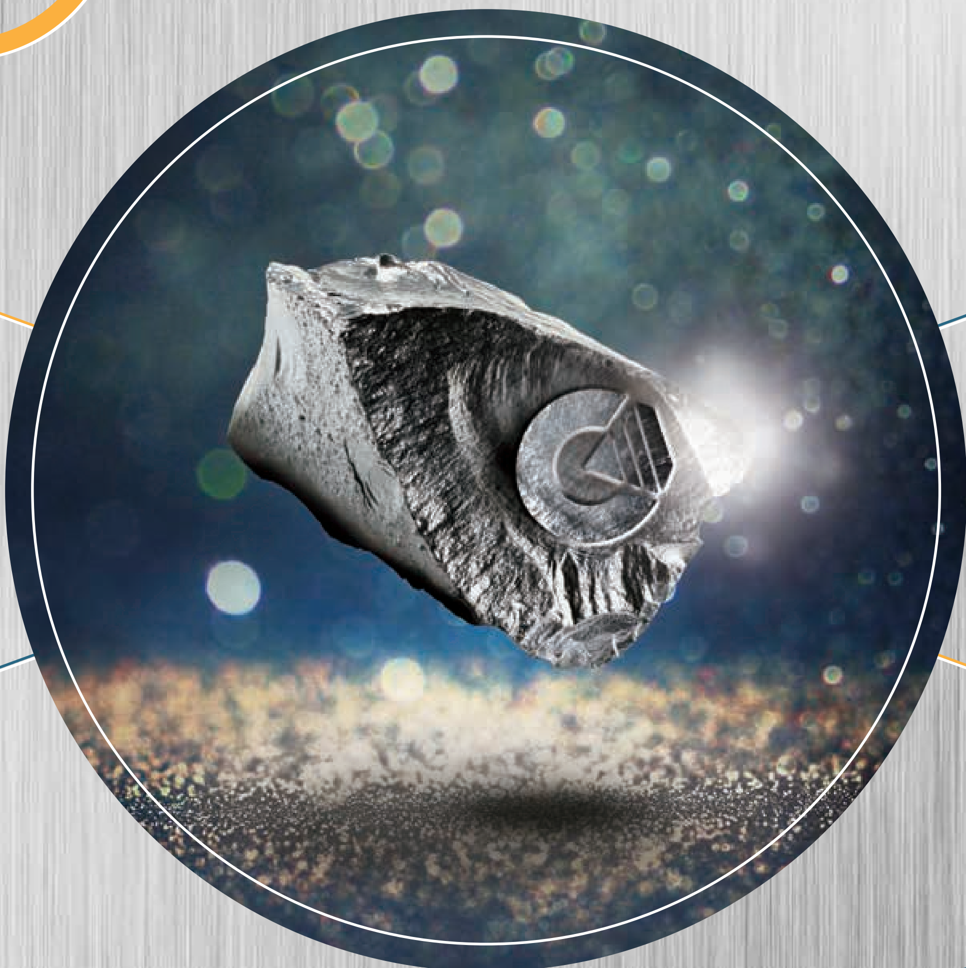
CHINA VANADIUM TITANO-MAGNETITE MINING COMPANY LIMITED
中國釩鈦磁鐵礦業有限公司

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

EXPLORE NEW OPPORTUNITIES



TO EXPAND HORIZONS

ANNUAL REPORT
2016

Our Presence

Mines

	Name	Location	Area	Type of Resources	Resources under the JORC code (2004 or 2012 Edition) as at 1 January 2017 (Mt)	Average Grade	Mining Method
1	Baicao Mine	Huili County, Sichuan	Mining area: 1.88 sq.km.	Vanadium-bearing titano-magnetite	92.42	25.09% 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	79.75	24.28% 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	57.53	22.78% TFe	Underground mining

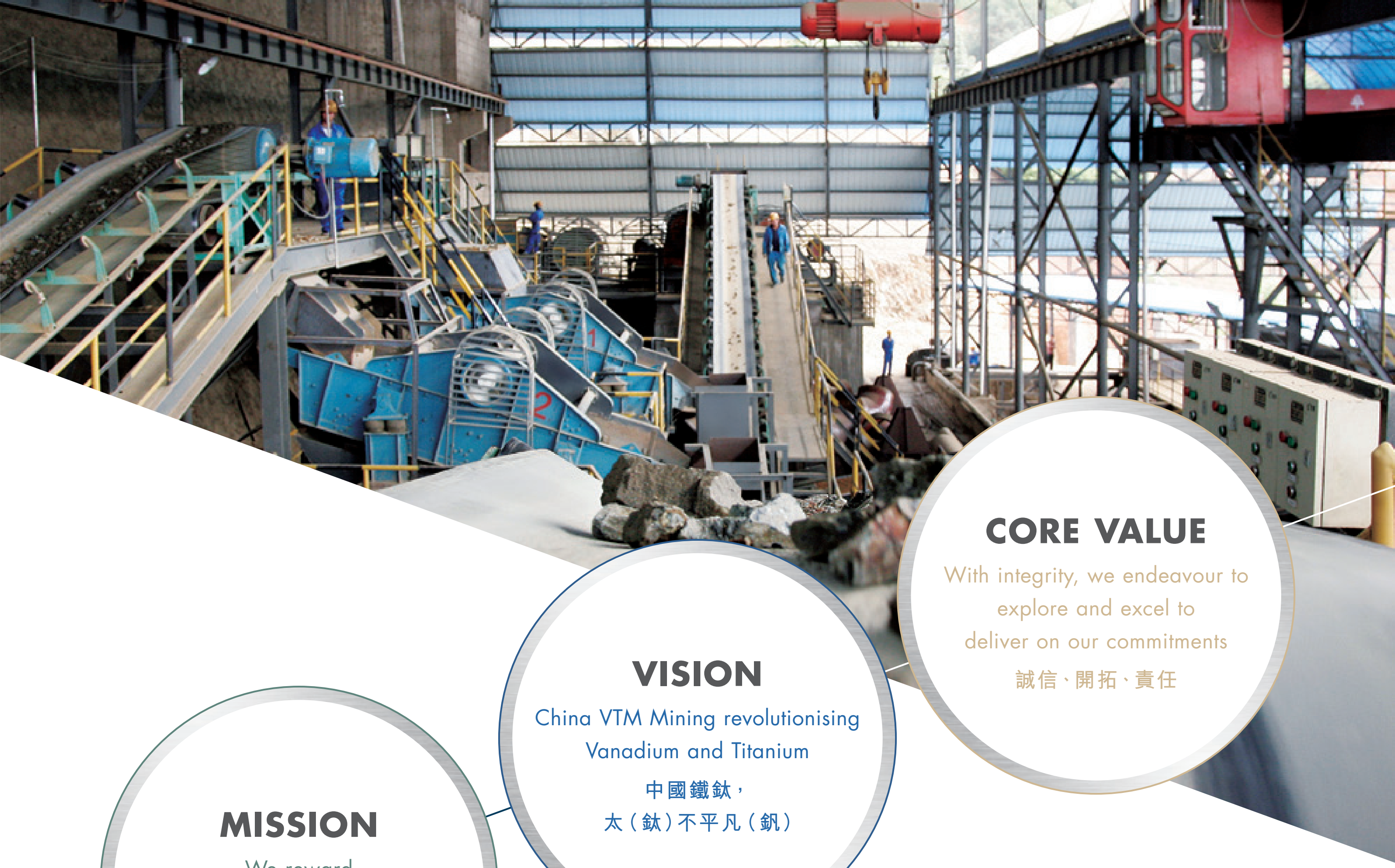
	Name	Location	Area	Type of Resources	Resources under the PRC code as at 1 January 2017 (Mt)	Average Grade	Mining Method
6	Haibaodang Mine	Panzhihua City, Sichuan	Exploration area: 26.2 sq.km.	Vanadium-bearing titano-magnetite	107.61 (Types 332 and 333)	16.50% TFe	Open-pit mining
7	Shigou Gypsum Mine	Hanyuan County, Sichuan	Mining area: 0.1228 sq.km.	Gypsum	10.37 (Types 331 and 333)	90.64% gypsum + anhydrite	Underground mining

Iron Pelletising Plant

	Name	Location	Capacity
8	Iron Pelletising Plant	Huili County, Sichuan	1,000.0 Ktpa

Processing Plants

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



MISSION

We reward
our shareholders and
care for the community

回報股東，回報社會

VISION

China VTM Mining revolutionising
Vanadium and Titanium

中國鐵鈦，
太（鈦）不平凡（釩）

CORE VALUE

With integrity, we endeavour to
explore and excel to
deliver on our commitments

誠信、開拓、責任

WE AIM TO BE A TOP-NOTCH MINERAL MINING COMPANY

打造一流企業

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Jiang Zhong Ping *(Chairman and acting chief executive officer)*
Mr. Zheng Zhiquan *(Financial controller)*

Independent Non-executive Directors

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

AUDIT COMMITTEE

Mr. Yu Haizong *(Chairman)*
Mr. Liu Yi
Mr. Wu Wen

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 & MHKIoD)*

AUTHORISED REPRESENTATIVES

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

REGISTERED OFFICE

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Australia

WEBSITE

www.chinavtmmining.com

STOCK CODE

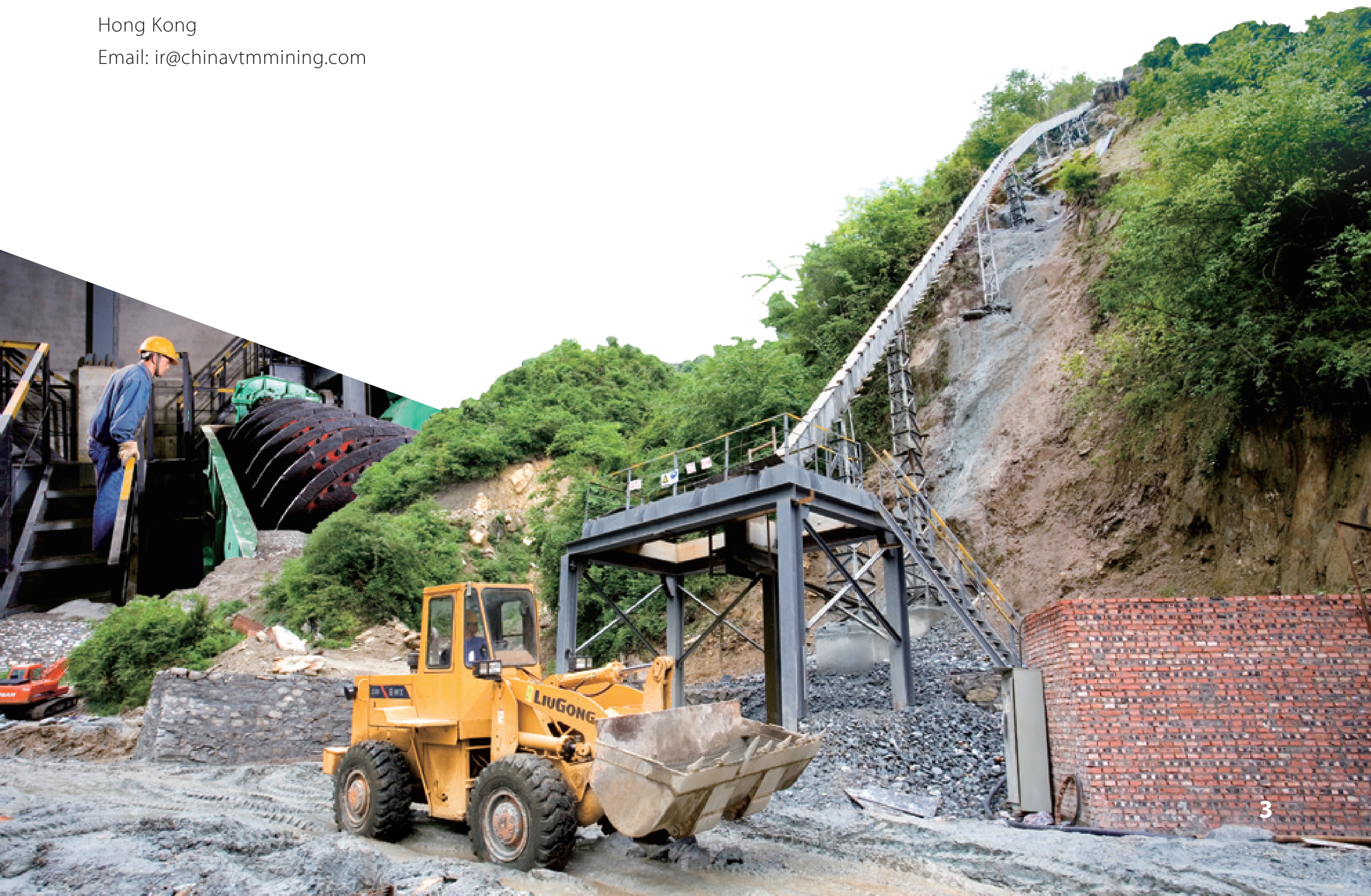
00893

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				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	**1,833,305**	516,365	649,094	1,429,875	1,533,732
Cost of sales	**(1,790,858)**	(539,535)	(661,920)	(925,372)	(799,700)
Gross profit/(loss)	**42,447**	(23,170)	(12,826)	504,503	734,032
Other income and gains	**1,442**	23,971	52,051	100,268	64,360
Selling and distribution expenses	**(76,295)**	(53,789)	(35,208)	(50,665)	(45,921)
Administrative expenses	**(72,028)**	(197,698)	(193,501)	(152,575)	(118,139)
Other expenses	**(619)**	(74,563)	(14,398)	(38,094)	(20,576)
Impairment loss on goodwill	**–**	(15,318)	–	–	–
Impairment loss on property, plant and equipment	**(185,195)**	(258,270)	(166,947)	–	–
Impairment loss on intangible assets	**(200,040)**	(35,715)	–	–	–
Impairment loss on trade receivables	**(64,865)**	(181,916)	(82,125)	–	–
Impairment loss on assets held for sale	**(78,334)**	(60,555)	–	–	–
Fair value gains/(losses) on financial assets at fair value through profit or loss	**(111,555)**	(68,999)	14,861	–	–
Finance costs	**(57,322)**	(64,465)	(62,176)	(98,613)	(42,599)
Share of profits and losses of joint ventures	**–**	–	(308)	1,352	517
PROFIT/(LOSS) BEFORE TAX	**(802,364)**	(1,010,487)	(500,577)	266,176	571,674
Income tax credit/(expense)	**2,853**	(102,704)	133,155	(83,704)	(130,435)
PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**(799,511)**	(1,113,191)	(367,422)	182,472	441,239
Attributable to:					
Owners of the Company	**(773,742)**	(1,105,519)	(366,381)	179,135	433,679
Non-controlling interests	**(25,769)**	(7,672)	(1,041)	3,337	7,560
	(799,511)	(1,113,191)	(367,422)	182,472	441,239
Earnings/(loss) per Share attributable to ordinary equity holders of the Company (RMB) – Basic and diluted	**(0.37)**	(0.53)	(0.18)	0.09	0.21
Proposed final dividend per Share (HK$)	**–**	–	–	0.022	–

Five-Year Financial Summary

Assets, Liabilities and Non-controlling Interests

	As at 31 December				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**2,162,708**	2,588,298	3,031,590	2,996,274	2,990,219
Current assets	**1,118,448**	1,449,690	1,832,463	2,509,241	2,276,540
Non-current liabilities	**(11,924)**	(11,065)	(35,048)	(64,198)	(91,938)
Current liabilities	**(1,597,277)**	(1,555,457)	(1,601,477)	(1,827,350)	(1,777,556)
Total equity	**1,671,955**	2,471,466	3,227,528	3,613,967	3,397,265
Non-controlling interests	**(353,782)**	(379,551)	(31,733)	(32,774)	(29,437)
Equity attributable to owners of the Company	**1,318,173**	2,091,915	3,195,795	3,581,193	3,367,828

Chairman's Statement

Dear Shareholders,

I hereby present the annual results of the Group for the year ended 31 December 2016.

The global economy was filled with a mood of gloom in 2016. The slow pace of global economic recovery was further burdened by Brexit half way through 2016, which seemed to have a knock-on effect on the already bleak economy. China, while shifting away from export-driven economy, has seen its gross domestic product growth moderated and experienced a sharp Renminbi devaluation in 2016. The pace of interest rate rise and the recent political climate in the United States also added another dollop of uncertainty to the world economy.

While China was undergoing a structural transformation and its economy was rebalancing, a slowdown was unavoidable. Meanwhile, the global steel industry environment remained challenging and China's excess steel capacity had long been a thorn in the side of this already challenging industry which also limited export opportunity. Against this observation, property prices in major cities of China have risen and the real estate market was known to stand in direct correlation with steel demand in the construction sector. However, there have been divided opinions on the sustainability of real estate price surge and some experts continued to warn risks of vulnerability. As such, the impact of such rebound on continual increase in steel demand remained largely unknown. To partly address issues arising from this development, the Chinese government issued a number of stimulus measures in 2016 to boost fiscal spending on infrastructure and this has been seen as one of the strategic moves to curb excessive steel capacity.

Chairman's Statement

Among the multiple measures introduced by the Chinese government, it has been over a year since the supply-side structural reform was first mentioned at the Central Economic Work Conference in December 2015. With an aim to rebalance the Chinese economy from the export-driven to a more balanced and long-term growth model, significant progress was made in various aspects during 2016. Since late November 2016, the Chinese government has sent several inspection teams to different regions to assess the progress made in eliminating steel overcapacity. According to the government work report to the 5th Session of the 12th National People's Congress, China retired 65 Mt of steel capacity in 2016, exceeding its original target of 45 Mt.

By looking at the data from the National Bureau of Statistics of the PRC, the producer price index in November 2016 jumped 3.3% y-o-y, a growth faster than the consumer price index for the first time since 2011, which reflected the initial efforts of the Chinese government policy on reducing excessive capacity within the country. Even so, such growth momentum may remain weak given the continued economic rebalancing in China. More recently, the Chinese government re-emphasised the need to consolidate the fragmented steel sector at time of seeing surging steel prices such that the consolidation will push smaller-scale steel mills out of the industry. Whilst this move aims to partly address the overcapacity issues in the steel industry and may have positive impacts towards stabilising the steel prices, the journey for the industry to gain full recovery is yet to be a long one.

In face of the unfavourable operating environment, the Group has streamlined its operations amidst challenging and highly volatile business conditions during the year. As part of the Group's diversification plans, the management team has commenced trading of steels and coals which helped to expand revenue stream in 2016. On top of that, towards the end of 2016, the Group has also entered into an agreement for the acquisition of 49% of the issued share capital of Mancala Holdings Limited ("Mancala Holdings"). The acquisition was completed on 28 February 2017. It is expected that the acquisition will allow the Group to gain access to foreign expertise in relation to (i) technical and strategic reviews of the economic values of its existing mines and (ii) productivity improvement plans for certain selected mine operations.

Under the concerted efforts of the team, the Group's revenue increased significantly for the year under review as compared with the corresponding period in 2015, mainly due to the trading of steels and coals. In addition, the Group has commenced to sell raw ore together with rendering of processing services for an independent third party to improve its profitability. For the year ended 31 December 2016, the gross profit of the Group was approximately RMB42.4 million, reversing a gross loss of approximately RMB23.2 million for the year ended 31 December 2015. However, due to the impairment losses arose from the weak performance of existing operating assets and less-than-optimal utilisation rates for the Group's production facilities, the Group recorded a loss and total comprehensive loss attributable to owners of the Company of approximately RMB773.7 million (2015: RMB1,105.5 million), but this was an improvement over that of 2015. Meanwhile, the entire production line of the Heigutian Processing Plant continued to cease operation during the year under review and following which, the management is looking into opportunities to unleash the plant's assets value by either disposing the plant and equipment on a piecemeal basis or in its entirety.

Steel overproduction is not an issue for just one country. In fact, G20 leaders agreed steel overcapacity is a global issue and called for the establishment of a global forum for members of the G20 and the Organisation for Economic Co-operation and Development to work together to resolve the issue. At the G20 Hangzhou Leaders Summit held in September 2016, China reiterated that it would keep its promise of reducing its crude steel output in the next five years. Steel capacity will be cut between 100 Mt and 150 Mt by 2020 according to the Chinese government. At the same summit, China also showed its will to work with the United States to resolve the global steel overcapacity issue. It is suggested that the new government of the United States has plans to increase infrastructure investment over the next decade. However, the industry players are monitoring the development closely and assess if there could be delays in execution given the new political scene in the United States. In the event that the execution goes ahead, this will not only ease the world's steel overproduction pressure, but also boost the economic recovery across the globe. Besides, the China-led Belt and Road Initiative is expected to strengthen connectivity and infrastructure construction among countries along the routes and may thus boost global steel demand as well.

As previously mentioned, though the capacity reduction plan is on track, the Chinese government continues to introduce measures to reinforce industry reformation. In November 2016, the Ministry of Industry and Information Technology of the PRC issued "Adjustment and Enhancement Planning on Steel Industry (2016-2020)"（「鋼鐵工業調整升級規劃（2016-2020年）」）("Planning") to encourage industry upgrade through enhanced capability on innovation, smart and service-based manufacturing model. Capacity-cut policies via consolidation and improving efficiencies will remain the key industry strategy in China for the coming years.

In addition to the key strategies and measures which aim to cut overcapacity in the industry, the potentially stricter environmental policies will likely apply to steel producers, which will unavoidably increase compliance costs. As such, the Group is well aware of the need to evaluate its business viability and investment budgets on sustainable mines development. The recent acquisition of significant stake in Mancala Holdings supports this commercial relevance and provides opportunity for the Group to gain access to the foreign expertise and technical knowledge in (i) establishing economic values of the existing mines, (ii) internationally-recognised mining standards, (iii) innovative training methods for mining operations and (iv) increasing use of innovative methods for sustainable mines development.

Going forward to improve financial performance, the Group will continue its proactive approach in reviewing strategies to diversify investments, improve operational efficiencies, optimise facilities utilisation and explore means to restructure its operating assets (possibly via potential merger and/or consolidation of part of its existing facilities). In doing so, the Group understands that it may have to strengthen its Board in advising its future strategic directions and to improve management in implementing new strategies, while keeping good cost control discipline in check. Whilst there are some indicators or signs suggesting an extended recovery of commodity prices, the overall resource sector is likely to remain volatile and the Group remains cautious in assessing the ongoing supply-demand imbalance in the steel and iron ore industries. Going along with this trend, the management will work closely with the Mancala Group's team to unleash its asset values and to improve its resources allocation; and the Group remains guardedly hopeful about the recovery in both demand and prices for steel in the longer run.

Chairman's Statement

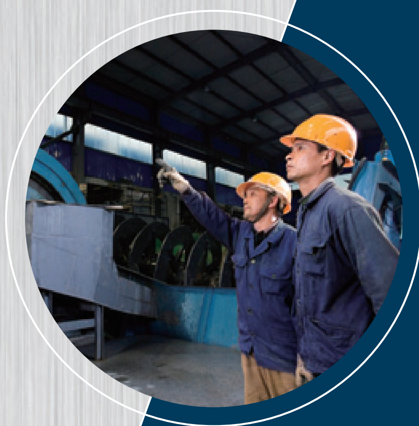
On behalf of the Board, I wish to express my sincere appreciation to all Shareholders, business partners and staff for their dedication and ongoing support. The Board is committed to meeting the challenges ahead and will remain steadfast in consistently creating values for Shareholders through prudent management in executing its financial management, business diversification and operational restructuring plans.

Jiang Zhong Ping
Chairman and acting chief executive officer

Hong Kong, 27 March 2017

Management Discussion and Analysis

Diversify Business
Development to
Capture Future Opportunities



Management Discussion and Analysis

MARKET REVIEW

During the year, the path of recovery in the sluggish global economy remained highly uncertain and meanwhile, China has shifted its growth models towards consumption-focused rather than export-driven, adapting a new normal pace of growth. While China was undergoing a major structural reform and rebalancing its economic recovery, the issues of overcapacity in the steel industry remained a serious concern and there was also limited opportunity to export excess steel when global investments were subdued and anti-dumping measures were already in existence.

Under such circumstances, the Chinese government has initiated various stimulus measures to boost fiscal spending in infrastructure and there have also been recent moves to curb excessive steel production capacity via proposed consolidation as part of the efforts to phase out smaller-scale steel mills which come at a time of surging steel prices. At the same time, there have been numerous discussions about the need to impose stringent environmental control policies particularly on steel producers that compliance costs, operating costs and capital investments are expected to gradually increase, if not immediately. Considering the aforesaid, industrial players remained doubtful about the sustainability of the steel prices rebound and were monitoring the trends closely prior to any significant commitments in facilities upgrade and expansion. Streamlining operations, increasing efficiencies and controlling costs continue to be the keys to improve financial performance, going forward.

Particularly, the State Council of the PRC ("State Council") has put "cut excessive industry capacity" as one of the top priorities of the restructuring reform for the steel industry in China's 13th Five-Year Plan. Carried out in the Central Economic Work Conference in December 2015, the supply-side structural reform has been put into implementation over the year. Arduous efforts were made to tackle overcapacity issue in steel sector. In order to maintain the sustainable development of the industry, the State Council issued the "Opinions on Resolving Overcapacity in the Steel Industry to Revive Development" in early 2016 which targeted to cut between 100 Mt to 150 Mt of annual crude steel capacity by 2020 and encouraged mergers within the industry. In July 2016, the State Council further set an annual target of reducing excessive capacity by 2016 to facilitate the supply-side structural reform.

Amid the nationwide supply-side structural reform, provincial governments have strictly executed their plan to curb excessive capacities. It did not progress smoothly in the first half of 2016, with only 30% of the capacity reduction target having been met. However, the pace for cutting excessive capacities in steel sector speeded up during August and September, which was mainly attributable to the merger of two domestic giant steel makers. In November, the National Development and Reform Commission of the PRC ("NDRC") announced that the annual target of reducing production capacity by 45 Mt for steel industry was completed, ahead of schedule, by the end of October. Owing to the boosted steel price due to the recovering steel industry, domestic steel producers began to breakeven. According to the NDRC, the member enterprises of China Iron and Steel Association ("CISA") resumed profits, with accumulated profits for 2016 reaching approximately RMB35 billion.

To further discipline the industrial development, the Ministry of Industry and Information Technology of the PRC issued the Planning in November 2016, which required the steel industry to increase its efficiency and develop in a balanced manner by enhancing the ability of self-innovation, developing smart manufacturing and promoting the transformation to a more service-focused manufacturing model. The Planning also made it clear that the major task in the foreseeable future was to cut excessive capacity in the steel industry.

With the supply-side structural reform which changed the supply side of the steel industry and the even tightened environmental protection inspection, the supply of steel decreased, leading to price hikes in iron ore and steel. The China Iron Ore Price Index compiled by CISA rose from 156.51 at the end of January to 280.35 at the end of December, the highest point throughout the year. The steel purchasing managers' index ("PMI") reached its highest point of the year at 57.4% in April, driven possibly by the short-term boost in demand, but fell to 45.1% in June. In the second half of 2016, the steel industry showed a sign of recovery as the steel PMI kept an average level of around 50.0% and climbed up to 51.0% in November. However, steel PMI dropped to 47.6% in December, implying the volatility of the steel price. Meanwhile, driven by the rising steel price, some enterprises in which overcapacity has been cut, as well as some shut-down enterprises, might have the impulse to resume production, which was against the reform. Thus, further efforts were needed to facilitate the reform and prevent new capacities from reproducing. As such, the overall reform was not without execution risks.

For the titanium industry, some of the titanium producers with economies of scale have benefited from the price rally in high-grade titanium concentrates (with over 46% titanium) in Panzhihua, which climbed from RMB490-RMB520/tonne in January to RMB1,480-RMB1,600/tonne at the end of December. Due to the stringent environmental protection measures carried out by the Sichuan government, titanium producers that failed to meet certain standards were suspended or closed down, leading to a short supply that pushed up the price of titanium concentrates. However, it was still uncertain that the rising trend would maintain as the oversupply condition in the market did not appear to have been eliminated in a meaningful way.

As such, despite of some relatively favourable market signs and indicators during the year under review, a bleak prospect for steel industry was likely to last due to the continued oversupply in the steel industry. Under such challenging operating environment, whilst the Group's financial performance during the year under review improved against that of year 2015, it remained weak and a loss-making position.

BUSINESS AND OPERATIONS REVIEW

Overview

In 2016, the market conditions of iron ore industry remained volatile. As a result, the capacity utilisation of the Group's plants was still low and below optimal levels. During the year, the Group's revenue increased significantly by 255.0% to approximately RMB1,833.3 million as compared with the corresponding period of last year mainly due to the trading of steels and coals, as part of the Group's diversification plans, despite thin margins amidst market conditions. The gross profit of the Group was approximately RMB42.4 million and the gross profit margin was approximately 2.3% for the year, reversing a gross loss for the corresponding period of last year. The impairment losses were approximately RMB528.4 million for the year mainly due to the lower value-in-use for key operating assets given the less-than optimal utilisation rates as well as under the key assumptions that the Group will not commit any significant capital investments in expanding or upgrading the related operating assets in the near future, unless justifiable otherwise. The estimated fair value loss on the Exchangeable Notes for the year was approximately RMB111.6 million with a carrying value for the Exchangeable Notes of approximately RMB109.6 million as at 31 December 2016. The selling and distribution expenses rose on the back of higher sales volume. The administrative expenses fell mainly due to the decreased suspension costs of loss-making mines operation and the absence of one-time write-off prepaid technical service fee. As a result, the Group recorded a lower loss and total comprehensive loss attributable to owners of the Company for the year of approximately RMB773.7 million.

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.

Operations

Under such unfavourable market conditions, the Group has diversified its business. The trading of steels, coals and iron products, the rendering of processing services and the sale of raw ore were conducted during the year. The total purchases and sales volumes of steels, coals and iron products for trading increased by 350.9% and 414.1%, respectively, as compared with the corresponding period of last year. During the year, the Group sold raw ore to an independent third party and processed vanadium-bearing iron concentrates for an independent third party with the volumes of approximately 3,387.6 Kt and 724.8 Kt, respectively. The capacity utilisation of the Group's plants was still low and below optimal levels. Both total production and sales volumes of the Group's self-produced products (for vanadium-bearing iron concentrates, ordinary iron concentrates, medium-grade titanium concentrates and high-grade titanium concentrates) decreased by 31.5% and 36.5%, respectively, as compared with the corresponding period of last year. Please refer to the table on pages 15 to 16 which summarised the details, including those changes in volumes, presented in terms of percentage in this section for further details.

From accounting perspective, the trading sales and sales of self-produced products (including rendering of processing services and sale of raw ore) contributed 76.4% and 23.6% of the total revenue, respectively, during the year. Loss before interest, tax, depreciation and amortisation decreased from approximately RMB839.6 million for the year ended 31 December 2015 to approximately RMB654.5 million for the year, mainly due to the lower administrative expenses.

Risk and Uncertainties

As explained in the Company's 2015 annual report relating to assets classified as held for sale, the management has permanently ceased the production of the 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 amidst challenging operating environment in and massive overcapacity concerns for the industry. As such, the management has decided to dispose either (i) the plant and equipment on a piecemeal basis or (ii) the Heigutian Processing Plant in its entirety. In view of the market uncertainty and commodity prices volatility in the dynamic business environment, the Group is actively seeking suitable potential buyers and strategic partners in relation to the disposal. Given the considerable sum of investment required to revive the production of the Heigutian Processing Plant, the Group and the potential buyers were still under negotiation. More recently, the Group is able to access to foreign mining experts following the acquisition of significant stake in Mancala Holdings which the Group has also been seeking technical advice from Mancala Group, an Australia-based mining services specialist, in reviewing the proposed deals with the potential buyers.

During the year, the Group has been following up closely on the recoverability of the Exchangeable Notes owing by the Issuer in relation to the Group's investment in an Indonesian mine. The Issuer has discussed with several independent third parties in relation to obtaining financing to repay the principals and interests of the Exchangeable Notes. As at the date of this annual report, the Company has not obtained any specific confirmation on its repayment terms and recoverability. Despite the issuance of official letter of demand by the Company, there has been little progress. In addition, the status of recoverability was further burdened by the fact that the commercial production for the Target Iron Mine was not on schedule. Considering these factors and despite strenuous management efforts, the management of the Company has adopted a prudent approach in assessing the recoverable amount of the Exchangeable Notes by taking into account of the estimated fair value loss on the Exchangeable Notes during the year of approximately RMB111.6 million and that the carrying value for the Exchangeable Notes fell to approximately RMB109.6 million as at 31 December 2016.

Given the moderating economic growth in China and soaring debts at the macro level, many banks and financial institutions in China, to a larger extent, have tightened their lending policies and adopted more prudent measures in approving and renewing loans, especially for those businesses, which are perceived to be unfavourable or in higher risk industries while experiencing massive overcapacity and obviously, there is no exception to steel-related business. Such bank loans and bank facilities, if any, are likely to remain callable on demand, subject to short-term reviews more regularly which may be offered in a stringently controlled manner with a much higher cost of fund. As the Group's business falls under the categories which have been extensively affected by these conservative banking approaches, the Group was well aware of the difficulties and uncertainties in obtaining long-term banking facilities and potentially, at higher funding costs. Despite this, the Group still maintained good communications and co-operations with banks and financial institutions. As at 31 December 2016, the bank loans of the Group have not been significantly affected.

Given the market uncertainty and commodity prices volatility in the Group's industry, the Group has been proactively looking for ways to improve production efficiency and assets utilisation, to reduce costs and, potentially, to expand its revenue stream via improving efficiencies. On 30 December 2016, the Company entered into the sale and purchase agreement with Sapphire Corporation Limited ("Sapphire Corporation"), pursuant to which Sapphire Corporation has conditionally agreed to sell and the Company has conditionally agreed to purchase the 2,940,000 shares, representing 49% of the entire issued share capital of Mancala Holdings, a then wholly-owned subsidiary of Sapphire Corporation, at an aggregate consideration of HK$38,200,000, which shall be satisfied by the payment of a cash consideration of HK$3,200,000 and the allotment and issue of the consideration shares in the aggregate value of HK$35,000,000 at the issue price of HK$0.365 per consideration share to Sapphire Corporation. The completion of the sale and purchase took place on 28 February 2017 and the consideration shares were issued under the general mandate of the Company and ranked *pari passu* in all respects with all the Shares.

During the year, the Group selectively impaired trade receivables related to certain customers that were in financial difficulties to which the Group has reviewed the overdue status, stopped supplying goods, initiated discussions on repayment terms and has been monitoring the repayment schedules. Whilst the Group continued to follow up closely on the receivable status, the recoverability of part of the receivables has been adversely affected by the continual 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 at all. As such, the Group made an impairment loss on trade receivables of approximately RMB64.9 million during the year. Despite such impairment and longer-than-expected repayment periods, the Group has taken and will continue to take necessary actions to recover these receivables in part or in full.

The following table summarised the transacted volumes from (i) trading sales, (ii) sales of self-produced products and (iii) others of the Group:

	For the year ended 31 December		
	2016 (Kt)	2015 (Kt)	Change (%)
(i) Trading Sales			
Steels			
Purchase from an independent third party	**543.3**	135.0	302.4
Sale to an independent third party	**553.1**	95.0	482.2
Coals			
Purchase from the independent third parties	**449.1**	–	N/A
Sale to an independent third party	**376.8**	–	N/A
Iron products			
Purchase from the independent third parties	**116.3**	110.9	4.9
Sale to the independent third parties	**128.6**	110.9	16.0
(ii) Sales of Self-produced Products			
Vanadium-bearing iron concentrates			
Baicao Processing Plant	**–**	36.6	-100.0
Xiushuihe Processing Plant	**207.2**	381.9	-45.7
Hailong Processing Plant	**83.7**	140.8	-40.6
Total production volume	**290.9**	559.3	-48.0
Total sales volume	**374.2**	752.6	-50.3

	For the year ended 31 December		
	2016 (Kt)	2015 (Kt)	Change (%)
Ordinary iron concentrates			
Maoling Processing Plant	**144.6**	134.4	7.6
Total production volume	**144.6**	134.4	7.6
Total sales volume	**156.7**	127.6	22.8
Medium-grade titanium concentrates			
Baicao Processing Plant	**22.7**	12.8	77.3
Total production volume	**22.7**	12.8	77.3
Total sales volume	**–**	–	N/A
High-grade titanium concentrates			
Xiushuihe Processing Plant	**48.7**	33.1	47.1
Total production volume	**48.7**	33.1	47.1
Total sales volume	**48.9**	33.1	47.7

(iii) Others

Rendering of processing services for an independent third party#	**724.8**	–	N/A
Sale of raw ore to an independent third party#	**3,387.6**	–	N/A

During the year, the Group sold raw ore to an independent third party and processed vanadium-bearing iron concentrates for an independent third party. For accounting purpose, the sale of raw ore and processing of vanadium-bearing iron concentrates for this same independent third party were treated as "Sale of self-produced products – vanadium-bearing iron concentrates".

FINANCIAL REVIEW

Revenue

During the year, the Group's revenue was approximately RMB1,833.3 million (2015: RMB516.4 million), representing an increase of 255.0% as compared with the corresponding period in 2015. Such increase was mainly due to the significantly higher revenue from trading of steels and coals.

Cost of Sales

The cost of sales primarily included contracting fees for mining and stripping as well as materials, labour, power and other utilities, repair and maintenance, depreciation and amortisation, and purchase cost for trading. During the year, the Group's cost of sales was approximately RMB1,790.9 million (2015: RMB539.5 million), representing an increase of 232.0% as compared with the corresponding period in 2015 primarily due to the purchases of steels and coals from the independent third parties for trading purpose.

Gross Profit/(Loss) and Margin

Due to the higher revenue generated from trading of steels and coals – as part of the Group's business diversification plans to expand revenue – the Group recorded a gross profit of approximately RMB42.4 million for the year, reversing a gross loss of approximately RMB23.2 million for the year ended 31 December 2015. The gross profit margin of approximately 2.3% for the year remained thin amidst market conditions, despite an improvement over the gross loss margin of approximately 4.5% for the year ended 31 December 2015. The thin gross profit margin was primarily due to (i) the high-volume and low-pricing strategy for the trading business and (ii) the continual low selling prices of the Group's iron products due to the excessive downstream crude steel capacity.

Other Income and Gains

The other income and gains decreased by 94.2%, from approximately RMB24.0 million for the year ended 31 December 2015 to approximately RMB1.4 million for the year. The decrease was mainly due to the absence of a gain on disposal of a subsidiary and the lower bank interest income.

Selling and Distribution Expenses

The selling and distribution expenses increased by 41.8%, from approximately RMB53.8 million for the year ended 31 December 2015 to approximately RMB76.3 million for the year on the back of higher sales volume. The selling and distribution expenses primarily comprised of transportation fees, logistic costs, storage and other administrative fees.

Administrative Expenses

The administrative expenses decreased by 63.6%, from approximately RMB197.7 million for the year ended 31 December 2015 to approximately RMB72.0 million for the year mainly due to the lower expenses relating to production suspension as a result of the resumption of production at the Baicao Mine and the Xiushuihe Mine and in the absence of one-time write-off for prepaid technical service fee to Sichuan Nanjiang Mining Group Co., Ltd. during the year.

Other Expenses

The other expenses decreased by 99.2%, from approximately RMB74.6 million for the year ended 31 December 2015 to approximately RMB0.6 million for the year. The decrease was mainly because of (i) a mine landslide treatment expense of RMB45.0 million incurred for the Xiushuihe Mine (on safety concerns to the nearby villagers) in 2015 and there was no such expense incurred for the year and (ii) the lower write-off for inventories of the Group's iron products.

Impairment Losses

The impairment losses decreased by 4.2%, from approximately RMB551.8 million for the year ended 31 December 2015 to approximately RMB528.4 million for the year. The impairment losses, despite lower amounts, arose from year-end assessment of recoverable amounts of those assets as at 31 December 2016 following the Group's efforts in streamlining operations and rationalising assets; and under the key assumptions that the Group will not commit any significant capital investments in expanding or upgrading the related assets in the near future, unless justifiable otherwise given the volatility of resource sectors and continual uncertainty in the market conditions. The impairment losses covered property, plant and equipment of approximately RMB185.2 million, intangible assets of approximately RMB200.0 million, trade receivables of approximately RMB64.9 million and assets held for sale of approximately RMB78.3 million.

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

The fair value loss recorded on financial assets for the year was approximately RMB111.6 million, due to the lower fair value for the Exchangeable Notes. The Exchangeable Notes were recorded at the fair value of approximately RMB109.6 million as at 31 December 2016.

Finance Costs

The finance costs decreased by 11.2%, from approximately RMB64.5 million for the year ended 31 December 2015 to approximately RMB57.3 million for the year, primarily due to the lower interest expenses on discounted bills receivable and bank and other loans.

Income Tax Credit/(Expense)

The income tax credit was approximately RMB2.9 million for the year and the income tax expense was approximately RMB102.7 million for the year ended 31 December 2015. The income tax credit was mainly due to the accounting recognition of deferred tax assets arising from tax losses available for offsetting against future taxable profits.

Loss and Total Comprehensive Loss

As a result of the foregoing, the loss and total comprehensive loss for the year was approximately RMB799.5 million (2015: RMB1,113.2 million).

Loss and Total Comprehensive Loss Attributable to Owners of the Company

The loss and total comprehensive loss attributable to owners of the Company was approximately RMB773.7 million for the year (2015: RMB1,105.5 million).

Final Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: 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 2016 and 2015:

	For the year ended 31 December			
	2016		2015	
	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		**187,840**		202,811
Net cash flows used in operating activities	**(196,970)**		(201,877)	
Net cash flows from/(used in) investing activities	**(26,875)**		369,377	
Net cash flows from/(used in) financing activities	**55,745**		(181,676)	
Net decrease in cash and cash equivalents		**(168,100)**		(14,176)
Effect of foreign exchange rate changes, net		**–**		(795)
Cash and cash equivalents as stated in the consolidated statement of cash flows at end of year		**19,740**		187,840

Net Cash Flows Used in Operating Activities

The Group's net cash flows used in operating activities were approximately RMB201.9 million for the year ended 31 December 2015 and approximately RMB197.0 million for the year, primarily due to the loss before tax of approximately RMB802.4 million during the year, partially offset by the non-cash losses relating to the fair value loss on the Exchangeable Notes of approximately RMB111.6 million and the impairment losses on property, plant and equipment, intangible assets, trade receivables and assets held for sale in aggregate of approximately RMB528.4 million.

Net Cash Flows from/(Used in) Investing Activities

The Group's net cash flows from investing activities were approximately RMB369.4 million for the year ended 31 December 2015 and the net cash flows used in investing activities were approximately RMB26.9 million for the year, primarily due to the purchase of items of property, plant and equipment of approximately RMB40.6 million mainly for daily production of mines operation and partially offset by the decrease in pledged bank balances of approximately RMB12.9 million.

Net Cash Flows from/(Used in) Financing Activities

The Group's net cash flows used in financing activities were approximately RMB181.7 million for the year ended 31 December 2015 and the net cash flows from financing activities were approximately RMB55.7 million for the year, representing the proceeds from bank loans.

Analysis of Inventories

The Group's inventories increased by 13.6%, from approximately RMB234.5 million as at 31 December 2015 to approximately RMB266.5 million as at 31 December 2016, primarily due to the additional inventories in relation to the trading of steels and coals which have been fully sold out in February 2017.

Analysis of Trade and Bills Receivables

The Group's trade and bills receivables increased by 0.5%, from approximately RMB320.1 million as at 31 December 2015 to approximately RMB321.7 million as at 31 December 2016, mainly due to the higher trading sales during the year, despite an impairment of approximately RMB64.9 million. Trade receivables turnover days were approximately 54 days (year ended 31 December 2015: 277 days). The Group generally has a three-month credit period given to its trading customers and the trading sales accounted for approximately 76.4% of the total revenue during the year.

Assets Classified as Held for Sale

The assets classified as held for sale were approximately RMB300.0 million as at 31 December 2016, representing the property, plant and equipment and land use right of the Heigutian Processing Plant.

Analysis of Trade and Bills Payables

The Group's trade and bills payables decreased by 42.5%, from approximately RMB311.6 million as at 31 December 2015 to approximately RMB179.3 million as at 31 December 2016, primarily due to the settlement of payable relating to purchase of steels.

Analysis of Net Current Liabilities Position

The Group's net current liabilities position increased by 352.6%, from approximately RMB105.8 million as at 31 December 2015 to approximately RMB478.8 million as at 31 December 2016, primarily due to the lower cash and cash equivalents as a result of the operating loss incurred during the year, impairment losses on trade receivables and assets held for sale, and the fair value loss on the Exchangeable Notes.

Borrowings

As at 31 December 2016, 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 of Xiushuihe Mining; (ii) bank loans of RMB225.0 million with annual interest rates ranging from 4.35% to 5.32% from China Construction Bank ("CCB") Huili Branch to Huili Caitong which was secured by the mining right of the Baicao Mine; (iii) bank loans of RMB84.0 million with annual interest rates ranging from 5.19% to 5.63% 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 4.9% 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%, 4.35% to 4.75% 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.

Contingent Liabilities

As at 31 December 2016, the Group did not have any material contingent liabilities.

Pledge of Assets

As at 31 December 2016, the mining right of the Xiushuihe Mine and 95% equity interest of Xiushuihe Mining were pledged to SPDB Chengdu Branch 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 loans of RMB84.0 million.

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

The following table demonstrates the sensitivity to a 5.0% change in RMB against HK$ and US$, respectively. The 5.0% is the rate used when reporting currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in the foreign currency rate. The sensitivity analyses of the Group's exposure to foreign currency risk at the end of each reporting period have been determined based on the adjustment of translation of the monetary assets and liabilities at the end of each reporting period for a 5.0% change in RMB against HK$ and US$, respectively, with all other variables held constant, of the Group's loss before tax for the year ended 31 December 2016 (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$	5,617
If RMB weakens against HK$ and US$	(5,617)

Interest Rate Risk

The Group's income and operating cash flows are not substantially affected by changes in market interest rates. The Group has 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 swap to hedge against interest rate risk.

Contractual Obligations

As at 31 December 2016, the Group's contractual obligations increased by RMB22.2 million to approximately RMB31.3 million as compared with approximately RMB9.1 million as at 31 December 2015. The contractual obligations as at 31 December 2016 represented the remaining consideration for the acquisition of 49% of the issued share capital of Mancala Holdings which shall be satisfied by the allotment and issue of Shares.

Capital Expenditure

The Group's total capital expenditure decreased by RMB107.1 million from approximately RMB153.8 million for the year ended 31 December 2015 to approximately RMB46.7 million for the year. The capital expenditure consisted of (i) technical improvement regarding dewatering innovation, power-saving and pipeline innovation for the processing lines of vanadium-bearing iron concentrates at the Xiushuihe Processing Plant and the Hailong Processing Plant aggregated to approximately RMB17.1 million; (ii) technical improvement regarding flotation processing for the processing line of vanadium-bearing iron concentrates and high-grade titanium concentrates at the Baicao Processing Plant aggregated to approximately RMB10.5 million and (iii) the development of the construction of miscellaneous projects and acquisition of machinery equipment of approximately RMB19.1 million.

Financial Instruments

As at 31 December 2016, the Group had Exchangeable Notes in the principal amount of US$30.0 million. The Exchangeable Notes were accounted for as financial assets at fair value through profit or loss and recorded at the fair value of approximately RMB109.6 million as at 31 December 2016 after accounting for an impairment loss of approximately RMB111.6 million during the year.

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 2016, gearing ratio was 33.8% (31 December 2015: 20.3%).

RESOURCE AND RESERVE OF MINES UNDER THE JORC CODE (2012 EDITION) AS AT 1 JANUARY 2017

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	26.40	25.09	10.73	0.20	6,624	2,832	53
Indicated resource	40.68	24.13	10.02	0.21	9,816	4,077	85
Total (M+I)	**67.08**	**24.51**	**10.30**	**0.21**	**16,439**	**6,909**	**138**
Inferred resource	25.34	26.63	10.98	0.23	6,749	2,783	58
Xiushuihe Mine (including expansion)							
Measured resource	45.00	24.99	9.37	0.23	11,247	4,215	102
Indicated resource	27.52	23.60	8.12	0.19	6,494	2,234	52
Total (M+I)	**72.52**	**24.46**	**8.89**	**0.21**	**17,741**	**6,449**	**154**
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	11.03	25.18	10.54	0.22	2,776	1,162	25
Probable reserve	23.37	26.08	10.24	0.22	6,093	2,392	52
Total	**34.39**	**25.79**	**10.34**	**0.22**	**8,870**	**3,554**	**76**
Xiushuihe Mine (including expansion)							
Proved reserve	31.26	24.54	9.43	0.22	7,672	2,948	68
Probable reserve	19.97	23.80	8.57	0.20	4,751	1,711	39
Total	**51.23**	**24.25**	**9.09**	**0.21**	**12,423**	**4,659**	**107**

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) continue to apply.

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

Resource Summary of the Maoling-Yanglongshan Mine

JORC Mineral Resource Category

	Tonnage	Grades	Contained Metals
	(Mt)	TFe (%)	TFe (Kt)
Maoling-Yanglongshan Mine			
Measured resource	–	–	–
Indicated resource	10.29	22.38	2,302
Total (M+I)	**10.29**	**22.38**	**2,302**
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 2017

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 2016, the Group had a total of 1,486 dedicated full time employees (31 December 2015: 1,497 employees), including 48 management and administrative staff, 41 technical staff, 5 sales and marketing staff and 1,392 operational staff. For the year ended 31 December 2016, the employee benefit expenses (including Directors' remuneration in the form of salaries, equity-settled share option expenses and other allowances) were approximately RMB53.7 million (2015: RMB51.7 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.

OTHER SIGNIFICANT EVENTS

On 30 December 2016, the Company entered into the sale and purchase agreement with Sapphire Corporation, pursuant to which Sapphire Corporation has conditionally agreed to sell and the Company has conditionally agreed to purchase 2,940,000 shares, representing 49% of the entire issued share capital of Mancala Holdings, a then wholly-owned subsidiary of Sapphire Corporation, at an aggregate consideration of HK$38,200,000, which shall be satisfied by the payment of a cash consideration of HK$3,200,000 and the allotment and issue of the consideration shares in the aggregate value of HK$35,000,000 at the issue price of HK$0.365 per consideration share to Sapphire Corporation. The completion of the sale and purchase took place on 28 February 2017 and the consideration shares were issued under the general mandate of the Company and ranked *pari passu* in all respects with all the Shares.

Mancala Holdings is the legal and beneficial owner of the entire issued share capital of Mancala Holdings Pty Ltd. ("MHPL"). Mancala Group is principally engaged in the business of providing specialist mining services, which include raised boring, shaft excavation, engineering services and other mining services. Please refer to the Company's announcements dated 30 December 2016 and 28 February 2017 for further details.

OUTLOOK

Industry Development and Prospects

While China's economy is transforming from export-driven to a more balanced growth model over a longer term, the supply of certain products seems to have lagged behind consumers' consumption. On one hand, there is overcapacity in traditional sectors, such as steel, due to massive expansion in the past while on the other hand, the supply of higher-end products and services falls short of expectation and consumption. The supply-side structural reform, which aims to address the contradiction, is apparently going towards the right direction in line with China's structural reform in sustaining economic growth and keeping environmental issues in check in the long run. The Central Economic Work Conference held in December 2016 confirmed that the supply-side structural reform would continue unabated in 2017. During the meeting of the 5th Session of 12th National People's Congress, the government work report announced that the steel production capacity would be further reduced by approximately 50 Mt in 2017. The Sichuan government elaborated in its annual government work report that it would stick to the national policies and further implement measures to phase out excessive steel capacities and handle the zombie enterprises properly in 2017. However, the progress and outcomes of such execution remain to be seen.

Concurrently, as part of the Chinese government's stimulus plans to fuel growth, increasingly higher infrastructure spending has been approved under the budget. The NDRC, together with the Ministry of Transport of the PRC, jointly published the "Three-Year Action Plan of Major Construction Projects in Transportation Infrastructure"(「交通基礎設施重大工程建設三年行動計劃」) in May 2016 which provided details in connection with expanding investment in major infrastructure projects. In addition, according to the Planning mentioned in "Chairman's Statement" of this annual report, China also encourages domestic steel producers to implement the "go-global" strategy and embark on international co-operation in capacity, riding on the opportunities of the Belt and Road Initiative. While industrial players are mindful of the new political scene in the United States, the "go-global" policies and measures are hopeful of boosting domestic steel demand and reducing excessive supply.

Despite the progress in cutting excessive industry capacity in 2016, the absolute surplus in steel capacity remains a great concern for the industrial economy, and it is obvious that execution risks remain for the overcapacity issue to be fully or significantly resolved. Although market recovery during the year under review has helped to improve profitability or reduce losses for some of the steel makers to a certain extent, margins were still relatively low and unstable. More specifically, to keep such margins, optimal production capacity utilisation for steel producers needs to be consistently planned or achieved for sustained economies of scale, which remain questionable for the time being in the midst of volatile market conditions. In the meantime, as the smog pollution in China has worsened, it is likely that the Chinese government will enforce tougher environmental measures to control emission. Such stringent measures, if further implemented, will inevitably increase compliance costs, operating expenses and capital expenditure for domestic steel producers. In view of this, it is likely that the industry will have to continuously manage the supply-and-demand gap for steel-related products while facing limited export opportunities, which have since been pressured by the rising global trade protectionism and the anti-dumping measures on China's steel products.

Business Strategy

Given the market uncertainties and commodity prices volatility, the Group will keep its strategies largerly unchanged and prudent. The Group will continue to scale back part of its capacity, streamline those loss-making operations and keep its cost control discipline to ensure that the business of the Group could operate in efficient ways. The recent acquisition of significant stake in Mancala Holdings will enable the Group to tap on foreign expertise as well as gaining access to the technical knowledge in internationally recognised standards of efficiency, safety, environmental management and innovative training methods in mining operations. The Group and the team at Mancala Group may also jointly explore and evaluate opportunities for strategic collaborations and/or joint mines development.

MHPL is incorporated in Australia in 1990 and Mancala Group is principally engaged in the business of providing specialist mining service including raised boring, shaft excavation, engineering services and other mining services with significant track records in Australia, Botswana, New Zealand, Papua New Guinea, Fiji and Vietnam.

The Group has taken a proactive approach towards operational and financial improvements. In doing so, the Group will continue to initiate and review strategies in diversifying investments, improving operational efficiencies, optimising utilisation and exploring means to restructure its operating assets (possibly via potential merger and/or consolidation of part of its existing facilities). Whilst it appears that there are some indicators or signs suggesting an extended recovery of commodity prices, the overall resource sector is likely to remain volatile. Hence, the Group will continuously be guided by the uncertainty in the steel industry and global economic outlook. Going along with this trend, the management will keep its operations nimble while remains guardedly hopeful about the recovery in both demand and prices for steel over a longer term. In this aspect, the management will work towards enhancing long-term Shareholders' value.

Profile of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Jiang Zhong Ping（蔣中平）

Mr. Jiang, aged 51, 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 52, 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 54, 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 and the chief project designer of the mining engineering institute of Sichuan Metallurgical Design and Research Institute. He is also currently a Work Safety Expert in Sichuan*（四川安全生產專家）appointed by Sichuan Administration of Work Safety*（四川省安全生產監督管理局）and Sichuan Administration of Coal Mine Safety*（四川省煤礦安全監察局）. 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）, now known as Xi'an University of Architecture and Technology（西安建築科技大學）, in Shannxi and received a bachelor's degree in engineering in 1987. Mr. Liu is the chairman of the remuneration committee and a member of the audit committee and nomination committee of the Company.

Mr. Wu Wen（吳文）

Mr. Wu, aged 48, 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 52, 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.

COMPANY SECRETARY

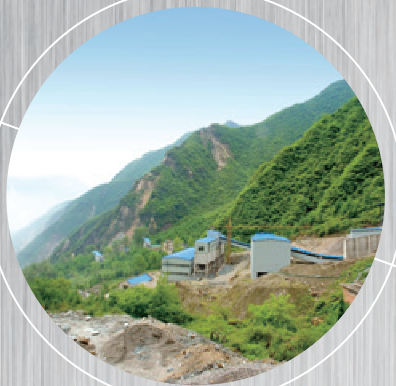
Mr. Roy Kong Chi Mo（江智武）

Mr. Kong, *FCCA, FCIS, FCS & MHKIoD*, aged 41, 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:

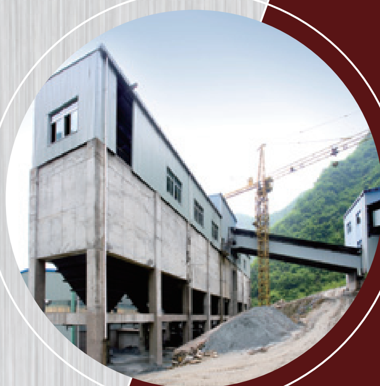
Name of listed company	Stock code	Position held	Period
CAA Resources Limited	02112	Independent non-executive director	April 2013 – Present
Hengshi Mining Investments Limited	01370	Independent non-executive director	June 2013 – Present
Huazhang Technology Holding Limited	01673	Independent non-executive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

Mr. Kong has over 19 years of experience in auditing, corporate finance, investor relations and corporate governance. 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 when he left in December 2007. Prior to joining KPMG, Mr. Kong worked as a finance trainee in Hutchison Telecommunications (Hong Kong) Limited from June 1997 to March 1998, and as an 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, gold and bronze certificates of merit in continuing professional development in 2013, 2014 and 2015 respectively 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



Directors' Report

The Directors hereby present their report and the audited financial statements of the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are mining and ore processing, sale of self-produced products, trading of iron products, coals and steels, and management of strategic investments. Details of the Company's subsidiaries as at 31 December 2016 are set out in note 1 to the financial statements of this annual report.

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 "Corporate Governance Report – Risk Management and Internal Control" 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 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on page 65 of this annual report.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 15 May 2017 to Thursday, 18 May 2017 (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 2017 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, 12 May 2017.

PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment of the Group for the year ended 31 December 2016 amounted to approximately RMB46.7 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 27 to the financial statements of this annual report.

DISTRIBUTABLE RESERVES

Details of the movements during the year ended 31 December 2016 in the reserves of the Group are set out in the consolidated statement of changes in equity on page 68 of this annual report.

As at 31 December 2016, the Company's reserves available for distribution to the Shareholders in accordance with the Articles were RMB1,840.3 million.

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

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

FINANCIAL SUMMARY

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

LOANS AND BORROWINGS

Details of the loans and borrowings of the Group are set out in note 25 to financial statements of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the years ended 31 December 2016 and 2015, sales to the Group's five largest customers accounted for 100.0% and 70.0% of the total revenue of the Group, respectively, and sales to the largest customer included therein accounted for 76.4% and 23.5%, respectively.

During the year, the Group's customers were highly concentrated primarily because (i) the steels, coals and iron products are bulk raw materials and the customers required stable supply; (ii) the production volumes of self-produced products were low and our target customers decreased and (iii) the raw ore, the Group's new product, was semi-finished goods and the availability of target customers was limited. The Group was aware of the risk of concentrated customer base and has entered into non-exclusive sales agreements with several potential customers. Pursuant to the agreements, the Group is able to sell any of our products to the potential customers without any restrictions.

For the years ended 31 December 2016 and 2015, purchases from the Group's five largest suppliers accounted for 88.8% and 79.5% of the total purchases of the Group, respectively, and purchases from the largest supplier included therein accounted for 60.0% and 49.0%, 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 and acting chief executive officer)*
Mr. Zheng Zhiquan *(Financial controller)*

Non-executive Director

Mr. Yu Xing Yuan *(Resigned on 29 February 2016)*

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.

In accordance with Articles 84(1) and 84(2) of the Articles, Messrs Yu Haizong and Wu Wen will retire at the 2017 AGM and, being eligible, will offer themselves for re-election at the 2017 AGM.

DIRECTORS' SERVICE CONTRACTS

Each of our executive Directors entered into a new service contract with the Company for a term of one year commencing from 8 October 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 2017 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" of this report and note 28 to the financial statement of this annual 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 2016, 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 2016:

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 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 report.

Save as disclosed above, as at 31 December 2016, so far as is known to all Directors and chief executives of the Company, none of the Directors and chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SHARE OPTIONS

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

SUMMARY OF THE OLD OPTION SCHEME

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

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

The Company had 8,200,000 Shares available for issue under the Old Option Scheme, which represented approximately 0.38% of the Company's Shares in issue as at the date of this annual report.

Details of the share options outstanding as at 31 December 2016 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 01.01.2016	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 31.12.2016
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. 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	4,900,000	(3,000,000)	–	–	–	1,900,000
			29.12.2014 to 28.12.2019	5.05	4,900,000	(3,000,000)	–	–	–	1,900,000
		01.04.2010	01.10.2012 to 31.03.2020	4.99	2,700,000	(2,250,000)	–	–	–	450,000
			01.04.2015 to 31.03.2020	4.99	2,700,000	(2,250,000)	–	–	–	450,000
	Total				28,200,000	(20,000,000)	–	–	–	8,200,000

SUMMARY OF THE NEW OPTION SCHEME

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

The maximum aggregate number of Shares which may be issued upon exercise of all outstanding options to be granted and yet to be exercised under the New Option Scheme and any other share option schemes must not, in aggregate, exceed 30% of the Shares of the Company in issue from time to time. The maximum number of Shares which may be issued upon exercise of all options to be granted under all schemes adopted by the Company, must not in aggregate exceed 207,500,000 Shares, being 10% of the total number of Shares then in issue as at the date of adoption of the New Option Scheme (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 9.56% 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 trading days immediately preceding the date of grant of the option; and (iii) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option.

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

Details of the share options outstanding as at 31 December 2016 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 01.01.2016	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 31.12.2016
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. 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	15,300,000	(9,000,000)	–	–	–	6,300,000
		15.04.2014	15.10.2014 to 14.04.2024	1.00	4,500,000	(500,000)	–	–	–	4,000,000
			15.04.2015 to 14.04.2024	1.00	2,250,000	(250,000)	–	–	–	2,000,000
			15.10.2015 to 14.04.2024	1.00	2,250,000	(250,000)	–	–	–	2,000,000
	Total				56,800,000	(28,800,000)	–	–	–	28,000,000

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.

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 2016, 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 are as follows:

Long positions in Shares:

Name	Notes	Directly beneficially owned	Through parties acting in concert	Held in the capacity of investment manager	Held in the capacity of person having a security interest in Shares	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)
四川信托有限公司	1	–	–	–	614,080,000 (L)	614,080,000 (L)	29.59% (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 2016, 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.

Save as disclosed above, as at 31 December 2016, 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 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 (as defined in the Listing Rules) 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 (as defined in the Listing Rules) of the Company or any of its subsidiaries subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

Name of Director	Name of company in which the relevant Director has interest	Principal activities of the competing company	Interest of the relevant Director in competing company
Mr. Yu Xing Yuan	Yanyuan Xiwei (Note)	Mining and sale of iron ore	Mr. Yu was a director of the holding company of Yanyuan Xiwei.

Note: 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 products to any customers in Sichuan, Yanyuan Xiwei would have to obtain consent from the Company prior to selling its iron products. Such consent would be reviewed and approved by the independent non-executive Directors.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

For the year ended 31 December 2016, there were no non-exempt continuing connected transactions (2015: 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.

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

During the year ended 31 December 2016, the audit committee has reviewed: (i) the audited financial statements of the Group and annual results announcement for the year ended 31 December 2015 and (ii) the financial statements of the Group and interim results announcement for the six months ended 30 June 2016. During the year ended 31 December 2016, the audit committee has reviewed the risk management and internal control systems of the Group. Details of the risk management and internal control of the Group are set out on pages 53 to 57 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 2016.

CORPORATE GOVERNANCE

The Company has adopted the CG Code. Throughout the year ended 31 December 2016, 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 45 to 58 of this annual report.

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

Throughout the year ended 31 December 2016, 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 33 to financial statements of this annual report. These related party transactions either did not constitute connected transactions/continuing connected transactions or constituted connected transactions/continuing connected transactions but were exempted from all disclosure and independent shareholders' approval requirements under the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

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

CHANGE IN DIRECTORS AND DIRECTORS' AND CHIEF EXECUTIVES' INFORMATION

Mr. Yu Xing Yuan resigned as a non-executive Director and a member of the audit committee of the Company with effect from 29 February 2016.

Mr. Wu Wen was appointed as a member of the audit committee of the Company with effect from 29 February 2016.

Each of our executive Directors entered into a new service contract with the Company for a term of one year commencing from 8 October 2016.

Saved as disclosed above, there is no change in Directors and Directors' and chief executives' information during the year.

RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

(i) Employees

As at 31 December 2016, the Group had a total of 1,486 dedicated full time employees, a slightly reduction of approximately 0.7% as compared to the total dedicated full time employees as at 31 December 2015. 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, the Group has diversified its business and the trading of steels, coals and iron products were conducted. Due to the short payment terms granted by the suppliers of the trading of steels and coals, the Group's trade payables as at 31 December 2016 was significantly decreased as compared with last year end. The Group has continued to maintain sound business relationships with major suppliers, and no incidents that will adversely affect the Group's product supply have occurred.

(iii) Customers

During the year, the sales to the Group's five largest customers accounted for 100.0% of the total revenue. The Group maintained good relationships with the customers who required stable supply for these bulk raw materials. The trading of steels and coals, the Group's major products for the year, contributed 74.6% of the total revenue. Due to the short credit terms given to the customers of the trading of steels and coals, the Group's trade receivable turnover days were significantly decreased. 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.

ENVIRONMENTAL POLICY AND PERFORMANCE

The Company has always been closely communicating with its stakeholders, actively responding to their needs, and taking those into consideration during corporate strategy formulation and decision making process. The Company sees sustainable development as the key for a corporation to succeed and therefore, it aims to seek a win-win situation for the Group, society and environment by balancing between the creation of economic value and the impact on the environment.

The Group strictly complies with various national environmental protection laws and regulations, where a series of measures have been taken place to alleviate environmental impacts on ore mining, processing and transporting. The Group has established rules for pollutant control and waste disposal, including the proper way of handling airborne dust, waste oil, noise, mine rocks and tailings generated during ore mining; electricity consumption has been reduced by improving the Group's facilities and technologies, thereby controlling greenhouse gas emission; the Group supports green operations and encourages its employees to adopt environmental-friendly working habit. For further information about the Company's environmental performance during the year, please refer to the Company's separate Environmental, Social and Governance Report to be issued by the Company. The report will be available on the Stock Exchange's website (www.hkexnews.hk) and the Company's website after its publication.

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.

AUDITOR

The Company appointed Ernst & Young as auditor of the Company for the year ended 31 December 2016. A resolution will be proposed for approval by the Shareholders at the 2017 AGM to re-appoint Ernst & Young as auditor of the Company.

On behalf of the Board
Jiang Zhong Ping
Chairman and acting chief executive officer

27 March 2017


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 2016, 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. Jiang Zhong Ping was appointed as the acting chief executive officer of the Company to assume Mr. Tang Wei'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. Liu Yi and Wu Wen did not attend the annual general meeting held on 25 May 2016 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 2016.

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

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.

Each of our executive Directors entered into a new service contract with the Company for a term of one year commencing from 8 October 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 monitor the performance of management;
- to ensure effective management leadership of the highest quality and integrity;
- to approve major funding proposal and investments; and
- to provide overall insight in the proper conduct of the Group's business.

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

During the year, the Company held one general meeting on 25 May 2016. 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 2016:

	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	–	2/2	1/1	1/1
Mr. Zheng Zhiquan	4/4	–	–	–	0/1
Mr. Liu Yi	4/4	2/2	2/2	1/1	0/1
Mr. Wu Wen	4/4	2/2	–	–	0/1
Mr. Yu Haizong	4/4	2/2	2/2	1/1	1/1

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. On 15 May 2015, Mr. Jiang Zhong Ping was appointed as the acting chief executive officer of the Company to assume Mr. Tang Wei'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.

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 with reference to corporate goals and objectives resolved by the Board from time to time;

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

- to consider the granting of share options to Directors, chief executives, substantial Shareholders or employees of any member of the Group and any person who has contributed or will contribute to the development and growth of the Group pursuant to the share option scheme adopted by the Company;

- to ensure that no Director or any of his associates is involved in deciding his own remuneration; and

- to review and approve the interim reports, annual reports, announcements and circulars or any publication of the Company regarding information on the remuneration and service contracts of the Directors prior to approval by the Board.

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

The remuneration payable to the senior management (comprising Directors) for the year ended 31 December 2016 by band is set out below:

Name of Director	Remuneration band RMB	Director's fee %	Salaries, allowances and benefits in kind %	Share options %	Pension scheme contributions %	Total %
Executive Directors						
Mr. Jiang Zhong Ping	300,000 – 400,000	32.6	62.5	–	4.9	100
Mr. Zheng Zhiquan	300,000 – 400,000	32.6	62.5	–	4.9	100
Non-executive Directors						
Mr. Yu Xing Yuan *(Resigned on 29 February 2016)*	1 – 100,000	100	–	–	–	100
Independent non-executive Directors						
Mr. Liu Yi	100,000 – 200,000	100	–	–	–	100
Mr. Wu Wen	100,000 – 200,000	100	–	–	–	100
Mr. Yu Haizong	100,000 – 200,000	100	–	–	–	100

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the CG Code. The audit committee currently comprises three independent non-executive Directors, Mr. Yu Haizong (Chairman), Mr. Liu Yi and Mr. Wu Wen.

The audit committee's main functions are:

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

- to review and monitor the external auditor's 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 auditor to supply non-audit services;

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

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

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

The Group established an independent internal audit function directly reporting to the audit committee. The internal audit personnel will attend the audit committee meetings and report on internal audit matters annually. If there is any material internal control defects, the internal audit personnel directly reports to the audit committee without limitation. The audit committee assists the Board in monitoring the risk exposures, the design and operating effectiveness of the relevant risk management and internal control systems. The audit committee will report to the Board after properly reviewing the effectiveness of the Group's risk management and internal control systems.

During the year ended 31 December 2016, the audit committee has reviewed the risk management and internal control systems and the effectiveness of the Company's internal audit function. Details of the risk management and internal control of the Group are set out on pages 53 to 57 of this report.

NOMINATION COMMITTEE

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

The nomination committee's main functions are:

- to review the structure, size, composition (including the skills, knowledge and experience) and diversity (including but not limited to gender, age, cultural and educational background, ethnicity, skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nomination for directorships;

- to formulate the board diversity policy (the "Board Diversity Policy") for the Board's consideration and approval;

- to discuss any revisions to the Board Diversity Policy that may be required, and recommend such revisions to the Board for the Board's consideration and approval;

- to review the Board Diversity Policy and measurable objectives that the Board has set for implementing that policy, and monitor the progress on achieving the objectives;

- to assess the independence of independent non-executive Directors; and

- to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular chairman and chief executive.

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

During the year, the nomination committee held one meeting, at which the members of the nomination committee:

– reviewed the structure, size, composition and diversity of the Directors of the Company;

– evaluated the performance of the retiring Directors; and

– assessed the independence of the retiring Directors.

CORPORATE GOVERNANCE FUNCTION

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

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

AUDITOR'S REMUNERATION

For the year ended 31 December 2016, the remuneration paid/payable (excluding out-of-pocket expenses and value added tax) by the Group to the Group's external auditor, Ernst & Young, is set out below:

	RMB'000
Assurance services	3,580.0
Advisory services	1,690.5
Total	5,270.5

DIRECTORS' AND AUDITOR'S 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 2016, the Group's financial position has been materially and adversely affected by a combination of factors, such as weak market demand for iron products, 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 on 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 turn out 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 2016, 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 2016 have been prepared on a going concern basis.

In view of the above, the Company's auditor has included a "Material uncertainty related to going concern" paragraph in its Independent Auditor's Report and the reporting responsibilities of the Company's auditor on the consolidated financial statements of the Group for the year ended 31 December 2016 is set out in the Independent Auditor's Report on pages 59 to 64 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the risk management and internal control systems of the Group and reviewing their effectiveness. The audit committee assists the Board in monitoring the risk exposures, the design and operating effectiveness of the relevant risk management and internal control systems. The audit committee will report to the Board after properly reviewing the effectiveness of the Group's risk management and internal control systems.

The Group established an independent internal audit function directly reporting to the audit committee. The internal audit personnel will attend the audit committee meetings and report on internal audit matters annually. If there is any material internal control defects, the internal audit personnel directly reports to the audit committee without limitation. Meanwhile, the Group appointed Ernst & Young (China) Advisory Limited ("E&Y Advisory") as an external advisor in December 2016 to provide internal control services under a three-year rotation plan based on a risk-based methodology.

Under the supervision of the Board, the management of the Group is responsible for designing and implementing the Group's risk management and internal control systems. The Group set up three lines of defense for risk management. As the first line of defense, the business units (e.g., sales department and production department) are responsible for identifying and assessing business risks and develop risk mitigation measures; as the second line of defense, the functional departments (e.g., compliance department and finance department) are responsible for assisting the business units to improve the risk management and monitoring the effectiveness of risk management; and the internal audit function, as the third line of defense, assists the Board and the audit committee to review the effectiveness of the Group's risk management and internal control systems.

As and when required, the management convened meetings which were chaired by the senior management with attendants including managers from subsidiaries and department heads from headquarters. The Group's decisions on operations, implementation of investment projects, financial issues, and the updates on risk management and internal control were considered and determined in these meetings. The management convened annual and interim work meetings in order to assign and review works on a yearly and half yearly basis. The meetings have facilitated the organisation, co-ordination, communication and supervision on the commencement and implementation of the Group's various operations, as well as the risk management and internal control systems.

The Group acknowledges its responsibilities under the SFO and the Listing Rules and the overriding principle that inside information should be announced immediately when it is the subject of a decision. The procedures and internal controls for the handling and dissemination of inside information include:

- the Company established sensitive information disclosure policy, which specified the information disclosure process, the confidentiality requirements of the undisclosed sensitive information, the confidentiality obligations of the employees of the Group, etc;

- the access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality;

- confidentiality agreements are in place when the Group enters into significant negotiations;

- the executive Directors are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors;

- the service contracts of the Directors, the senior management and the employees of the Group specify the confidentiality clauses; and

- the legal advisors of the Company regularly provide relevant trainings to the Board and the senior management.

Risk Management

The Board established enterprise risk management mechanism according to the Committee of Sponsoring Organizations of the Treadway Commission's Enterprise Risk Management Framework. The Board established risk management policies and measures on the procedures of risk identification, evaluation, reporting and mitigation. The risk management mechanism covers the whole Group's various risks in the business operations and management. The functional department of risk management is the compliance department of the Group, which reports to the audit committee and is responsible for the establishment and operations of the risk management system and co-ordination of risk management, supervision and evaluation of the risk management, as well as providing advice for material risk decisions.

The compliance department of the Group periodically collected risk information and conducted risk evaluation through questionnaires, workshops, management meetings, etc., which were reported to the Group's senior management in a timely manner. In 2016, based on the Group's production and business conditions, the compliance department of the Group summarised a total of 75 risk factors, categorised as strategic risk, operational risk, compliance risk and financial risk. The management scored the risk factors based on their understanding, production and operation experiences and determined the risk mitigation and internal control measures to address the risks. The identified top five risks and the related risk response measures were as below:

- the market conditions of iron ore industry are highly related to the macroeconomic condition, which will affect the Group's revenue. China was undergoing a major structural reform and rebalancing its economy recovery, the issues of overcapacity in the steel industry remained a serious concern and there was also limited opportunity to export excess steel when global investments were subdued and anti-dumping measures were already in existence. In face of the unfavourable operating environment, the Group has streamlined its operations amidst challenging and highly volatile business conditions. As part of the Group's diversification plans, the management has commenced trading of steels and coals which helped to expand revenue stream in 2016. During the year, the Group's revenue increased significantly by 255.0% as compared with the corresponding period of last year;

- the management and operation of property, plant and equipment is important to the daily operation of the Group's plants. Lack of proper management of property, plant and equipment may lead to disordered production, while excessive maintenance costs and depreciation will affect the Group's financial performance. The maintenance and repair of production equipment has been transferred from external service providers to internal professional staff to ensure the good operation of the equipment while reducing maintenance costs. Meanwhile, the management has initiated discussions with potential buyers and strategic partners in relation to the disposal of the Heigutian Processing Plant on a piecemeal basis or in its entirety, the production of which has been ceased. More recently, the Group is able to assess to foreign mining experts following the acquisition of significant stake in Mancala Holdings which the Group has also been seeking technical advice from Mancala Group, an Australia-based mining services specialist, in reviewing the proposed deals with the potential buyers;

- raising fund to ensure the virtuous cycle of working capital is vital. Given the moderating economic growth in China and soaring debts at the macro level, many banks and financial institutions in China, to a larger extent, have tightened their lending policies and adopted more prudent measures in approving and renewing loans. As the Group's business falls under the categories which have been extensively affected by the conservative banking approaches, the Group was well aware of the difficulties and uncertainties in obtaining long-term banking facilities and potentially, at higher funding costs. For the best interests of the Group, the management discussed and negotiated with the banks for the interest rates and the expiry dates upon the renewal of the bank loans. Meanwhile, to actively implement the budget management, the Group held regular monthly meetings to analyse the budget implementation and the following month's budget plan to ensure efficient and rational use of funds;

- as the smog pollution in China is worsening, the Chinese government might enforce tougher environmental measures that would place additional pressure on domestic steel producers. In order to alleviate pressure on the environment, the Group sold the tailings generated during processing to independent third parties for further production, processing and reuse. The tailings water produced was recycled and sent to the processing plant for reuse after proper treatment; and

- talents retention. Lack of proper measures to retain experienced and outstanding employees may lead to the outflow of talent and blunt the Group's competitive edge. The Group held diversified cultural and recreational activities to unite its staff, enhance the corporate culture and inspire employees. The Group also set up a reasonable performance mechanism to retain talents.

Internal Control

The audit committee supervised and inspected the comprehensiveness and implementation of the internal control system of the Group, and regularly discussed with the management on the system in order to ensure that the management performed its duties to establish an effective internal control framework.

The internal control system has been designed to safeguard the assets of the Group and maintain proper accounting records, execution with appropriate authority and compliance of the relevant laws and regulations. The Board established and evaluated the relevant internal control system across three spectrums covering the corporate governance and system, business and accounting procedures and information system control. The Group developed the management policy and procedures and exerted strict evaluation on personnel performance. The Board established internal control and risk management mechanism according to the Committee of Sponsoring Organizations of the Treadway Commission's Internal Control Integrated Framework. The main features of the framework are as follows:

- control environment: including code of conduct and other practices regarding acceptable business practice or expected standards of ethical and moral behaviours, management of conflict of interest, authority and responsibility, legal and regulatory compliance, etc;

- risk assessment: including objective management, risk assessment and management, compliance management, etc;

- control activities: including sales, trade receivables and collection, procurement, trade payables and payment, production and costing, human resources and payroll, assets management, treasury, financial reporting, information technology general controls, etc;

- information and communication: including forecasting and budgeting, internal and external communication, confidentiality and data protection; and

- monitoring activities: including internal audit function, reporting of internal control defects, etc.

In 2016, the internal audit function of the Group, with the assistance of E&Y Advisory, performed annual review and self-assessment on the above internal control system in order to monitor its operations in a timely manner. The main work procedures included policy review, interview with key process owners, sample testing, etc. As a result of the self-assessment, the Group updated some policies and procedures in accordance with the actual business operations and practice of the Group. For the identified 23 issues, the Group requested the relevant departments to take remediation action in a timely manner. The internal audit function together with E&Y Advisory reported the self-assessment result to the audit committee. The Board, through the audit committee, reviewed the work of the internal audit function as well. After a follow-up review on the remediation status of the identified issues, the Group believed that a proper internal control system was established and executed, and no significant area of concern which might affect the Shareholders was found.

The Board conducts review of the Group's risk management and internal control systems at least once a year. The Group's risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. For the year ended 31 December 2016, the Board, through the audit committee, has reviewed the effectiveness of the systems of risk management and internal control (including financial, operational and compliance controls), and is of the view that the Group complied with the relevant CG Code of risk management and internal control and concluded that the risk management and internal control systems were effective and adequate, and such controls effectively mitigated the risks that might have impact on the Group in achieving its strategic objectives.

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. During the year, Mr. Kong has taken no less than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHTS

Procedures for convening 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 2016, 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 has 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 the 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 by all Shareholders. The Directors answer any questions the Shareholders have at the annual general meeting, being attended by the external auditor and the Company Secretary. All matters proposed to the 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 the Shareholders and the voting results will be set out on the Stock Exchange's website (www.hkexnews.hk) and the Company's website.

Annual reports, interim reports, announcements and circulars

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

The Company's website

The Company's website offers timely access to the Group's press releases and other business information. Through its website, the Company provides the Shareholders with electronic versions 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 the 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.

Independent Auditor's Report

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

OPINION

We have audited the consolidated financial statements of China Vanadium Titano-Magnetite Mining Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 65 to 141, which comprise the consolidated statement of financial position as at 31 December 2016, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and the disclosure requirement of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2.1 to the financial statements, which indicates the Group incurred a net loss of RMB799,511,000 for the year ended 31 December 2016 and, as at that date, the Group's current liabilities exceed its current assets by RMB478,829,000. As stated in note 2.1, these conditions, along with other matters as set forth in note 2.1, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment of non-current assets	
The Group has material non-current assets, including property, plant and equipment, mining infrastructure, mining rights, exploration rights and assets. Due to the downturn and volatility of the iron ore and steel markets in 2016, management determined that indicators of impairment on non-current assets existed. Based on the existing market conditions, impairment indicators were identified for the Group's main mining cash-generating units ("CGUs"), other pre-development stage mining rights, and exploration rights and assets. Accordingly, the management performed the impairment assessment based on the discounted cash-flow model on these non-current assets or the related cash-generating unit ("CGU"). Total impairment loss on non-current assets of RMB385,235,000 was recognised during the year. The assessment of recoverable amounts involves significant estimation uncertainty, subjective assumptions and application of significant judgements, in relation to recoverable reserves, commodity prices, discount rates, budgeted gross margins and production volumes. The Group's disclosures about impairment assessment for these assets are included in notes 3, 12 and 13 to the consolidated financial statements.	Our audit procedures included the following: • We tested the impairment model selected for each CGU and class of assets by assessing the model methodology, assessing whether it was appropriate for the types of CGUs and assets being evaluated based on our understanding of their nature and checking its mathematical accuracy; • We compared key market-derived estimates, including commodity prices and interest rates, against external data. We reviewed the sensitivity analysis of key assumptions and estimates underlying the calculations prepared by management; • We compared key operational estimates in the models to source data and publically available information, including the forward market price of iron ore and gypsum; • We involved our valuation specialist to assist us in evaluating the key valuation parameters such as discount rate calculation, terminal growth rate applied and the valuation model used in the impairment assessment models; and • We also assessed the adequacy of the related disclosures in the notes to the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Recoverability of receivables	
The Group has material credit exposures in its portfolio of trade receivables. As at 31 December 2016, the gross balance of trade receivables was RMB583,081,000 of which RMB384,316,000 was past due. As at 31 December 2016, a total provision for impairment of trade receivables of RMB328,906,000 was recorded by management. The continuing downturn and volatility of iron ore and steel markets in 2016 increased the required judgement in making the impairment assessment. The assessment of impairment provision for trade receivables involves significant management judgements including the assessment of customers' financial positions, and expected future cash flows from customers. The Group's disclosures about impairment assessment for trade receivables and the related credit risk are included in notes 3, 18, and 35 to the consolidated financial statements.	Our audit procedures included the following: • We assessed and tested the controls over the credit approval process and impairment assessments; • We checked the ageing analysis of trade receivables by customer; • We selected samples of trade receivables and assessed management's assumptions used in the calculation of the impairment provision for trade receivables by checking the overdue balances, the customers' historical payment patterns and bank receipts for the payments received subsequent to year end. We also checked evidence for the latest progress in collecting the outstanding amounts and credit status of these significant debtors by reviewing the Group's correspondence with the debtors and by performing company search; and • We assessed the adequacy of disclosures regarding the impairment provisions of trade receivables and the Group's exposure to credit risk in the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Recoverability of exchangeable notes	
As at 31 December 2016, the Group had material investment in exchangeable notes ("ENs") with face value of USD 30 million bearing interest at 25% per annum which were 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. As the issuer of the ENs failed to meet the repayment terms, both at the original maturity date in November 2014 and at extended maturity dates in 2015, there is significant judgement involved in estimating the fair value of the ENs, particularly regarding the estimation of future cash collection. A fair value loss on the ENs of RMB111,555,000 was recognized during the year ended 31 December 2016. As at that date, the fair value of the ENs recorded in the consolidated statement of financial position was RMB109.6 million. The Group's related disclosures are included in notes 3, 19 and 34 to the consolidated financial statements.	We assessed the methodology used by management to estimate the recoverable amount of the ENs. We also reviewed management's assessment and the information used to determine the fair value of ENs and the key inputs used in the valuation such as risk-free interest rate, the anticipated time over which the ENs are expected to be redeemed and the recovery rate taking into account the issuer's source of funding available for the redemption of the ENs and latest correspondence among the Group, the issuer and the potential investors. Finally, we assessed the adequacy of the related disclosures in the notes to the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB 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.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lai Chee Kong.

Ernst & Young
Certified Public Accountants
Hong Kong

27 March 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2016

	Notes	**2016** **RMB'000**	2015 RMB'000
REVENUE	4	**1,833,305**	516,365
Cost of sales		**(1,790,858)**	(539,535)
Gross profit/(loss)		**42,447**	(23,170)
Other income and gains	5	**1,442**	23,971
Selling and distribution expenses		**(76,295)**	(53,789)
Administrative expenses		**(72,028)**	(197,698)
Other expenses		**(619)**	(74,563)
Impairment loss on goodwill		**–**	(15,318)
Impairment loss on property, plant and equipment	12	**(185,195)**	(258,270)
Impairment loss on intangible assets	13	**(200,040)**	(35,715)
Impairment loss on trade receivables	18	**(64,865)**	(181,916)
Impairment loss on assets held for sale	22	**(78,334)**	(60,555)
Fair value losses on financial assets at fair value through profit or loss	19	**(111,555)**	(68,999)
Finance costs	6	**(57,322)**	(64,465)
LOSS BEFORE TAX	7	**(802,364)**	(1,010,487)
Income tax credit/(expense)	9	**2,853**	(102,704)
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(799,511)**	(1,113,191)
Attributable to:			
Owners of the Company		**(773,742)**	(1,105,519)
Non-controlling interests		**(25,769)**	(7,672)
		(799,511)	(1,113,191)
Loss per Share attributable to ordinary equity holders of the Company:			
Basic and diluted	11	**RMB(0.37)**	RMB(0.53)

Consolidated Statement of Financial Position

31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**648,556**	855,644
Intangible assets	13	**1,430,373**	1,651,472
Prepaid land lease payments	14	**36,535**	37,642
Prepayments and deposits	15	**7,521**	6,670
Payments in advance		**156**	156
Deferred tax assets	16	**39,567**	36,714
Total non-current assets		**2,162,708**	2,588,298
CURRENT ASSETS			
Inventories	17	**266,536**	234,529
Trade and bills receivables	18	**321,675**	320,144
Prepayments, deposits and other receivables	15	**100,222**	88,703
Financial assets at fair value through profit or loss	19	**109,617**	221,172
Due from related parties	20	**658**	6,064
Pledged time deposits	21	**–**	12,904
Cash and cash equivalents	21	**19,740**	187,840
		818,448	1,071,356
Assets classified as held for sale	22	**300,000**	378,334
Total current assets		**1,118,448**	1,449,690
CURRENT LIABILITIES			
Trade and bills payables	23	**179,265**	311,601
Other payables and accruals	24	**536,899**	414,946
Interest-bearing bank and other loans	25	**873,458**	818,366
Due to related parties	20	**2,244**	4,819
Tax payable		**3,610**	3,924
Dividend payable		**1,801**	1,801
Total current liabilities		**1,597,277**	1,555,457
NET CURRENT ASSETS/(LIABILITIES)		**(478,829)**	(105,767)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,683,879**	2,482,531

Consolidated Statement of Financial Position

31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other loans	25	**653**	–
Provision for rehabilitation	26	**10,670**	9,987
Other payables	24	**601**	1,078
Total non-current liabilities		**11,924**	11,065
Net assets		**1,671,955**	2,471,466
EQUITY			
Equity attributable to owners of the Company			
Issued capital	27	**182,787**	182,787
Reserves	29	**1,135,386**	1,909,128
		1,318,173	2,091,915
Non-controlling interests		**353,782**	379,551
Total equity		**1,671,955**	2,471,466

Jiang Zhong Ping
Director

Zheng Zhi Quan
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2016

	Attributable to owners of the Company											
	Issued capital	**Share premium account**	**Statutory reserves**	**Safety fund surplus reserve**	**Contributed surplus**	**Share option reserve**	**Difference arising from acquisition of non-controlling interests**	**Capital reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	note 27	note 29(a)	note 29(b)	note 29(d)	note 29(c)	note 28		note 29(f)				
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	–	–	–	–	–	–	–	–	–	–	355,490	355,490
At 31 December 2015 and 1 January 2016	**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**
Total comprehensive loss for the year	–	–	–	–	–	–	–	–	(773,742)	(773,742)	(25,769)	(799,511)
Equity-settled share option arrangement (note 28)	–	–	–	–	–	(65,564)	–	–	65,564	–	–	–
Establishment for safety fund surplus reserve	–	–	–	19,238	–	–	–	–	(19,238)	–	–	–
At 31 December 2016	182,787	1,840,253*	220,176*	134,214*	87,238*	41,921*	(852,820)*	186,200*	(521,796)*	1,318,173	353,782	1,671,955

* These reserve accounts comprise the consolidated reserves of RMB1,135,186,000 (2015: RMB1,909,128,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(802,364)**	(1,010,487)
Adjustments for:			
Finance costs	6	**57,155**	62,170
Unrealised foreign exchange losses	6	**–**	795
Bank interest income	5	**(72)**	(4,043)
Reversal of accrued interest income on bank time deposits	7	**–**	10,577
Equity-settled share option expense	28	**–**	1,639
Reversal of inventory provision		**(17,969)**	–
Fair value losses on financial assets at fair value through profit or loss	19	**111,555**	68,999
Prepayment written off	7	**–**	4,890
Write-down of inventories to net realisable value	7	**–**	10,437
Impairment losses recognised	7	**528,434**	551,774
Prepaid technical fee released to profit or loss	7	**–**	2,068
Prepaid technical fee written off	7	**–**	39,266
Gain on disposal of a subsidiary	5	**–**	(17,583)
Depreciation	12	**68,515**	100,598
Amortisation of intangible assets	13	**21,059**	7,016
Amortisation of prepaid land lease payments	14	**1,107**	1,106
		(32,580)	(170,778)
Decrease/(increase) in trade and bills receivables		**(66,396)**	31,366
Increase in inventories		**(14,038)**	(90,065)
Decrease/(increase) in prepayments, deposits and other receivables		**(13,370)**	11,675
Decrease/(increase) in amounts due from related parties		**5,406**	(6,064)
Increase/(decrease) in trade and bills payables		**(132,336)**	9,544
Increase in other payables and accruals		**65,657**	46,933
Decrease in amounts due to related parties		**(2,575)**	(426)
Cash used in operations		**(190,232)**	(167,815)
Interest paid		**(6,496)**	(42,373)
Interest received		**72**	11,450
Income tax paid		**(314)**	(3,139)
Net cash flows used in operating activities		**(196,970)**	(201,877)

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(40,570)**	(124,467)
Expenditures on exploration and evaluation assets		**(271)**	–
Proceeds from disposal of items of property, plant and equipment		**62**	1,177
Decrease in time deposits with maturity of over three months		**–**	327,812
Purchase of intangible assets		**–**	(4,361)
Acquisition of subsidiaries		**–**	(18,047)
Disposal of a subsidiary		**1,000**	(451)
Decrease in pledged bank balances		**12,904**	187,714
Net cash flows from/(used in) investing activities		**(26,875)**	369,377
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank loans		**55,745**	89,370
Repayment of bank loans		**–**	(271,046)
Net cash flows from/(used in) financing activities		**55,745**	(181,676)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(168,100)**	(14,176)
Cash and cash equivalents at beginning of year		**187,840**	202,811
Effect of foreign exchange rate changes, net		**–**	(795)
CASH AND CASH EQUIVALENTS AT END OF YEAR	21	**19,740**	187,840

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 on 4th floor, E168, Nos. 166-168 Des Voeux Road, Central, Hong Kong.

During the year ended 31 December 2016, the Group was principally engaged in the following principal activities:

- mining and ore processing
- sale of self-produced products
- trading of iron products, coals and steels
- management of strategic investments

In the opinion of the Directors, Trisonic International, a company incorporated in Hong Kong, is the parent and the 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	Investment holding
First China	Hong Kong	HK$2	100	Investment holding
Sure Prime	BVI	USD1	100	Investment holding
Indirectly held:				
Simply Rise	Hong Kong	HK$1	100	Investment holding
Huili Caitong[(a)]	PRC	RMB610,520,000	100	Iron ore mining, iron ore beneficiation and sale of self-produced products
Lingyu Investment[(b)]	PRC	HK$770,000,000	100	Product trading and investment holding
Xiushuihe Mining[(c)]	PRC	RMB200,000,000	95	Iron ore mining, iron ore beneficiation and sale of self-produced products

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	Iron ore mining, iron ore beneficiation and sale of self-produced products
Huili County Akuang Trading Co., Ltd.[c]	PRC	RMB20,000,000	100	Iron ore beneficiation and sale of iron concentrates
Sichuan Xinglian Mining and Technology Construction Co., Ltd. ("Sichuan Xinglian")[c]	PRC	RMB1,000,000	100	Mining and construction consulting
Panzhihua Yixingda Industrial Trading Co., Ltd. ("Panzhihua Yixingda")[c]	PRC	RMB1,000,000	100	Iron ore mining, iron ore beneficiation and sale of self-produced products
Sichuan Haoyuan New Material Co., Ltd. ("Sichuan Haoyuan")[c]	PRC	RMB20,000,000	51	Gypsum ore beneficiation and sale of self-produced products
Hanyuan County Xinjin Mining Co., Ltd. ("Xinjin Mining")[c]	PRC	RMB1,150,000	51	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 Investment is registered as a wholly-foreign-owned enterprise under the PRC law.

[c] These subsidiaries are registered as domestic enterprises under the PRC law.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with IFRSs, which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB"), and International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value. Assets held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 22. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2.1 BASIS OF PREPARATION (continued)

Going concern basis

During the year ended 31 December 2016, the Group incurred a consolidated net loss of RMB799,511,000 (2015: RMB1,113,191,000) and had net cash outflows from operating activities of RMB196,970,000 (2015: RMB201,877,000). As at 31 December 2016, the Group had net current liabilities of RMB478,829,000 (2015: 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 2016, the Group's total borrowings amounted to RMB874,111,000, of which RMB873,458,000 will be due within twelve months from 31 December 2016. Based on the confirmation received by the Company on 23 March 2017, total short term bank loans of approximately RMB872,858,000 granted by four banks in China will be renewed upon their respective expiry dates within the next three years until 22 March 2020. The yearly renewal is subject to the condition there is no late interest payment by the Group.

(b) The Group is taking the necessary measures to expedite the disposal of Heigutian Processing Plant at indicative disposal prices under a framework agreement signed with the potential buyers, which is expected to be completed before the end of the first half of 2017.

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

(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 scale back capacity, reduce headcounts, trim operating expenses and reduce capital expenditure.

The Directors 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 2016 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.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2016. 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 above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investments retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained 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 new and revised standards for the first time for the current year's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
IFRS 14	*Regulatory Deferral Accounts*
Amendments to IAS 1	*Disclosure Initiative*
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*
Amendments to IAS 27	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs

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

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.

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[2]
IFRS 9	*Financial Instruments*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 15	*Revenue from Contracts with Customers*[2]
Amendment to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*
Amendments to IAS 40	*Transfers of Investment Property*[2]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[2]
IFRS 16	*Leases*[3]
Amendments to IAS 7	*Disclosure Initiative*[1]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
Annual Improvements 2014-2016 Cycle	Amendments to IFRS 12 Clarification of the scope of the standard[1]
Annual Improvements 2014-2016 Cycle	Amendments to IFRS 1 Deletion of Short-term Exemptions for First-time Adopters[2]
Annual Improvements 2014-2016 Cycle	Amendments to IAS 28 Measuring on Associate or Joint Venture at Fair Value[2]

1 Effective for annual periods beginning on or after 1 January 2017

2 Effective for annual periods beginning on or after 1 January 2018

3 Effective for annual periods beginning on or after 1 January 2019

4 No mandatory effective date yet determined

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:

The IASB issued amendments to IFRS 2 in June 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

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 is currently assessing the impact of the standard upon adoption and expects that the adoption of IFRS 9 will have an impact on the classification and measurement of the Group's financial assets.

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 April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt IFRS 15 on 1 January 2018 and is currently assessing the impact of IFRS 15 upon adoption.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases – Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt IFRS 16 on 1 January 2019 and is currently assessing the impact of IFRS 16 upon adoption.

Amendments to IAS 7 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 will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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.

Goodwill is initially measured at cost, being the excess of the aggregate of the (a) consideration transferred, (b) the amount recognised for non-controlling interests; and (c) any fair value of the Group's previously held equity interests in the acquiree over the 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 consolidated financial statements include the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling parties.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

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

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

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

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.

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 4.5 years to 21.7 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill) (continued)

Exploration rights and assets (continued)

Exploration rights and assets shall be assessed for impairment when facts and circumstances indicate that the carrying amount 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 right and assets' carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the exploration right and assets' fair value less costs of disposal and their value in use. For the purpose of assessing impairment, the exploration right and 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 right and 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.

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;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Stripping (waste removal) costs (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

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.

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 bills payable, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)

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.

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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

(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.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

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 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 28 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits (continued)

Housing fund

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

Foreign currencies

These financial statements are presented in RMB, which is the functional 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 estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

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

(a) Impairment of 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 2016 was RMB328,906,000 (2015: RMB264,041,000). Further details are given in note 18 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

Estimation uncertainty (continued)

(b) 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 2016 was RMB3,610,000 (2015: RMB3,924,000).

(c) 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 2016 was RMB648,556,000 (2015: RMB855,644,000). Further details are given in note 12 to the financial statements.

(d) Mine reserves

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

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

Estimation uncertainty (continued)

(e) Exploration right and assets

The application of the Group's accounting policy for exploration right and assets requires estimation in determining whether it is likely that future economic benefits will result either from future exploitation or sale or whether 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 with varying degrees of uncertainty depending on sub-classification. 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 right and assets as at 31 December 2016 was RMB320,414,000 (2015: RMB431,566,000). Further details are given in note 13 to the financial statements.

(f) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in downstream industries that consume the Group's products. Management reassesses these estimates at the end of each reporting period. The carrying amount of inventories as at 31 December 2016 was RMB266,536,000 (2015: RMB234,529,000). Further details are given in note 17 to the financial statements.

(g) 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 2016 (2015: 6.35%) 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 2016 was RMB10,670,000 (2015: RMB9,987,000). Further details are contained in note 26 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

Estimation uncertainty (continued)

(h) 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 2016 was RMB39,567,000 (2015: RMB36,714,000). The amount of unrecognised tax losses and unrecognised deductible temporary difference as at 31 December 2016 was RMB869,050,000 (2015: RMB814,982,000) and RMB1,376,013,000 (2015: RMB811,283,000), respectively. Further details are contained in note 16 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.

(i) 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 fair value of the exchangeable notes was estimated by management 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 2016 was RMB109,617,000 (2015: RMB221,172,000). Further details are contained in note 19 to the financial statements.

(j) 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. Based on the existing market conditions, impairment indicators were identified for the Group's main mining cash-generating units, other pre-development stage mining right, and exploration rights and assets. 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 accumulated impairment for property, plant and equipment and intangible assets as at 31 December 2016 were RMB610,412,000 (2015: RMB425,217,000) and RMB235,755,000 (2015: RMB35,715,000), respectively. Further details are contained in notes 12 and 13 to the financial statements

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 self-produced products and trading activities, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior management for purposes of resource allocation and performance assessment. In addition, the principal non-current assets employed by the Group are located in Sichuan. Accordingly, no segment analysis is presented other than entity-wide disclosures.

Entity-wide disclosures

Information about products

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

	2016		2015	
	RMB'000	**%**	RMB'000	%
Self-produced products:				
Vanadium-bearing iron concentrates	**293,928**	**16.0%**	174,304	33.8
Ordinary iron concentrates	**100,817**	**5.5%**	85,426	16.5
High-grade titanium concentrates	**38,167**	**2.1%**	14,548	2.8
Trading of iron products	**33,104**	**1.8%**	72,155	14.0
Trading of coals	**240,851**	**13.1%**	–	–
Trading of steels	**1,126,438**	**61.5%**	169,932	32.9
	1,833,305	**100%**	516,365	100.0

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 2016 and 2015 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:

	2016	2015
	RMB'000	RMB'000
Customer A	**402,541**	122,971
Customer B	**1,402,462**	77,600
Customer C	**–**	72,278
Customer D	**–**	53,266

5. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	2016	2015
	RMB'000	RMB'000
Bank interest income	**72**	4,043
Sale of raw materials	**18**	842
Government grants*	**1,088**	60
Gain on disposal of a subsidiary	**–**	17,583
Miscellaneous	**264**	1,443
Total other income and gains	**1,442**	23,971

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

6. FINANCE COSTS

	2016 RMB'000	2015 RMB'000
Interest on bank and other loans	**56,405**	58,294
Interest on discounted bills receivable	**67**	3,236
Unwinding of discount on provision (note 26)	**683**	640
	57,155	62,170
Foreign exchange losses, net	**–**	795
Others	**167**	1,500
	57,322	64,465

7. LOSS BEFORE TAX

The Group's loss before tax was arrived at after charging:

	Notes	2016 RMB'000	2015 RMB'000
Cost of inventories sold		**1,790,858**	539,535
Employee benefit expenses (including Directors' and chief executive's remuneration (note 8)):			
Wages and salaries		**41,301**	36,883
Welfare and other benefits		**3,787**	3,580
Equity-settled share option expense	28	**–**	1,639
Pension scheme contributions			
– Defined contribution fund		**8,266**	9,409
Housing fund			
– Defined contribution fund		**343**	144
Total employee benefit expenses		**53,697**	51,655

7. LOSS BEFORE TAX (continued)

	Notes	2016 RMB'000	2015 RMB'000
Depreciation	12	**68,515**	100,598
Amortisation of intangible assets	13	**21,059**	7,016
Amortisation of prepaid land lease payments	14	**1,107**	1,106
Depreciation and amortisation expenses		**90,681**	108,720
Impairment losses recognised on:			
Property, plant and equipment	12	**185,195**	258,270
Intangible assets	13	**200,040**	35,715
Goodwill		**–**	15,318
Assets classified as held for sale	22	**78,334**	60,555
Trade receivables	18	**64,865**	181,916
Total impairment losses recognised		**528,434**	551,774
Operating lease rentals		**425**	1,415
Auditor's remuneration		**3,580**	3,350
Amortisation of prepaid technical service fee		**–**	2,068
Technical service fee written off		**–**	39,266
Write-down of inventories to net realisable value		**–**	10,437
Prepayment written off		**–**	4,890
Reversal of accrued interest income on time deposits with maturity of over three months		**–**	10,577
Fair value losses/(gains) on financial assets at fair value through profit or loss	19	**111,555**	68,999

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

Directors' and acting chief executive's 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:

	2016 RMB'000	2015 RMB'000
Fees	**617**	644
Other emoluments:		
Salaries, allowances and benefits in kind	**460**	1,586
Equity-settled share option expense	**–**	2,069
Pension scheme contributions		
– Defined contribution fund	**36**	113
	496	3,768
	1,113	4,412

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

During prior years, certain directors were granted share options, in respect of their services to the Group, under the Option Scheme of the Company, further details of which are set out in note 28 to the financial statements.

(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
2016			
Mr. Yu Haizong	**120**	**–**	**120**
Mr. Liu Yi	**120**	**–**	**120**
Mr. Wu Wen	**120**	**–**	**120**
	360	**–**	**360**
2015			
Mr. Yu Haizong	101	6	107
Mr. Liu Yi	101	6	107
Mr. Wu Wen	101	–	101
	303	12	315

8. DIRECTORS' AND ACTING 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
2016					
Executive directors					
Mr. Jiang Zhong Ping[i]	120	230	–	18	368
Mr. Zheng Zhiquan	120	230	–	18	368
	240	460	–	36	736
Non-executive director					
Mr. Yu Xing Yuan[ii]	17	–	–	–	17
	257	460	–	36	753

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
2015					
Executive directors					
Mr. Jiang Zhong Ping	89	219	565	28	901
Mr. Zheng Zhiquan	59	198	–	23	280
Mr. Tang Wei	30	19	–	4	53
Mr. Roy Kong Chi Mo	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	36	–	–	–	36
	133	–	1,021	–	1,154
	341	1,586	2,057	113	4,097

Note:

(i) Mr. Jiang Zhong Ping is also as the company's acting chief executive officer.

(ii) Mr. Yu Xing Yuan resigned as the Company's non-executive director on 29 February 2016.

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

(c) Five highest paid employees

The five highest paid employees during the year included two (2015: four) 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 three (2015: one) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2016	2015
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**1,315**	123
Equity-settled share option expense	**–**	22
Pension scheme contributions	**14**	155
	1,329	300

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	
	2016	2015
Nil to HK$1,000,000	**2**	1
HK$1,000,001to HK$2,000,000	**1**	–
	3	1

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 2016 and 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 2016 and 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, other PRC subsidiaries are subject to the PRC tax rate of 25% during the two years ended 31 December 2016 and 2015.

9. INCOME TAX (continued)

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

	2016 RMB'000	2015 RMB'000
Current – the PRC		
Overprovision in prior years	–	(3,061)
Deferred (note 16)	(2,853)	105,765
Income tax expense/(credit) for the year	(2,853)	102,704

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

	Notes	2016 RMB'000	2015 RMB'000
Loss before tax		(802,364)	(1,010,487)
Tax at the applicable tax rate of 25%		(200,591)	(252,622)
Lower tax rate for certain subsidiaries	(a)	20,238	25,262
Expenses not deductible for tax	(b)	29,756	5,892
Tax effect of tax losses not recognised		13,517	81,091
Tax effect of deductible temporary differences not recognised		141,183	128,096
Reversal of deferred tax assets recognised in prior year		–	122,442
Income not subject to tax		(6,351)	(4,396)
Over provision of current tax in prior years		–	(3,061)
Tax losses utilised from the prior year		(605)	–
Tax expense/(credit) at the Group's effective tax rate		(2,853)	102,704

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 was implemented as of 1 October 2014.

Huili Catong, Aba Mining and Xiushuihe Mining enjoyed the preferential corporate income tax rate of 15% for the two years ended 31 December 2016 and 2015 according to the "Western Development Policy". For Huili Caitong, as its revenue exceed the 70% threshold from the industrial projects prescribed in the Catalogue, it was entitled the preferential corporate income tax rate of 15% for the year ended 31 December 2016 (2015: 25%).

(b) Expenses not deductible for tax mainly consist of fair value losses on financial assets at fair value through profit or loss and administrative expenses incurred by offshore companies. These expenses are not expected to be deductible for tax.

10. DIVIDEND

At a meeting of the Directors held on 27 March 2017, the Directors did not recommend a final dividend for the year ended 31 December 2016 (2015 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 loss for the year attributable to ordinary equity holders of the Company, and the number of Shares of 2,075,000,000 (2015: 2,075,000,000) in issue during the year ended 31 December 2016.

No adjustment has been made to the basic earnings per Share amounts presented for the years ended 31 December 2016 and 2015 in respect of a dilution as the exercise prices of the Company's outstanding share options were higher than the average market prices for the Shares during the current and prior years.

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 2016							
Cost:							
At 1 January 2016	1,022,784	507,555	4,597	10,236	234,605	47,909	1,827,686
Additions	6,512	11,149	119	74	–	28,830	46,684
Transferred from CIP	–	1,192	–	–	–	(1,192)	–
Disposals	(34)	(256)	(18)	–	(25)	–	(333)
At 31 December 2016	1,029,262	519,640	4,698	10,310	234,580	75,547	1,874,037
Accumulated depreciation and impairment:							
At 1 January 2016	474,325	391,200	4,362	8,513	93,642	–	972,042
Provided for the year	30,276	25,650	209	589	11,791	–	68,515
Impairment recognised during the year (note 13(b))	129,362	27,391	55	171	28,216	–	185,195
Disposals	(33)	(207)	(17)	–	(14)	–	(271)
At 31 December 2016	633,930	444,034	4,609	9,273	133,635	–	1,225,481
Net carrying amount:							
At 1 January 2016	548,459	116,355	235	1,723	140,963	47,909	855,644
At 31 December 2016	395,332	75,606	89	1,037	100,945	75,547	648,556

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 2015							
Cost:							
At 1 January 2015	1,412,093	617,149	5,154	10,682	234,605	43,144	2,322,827
Additions	126,831	2,912	–	–	–	3,788	133,531
Acquisition of a subsidiary	572	–	64	522	–	1,493	2,651
Transferred from CIP	23	299	–	–	–	(322)	–
Disposal of a subsidiary	(2,438)	(13,681)	(344)	–	–	(194)	(16,657)
Assets classified as held for sale (note 22)	(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	(532)	(5,180)	(290)	–	–	–	(6,002)
Assets classified as held for sale (note 22)	(128,224)	(49,003)	(263)	–	–	–	(177,490)
Impairment recognised during the year (note 13(b))	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

13. INTANGIBLE ASSETS

	Mining rights RMB'000	Stripping activity assets RMB'000	Exploration rights and assets RMB'000	Total RMB'000
31 December 2016				
Cost:				
At 1 January 2016 and 31 December 2016	1,281,614	148,847	437,568	1,868,029
Accumulated amortisation and impairment:				
At 1 January 2016	122,518	88,037	6,002	216,557
Impairment recognised for the year	60,898	27,990	111,152	200,040
Amortisation provided during the year	8,164	12,895	–	21,059
At 31 December 2016	191,580	128,922	117,154	437,656
Net carrying amount:				
At 1 January 2016	1,159,096	60,810	431,566	1,651,472
At 31 December 2016	1,090,034	19,925	320,414	1,430,373

13. INTANGIBLE ASSETS (continued)

	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	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	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

(a) As at 31 December 2016, the mining rights of Baicao Mine, Xiushuihe Mine and Maoling Mine with net carrying amounts of RMB32,201,000 (2015: RMB47,260,000), RMB248,000 (2015: RMB6,406,000) and RMB23,543,000 (2015: RMB24,374,000), respectively, were pledged to secure the Group's bank loans.

13. INTANGIBLE ASSETS (continued)

(b) Impairment

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 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) and Xiushuihe CGU (comprising mining right to Xiushuihe Mine, Xiushuihe Processing Plant and Hailong Processing Plant) are treated as separate CGUs. The recoverable amounts of Baicao CGU, Xiushuihe CGU, the mining right of Shigou Gypsum Mine and the exploration right of Haibaodang Mine were estimated based on their respective VIU determined by discounting the future cash flows to be generated from the continuing use of these assets. The recoverable amounts are determined based on the calculation using cash flow projections according to financial budgets covering a five-year period approved by management with pre-tax discount rates ranging between 14.0% and 17.3% (2015: 14.2% and 14.6%) depending on the nature of the CGU/asset. The 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.

Commodity prices – Forecast commodity prices are based on management's estimates and are derived from forward price curves and long-term views of domestic supply and demand, building on past experience of the industry and consistent with external sources. These prices were adjusted to arrive at appropriate consistent price assumptions for the different qualities and type of commodities, or, where appropriate, contracted prices were applied. These prices are reviewed at least annually.

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 for Baicao CGU and Xiushuihe CGU and the gross margin stated in the feasibility reports for the mining right of Shigou Gypsum Mine and exploration right of Haibaodang Mine prepared by independent third party professional teams, adjusted for management's expectations for possible changes in the production costs and estimated market prices.

13. INTANGIBLE ASSETS (continued)

(b) Impairment (continued)

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

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

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

Based on the above-mentioned impairment assessment, the recoverable amounts, carrying amounts as at 31 December 2016 and impairment provisions for the year ended 31 December 2016 are as follows:

	Recoverable amount RMB'000	**Carrying amount** RMB'000	**Impairment provision** RMB'000
Baicao CGU	153,096	267,258	114,162
Xiushuihe CGU	337,440	477,364	139,924
Mining right of Shigou Gypsum Mine	716,752	764,022	47,270
Exploration right of Haibaodang Mine	195,716	279,595	83,879
			385,235

The above impairment provisions as at 31 December 2016 have been allocated to the following assets classes.

Impairment loss recognised on property, plant and equipment

An impairment loss of RMB185,195,000 (note 12) (2015: 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 to their respective recoverable amounts of RMB101,064,000, RMB250,082,000 and RMB87,110,000 as at 31 December 2016.

Impairment loss recognised on intangible assets

An impairment loss of RMB200,040,000 (2015: RMB35,715,000) 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 right and assets of Xiushuihe Mine, the mining right of Shigou Gypsum Mine and the exploration right of Haibaodang Mine to their respective recoverable amounts of RMB52,032,000, RMB248,000, RMB716,752,000 and RMB195,716,000 as at 31 December 2016.

In relation to Baicao CGU, Xiushuihe CGU, the mining right of Shigou Gypsum Mine and the exploration right of Haibaodang Mine 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.

14. PREPAID LAND LEASE PAYMENTS

	2016 RMB'000	2015 RMB'000
Carrying amount at 1 January	**37,642**	42,282
Assets classified as held for sale (note 22)	**–**	(3,534)
Amortised during the year (note 7)	**(1,107)**	(1,106)
Carrying amount at 31 December	**36,535**	37,642

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	2016 RMB'000	2015 RMB'000
Current portion:			
Prepayments consisting of:			
Purchase of raw materials		**6,933**	6,177
Utilities		**3,440**	5,947
Prepayment for the use right of a road		**45**	45
Prepaid stripping and mining fees	(a)	**56,757**	57,682
Prepaid transportation fees		**3,217**	4,607
Other prepayments		**9,049**	8,691
Deposit		**9,483**	–
Other receivables consisting of:			
Utilities		**6,066**	–
Disposal of a subsidiary		**–**	1,000
Other receivables		**5,232**	4,554
		100,222	88,703
Non-current portion:			
Prepayment for the use right of a road		**739**	784
Long-term environmental rehabilitation deposits		**6,782**	5,886
		7,521	6,670
		107,743	95,373

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Notes:

(a) As at 31 December 2016, 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.

(b) The balance as at 31 December 2016 represented a refundable deposit in respect of an acquisition of 49% equity interest in Mancala Holdings by the Group pursuant to a framework agreement of equity transfer entered into between the Group and Sapphire Corporation, an independent third party, in July 2016, of which RMB2,848,000 was transferred as partial of the consideration upon the signing the Sale and Purchase Agreement (defined below) and RMB6,635,000 was refunded to the Group upon completion of such acquisition on 28 February 2017.

On 30 December 2016, the Group entered into the sale and purchase agreement (the "Sale and Purchase Agreement") with Sapphire Corporation, pursuant to which the Sapphire Corporation has conditionally agreed to sell and the Company has conditionally agreed to purchase 49% equity interest in Mancala Holdings at an aggregate consideration of HK$38,200,000, which shall be satisfied by a cash consideration of HK$3,200,000 and the allotment and issue of the Company's new Shares to the Sapphire Corporation. Such acquisition shall be completed upon all the precedent conditions stated in the Sale and Purchase Agreement being fulfilled. Particulars of the acquisition of the 49% equity interest in Mancala Holdings were set out in the Company's announcement dated 30 December 2016.

16. DEFERRED TAX

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

	Losses available for offsetting against taxable profits RMB'000	Excess tax depreciation over book value of fixed assets RMB'000	Provision for rehabilitation RMB'000	Unrealised profit from intra-group transactions RMB'000	Stripping cost RMB'000	Provision for impairment RMB'000	Others RMB'000	Total RMB'000
At 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	(6,966)	(7,195)	319	(608)	(56,136)	(37,361)	2,182	(105,765)
Disposal of a subsidiary	–	–	–	–	–	–	(655)	(655)
Deferred tax assets at 31 December 2015 and 1 January 2016	**25,227**	**2,746**	**2,322**	**225**	**–**	**–**	**6,194**	**36,714**
Deferred tax credited/ (charged) to profit or loss during the year (note 9)	**3,691**	**(870)**	**129**	**(171)**	**–**	**–**	**74**	**2,853**
At 31 December 2016	**28,918**	**1,876**	**2,451**	**54**	**–**	**–**	**6,268**	**39,567**

Notes:

(a) As at 31 December 2016, the Group has tax losses arising from Mainland China of RMB869,050,000 (2015: RMB814,982,000) that would expire in three to five years and deductible temporary differences of RMB1,376,013,000 (2015: RMB811,283,000) 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, Xiushuihe Mining and Huili Caitong, a tax rate of 25% is applied in the calculation of deferred taxes which are expected to be realised or settled after 1 January 2017. Regarding Aba Mining, Xiushuihe Mining and Huili Caitong, deferred tax assets and deferred tax liabilities are calculated using the tax rates that are expected to apply to the period when the asset is realised or the liability is settled (i.e., 15% for the temporary differences that will be realised or settled prior to 31 December 2020, and 25% thereafter).

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

16. DEFERRED TAX (continued)

Notes: (continued)

(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 2016, 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 RMB505,779,000 (2015: RMB1,018,002,000).

17. INVENTORIES

	2016	2015
	RMB'000	RMB'000
At cost:		
Raw materials	**51,181**	75,110
Spare parts and consumables	**27,653**	29,512
Finished goods	**187,943**	148,117
	266,777	252,739
Inventory provision	**(241)**	(18,210)
	266,536	234,529

18. TRADE AND BILLS RECEIVABLES

	2016	2015
	RMB'000	RMB'000
Trade receivables	583,081	564,118
Impairment	(328,906)	(264,041)
Trade receivables, net of impairment	254,175	300,077
Bills receivable	67,500	20,067
	321,675	320,144

The Group's trading terms with its customers are mainly on credit. During the year, the Group granted a nine-month credit term to its customers for sale of self-produced products given the continuing gloomy market conditions and a three-month credit term to its trading customers. 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:

	2016	2015
	RMB'000	RMB'000
Within 9 months	198,765	155,677
9 to 12 months	–	71,126
Over 1 year	55,410	73,274
	254,175	300,077

18. TRADE AND BILLS RECEIVABLES (continued)

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

	2016 RMB'000	2015 RMB'000
At 1 January	**264,041**	82,125
Impairment recognised (note 7)	**64,865**	181,916
At 31 December	**328,906**	264,041

Impairment of trade receivables recognised during the year ended 31 December 2016 represented a provision for individually impaired trade receivables of RMB64,865,000 (2015: RMB181,916,000) with an aggregate carrying amount before provision of RMB120,275,000 (2015: RMB255,190,000). The individually impaired trade receivables related to certain customers that were in financial difficulties. The Group had stopped supplying goods to these customers, and initiated discussions with them 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 RMB64,865,000 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 not individually impaired and trade receivables that are considered to be partially impaired are as follows:

	2016 RMB'000	2015 RMB'000
Neither past due nor impaired	**198,765**	155,677
Less than 9 months past due	**–**	71,126
Amounts due and partially impaired, net of provision		
– 9 months to 2 years past due	**55,410**	73,274
	254,175	300,077

18. TRADE AND BILLS RECEIVABLES (continued)

The Directors are of the opinion that no further provision for impairment is necessary in respect of above balances as there has not been a significant change in credit quality and the balances are still considered fully or partially recoverable.

Transferred financial assets that are derecognised in their entirely

As at 31 December 2016, 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 RMB244,807,000 (2015: RMB107,256,000); furthermore, as at 31 December 2016, the Group discounted certain bills receivable accepted by banks in the PRC, with a carrying amount in aggregate of RMB5,800,000 (2015: RMB79,300,000) (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 RMB67,000 (2015: RMB3,236,000) (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.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The balance represented Exchangeable Notes of USD20,000,000 and USD10,000,000 subscribed by Sure Prime on 2 May 2011 and 18 November 2011, respectively and designated as financial assets at fair value through profit or loss upon initial recognition. The Exchangeable Notes were issued by an Issuer. The original maturity date of the Exchangeable Notes was 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 2015, Sure Prime together with other noteholders waived 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 to shares in the Target Company 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 has not received any part of the amount repayable by the Issuer from the redemption of the Exchangeable Notes. As a result, as at 31 December 2016 the Issuer is in default.

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

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

	2016 RMB'000	2015 RMB'000
Carrying amount at 1 January	**221,172**	290,171
Fair value losses recognised during the year (note 7)	**(111,555)**	(68,999)
Carrying amount at 31 December	**109,617**	221,172

The fair value of the Exchangeable Notes as at 31 December 2016 was estimated by management (2015: the fair value of the Exchange Notes 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:

	2016	2015
Risk-free interest rate (Indonesia) (% per annum)	**0.91**	0.91
Recovery rate (%)	**15.66**	40.00

20. BALANCES WITH RELATED PARTIES

	Notes	2016 RMB'000	2015 RMB'000
Due from related parties:			
Non-trade in nature			
– Sichuan Tongyu Logistics Co., Ltd. ("Tongyu Logistics")	(a)	**–**	5,763
– Trisonic International	(b)	**546**	–
– Chengyu Vanadium Titano Technology., Ltd. ("Chengyu Vanadium")	(c)	**112**	301
		658	6,064
Due to related parties:			
Non-trade in nature			
– Trisonic International	(b)	**–**	2,542
– Yanyuan County Xiwei Mining Co., Ltd. ("Yanyuan Xiwei")	(d)	**1,332**	1,339
– Longwei Hotel Management Co., Ltd. ("Longwei Hotel")	(e)	**460**	489
– Sichuan Chuanwei Group Co., Ltd. ("Chuan Wei")	(f)	**452**	449
		2,244	4,819

20. BALANCES WITH RELATED PARTIES (continued)

Notes:

(a) Tongyu Logistics is a company controlled by Chuan Wei. The balance due from Tongyu Logistics as at 31 December 2015 was fully settled in 2016

(b) The balance due from Trisonic International as at 31 December 2016 represented miscellaneous expenses paid by the Group on behalf of Trisonic International. The balance due to Trisonic International as at 31 December 2015 represented miscellaneous expenses paid by Trisonic International on behalf of the Group, which were fully settled by the Group in 2016.

(c) Chengyu Vanadium and Trisonic International are ultimately controlled by the same beneficial owners. Balances due from Chengyu Vanadium represented miscellaneous expenses paid by the Group on behalf of Chengyu Vanadium.

(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 Investment and Aba Mining

21. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	2016	2015
	RMB'000	RMB'000
Cash and bank balances	**19,740**	187,840
Time deposits with original maturity over three months	**–**	12,904
	19,740	200,744
Less: Pledged time deposits	**–**	(12,904)
Cash and cash equivalents	**19,740**	187,840

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

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

	2016 RMB'000	2015 RMB'000
Cash and bank balances denominated in:		
HK$	**2,684**	2,867
USD	**37**	37

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.

22. ASSETS CLASSIFIED AS HELD FOR SALE

Management has permanently ceased production at 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 of the plant and equipment on a piecemeal basis or (ii) sell Heigutian Processing Plant in its entirety.

Management has been in active discussions with potential buyers for the plant sale 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 the sale of plant and equipment on a piecemeal basis. The Group remains committed in relation to the existing disposal plans on Heigutian Processing Plant. As such, Heigutian Processing Plant continued to be classified as assets held for sale as at 31 December 2016 and recorded at recoverable amount, being fair value less cost to sell.

22. ASSETS CLASSIFIED AS HELD FOR SALE (continued)

Non-recurring fair value measurements:

	2016 RMB'000	2015 RMB'000
Assets held for sale	**300,000**	378,334

In accordance with IFRS 5, assets held for sale including property, plant and equipment and prepaid land lease payments with carrying amounts of RMB435,355,000 and RMB3,534,000 respectively, were written down to the aggregate fair values less cost to sell of RMB300,000,000, resulting in accumulated losses of RMB138,889,000, which RMB78,334,000 (note 7) and RMB60,555,000 were included in profit or loss for the years ended 31 December 2016 and 2015, respectively.

The non-recurring fair value measurement for assets held for sale is considered to be Level 2 for the year ended 31 December 2016 and 2015, as it is derived from quoted prices in markets that are not active.

23. TRADE AND BILLS PAYABLES

	2016 RMB'000	2015 RMB'000
Trade payables	**177,134**	279,070
Bills payable	**2,131**	32,531
	179,265	311,601

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:

	2016 RMB'000	2015 RMB'000
Within 180 days	**40,969**	195,544
181 to 365 days	**31,367**	22,168
1 to 2 years	**27,971**	40,130
2 to 3 years	**31,708**	29,055
Over 3 years	**47,250**	24,704
	179,265	311,601

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.

24. OTHER PAYABLES AND ACCRUALS

	Notes	2016 RMB'000	2015 RMB'000
Current portion:			
Advances from customers		**2,217**	19,689
Payables related to:			
Construction in progress		**135,514**	129,400
Taxes other than income tax		**119,878**	72,691
Exploration and evaluation assets		**19,641**	19,912
Payroll and welfare payable		**94,108**	72,162
Transportation expenses		**1,474**	–
Acquisition of subsidiaries			
– Sichuan Xinglian	(a)	**2,543**	2,543
– Panzhihua Yixingda	(b)	**20,000**	20,000
Consultancy and professional fees		**9,393**	4,852
Deposits received		**2,020**	511
Land occupation compensation payables		**8,818**	7,110
Accrued government surcharges		**36,737**	32,463
Accrued price adjustment fund		**8,003**	8,003
Accrued interest expenses		**69,133**	19,157
Other payables		**7,420**	6,453
		536,899	414,946
Non-current portion:			
Other payables		**601**	1,078
		537,500	416,024

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 Investment.

(b) Balances 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.

25. INTEREST-BEARING BANK AND OTHER LOANS

	Notes	2016 RMB'000	2015 RMB'000
Bank loans:			
Secured	(a)	**428,992**	373,700
Unsecured	(b)	**443,866**	443,866
Other loans, unsecured	(c)	**1,253**	800
		874,111	818,366
Bank loans repayable:			
Within one year		**872,858**	817,566
Unsecured other loans repayable:			
Within one year		**600**	800
In the second year		**653**	–
		1,253	800
Total bank and other loans		**874,111**	818,366
Balances classified as current liabilities		**(873,458)**	(818,366)
Balances classified as non-current liabilities		**653**	–

Notes:

(a) The balance as at 31 December 2016 consists of (i) an interest-bearing bank loan of RMB120,000,000 bearing a fixed interest rate of 5.88% per annum granted by SPDB Chengdu Branch to Xiushuihe Mining. In accordance with the bank loan agreements entered into between Xiushuihe Mining and SPDB, the mining right of Xiushuihe Mine and 95% equity interest of Xiushuihe Mining were pledged to SPDB; (ii) interest-bearing bank loans of RMB225,000,000 bearing fixed interest rates ranging from 4.35% to 5.32% per annum granted by CCB Huili Branch to Huili Caitong, which are secured with mining right to Baicao Mine; and (iii) interest-bearing bank loans of RMB83,992,000 bearing fixed interest rates ranging from 5.19% to 5.63% per annum granted by SPDB Chengdu Branch to Aba Mining, which are secured with mining right to Maoling Mine.

(b) As at 31 December 2016, Huili Caitong had an unsecured interest-bearing bank loan of RMB75,000,000 from CCB Xichang Branch at a interest fixed rate of 4.9% 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 2016, Huili Caitong and Xiushuihe Mining had unsecured interest-bearing bank loans from CMB Yingmenkou Branch, ICBC Liangshan Branch and SPDB Chengdu Branch of RMB136,166,000, RMB112,700,000 and RMB120,000,000, respectively, with fixed interest rates ranging from 4.35% to 6.0% per annum. The above unsecured interest-bearing bank loans were guaranteed by the Company at nil consideration.

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

Notes: (continued)

(c) Other loans represent 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.

As at 31 December 2016, other loans were unsecured and interest-free (2015: interest rate of 5.76% per annum), of which RMB300,000 were due for repayment on 30 April 2017 and 30 November 2017, and RMB300,000 and RMB353,000 were due for repayment on 31 March 2018 and 31 August 2018.

As at 31 December 2016 and 31 December 2015, all bank and other loans were denominated in RMB.

26. PROVISION FOR REHABILITATION

	2016	2015
	RMB'000	RMB'000
At the beginning of year	**9,987**	9,347
Unwinding of discount (note 6)	**683**	640
At the end of year	**10,670**	9,987

27. SHARE CAPITAL

Shares

	2016	2015
	RMB'000	RMB'000
Authorised:		
10,000,000,000 (2015: 10,000,000,000) Shares	**880,890**	880,890
Issued and fully paid:		
2,075,000,000 (2015: 2,075,000,000) Shares	**182,787**	182,787

There was no change in the authorised and issued capital of the Company during the year ended 31 December 2016.

28. 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.

28. 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 2016			
– Old Option Scheme	(a)	5.03	28,200
– New Option Scheme	(a)	2.16	56,800
Forfeited during the year			
– Old Option Scheme	(b)	5.03	(20,000)
– New Option Scheme	(b)	2.26	(28,800)
As at 31 December 2016		2.73	36,200

Notes:

(a) The share options outstanding as at 1 January 2016 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. Yu Xingyuan and other two employees under the Old Option Scheme and the New Option Scheme were forfeited following their resignation during the year. As a result of their resignation, share option reserves of RMB65,564,000 were transferred to retained profits.

The exercise prices and exercise periods of the share options outstanding as at 31 December 2016 and 31 December 2015 are as follows:

2016

Number of options '000	Exercise price per share HK$	Exercise period
3,400	5.05	29 June 2012 to 28 December 2019
3,400	5.05	29 December 2014 to 28 December 2019
700	4.99	1 October 2012 to 31 March 2020
700	4.99	1 April 2015 to 31 March 2020
11,300	3.60	23 May 2013 to 22 May 2021
8,350	1.00	15 October 2014 to 14 April 2024
4,175	1.00	15 April 2015 to 14 April 2024
4,175	1.00	15 October 2015 to 14 April 2024
36,200		

28. SHARE OPTION SCHEMES (continued)

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		

The Group has 36,200,000 share options exercisable as at 31 December 2016 (2015: 85,000,000) and the weighted average exercise price was HK$2.73 per share (2015: HK$3.11).

The Group did not recognised share option expense during the year (2015: HK$1,956,000 (equivalent to approximately RMB1,639,000)).

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

28. SHARE OPTION SCHEMES (continued)

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

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

At 31 December 2016, the Company had 8,200,000 share options outstanding under the Old Option Scheme and 28,000,000 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 36,200,000 additional Shares of the Company and additional share capital of HK$3,620,000 and share premium of HK$95,206,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 36,200,000 share options outstanding, which represented approximately 1.74% of the Company's shares in issue as at that date.

29. 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 Investment 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 Investment 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 Investment, Lingyu Investment 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.

29. RESERVES (continued)

(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.

(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.

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

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

	2016 **RMB'000**	2015 RMB'000
Percentage of equity interest held by non-controlling interests:		
Sichuan Haoyuan Group	**49%**	49%
Loss for the year allocated to non-controlling interests:		
Sichuan Haoyuan Group	**23,246**	172
Accumulated balances of non-controlling interests at the reporting date:		
Sichuan Haoyuan Group	**332,072**	355,318

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

The following tables illustrate the summarised financial information of the above subsidiary.

	2016	2015
	RMB'000	RMB'000
Other income	**–**	7
Impairment on non-current assets	**(47,270)**	–
Other expenses	**(171)**	(359)
Loss and total comprehensive loss for the year	**(47,441)**	(352)
Current assets	**2,087**	2,087
Non-current assets	**716,752**	764,193
Current liabilities	**(41,142)**	(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)

31. OPERATING LEASE ARRANGEMENTS

As lessee

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

	2016	2015
	RMB'000	RMB'000
Within one year	**129**	567
In the second to fifth years, inclusive	**120**	89
	249	656

32. CAPITAL COMMITMENTS

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

	2016	2015
	RMB'000	RMB'000
Contracted, but not provided for:		
– Acquisition of an associate*	**31,308**	–
– Plant and machinery	**–**	8,178
– Exploration rights and assets	**–**	935
	31,308	9,113

* The remaining acquisition will be settled by the allotment and issue of the Company's new Shares (note 15(b)).

33. RELATED PARTY TRANSACTIONS

(a) During the year ended 31 December 2016 and 2015, the Group had no material transactions with related parties.

(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 20 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.

34. 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, trade and bills receivables, trade and bills payables, financial assets included in deposits and other receivables, amounts due from 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 values:

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 2016 and 31 December 2015. The fair value measurement hierarchy of the Group's assets held for sale measured at fair value derived from quoted prices in markets that were not active (Level 2) as at 31 December 2016 and 31 December 2015.

35. 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.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 2016, the Group had net current liabilities of RMB478,829,000.

With regard to 2016 and thereafter, the liquidity of the Group is primarily dependent 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:

	2016				
	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	–	146,104	758,186	653	904,943
Trade and bills payables	138,296	38,233	2,736	–	179,265
Other payables and accruals	151,022	124,934	–	601	276,557
Dividend payable	1,801	–	–	–	1,801
Due to related parties	2,244	–	–	–	2,244
	293,363	**309,271**	**760,922**	**1,254**	**1,364,810**

	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

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk

The Group's exposure to interest rate risk relates primarily to the Group's bank deposits, interest-bearing bank loans and other loans 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 note 25 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 notes, 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 a nine-month credit term to its customers for sale of self-produced products given the continuing downturn market conditions and a three-month credit term to its trading customers. 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 mainly from the sales of iron products, trading of steels and coals to the steel producers and distributors that purchase the Group's products and resell them to steel producers. In addition, the Group also generated revenue from sales of titanium products to other customers. In this regard, the Group is exposed to the concentration of credit risk in the steel and titanium industries.

Foreign currency risk

The Group's businesses are located in Mainland China and all transactions are conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB, except for certain items of cash and cash equivalents 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.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

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 2016 (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):

	2016	2015
	RMB'000	RMB'000
Increase/(decrease) in profit before tax		
If RMB weakens against HK$ and USD	**5,617**	11,204
If RMB strengthens against HK$ and USD	**(5,617)**	(11,204)

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.

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 short-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 20% and 40% over the long term. 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 purposes. Equity includes equity attributable to the owners of the Company and non-controlling interests. As at 31 December 2016, the gearing ratio was 33.8% (2015: 20.3%).

36. 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:

	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS		
Office equipment	**7**	9
Investments in subsidiaries	**751,427**	1,136,031
Total non-current assets	**751,434**	1,136,040
CURRENT ASSETS		
Dividend receivable	**17,157**	17,157
Due from subsidiaries	**939,174**	720,266
Deposit and other receivables	**9,483**	3
Cash and cash equivalents	**861**	922
Total current assets	**966,675**	738,348
CURRENT LIABILITIES		
Due to a subsidiary	**41,707**	36,877
Due to a related party	**–**	2,512
Other payables and accruals	**4,447**	5,706
Total current liabilities	**46,154**	45,095
NET CURRENT ASSETS	**920,521**	693,253
Net assets	**1,671,955**	1,829,293
EQUITY		
Issued capital	**182,787**	182,787
Reserves	**1,489,168**	1,646,506
Total equity	**1,671,955**	1,829,293

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

Note:

The movements of the Company's reserves are as follows:

	Share premium account	Share option reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015	1,840,253	105,846	(359,873)	1,586,226
Total comprehensive income for the year	–	–	58,641	58,641
Final 2015 dividend declared	–	–	–	–
Equity-settled share option arrangements	–	1,639	–	1,639
At 31 December 2015 and 1 January 2016	1,840,253	107,485	(301,232)	1,646,506
Total comprehensive income for the year	–	–	(157,338)	(157,338)
Equity-settled share option arrangements (note 28)	–	(65,564)	65,564	–
At 31 December 2016	**1,840,253**	**41,921**	**(393,006)**	**1,489,168**

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.

37. EVENT AFTER THE REPORTING PERIOD

On 28 February 2017, all the conditions precedent under the Sale and Purchase Agreement have been fulfilled and the acquisition of the 49% equity interest in Mancala Holdings was completed then. Mancala Group is principally engaged in the business of providing specialist mining services, including raised boring, shaft excavation, engineering services and other mining services. Upon completion of such acquisition, Mancala Group has become an associate of the Company.

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 March 2017.

Glossary

"2010 AGM"	the Shareholders' annual general meeting held on 15 April 2010
"2017 AGM"	the Shareholders' annual general meeting to be held on 18 May 2017
"Aba Mining"	Aba Mining Co., Ltd.*（阿壩礦業有限公司）, a limited liability company established in the PRC on 27 February 2004 and an indirect wholly-owned subsidiary of the Company
"Aba Prefecture"	阿壩藏族羌族自治州, Aba Tibetan and Qiang Autonomous Prefecture
"Anhydrite"	an anhydrous sulfate mineral with the chemical formula $CaSO_4$
"Articles"	the articles of association of our Company, adopted on 4 September 2009 and as amended from time to time
"Baicao Mine"	白草鐵礦, the vanadium-bearing titano-magnetite mine located in Huili County, Sichuan and operated by Huili Caitong, with a mining area of 1.88 sq.km.
"Baicao Processing Plant"	the ore processing plant located near the Baicao Mine and operated by Huili Caitong
"Board"	the board of Directors
"Chengyu Vanadium Titano"	Chengyu Vanadium Titano Technology Ltd.*（成渝釩鈦科技有限公司）, formerly known as Weiyuan Steel Co., Ltd.*（威遠鋼鐵有限公司）, a sino-foreign equity joint venture established in the PRC on 3 April 2001 and a connected person to the Group
"China" or "PRC"	the People's Republic of China excluding, for the purpose of this annual report, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"China VTM Mining", "Company", "our Company", "we" or "us"	China Vanadium Titano-Magnetite Mining Company Limited（中國釩鈦磁鐵礦業有限公司）, a limited liability company incorporated in the Cayman Islands on 28 April 2008
"Chuanwei"	Sichuan Chuanwei Group Co., Ltd.*（四川省川威集團有限公司）, a limited liability company established in the PRC on 29 March 1998 and a connected person to the Group
"Cizhuqing Mine"	茨竹箐鐵礦, the vanadium-bearing titano-magnetite mine located in Huili County, Sichuan and operated by Huili Caitong, with a mining area of 1.279 sq.km.
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands

"Controlling Shareholder(s)"	Trisonic International, Kingston Grand, Messrs. Wang Jin, Shi Yinjun, Yang Xianlu, Wu Wendong, Zhang Yuangui and Li Hesheng
"Director(s)"	director(s) of the Company or any one of them
"Exchangeable Note(s)"	the exchangeable note(s) issued by the Issuer in accordance with the Secured Exchangeable Note Purchase Agreement with its terms and conditions set out in the Note Certificate
"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 26.2 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 owned by Huili Caitong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Huili Caitong"	Huili County Caitong Iron and Titanium Co., Ltd.* (會理縣財通鐵鈦有限責任公司), established in the PRC on 7 July 1998 and has been a foreign equity joint venture in the PRC since 29 December 2010, an indirect wholly-owned subsidiary of the Company
"IFRSs"	International Financial Reporting Standards, which comprise standards and interpretations approved by the International Accounting Standards Board and the International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect
"Indicated resource"	part of a mineral resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of modifying factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit

"Inferred resource"	part of a mineral resource for which quantity and grade (or quality) are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade (or quality) continuity. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes
"iron"	a silvery-white, lustrous, malleable, ductile, magnetic or magnetisable, metallic element occurring abundantly in combined forms, notably in hematite, limonite, magnetite, and taconite, and alloyed for use in a wide range of important structural materials
"iron concentrate(s)"	concentrate(s) whose main mineral content (by value) is iron
"iron ore"	compounds of iron and oxygen (iron oxides) mixed with impurities (gangue); it is a mineral which when heated in the presence of a reductant will yield metallic iron
"iron pellet(s)"	a round hardened clump of iron-rich material suitable for application in blast furnaces
"Iron Pelletising Plant"	the plant that produces iron pellets and is located in Huili County, Sichuan, which is approximately 5.5 km from the Xiushuihe Mine and operated by Huili Caitong
"Issuer"	Rui Tong Limited, a private company incorporated in the British Virgin Islands with limited liability, being the issuer of the Exchangeable Note under the Secured Exchangeable Note Purchase Agreement and a third party independent of the Company and its connected persons
"JORC Code (2004 Edition)"	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia in 1989 and revised and updated in 1992, 1996, 1999 and 2004 that sets out minimum standards, recommendations and guidelines for public reporting
"JORC Code (2012 Edition)"	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia in 1989 and revised and updated in 1992, 1996, 1999, 2004 and 2012, that sets out minimum standards, recommendations and guidelines for public reporting
"Kingston Grand"	Kingston Grand Limited, a company incorporated in the British Virgin Islands on 20 February 2007, holder of 40% of the issued share capital of Trisonic International

Glossary

"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
"Mancala Group"	Mancala Holdings Pty Ltd. and its subsidiaries
"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
"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
"sq.km."	square kilometres

Glossary

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Oriental Mining and Mineral Resources Co., Ltd., a company incorporated in the Cayman Islands on 8 April 2011 and a third party independent of the Company and its connected persons
"Target Iron Mine"	the vanadium-bearing titano-magnetite iron sand ore mine located in Java, Indonesia over which the Target Company and its subsidiaries have the relevant exploration license and mining license
"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
"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*