,000), RMB6,406,000 (net of impairment loss of RMB1,892,000 recognised during the year) (31 December 2014: RMB12,029,000) and RMB24,374,000 (net of impairment loss of RMB1,569,000 recognised during the year) (31 December 2014: Nil), respectively, were pledged to secure the Group's bank loans.

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14. PREPAID LAND LEASE PAYMENTS

	2015 RMB'000	2014 RMB'000
Carrying amount at 1 January	**42,282**	43,388
Assets classified as held for sale (note 24)	**(3,534)**	–
Amortised during the year (note 7)	**(1,106)**	(1,106)
Carrying amount at 31 December	**37,642**	42,282

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. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2015 RMB'000	2014 RMB'000
Current portion:			
Prepayments consisting of:			
Prepaid technical service fee	(a)	**–**	4,133
Purchase of raw materials		**6,177**	3,171
Utilities		**5,947**	7,923
Prepayment for the use right of a road		**45**	45
Purchase of iron concentrates		**–**	7,169
Prepayment for acquisition of an associate		**–**	4,890
Prepaid stripping and mining fees	(b)	**57,682**	62,261
Prepaid transportation fees		**4,607**	3,725
Other prepayments		**8,691**	4,800
Interest income receivable		**–**	17,984
Other receivables consisting of:			
Compensation receivable		**–**	2,452
Disposal of a subsidiary		**1,000**	–
Other receivables		**4,554**	4,171
		88,703	122,724
Non-current portion:			
Prepaid technical service fee	(a)	**–**	37,201
Prepayment for the use right of a road		**784**	829
Long-term environmental rehabilitation deposits		**5,886**	6,016
		6,670	44,046
		95,373	166,770

NOTES TO FINANCIAL STATEMENTS

31 December 2015

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Notes:

(a) Pursuant to the technical service agreement entered into between Xiushuihe Mining and Nanjiang, an independent third party, on 15 January 2010, Xiushuihe Mining made a one-off prepayment to Nanjiang of approximately RMB62,000,000 as technical service support fee for a period of 15 years ending on 31 December 2024. During the year ended 31 December 2015, the balance of the prepaid technical service of RMB39,266,000 was written off during the year as the Directors are of the view that, it is not probable that future economic benefits associated with the technical consultancy services provided by Nanjiang will be realised by the Group in the foreseeable future following the overall downsizing plans initiated by the Group, given the unfavorable market condition.

(b) As at 31 December 2015, the balance represented prepaid stripping and mining fees made to an independent third party contractor for stripping and mining activities at Xiushuihe Mine for lower stripping and mining rates offered by the said contractor.

16. PAYMENTS IN ADVANCE

	2015	2014
	RMB'000	RMB'000
In respect of:		
Purchase of machinery and equipment	**156**	131
Acquisition of subsidiaries	**–**	633,055
	156	633,186

As at 31 December 2014, payments in advance in respect of acquisition of subsidiaries consisted of (i) the prepayment of RMB354,025,000 in respect of the acquisition of 51% equity interests in Sichuan Haoyuan, which was settled upon the completion of the foresaid acquisition on 2 July 2015; and (ii) the prepayment of RMB279,030,000 in respect of the acquisition of 100% equity interests in Panzhihua Yixingda, which was settled upon the completion of the foresaid acquisition on 4 January 2015. Further details are given in note 33 to the financial statements.

17. GOODWILL

	RMB'000
Carrying amount at 1 January 2014, 31 December 2014 and 1 January 2015	15,318
Impairment (note 7)	(15,318)
Carrying amount at 31 December 2015	–

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.

17. GOODWILL (continued)

Impairment testing of goodwill

Goodwill acquired through business combination is allocated to the Xiushuihe CGU for impairment testing.

The recoverable amount of the Xiushuihe CGU as at 31 December 2015 of RMB455,887,000 (2014: RMB587,366,000) has been determined based on a value-in-use calculation using cash flow projections based on the key assumptions as disclosed in note 12.

18. DEFERRED TAX

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

	Losses available for offsetting against taxable profits	Excess tax depreciation over book value of fixed assets	Provision for rehabi-litation	Unrealised profit from intra-group transac-tions	Stripping cost	Provision for impair-ment	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 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	32,193	(4,620)	(61)	(1,036)	5,313	37,361	(3,401)	65,749
Deferred tax assets at 31 December 2014 and 1 January 2015	**32,193**	**9,941**	**2,003**	**833**	**56,136**	**37,361**	**4,667**	**143,134**
Deferred tax credited/ (charged) to profit or loss during the year (note 9)	**21,979**	**(7,195)**	**319**	**(608)**	**–**	**–**	**2,182**	**16,677**
Reversal during the year (note 9)	**(28,945)**	**–**	**–**	**–**	**(56,136)**	**(37,361)**	**–**	**(122,442)**
Disposal of a subsidiary (note 34)	**–**	**–**	**–**	**–**	**–**	**–**	**(655)**	**(655)**
At 31 December 2015	**25,227**	**2,746**	**2,322**	**225**	**–**	**–**	**6,194**	**36,714**

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18. DEFERRED TAX (continued)

Notes:

(a) As at 31 December 2015, the Group has tax losses arising from Mainland China of RMB814,982,000 (2014: RMB214,620,000) that would expire in four to five years and deductible temporary differences of RMB811,283,000 (2014: RMB249,072,000) that were available for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses and deductible temporary differences as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

(b) 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 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 2016. Regarding the tax rates applicable to Aba Mining 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).

(c) 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 2015, 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 (2014: RMB1,845,320,000).

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

19. INVENTORIES

	2015	2014
	RMB'000	RMB'000
At cost:		
Raw materials	**75,110**	90,340
Spare parts and consumables	**29,512**	30,590
Finished goods	**148,117**	41,744
	252,739	162,674
Inventory provision	**(18,210)**	(7,773)
	234,529	154,901

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20. TRADE AND BILLS RECEIVABLES

	2015 RMB'000	2014 RMB'000
Trade receivables	**564,118**	564,515
Impairment	**264,041**	(82,125)
Trade receivables, net of impairment	**300,077**	482,390
Bills receivable	**20,067**	51,036
	320,144	533,426

The Group's trading terms with its customers are mainly on credit. The Group granted a six-month credit term to its existing customers, which is further extended to nine months since 1 July 2015 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:

	2015 RMB'000	2014 RMB'000
Within 9 months	**155,677**	482,390
9 to 12 months	**71,126**	–
Over 1 years	**73,274**	–
	300,077	482,390

The movement in provision for impairment of trade receivables is as follows:

	2015 RMB'000	2014 RMB'000
At 1 January	**82,125**	–
Impairment recognised (note 7)	**181,916**	82,125
At 31 December	**264,041**	82,125

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20. TRADE AND BILLS RECEIVABLES (continued)

The Group had previously warned that the downstream operations (i.e., the distribution business of its customers) have been adversely affected by significantly lower demand and market prices. Impairment of trade receivables recognised during the year ended 31 December 2015 represented a provision for individually impaired trade receivables of RMB181,916,000 (2014: RMB82,125,000) with an aggregate carrying amount before provision of RMB255,190,000 (2014: RMB82,125,000). The individually impaired trade receivables related to certain customers that were in financial difficulties, which the Group had stopped supplying goods, initiated discussions on repayment terms and is in the midst of monitoring their repayment schedules. Whilst the Group will continue to follow up closely on the receivable status, the recoverability of part of the receivables has specifically been affected by the weak market condition, may be delayed by a longer-than-expected period or part of the receivables may not be recoverable. As such, the Group had made a provision for impairment of RMB181,916,000 during the year. Despite such provisions and longer-than-expected repayment periods, the Group will initiate necessary actions to recover these receivables in part or in full.

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

	2015	2014
	RMB'000	RMB'000
Neither past due nor impaired	**155,677**	223,595
Less than 9 months past due	**71,126**	258,795
9 months to 1 year past due	**73,274**	–
	300,077	482,390

As at the reporting date, except for the above-mentioned provisions, the Directors are of the opinion that no further provision for impairment is necessary in respect of receivables of RMB144,400,000 (net of impairment) which are past due but not impaired as the balances are still considered fully recoverable based on the recent credit reviews conducted by the management. However, due to the continual weak market condition might lead to increasingly higher credit risk and thus, management's close monitoring of the collection cycles is required. The Group will continue to review the receivables' status regularly.

As at 31 December 2015, 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 RMB107,256,000 (2014: RMB294,495,000); furthermore, as at 31 December 2015, the Group discounted certain bills receivable accepted by banks in the PRC, with a carrying amount in aggregate of RMB10,500,000 (2014: RMB39,045,000) (collectively referred to as the "Derecognised Bills"). The Derecognised Bills have a maturity term 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 RMB3,236,000 (2014: RMB13,154,000) (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.

21. 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 (the "Exchangeable Notes") 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 "Issuer"). The original maturity dates of the Exchangeable Notes were 25 November 2014.

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 an event of default under the exchangeable notes. During the year, Sure Prime together with other noteholders gave effect to the waiver in favour of the Issuer to waive the event of default and the maturity date of the Exchangeable Notes was extended from 25 November 2014 to 25 March 2015 and further extended to 25 August 2015 pursuant to two separate default waiver letters. In addition, 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 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 presentations of exchange notice. Since the previous extension on default waiver, the Group does not receive any part of the amount repayable by the Issuer from the redemption of the Exchangeable Notes. The management has been following up with the Issuer since then.

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

	2015	2014
	RMB'000	RMB'000
Carrying amount at 1 January	**290,171**	275,310
Fair value gains/(losses) recognised during the year (note 7)	**(68,999)**	14,861
Carrying amount at 31 December	**221,172**	290,171

* The amortisation of day one profit included in the fair value losses of financial assets at fair value through profit or loss recognised during the year is nil (2014: RMB2,997,000).

The fair value of the Exchangeable Notes as at 31 December 2015 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:

	2015	2014
Risk-free interest rate (Indonesia) (% per annum)	**0.91**	0.32
Recovery rate (%)	**40.00**	69.25

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22. BALANCES WITH RELATED PARTIES

	Notes	2015 RMB'000	2014 RMB'000
Due from related parties:			
Non-trade in nature			
– Sichuan Tongyu Logistics Co., Ltd. ("Tongyu Logistics")	(a)	**5,763**	–
– Chengyu Vanadium Titano	(b)	**301**	–
		6,064	–
Due to related parties:			
Non-trade in nature			
– Trisonic International	(c)	**2,542**	3,046
– Yanyuan Xiwei	(d)	**1,339**	1,339
– Longwei Hotel Management Co., Ltd. ("Longwei Hotel")	(e)	**489**	562
– Chuan Wei	(f)	**449**	298
		4,819	5,245

Notes:

(a) Tongyu Logistics is a company controlled by Chuan Wei. The balance due from Tongyu Logistics as at 31 December 2015 represented the prepaid transportation expenses.

(b) Chengyu Vanadium Titano and Trisonic International are ultimately controlled by the same beneficial owners. The balance due from Chengyu Vanadium Titano as at 31 December 2015 represented miscellaneous expenses paid by the Group on behalf of Chengyu Vanadium Titano.

(c) Balances due to Trisonic International represented miscellaneous expenses prepaid by Trisonic International on behalf of the Company.

(d) Yanyuan Xiwei is a company controlled by Chuan Wei. Balances due to Yanyuan Xiwei represented certain expenses paid by Yanyuan Xiwei on behalf of Aba Mining.

(e) 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.

(f) Chuan Wei and Trisonic International are ultimately controlled by the same beneficial owners. Balances due to Chuan Wei mainly comprised staff remuneration paid by Chuan Wei on behalf of Lingyu and Aba Mining.

23. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	2015	2014
	RMB'000	RMB'000
Cash and bank balances	**187,840**	200,623
Time deposits with original maturity of		
– less than three months	**–**	2,188
– over three months	**12,904**	528,430
	200,744	731,241
Less: pledged time deposits *	**(12,904)**	(200,618)
Cash and cash equivalents	**187,840**	530,623

* As at 31 December 2015, time deposits of RMB12,904,000 were pledged to secure the issuance of bills payable (note 25). 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 and the issuance of bills payable, respectively.

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

	2015	2014
	RMB'000	RMB'000
Cash and bank balances denominated in:		
HK$	**2,867**	2,011
USD	**37**	2,230

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.

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24. ASSETS CLASSIFIED AS HELD FOR SALE

Management has permanently ceased the production for Heigutian processing plant under the Group's strategic plans as the plant continued to operate at below optimal utilisation level and failed to achieve economies of scale despite various operational streamlining exercises due to challenging operating environment and massive overcapacity concerns for the industry. Management has very limited opportunity to optimise its capacity utilisation with no immediate plans to revive the production for this processing plant. As such, management has decided to either (i) dispose the plant and equipment on a piecemeal basis or (ii) Heigutian processing plant in its entirety.

Management has been in active discussions with the potential buyers for the proposed sale before 30 June 2015 and from the discussions held, management noted that the potential proceeds from the sale of the entire plant are likely to be higher than that arising from sale of plant and equipment on a piecemeal basis. Management plans to complete the proposed sale within the next 12 months starting from 30 June 2015. As such, Heigutian processing plant was classified as assets held for sale as at 31 December 2015 and recorded at fair value less cost to sell.

Non-recurring fair value measurements:

	2015 **RMB'000**	2014 RMB'000
Assets held for sale	**378,334**	–

In accordance with IFRS 5, assets held for sale including property, plant and equipment and prepaid land lease payments with a carrying amounts of RMB435,355,000 (note 12) and RMB3,534,000 (note 14) respectively, were written down to their fair values less cost to sell of RMB378,334,000, resulting in a loss of RMB60,555,000 (note 7), which was included in profit or loss for the year.

The non-recurring fair value measurement for assets held for sale is considered to be Level 2 for the year ended 31 December 2015 (2014: Not applicable), as it is derived from quoted prices in markets that are not active.

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25. TRADE AND BILLS PAYABLES

	2015	2014
	RMB'000	RMB'000
Trade payables	**279,070**	243,956
Bills payable	**32,531**	58,101
	311,601	302,057

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:

	2015	2014
	RMB'000	RMB'000
Within 180 days	**195,544**	154,385
181 to 365 days	**22,168**	54,039
1 to 2 years	**40,130**	56,528
2 to 3 years	**29,055**	21,325
Over 3 years	**24,704**	15,780
	311,601	302,057

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 2015, the Group's bills payable of RMB30,400,000 (2014: RMB48,880,000) were secured by pledged time deposits (note 23).

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26. OTHER PAYABLES AND ACCRUALS

	Notes	2015 RMB'000	2014 RMB'000
Current portion:			
Advances from customers		**19,689**	12,670
Payables related to:			
Construction in progress		**129,400**	120,311
Taxes other than income tax		**72,691**	68,456
Exploration and evaluation assets		**19,912**	–
Payroll and welfare payable		**72,162**	58,997
Acquisition of subsidiaries			
– Sichuan Xinglian	(a)	**2,543**	2,543
– Panzhihua Yixingda	(b)	**20,000**	–
Consultancy and professional fees		**4,852**	2,680
Deposits received		**511**	620
Land occupation compensation payables		**7,110**	7,524
Accrued government surcharges		**32,463**	25,331
Accrued price adjustment fund		**8,003**	8,003
Accrued interest expenses		**19,157**	–
Other payables		**6,453**	3,134
		414,946	310,269
Non-current portion:			
Other payables		**1,078**	701
		416,024	310,269

Notes:

(a) Balances represented the remaining consideration payable to an independent third party in relation to the acquisition of a 45% equity interest in Sichuan Xinglian by Lingyu.

(b) The balance as at 31 December 2015 represented the remaining consideration payable to independent third parties in relation to the acquisition of a 100% equity interest in Panzhihua Yixingda by Huili Caitong.

27. INTEREST-BEARING BANK AND OTHER LOANS

	Notes	2015 RMB'000	2014 RMB'000
Bank loans:			
Secured	(a)	**373,700**	439,845
Unsecured	(b)	**443,866**	556,945
Other loans, unsecured	(c)	**800**	3,252
		818,366	1,000,042
Bank loans repayable:			
Within one year		**817,566**	971,790
In the second year		**–**	25,000
		817,566	996,790
Unsecured other loans repayable:			
Within one year		**800**	3,252
Total bank and other loans		**818,366**	1,000,042
Balances classified as current liabilities		**(818,366)**	(975,042)
Balances classified as non-current liabilities		**–**	25,000

Notes:

(a) The balance as at 31 December 2015 consisted of (i) a bank loan of RMB120,000,000 granted by SPDB Chengdu Branch to the Group renewed upon the maturity in September 2015 bearing interest at the rate of 5.88% per annum, which are pledged by the mining right of Xiushuihe Mining and 95% equity interests in Xiushuihe Mining; (ii) bank loans of RMB225,000,000 granted by CCB Huili Branch to the Group renewed upon the maturity in December 2015 bearing interest at the rate of 5.32% per annum, which are pledged by the mining right of Baicao Mine; and (iii) a bank loan of RMB28,700,000 granted by SPDB Chengdu Branch to the Group in August 2015 bearing interest at the rate of 6.48% per annum, which are pledged by the mining right of Maoling Mine.

(b) As at 31 December 2015, Huili Caitong had an unsecured interest-bearing bank loan of RMB75,000,000 from CCB Xichang Branch at a fixed rate of 6.55% per annum. In accordance with the bank loan agreement entered between Huili Caitong and CCB Xichang Branch, Huili Caitong agreed not to mortgage or pledge the iron concentrates production line with annual production capacity of 500,000 tonnes to any other parties, and CCB Xichang Branch will be entitled to a pre-emption right in the event of such mortgage or pledge.

In addition, as at 31 December 2015, Huili Caitong and Xiushuihe Mining had unsecured interest-bearing bank loans from CMB Yingmenkou Branch, ICBC Liangyshan Branch and SPDB Chengdu Branch of RMB136,166,000, RMB112,700,000 and RMB120,000,000, respectively, with fixed rates ranging from 5.35% to 6.0% per annum. The above unsecured interest-bearing bank loans were guaranteed by the Company at nil consideration.

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

Notes: (continued)

(c) Other loans represented interest-bearing loans granted by Wenchuan County State Assets Investment Co., Ltd. to Aba Mining for the reconstruction of production plants affected by the earthquake in May 2008. Other loans are unsecured and interest-bearing at a fixed rate of 5.76% per annum, which are fully due for repayment in 2016.

As at 31 December 2015, all bank and other loans were denominated in RMB (bank loans denominated in USD as at 31 December 2014: RMB94,845,000).

28. PROVISION FOR REHABILITATION

	2015	2014
	RMB'000	RMB'000
At the beginning of year	**9,347**	8,748
Unwinding of discount (note 6)	**640**	599
At the end of year	**9,987**	9,347

29. SHARE CAPITAL

Shares

	2015	2014
	RMB'000	RMB'000
Authorised:		
10,000,000,000 (2014: 10,000,000,000) ordinary Shares of HK$0.1 each	**880,890**	880,890
Issued and fully paid:		
2,075,000,000 (2014: 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 2015.

30. SHARE OPTION SCHEMES

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

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

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

Share options granted to Directors, chief executives, substantial Shareholders or any of their respective associates are subject to approval by the independent non-executive Directors (excluding the independent non-executive Directors who are the grantees of the options). In addition, 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 Company's Shares quoted on the HKSE 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 of Directors, but may not be less than the highest of (i) the nominal value of Shares of the Company; (ii) the average closing price of the Company's Shares for the five trading days immediately preceding the date of grant of the share options; and (iii) the HKSE closing price of the Company's Shares on the date of grant of the share options.

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30. SHARE OPTION SCHEMES (continued)

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

	Notes	**Weighted average exercise price** HK$ per Share	**Number of options** '000
As at 1 January 2015			
– Old Option Scheme	(a)	5.03	29,600
– New Option Scheme	(a)	2.06	67,100
Forfeited during the year			
– Old Option Scheme	(b)	5.01	(1,400)
– New Option Scheme	(b)	1.50	(10,300)
As at 31 December 2015		3.11	85,000

Notes:

(a) The share options outstanding as at 1 January 2015 represented share options granted under the Old Option Scheme and the New Option Scheme by the Company on 29 December 2009, 1 April 2010, 23 May 2011 and 15 April 2014 at the exercise prices of HK$5.05, HK$4.99, HK$3.60 and HK$1.00 per share, respectively.

(b) The share options granted to Mr. Tang Wei and other employee under the Old Option Scheme and the New Option Scheme were forfeited following their resignation during the year. The share options granted to Mr. Teo Cheng Kwee and other employee under the New Option Scheme were forfeited following their resignation during the year.

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30. SHARE OPTION SCHEMES (continued)

The exercise prices and exercise periods of the share options outstanding as at 31 December 2015 and 31 December 2014 are as follows:

2015

Number of options	**Exercise price per Share**	**Exercise period**
'000	**HK$**	
9,900	**5.05**	**29 June 2012 to 28 December 2019**
9,900	**5.05**	**29 December 2014 to 28 December 2019**
4,200	**4.99**	**1 October 2012 to 31 March 2020**
4,200	**4.99**	**1 April 2015 to 31 March 2020**
25,300	**3.60**	**23 May 2013 to 22 May 2021**
15,750	**1.00**	**15 October 2014 to 14 April 2024**
7,875	**1.00**	**15 April 2015 to 14 April 2024**
7,875	**1.00**	**15 October 2015 to 14 April 2024**
85,000		

2014

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		

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30. SHARE OPTION SCHEMES (continued)

The Group has 85,000,000 share options exercisable as at 31 December 2015 (2014: 72,100,000) and the weighted average exercise price was HK$3.11 per Share (2014: HK$3.38).

The Group recognised a share option expense of HK$1,956,000 (equivalent to approximately RMB1,639,000), net of reversal of a share option expense of HK$2,359,000 (equivalent to approximately RMB1,977,000) due to the resignation of certain employees during the year ended 31 December 2015 (2014: HK$20,056,000, equivalent to approximately RMB17,026,000).

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

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 2015, the Company had 28,200,000 share options outstanding under the Old Option Scheme and 56,800,000 share options outstanding under the New Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 85,000,000 additional ordinary Shares of the Company and additional share capital of HK$8,500,000 and share premium of HK$255,986,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 85,000,000 share options outstanding, which represented approximately 4.1% of the Company's Shares in issue as at that date.

31. RESERVES

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

(a) Share premium account

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

(b) Statutory reserve fund

In accordance with the Company Law of the PRC and the respective articles of association of 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, 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.

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

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

(c) Contributed surplus

The contributed surplus represented the difference between the nominal value of the Company's Shares issued in exchange of or consideration paid for subsidiaries acquired and the aggregate amount of the nominal value for the paid-up capital of these subsidiaries attributable to the owners of the Company for business combinations under common control.

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31. RESERVES (continued)

Group (continued)

(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.

32. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiary that has material non-controlling interests are set out below:

	2015
	RMB'000
Percentage of equity interest held by non-controlling interests:	
Sichuan Haoyuan Group	49%
Loss for the year allocated to non-controlling interests:	
Sichuan Haoyuan Group	172
Accumulated balances of non-controlling interests at the reporting date:	
Sichuan Haoyuan Group	355,318

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32. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

	2015
	RMB'000
Revenue	7
Total expenses	(359)
Loss and total comprehensive loss for the year	(352)
Current assets	2,087
Non-current assets	764,193
Current liabilities	(41,142)
Net cash flows used in operating activities	(436)
Net cash flows used in investing activities	(11,992)
Net cash flows from financing activities	2
Net decrease in cash and cash equivalents	(12,426)

33. ACQUISITIONS

(a) Acquisition of 100% equity interest in Panzhihua Yixingda

The Group entered into an equity transfer agreement on 28 December 2011 with independent third parties (the "Sellers") in respect of the acquisition of 100% equity interest in Panzhihua Yixingda. Panzhihua Yixingda owns an exploration right to Haibaodang Mine, a vanadium-bearing titano-magnetite mine located in Sichuan Province with an exploration permit for a validity term until 18 June 2016. On 29 December 2014, the Group entered into a third supplemental agreement with the Sellers, pursuant to which the final consideration was adjusted from the minimum consideration of RMB600 million to approximately RMB301.3 million due to the continuing decrease in market price of iron ore products, of which RMB281.3 million was paid up to 31 December 2015. The acquisition of Panzhihua Yixingda was completed on 4 January 2015 when Panzhihua Yixingda completed its business registration change to reflect the acquisition of a 100% equity interest by the Group. The acquisition of Panzhihua Yixingda has been accounted for as asset acquisition, as Panzhihua Yixingda had no attribution of a business.

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33. ACQUISITIONS (continued)

(b) Acquisition of 51% equity interest in Sichuan Haoyuan Group

The Group entered into an equity transfer agreement on 22 May 2014 with an independent third party in respect of the acquisition of 51% equity interest in Sichuan Haoyuan Group. Sichuan Haoyuan Group owns a mining right to Shigou Gypsum Mine, a gypsum mine located in Sichuan Province with a mining permit for a validity term until 11 November 2039. The total cash consideration for the acquisition of Sichua Haoyuan Group was RMB370.0 million, which has been fully paid up to 31 December 2015. The acquisition of Sichuan Haoyuan Group was completed on 2 July 2015 when Sichuan Haoyuan Group completed its business registration change to reflect the acquisition of 51% equity interest by the Group. The acquisition of Sichuan Haoyuan Group has been accounted for as asset acquisition, as Sichuan Haoyuan Group had no attribution of a business.

The identified assets and liabilities as at the respective dates of the foresaid acquisitions were as follows:

	Sichuan Panzhihua Yixingda	**Haoyuan Group**	**Total**
	RMB'000	RMB'000	RMB'000
Property, plant and equipment (note 12)	–	2,651	2,651
Intangible assets (note 13)	299,874	761,861	1,061,735
Cash and bank balances	–	198	198
Other receivables and prepayments	1,478	–	1,478
Other payables	(52)	(39,220)	(39,272)
Non-controlling interests	–	(355,490)	(355,490)
Total identifiable net assets	301,300	370,000	671,300

The Group has elected to measure the non-controlling interest in Sichuan Haoyuan Group at the non-controlling interest's proportionate share of Sichuan Haoyuan Group's identifiable net assets.

An analysis of the cash flows in respect of the acquisitions of subsidiaries is as follows:

	Sichuan Panzhihua Yixingda	**Haoyuan Group**	**Total**
	RMB'000	RMB'000	RMB'000
Cash considerations	301,300	370,000	671,300
Prepayments paid up to 31 December 2014	(279,055)	(354,000)	(633,055)
Other payables	(20,000)	–	(20,000)
Cash and bank balances acquired	–	(198)	(198)
Net outflow of cash and cash equivalents during the year	2,245	15,802	18,047

34. DISPOSAL OF A SUBSIDIARY

	2015
	RMB'000
Net liabilities disposed of:	
Property, plant and equipment (note 12)	10,655
Cash and bank balances	451
Other receivables	310
Deferred tax assets (note 18)	655
Other payables	(28,654)
	(16,583)
Gain on disposal of a subsidiary	17,583
	1,000

An analysis of the cash flows in respect of the disposal of a subsidiary is as follows:

	2015
	RMB'000
Cash consideration	1,000
Other receivables	(1,000)
Cash and bank balances disposed of	(451)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(451)

35. OPERATING LEASE ARRANGEMENTS – The Group as Lesses

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 terms 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:

	2015	2014
	RMB'000	RMB'000
Within one year	**567**	1,140
In the second to fifth years, inclusive	**89**	782
	656	1,922

NOTES TO FINANCIAL STATEMENTS

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36. CAPITAL COMMITMENTS

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

	2015	2014
	RMB'000	RMB'000
Contracted, but not provided for:		
– Acquisition of subsidiaries	**–**	40,788
– Plant and machinery	**8,178**	8,500
– Exploration rights and assets	**935**	1,700
	9,113	50,988

37. RELATED PARTY TRANSACTIONS

(a) During the year ended 31 December 2015, the Group had the following material transactions with related parties:

		2015	2014
Name of related parties	Notes	**RMB'000**	RMB'000
Non-recurring transactions			
Bank loans jointly guaranteed by			
Chengyu Vanadium Titano and Chuan Wei	(i)	**–**	16,000
Construction of property, plant and equipment			
Sichuan Huiyuan	(ii)	**–**	2,770

Notes:

(i) The bank loans were jointly guaranteed by Chengyu Vanadium Titano and Chuan Wei for nil consideration.

(ii) 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.

37. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties

Details of the Group's balances with its related parties as at the end of the reporting period are disclosed in note 22 to the financial statements. 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' and the chief executive's emoluments including key management personnel are set out note 8 to the financial statements.

38. 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, amounts due to related parties financial liabilities included in other payables and amounts due to related parties 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 financial controller 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 are included 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 following methods and assumptions were used to estimate the fair value:

The fair value of financial assets at fair value through profit and loss is based on valuation techniques. The model incorporate unobservable inputs of the recovery rate. The carrying amount of financial assets at fair value through profit and loss is the same as its fair value.

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 2015 and 31 December 2014. The fair value measurement hierarchy of the Group's assets held for sale measured at fair value derived from quoted prices in markets that are not active (Level 2) as at 31 December 2015 (2014: Not applicable).

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial assets of the Group mainly include cash and bank balances, pledged time deposits, trade and bills receivables, financial assets at fair value through profit or loss, other receivables and amounts due from related parties, which arise directly from its operations. Financial liabilities of the Group mainly include other payables and accruals, trade and bills payables, amounts due to related parties, dividend payable 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.

As at 31 December 2015, the Group had net current liability of RMB105,767,000.

With regard to 2015 and thereafter, the liquidity of the Group is primarily depend on its ability to maintain adequate cash flows from operations and successfully renewal on its short-term bank loans to meet its debt obligations as they fall due.

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:

			2015		
	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	**–**	**289,841**	**558,537**	**–**	**848,378**
Trade and bills payables	**116,057**	**162,655**	**32,889**	**–**	**311,601**
Other payables and accruals	**173,276**	**77,128**	**–**	**1,078**	**251,482**
Dividend payable	**1,801**	**–**	**–**	**–**	**1,801**
Due to related parties	**4,819**	**–**	**–**	**–**	**4,819**
	295,953	**529,624**	**591,426**	**1,078**	**1,418,081**

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

	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

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 interest-bearing bank and other loans are disclosed in notes 27 to the financial statements.

The Group manages its cash flow interest rate risk exposure arising from all of its interest-bearing loans through the use of fixed rates. In addition, the Group has not used any interest rate swaps to hedge against interest rate risk.

Credit risk

Substantial amounts of the Group's cash and cash equivalents 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 six months and further extended to nine months since 1 July 2015 given the unfavourable market condition. 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.

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 and financial assets at fair value through profit or loss that are denominated in HK$ and USD.

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

The following table demonstrates the sensitivity to a 5.0% change in RMB against HK$ and USD, respectively. The 5.0% is the rate used when reporting currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in the foreign currency rate. The sensitivity analyses of the Group's exposure to foreign currency risk at the end of each reporting period have been determined based on the adjustment of translation of the monetary assets and liabilities at the end of each reporting period for a 5.0% change in RMB against HK$ and USD, respectively, with all other variables held constant, of the Group's profit before tax for the year ended 31 December 2015 (due to changes in the fair value of cash and cash equivalents and financial assets at fair value through profit or loss denominated in HK$ and USD):

	2015	2014
	RMB'000	RMB'000
Increase/(decrease) in profit before tax		
If RMB weakens against HK$ and USD	**11,204**	14,721
If RMB strengthens against HK$ and USD	**(11,204)**	(14,721)

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.

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 will minimise the capital expenditure and renew or extend its shot-term loans as part of capital management. 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 10% and 30% over the long term. Net debt is defined as interest-bearing bank loans, net of cash and cash equivalents 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 2015, the gearing ratio was 20.3% (2014: 12.7%).

40. 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 2015 (31 December 2014: RMB26,587,000).

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 presented off in the statement of financial position**	**Net amount of financial assets in the statement of financial position**
	RMB'000	RMB'000	RMB'000
31 December 2015			
Trade receivables	**349,217**	**(49,140)**	**300,077**
Trade payables	**(328,210)**	**49,140**	**(279,070)**
31 December 2014			
Trade receivables	508,977	(26,587)	482,390
Trade payables	(270,543)	26,587	(243,956)

NOTES TO FINANCIAL STATEMENTS

31 December 2015

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2015	2014
	RMB'000	RMB'000
NON-CURRENT ASSETS		
Office equipment	**9**	18
Investments in subsidiaries	**1,136,031**	1,176,305
Total non-current assets	**1,136,040**	1,176,323
CURRENT ASSETS		
Dividend receivable	**17,157**	17,157
Due from subsidiaries	**720,266**	613,203
Prepayments, deposits and other receivables	**3**	9
Cash and cash equivalents	**922**	1,769
Total current assets	**738,348**	632,138
CURRENT LIABILITIES		
Due to a subsidiary	**36,877**	31,341
Due to a related party	**2,512**	3,016
Other payables and accruals	**5,706**	5,091
Total current liabilities	**45,095**	39,448
NET CURRENT ASSETS	**693,253**	592,690
Net assets	**1,829,293**	1,769,013
EQUITY		
Issued capital	**182,787**	182,787
Reserves	**1,646,506**	1,586,226
Total equity	**1,829,293**	1,769,013

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31 December 2015

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium account	Share option reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014	1,876,296	88,820	(370,833)	1,594,283
Total comprehensive loss for the year	–	–	(25,083)	(25,083)
Final 2013 dividend declared	(36,043)	–	36,043	–
Equity-settled share option arrangements	–	17,026	–	17,026
At 31 December 2014 and 1 January 2015	1,840,253	105,846	(359,873)	1,586,226
Total comprehensive income for the year	–	–	58,641	58,641
Equity-settled share option arrangements (note 30)	–	1,639	–	1,639
At 31 December 2015	**1,840,253**	**107,485**	**(301,232)**	**1,646,506**

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 profits should the related options expire or be forfeited.

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 21 March 2016.

Glossary

"2010 AGM"	the Shareholders' annual general meeting held on 15 April 2010
"2016 AGM"	the Shareholders' annual general meeting to be held on 25 May 2016
"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.
"COD"	chemical oxygen demand

Glossary

"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 annual report, refers to Trisonic International, Kingston Grand, Messrs. Wang Jin, Shi Yinjun, Yang Xianlu, Wu Wendong, Zhang Yuangui, Li Hesheng, Long Sino International Limited, Mr. Zou Hua and Ms. Jiang Hua
"Director(s)"	director(s) of the Company or any one of them
"$EF_{grid,OM,y}$"	operating margin CO_2 emission factor for grid connected power generation in year Y
"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
"GHG(s)"	greenhouse gas(es)
"GPS"	global positioning system
"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

Glossary

"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
"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

Glossary

"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
"kgce"	kilogram of coal equivalent
"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
"Kl"	thousand litres
"km"	kilometre(s), a metric unit measure of distance
"Kt"	thousand tonnes
"Ktpa"	thousand tonnes per annum
"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
"mining right(s)"	the right(s) to mine mineral resources and obtain mineral products in areas where mining activities are licensed

Glossary

"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
"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
"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

Glossary

"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

Glossary

"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*