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)

CONSOLIDATE THE FOUNDATION WITH INCLUSIVENESS

2017 ANNUAL REPORT

Our Presence

Mines

Name	Location	Area	Type of Resources	Resources under the JORC code (2004 or 2012 Edition) as at 1 January 2018 (Mt)	Average Grade	Mining Method
1 Baicao Mine	Huili County, Sichuan	Mining area: 1.88 sq.km.	Vanadium-bearing titano-magnetite	49.20	23.34% 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	66.58	24.24% 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: 11.6 sq.km. (including a mining area of 1.9 sq.km.)	Ordinary magnetite	56.54	22.76% TFe	Underground mining

Name	Location	Area	Type of Resources	Resources under the PRC code as at 1 January 2018 (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

WE AIM TO BE A

TOP-NOTCH ENTERPRISE

打造一流企業

CORE VALUE

- We deliver with integrity
- We explore opportunities
- We uphold the essence of commitment and responsibility
- 誠信、開拓、責任

VISION

- To explore Exceptional Potential in Mining
- 中國鐵鈦，太（鈦）不平凡（釩）

MISSION

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

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Non-executive Director

Mr. Teh Wing Kwan *(Chairman)*
(Appointed as non-executive Director and chairman of the Board on 26 July 2017 and 12 October 2017, respectively)

Executive Directors

Mr. Jiang Zhong Ping *(Chief executive officer)*
(Re-designated from chairman of the Board and acting chief executive officer to chief executive officer on 12 October 2017)
Mr. Zheng Zhiquan
(Resigned as executive Director and financial controller on 1 January 2018)
Mr. Hao Xiemin *(Financial controller)*
(Appointed as executive Director and financial controller on 1 January 2018)
Mr. Wang Hu
(Appointed as executive Director on 1 January 2018)

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. Teh Wing Kwan *(Chairman)*
(Appointed as chairman on 12 October 2017)
Mr. Jiang Zhong Ping
(Resigned as chairman on 12 October 2017)
Mr. Liu Yi
Mr. Yu Haizong
Mr. Wu Wen
(Appointed on 12 October 2017)

COMPANY SECRETARY

Mr. Kong Chi Mo *(FCCA, FCIS, FCS, MHKIoD, MHKIRA & MHKSI)*

AUTHORISED REPRESENTATIVES

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

REGISTERED OFFICE

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Cayman Islands

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Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Email: ir@chinavtmmining.com

COMPETENT PERSON

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Level 9, 80 Mount Street
North Sydney, NSW 2060
Australia

WEBSITE

www.chinavtmmining.com

STOCK CODE

00893

SHARE INFORMATION

Board lot size: 1,000

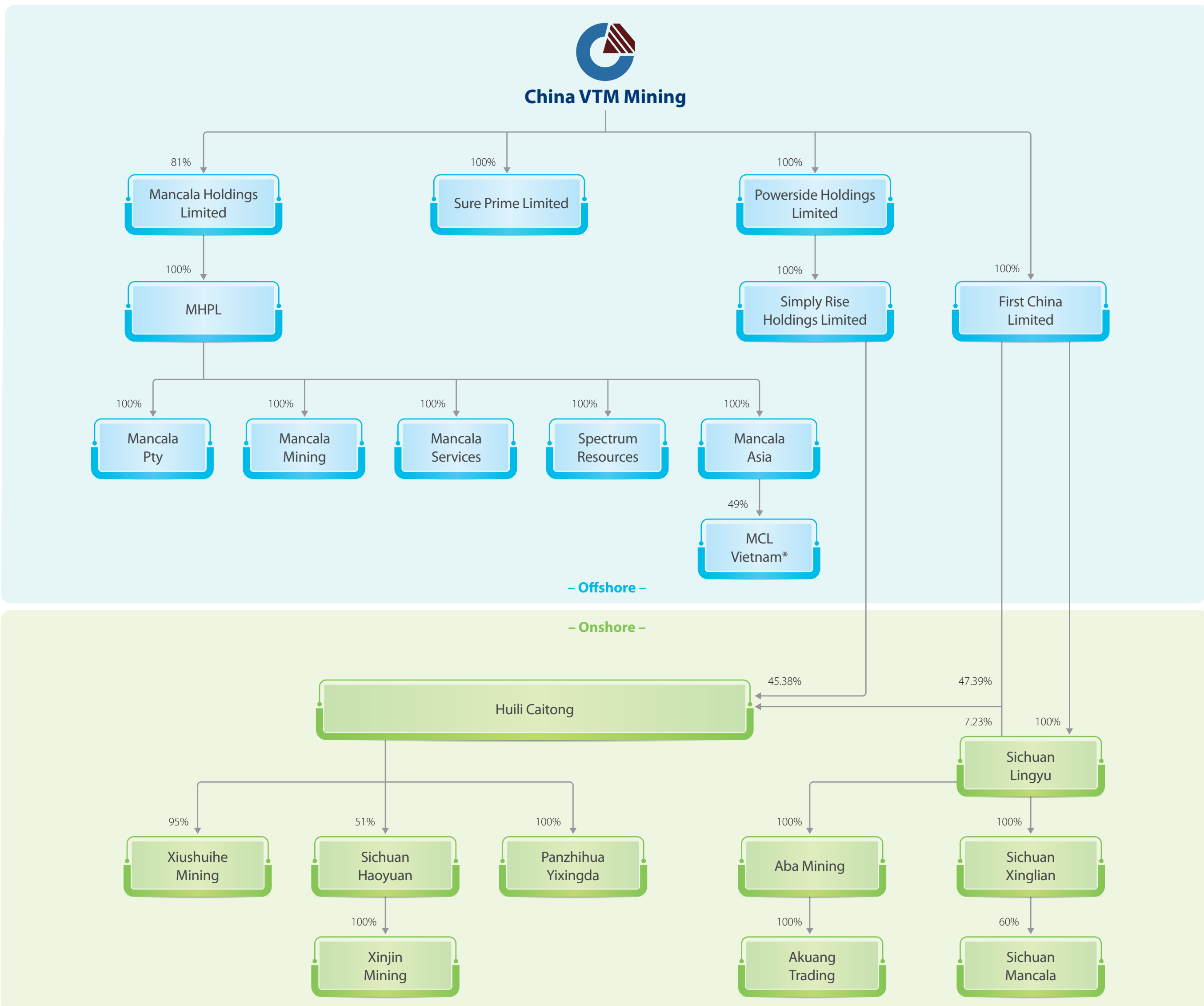
FINANCIAL CALENDAR

1 January to 31 December

Corporate Profile

The Company has been listed on the main board of the Stock Exchange since 8 October 2009. During the year ended 31 December 2017, the Group was principally engaged in mining and ore processing, sale of self-produced products, trading of coals and steels, management of strategic investments and providing specialist mining services. The Group now owns five vanadium-bearing titano-magnetite mines (namely the Baicao Mine, Xiushuihe Mine, Yangqueqing Mine, Cizhuqing Mine and Haibaodang Mine), one ordinary iron ore mine (namely the Maoling-Yanglongshan Mine), one gypsum mine (namely the Shigou Gypsum Mine), five processing plants (namely the Baicao Processing Plant, Xiushuihe Processing Plant, Hailong Processing Plant, Heigutian Processing Plant and Maoling Processing Plant) and one iron pelletising plant. All mines are located in Sichuan, a region with the most abundant vanadium-bearing titano-magnetite resources in China.

As at 31 December 2017, the total number of Shares of the Company in issue was 2,249,015,410 Shares and the percentage holding of the Company's subsidiaries was as follows:



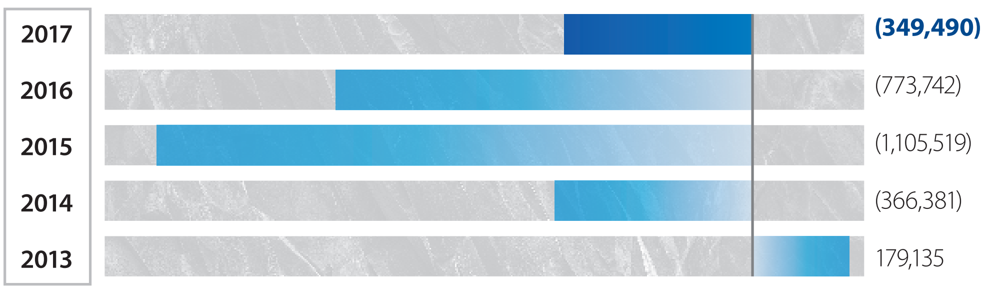
* As Mancala Asia is contractually entitled to appoint a majority of members in the members' council of MCL Vietnam and to control the operations of MCL Vietnam, MCL Vietnam is accounted for a subsidiary of Mancala Asia.

Financial Highlights

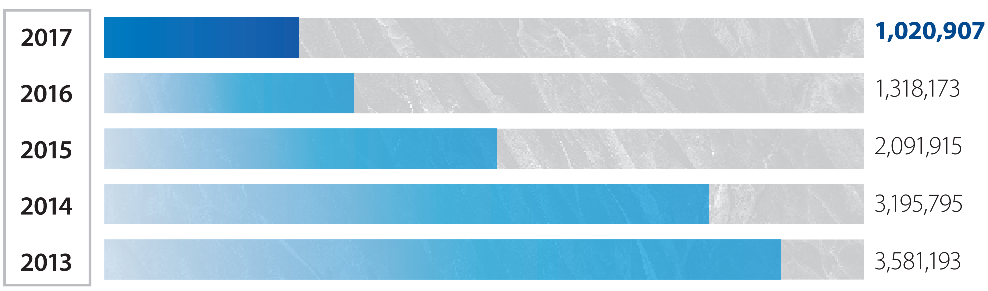
REVENUE
(RMB'000)

GROSS PROFIT/ (LOSS)
(RMB'000)

PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY
(RMB'000)



EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY
(RMB'000)



Chairman's Statement

Dear Shareholders,

This is my first report to you – the owner of the Company – since my appointment as the chairman of your Board. In my usual way of writing, I hope you find it easy to read and this original version of my report in English has also been professionally translated for your reference.

This Chairman's Statement, however, has gotten slightly longer than before as I have included my strategic thoughts and the "big picture" here at a glance. Meanwhile, our financial team has prepared other analytical details and industrial statistics separately in the "Management Discussion and Analysis" section of this annual report.

OVERVIEW

I joined the Board in July 2017 obviously taking note that the Group had incurred significant losses over the last few years while many other mining companies of similar types and scales are still trying to recalibrate. The adverse side of the business arose from massive overcapacity, falling commodity prices, rising market risks and tumbling product demand which probably explained why the Company's share price has been weak and its trading volume has been low in recent years – disappointing you, your Board and our management alike.

On the positive note, at one particular point in July to August last year, our market capitalisation doubled and share price hit almost a 2-year high – whilst I was not quite sure whether it was just a coincidence or indeed a correlation, the management pointed out to me that these improvements occurred immediately after my directorship announcement on 26 July 2017 which saw a total trading volume of approximately 732 million Shares in 14 consecutive trading days and share price rose to the highest HK$0.465 (but for sure, many longtime Shareholders are still displeased by a huge paper loss at this level). The sharp rise in share price during this period could also reflect some hopeful signs of improvement in our industry and at the macro level. Share price, however, had softened particularly after the profit warning for our interim results.

For the year ended 31 December 2017, our revenue from self-produced products rose, low-margin trading sales fell and gross margin improved. The overall operating costs structure met our expectations that compliance costs pressure remained, materials cost rose, energy consumption increased and fixed operating expenses fell. The management also conducted a year-end review on the book value of certain assets in accordance with the financial reporting standards, which resulted in non-cash impairment losses given their lower-than-expected utilisation rates. The write-down, however, was much lower in 2017. Notably, our net operating cash flows improved sharply and net loss narrowed for the year ended 31 December 2017 due largely to market recovery and our focused strategies.

While our results during the year under review were far better than the year before, we are still not out of the woods, not just yet. However, our key focus in generating higher and faster operating cash inflows worked very well, mainly driven by operational discipline and switch changes in our strategies.

STRATEGIES

Shortly after joining the Board, I visited our major mines located in Huili County, Sichuan and Aba Prefecture. I also spoke to the key management and held various meetings with the team. The site visit and management discussions allowed us to quickly align our existing operations to the fast changing "big picture", adjust our strategic directions necessarily and change certain investment parameters accordingly.

More specifically, it may be of your interest to note that during the year under review:

- we focused on improving operating cash inflows rather than maximising the overall plant utilisation rates – *we generated operating cash inflows (before interest and tax) of approximately RMB122 million for the year compared to operating cash outflows of approximately RMB190 million for the year ended 2016*;
- we changed our revenue mix by cutting down low-margin and high-volume trading sales, scaling up production for vanadium-bearing iron concentrates and maintaining output for high-grade titanium concentrates which we did well given the higher average selling prices – *we thus reported a lower revenue, recorded a higher gross margin and earned higher cash profits*;
- we refreshed our strategies to streamline operations, improve efficiencies and keep costs down – *our economies of scale improved while direct costs, selling and administrative expenses fell*;

- we invested in new equipment for selected plant in order to increase the TFe grade of vanadium-bearing iron concentrates (as selling prices rose) while delivering predictable output across these selected facilities – *we spent slightly more than RMB60 million in equipment upgrade for 2017*;

- we have no immediate plans to resume those suspended production facilities given an estimated long learning curve, fixed costs burden and additional environmental compliance costs – *it is likely that we will extend suspension or find ways to divest if we see future resumption makes no commercial sense*;

- we need to optimise utilisation per plant instead of maximising capacity for the Group – *that we could improve efficiencies per factory, maximise cash flows per business unit and minimise future impairment risks for operating assets*;

- we will not acquire any new mining rights but may explore collaboration with those mine owners for joint mine development opportunities – *we held discussions with an established metallurgical institute in China and other mining specialist funds to whom we introduced Mancala Australia team (we now own 81% of the business) and presented our integrated mining investment approach*;

- we need to continually leverage on the expertise of our foreign mining specialist given stringent requirements for environmental compliance and emphasis on sustainable mining development – *that Mancala team has visited our major mines, recommended various productivity improvement methods and we are evaluating the technical feasibility of these recommendations*;

- we have restructured a significant part of our short-term bank loans to long-term bank loans for a more balanced debts structure – *that you would have noted a reduction in our total short-term debts of approximately RMB277 million*; and

- we are well aware of China's major economic reform as we navigate trends and seize opportunities beyond mining sector over the next 12 to 18 months – *it will take us time in formulating new corporate strategies, evaluating new investment parameters and executing business diversification plans.*

OUTLOOK

It is widely known that China's economy has entered into its new normal pace of growth under a major reform of the government policies. Most, if not all, of us seem to have agreed that the current growth momentum for the country could sustain reasonably well, albeit at a slower pace and at a moderate rate.

Looking back, public infrastructure spending and unexpected real estate demand helped to stabilise steel demand and pushed steel prices higher during the year but many say the improvement was just a blip as China is still producing more steels than it needs. Looking forward, the growth projections for the industry will largely rely on uninterrupted major infrastructure investments under the high-profile Belt and Road Initiative for sustainable capacity optimisation. From the other perspective, the country's debts load to fuel growth may heighten the tension of the entire chain and may delay the progress of structural reform for the steel industry, which is one of the closely watched economic factors.

In China, there have recently been some obvious elimination and consolidation of smaller scale players in the industry. Many industrial players have downsized, cut costs and shed debts. We have seen many mom-and-pop shops closed down, mid-sized factories merged and major facilities pledged to upgrade under the nationwide supply-side reform. Meanwhile, the Chinese government has emphasised on environmental protection and such related compliance. Government initiatives in this aspect are definite and will remain very, very aggressive but efforts to restructure the entire industry and resolve overcapacity issues take time. Continuity and consistency in related policies implementation will also affect the progress and outcome of the reform. This means there is a good hope for recovery but the path could be bumpy and its sustainability remains to be seen.

Elsewhere outside China, export opportunities for steel producers are limited given those restrictive market conditions, hefty tariffs and more recently, the widely discussed "Trump's Tariffs" slap. In any case, export markets have not recently been seen as a feasible alternative to de-stock for steel producers in China. Given that, whilst it is not good news to the local producers, the impacts do not seem to be immediately worrying. However, there are grounds to warn trade wars danger.

After all, a successful structural reform would mean sustainable positive impacts for the entire steel industry but adapting to such changes by each individual producer is a pain and requires much strenuous efforts during the transitional period. This requires additional resources, needs significant investments and incurs higher compliance costs at the expense of short-term operating margins. In this aspect, our Group is no exception. We have thus budgeted for progressive increase in related spending and are hopeful that the trend for market price recovery could outpace the rise in costs.

BOARD CHANGE

Mr. Jiang Zhong Ping, an existing key management member, was re-designated to chief executive officer in October 2017 allowing him to focus more on operational related matters and technical aspects of the business. In December 2017, I also announced changes to the executive Board given the need for renewal of skills and experience in both financial management and legal compliance. Mr. Hao Xiemin and Mr. Wang Hu then joined the Board. With their dedicated operational and executive experience, I expect Mr. Jiang, Mr. Hao and Mr. Wang will make meaningful contribution to the Board, particularly at a time when the Group's operations are still very much characterised by volatile market conditions and challenging business environment.

GOING FORWARD

After so many years of losses, many smaller producers in our industry have flagged out and the more established ones pulled through the disturbing cycles. The good news is that the recent market price recovery is encouraging and the supply-side reform is progressing. However, I caution that unless higher demand for steel is supported by a sustained fundamental and successful reform, temporary price gains will fade, capacity utilisation may fall and our operating margins may come under pressure again. Likewise, predicting the steel market trend is indeed highly judgmental too. Looking ahead, we probably can expect slow but positive improvement over the medium-term.

Meanwhile, we will refresh those focused strategies and strengthen execution capabilities. I will also deepen my strategic reviews together with my team to assess the commercial and technical feasibility of rationalising under-utilised assets, restructuring our operations and potentially, transforming our existing business models.

SHAREHOLDERS' COMMUNICATION

Most of you may have been annoyed by the disappointing financials and falling market capitalisation of the Company over the last few years. Some of you may have given up for obvious reasons. As your newly appointed chairman, I shared the same concerns. I stress that a lot more needs to be done and no small effort to be on our part to stabilise the existing business, turnaround your company, restore investors' confidence and improve our share price. It's also important to communicate with Shareholders and re-engage with investors. I will provide you with necessary corporate update if there is any key development in our going-forward strategies.

Meanwhile, I encourage you to write to me directly at **wkteh.cvt@gmail.com** or **wkteh@chinavtmmining.com** if you wish so.

THANK YOU

I express my sincere thanks here – to you and other stakeholders, bankers, business associates, management and staff. I will see you in the upcoming 2018 AGM.

Teh Wing Kwan
Chairman

Hong Kong, 27 March 2018

Management Discussion and Analysis

MARKET REVIEW

During the year under review, the Group noted certain development and market statistics that:

- according to the National Bureau of Statistics of the PRC, China reported a gross domestic product growth of 6.9% for 2017, which was slightly higher than that for 2016. This also indicates potentially a stable and more moderate growth momentum ahead in 2018;

- the campaign to curb excessive steel capacity, as part of the supply-side reform in China, appeared successful and targets were well exceeded. Specifically, 65 Mt and 50 Mt of annual crude steel production capacity were cut for 2016 and 2017, respectively;

- the proposed targets raised by the State Council of the PRC for the steel industry in China's 13th Five-Year Plan to reduce annual crude steel production capacity by 100 Mt to 150 Mt towards the end of 2020 have been well exceeded far earlier – specifically that, a total of 115 Mt has been reduced by the end of 2017;

- the National Development and Reform Commission of the PRC issued the "Plan for Cutting Excessive Capacity in Steel 2017"（2017年鋼鐵去產能實施方案）which stressed overcapacity concerns and restructuring reform needs for the steel industry. The China's 13th Five-Year Plan further re-emphasised its importance;

- the Ministry of Industry and Information Technology of the PRC introduced the "Adjustment and Enhancement Planning on Steel Industry (2016-2020)"（鋼鐵工業調整升級規劃（2016-2020年））to guide reformation plans for the steel industry and it also stressed on innovative manufacturing, industry upgrade and technology deployment for the industry;

- to upgrade the steel industry, regulations on the prohibition of substandard steel production and clearance of substandard steel were strictly carried out during the year. Around 140 Mt of substandard steel was eliminated and more than 600 manufacturers were forced to close down by the end of 2017. This should partly help to stabilise output for the steel industry;

- the steel industry has shown signs of general recovery as the China's Purchasing Managers' Index kept an average level of over 50-point mark (except that it was 49.7% and 49.1% in January and April 2017, respectively) for the steel sector for eight consecutive months from May to the end of 2017;

- the stimulated demand for steel led to the rebound of iron ore price in the first half of 2017. However, steel producers used more scrap steel as raw materials instead of iron ore since the price of scrap steel was lower during the elimination of substandard steel. As a result, the China Iron Ore Price Index compiled by the China Iron and Steel Association dropped sharply from 289.93 at the end of January 2017 to 215.19 at the end of October 2017 but it bounced back to 255.89 at the end of December 2017;

- the overall consumption of steel in China was expected to rise by 7.7% in 2017 to 725 Mt while demand for iron ore was predicted to increase by 1.3% to 1,122 Mt according to the China Metallurgical Industry Planning and Research Institute ("MPI") in December 2017. The MPI however forecasted that the steel demand for 2018 might increase by just 0.7% to 730 Mt; and steel output would grow at the same rate, some 0.7% to 838 Mt;

- steel exports fell by 30.5% to 75.43 Mt as at the end of November 2017 according to the General Administration of Customs of the PRC; and

- the high-grade titanium concentrates (with over 46% titanium) in the Panzhihua region rose from RMB1,580-1,650/tonne at the end of January 2017 to RMB1,800-1,900/tonne at the end of April 2017, but fell to RMB1,250-1,350/tonne at the end of June 2017. The continuous implementation of strict environmental protection policies by the Sichuan government further resulted in the shutdown of various "unqualified" producers. Consequently, the falling supply helped to keep the price of titanium concentrates stable. It sustained at approximately RMB1,400/tonne at the end of December 2017.

BUSINESS AND OPERATIONS REVIEW

Overview

The capacity utilisation of the Group's plants improved slightly during the year given market recovery but output was still below optimal levels. As a result of both higher selling prices and demand for the Group's self-produced products, the Group made guided decisions to reduce trading sales (which earned substantially lower margins but required more working capital). During the year, the Group's revenue decreased by 28.1% to approximately RMB1,317.5 million as compared with last year due mainly to the significantly lower trading sales. Due to the higher selling prices of the Group's self-produced products, the Group recorded a higher gross profit of approximately RMB127.5 million and gross profit margin of approximately 9.7% as compared with last year. The impairment losses were approximately RMB206.4 million for the year due mainly 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 fair value loss on the Exchangeable Notes for the year was approximately RMB109.6 million. As a result of higher gross profit and lower impairment losses, the Group recorded a lower loss attributable to owners of the Company for the year of approximately RMB349.5 million.

Operations

In response to the fast-changing market conditions, the Group has started to sell raw ore to an independent third party and processed vanadium-bearing iron concentrates for an independent third party since 2016. For accounting purpose, the sale of raw ore and the rendering of processing services for the independent third party were recorded as "sale of self-produced products – vanadium-bearing iron concentrates". During the year, the production and sales volumes of:

- vanadium-bearing iron concentrates (including the sale of raw ore and the rendering of processing services) were approximately 1,073.4 Kt and 1,004.9 Kt, respectively;
- ordinary iron concentrates were approximately 102.0 Kt and 93.1 Kt, respectively; and
- high-grade titanium concentrates were approximately 48.5 Kt and 47.8 Kt, respectively.

Please refer to the table on pages 16 to 17 which summarises the details, including those changes in volumes, presented in terms of percentage in this section for further details.

The trading sales and the sale of self-produced products (including the sale of raw ore and the rendering of processing services) contributed 61.1% and 38.6% of the total revenue, respectively, during the year. Loss before interest, tax, depreciation and amortisation decreased from approximately RMB654.5 million for the year ended 31 December 2016 to approximately RMB284.7 million for the year, due mainly to the higher gross profit and lower impairment losses.

Risk and Uncertainties

As explained in the Company's 2015 annual report relating to assets classified as held for sale, the management has permanently halted the production of the Heigutian Processing Plant under the Group's strategic plans unless subsequent technical and commercial assessment of its feasibility show improvements otherwise. As such, the management has decided to either (i) dispose of the plant and equipment on a piecemeal basis or (ii) dispose of the Heigutian Processing Plant in its entirety. During the year, the Group was still actively seeking suitable potential buyers and strategic partners in relation to the disposal. In addition, the Group has invited foreign mining experts following the acquisition of Mancala Holdings Limited. The Group has also sought advice from MHPL, regarding the technical aspects of mines while reviewing the proposed deals with the potential buyers. As at the date of this annual report, the Group was committed to the existing disposal plans on the Heigutian Processing Plant. As at 31 December 2017, the classification of the Heigutian Processing Plant as assets held for sale remained unchanged and continued to be recorded at fair value less cost to sell.

During the year, the Group continued to follow up closely on the recoverability of the Exchangeable Notes owed by the Issuer to Sure Prime Limited, a wholly-owned subsidiary of the Company in relation to the Group's investment in an Indonesian mine. As at the date of this annual report, no significant progress has been made regarding the redemption of the Exchangeable Notes despite extensive discussions with the Issuer. In view of this, as part of the Group's internal assessment in assigning an accounting fair value at each reporting date, the management has adopted a prudent approach in assessing the recoverable amount of the Exchangeable Notes. Given that, a fair value loss of RMB109.6 million was recognised on the Exchangeable Notes during the year while the carrying value for the Exchangeable Notes was fully written off as at 31 December 2017. Despite the write-off, the Group will continue to pursue necessary actions including seeking legal advice and taking legal action, on the redemption of the Exchangeable Notes.

It is widely known that many banks and financial institutions in China have tightened their lending policies and adopted more prudent measures in approving and renewing loans for local enterprises in China. The Group's business falls under the categories that are perceived to be unfavourable or higher-risk industries as a result of massive overcapacity over the last few years and environmental compliance issues. Such bank loans and banking facilities, if any, are likely to remain callable on demand, subject to more regular short-term reviews and may be offered in a stringently controlled manner with a much higher cost of capital. The Group was well aware of the difficulties and uncertainties in obtaining long-term banking facilities with potentially higher finance costs. The management has made concerted efforts in communicating with the Group's banks and financial institutions in China and will continue to take proactive approach in doing so. During the year, the Group renewed certain short-term bank loans into three-year long-term bank loans of approximately RMB302.0 million and the working capital position of the Group has also improved.

During the year, the Group impaired part of the trade receivables relating to certain customers that were in financial difficulties. For these customers, the Group has reviewed their overdue status, stopped supplying goods to them, initiated discussions on repayment terms with them and has monitored their repayment schedules. Whilst certain customers settled the outstanding balances according to the repayment schedules, the recoverability of the receivables in general has been adversely affected by the volatile 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 RMB10.5 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 summarises the transacted volumes from (i) trading sales and (ii) sale of self-produced products of the Group:

	For the year ended 31 December		
	2017	2016	Change
	(Kt)	(Kt)	(%)
(i) Trading Sales			
Steels			
Purchases from the independent third parties	**87.2**	543.3	-83.9
Sales to an independent third party	**110.7**	553.1	-80.0
Coals			
Purchases from the independent third parties	**432.5**	449.1	-3.7
Sales to an independent third party	**484.7**	376.8	28.6
Iron products			
Purchases from the independent third parties	**–**	116.3	-100
Sales to the independent third parties	**–**	128.6	-100
(ii) Sale of Self-produced Products			
Vanadium-bearing iron concentrates			
Baicao Processing Plant	**296.1**	212.9	39.1
Xiushuihe Processing Plant	**499.6**	579.7	-13.8
Hailong Processing Plant	**277.7**	223.1	24.5
Total production volume	**1,073.4**	1,015.7	5.7
Total sales volume	**1,004.9**	1,098.4	-8.5

	For the year ended 31 December		
	2017	2016	Change
	(Kt)	(Kt)	(%)
Ordinary iron concentrates			
Maoling Processing Plant	**102.0**	144.6	-29.5
Total production volume	**102.0**	144.6	-29.5
Total sales volume	**93.1**	156.7	-40.6
Medium-grade titanium concentrates			
Baicao Processing Plant	**–**	22.7	-100
Total production volume	**–**	22.7	-100
Total sales volume	**–**	–	N/A
High-grade titanium concentrates			
Baicao Processing Plant	**48.5**	–	100
Xiushuihe Processing Plant	**–**	48.7	-100
Total production volume	**48.5**	48.7	-0.4
Total sales volume	**47.8**	48.9	-2.2

FINANCIAL REVIEW

Revenue

During the year, the Group's revenue fell by 28.1% to approximately RMB1,317.5 million (2016: RMB1,833.3 million) due mainly to the lower trading sales, which was partially offset by the higher sale for the Group's self-produced products.

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 trading purchases. During the year, the Group's cost of sales fell by 33.6% to approximately RMB1,190.0 million (2016: RMB1,790.9 million) due mainly to the lower trading purchases.

Gross Profit and Margin

The Group recorded a higher gross profit of approximately RMB127.5 million for the year (2016: RMB42.4 million) due mainly to the higher selling prices for the Group's self-produced products and a much lower trading sales volume which were of smaller margin. As a result, the gross profit margin improved to approximately 9.7% for the year (2016: 2.3%).

Other Income and Gains

The other income and gains increased by 7.1% to approximately RMB1.5 million for the year (2016: RMB1.4 million). The other income and gains primarily comprised sale of raw materials and government grants.

Selling and Distribution Expenses

The selling and distribution expenses fell by 9.3% from approximately RMB76.3 million for the year ended 31 December 2016 to approximately RMB69.2 million for the year due mainly to the lower transportation fees on the back of lower sales volume of self-produced iron products. Transportation fees mainly represent road transportation costs from respective processing plants to railway platform, goods loading fees and other related administration fees for sale of self-produced iron products to customers.

Administrative Expenses

The administrative expenses fell by 6.1% from approximately RMB72.0 million for the year ended 31 December 2016 to approximately RMB67.6 million for the year due mainly to the lower production suspension expense (comprising staff cost and overheads relating to the resumption of certain production facilities), which was partially offset by the increase in consultation fees relating to mining and production technology improvement.

Other Expenses

The other expenses increased significantly from approximately RMB0.6 million for the year ended 31 December 2016 to approximately RMB8.2 million for the year due mainly to the additional costs incurred for forest landslide protection in mitigating hazards during the rainy season at the Xiushuihe Mine whereas no such expense was incurred for the year ended 31 December 2016.

Impairment Losses

The impairment losses fell by 60.9% from approximately RMB528.4 million for the year ended 31 December 2016 to approximately RMB206.4 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 2017 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 uncertainty in the market conditions. The impairment losses for the year mainly covered property, plant and equipment of approximately RMB72.8 million, intangible assets of approximately RMB76.1 million and assets held for sale of approximately RMB44.5 million. The main reasons that led to the impairment losses on property, plant and equipment and intangible assets are set out below:

– in accordance with the Group's accounting policies, each asset or cash generating unit ("CGU") is evaluated annually on 31 December to determine whether there are any indications of impairment. The 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 the Baicao Mine, stripping activity assets of the Baicao Mine and Baicao Processing Plant) and Xiushuihe CGU (comprising the mining right to the Xiushuihe Mine, the land use right of Xiushuihe Mining, Xiushuihe Processing Plant and Hailong Processing Plant) were treated as separate CGUs. The recoverable amounts of Baicao CGU, Xiushuihe CGU and mining right of the Shigou Gypsum Mine were estimated based on their respective value-in-use determined by discounting the future cash flows to be generated from the continuing use of these assets. The recoverable amounts were determined based on the calculation using cash flow projections according to financial budgets covering a five-year period approved by the management with pre-tax discount rates ranging between 13.18% and 16.67% (2016: between 14.0% and 17.3%) depending on the nature of the CGU/asset. The assessment of recoverable amounts involves key assumptions including but not limited to recoverable reserves, commodity prices and budgeted gross margin.

– in respect of the recoverable reserves of Baicao CGU, the resource tonnage of the Baicao Mine in the Company's updated in-pit estimates has been reduced significantly, because the geologic conditions of the iron ore deposits for the Baicao Mine were more complicated than originally interpreted and there were numerous post-mineral dikes offsetting the mineralisation, causing the mineralisation to be less continuous. The previous annual resource updates were generally conducted by subtracting the production consumed resource tonnage from the original resource estimate. The resource discrepancy has accumulated over the years. The Company's in-pit resource estimate as at 1 January 2018 was based on all drilling and sampling data, including original exploration drilling, production drilling and grade control data, and was completed on bench plans; Behre Dolbear Australia Pty Limited ("BDA") considers it is more reliable than the original resource estimates based only on exploration drilling. This in-pit resource adjustment also resulted in a significant reserve reduction for the Baicao Mine and thereby reducing the future cash flows estimates for Baicao CGU.

– in respect of the recoverable reserves of Xiushuihe CGU, the resource tonnage of the Xiushuihe Mine (including expansion) in the Company's updated in-pit estimates has been reduced due to a small accumulative discrepancy for the Measured resource and Indicated resource. The original Inferred resource was removed from the resource statement as the Company's in-pit resource estimate as at 1 January 2018 did not contain this category of resource. The decrease of the in-pit Measured resource and Indicated resource resulted in a reserve reduction for the Xiushuihe Mine (including expansion) and thereby reducing the future cash flows estimates for Xiushuihe CGU.

– in respect of the commodity price and budgeted gross margin for the Shigou Gypsum Mine, the Group originally designated the self-produced products as gypsum concentrates. Under the circumstances that the Chinese government has been targeting at lower emission and environmental control, the gypsum concentrates processing plant will require much more capital investment than the Group previously estimated, and further upgrading and transformation requirements will also be costly. Therefore, the production operation for the Shigou Gypsum Mine has been partially adjusted accordingly, from gypsum concentrate production to raw ore production, which resulted in lower commodity price and budgeted gross margin being used in calculation of the future cash flows estimates.

Details of the impairment losses on property, plant and equipment and intangible assets during the year are set out in notes 12 and 13 to the financial statements of this annual report, respectively.

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

The fair value losses recorded on financial assets for the year were approximately RMB109.6 million, due to the lower fair value for the Exchangeable Notes and following which the carrying value of the Exchangeable Notes reduced to nil as at 31 December 2017.

Finance Costs

The finance costs increased by 28.4% from approximately RMB57.3 million for the year ended 31 December 2016 to approximately RMB73.6 million for the year, due primarily to the increase in interest on bank and other loans.

Share of Losses of an Associate

The share of losses of an associate was approximately RMB9.5 million for the year (2016: Nil), representing the 49% equity loss sharing in mining services business, which was accounted as an associate of the Company during the year.

Income Tax Credit

The income tax credit of approximately RMB25.3 million for the year (2016: RMB2.9 million) was due mainly to the effect of change in tax rate of opening deferred tax assets from 15% to 25% for certain subsidiaries.

Loss for the Year

Given the above, the loss for the year was approximately RMB389.6 million (2016: RMB799.5 million).

Loss Attributable to Owners of the Company

The loss attributable to owners of the Company was approximately RMB349.5 million for the year (2016: RMB773.7 million).

Final Dividend

The Board does not recommend payment of a final dividend for the year ended 31 December 2017 (2016: 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 2017 and 2016:

	For the year ended 31 December			
	2017		2016	
	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		**19,740**		187,840
Net cash flows from/(used in) operating activities	**66,955**		(196,970)	
Net cash flows used in investing activities	**(92,403)**		(26,875)	
Net cash flows from financing activities	**19,221**		55,745	
Net decrease in cash and cash equivalents		**(6,227)**		(168,100)
Effect of foreign exchange rate changes, net		**(227)**		–
Cash and cash equivalents as stated in the consolidated statement of cash flows at end of year		**13,286**		19,740

Net Cash Flows from/(Used in) Operating Activities

The Group's net operating cash flows position improved during the year, generating approximately RMB67.0 million as compared to the net cash flows used in operating activities of approximately RMB197.0 million for the year ended 31 December 2016, due primarily to (i) lower loss before tax of approximately RMB414.9 million; (ii) the increase in trade and bills receivables of approximately RMB54.0 million; and (iii) the decrease in inventories of approximately RMB120.4 million; adjusted for certain non-cash expenses which primarily included (i) impairment losses of approximately RMB206.4 million; (ii) fair value loss on the Exchangeable Notes of approximately RMB109.6 million; and (iii) depreciation and amortisation of approximately RMB56.7 million.

Net Cash Flows Used in Investing Activities

The Group's net cash flows used in investing activities were approximately RMB26.9 million for the year ended 31 December 2016 and approximately RMB92.4 million for the year, due primarily to the investments in plant and equipment of approximately RMB71.7 million and consideration paid for previously acquired subsidiaries of the Group of approximately RMB20.9 million.

Net Cash Flows from Financing Activities

The Group's net cash flows from financing activities were approximately RMB55.7 million for the year ended 31 December 2016 and approximately RMB19.2 million for the year, due primarily to the proceeds from bank and other loans.

Analysis of Inventories

The Group's inventories fell by 34.5% from approximately RMB266.5 million as at 31 December 2016 to approximately RMB174.6 million as at 31 December 2017, due mainly to the lower trading purchases.

Analysis of Trade and Bills Receivables

The Group's trade and bills receivables increased by 16.2% from approximately RMB321.7 million as at 31 December 2016 to approximately RMB373.7 million as at 31 December 2017, due mainly to the higher portion of sale of self-produced products for which the customers were granted longer credit terms. Thus, trade receivables turnover days increased to approximately 67 days (year ended 31 December 2016: 54 days).

Assets Classified as Held for Sale

The assets classified as held for sale were approximately RMB302.1 million as at 31 December 2017, representing mainly the property, plant and equipment and land use right of the Heigutian Processing Plant recorded at fair value less cost to sell after accounting for an impairment loss of approximately RMB40.0 million.

Analysis of Trade and Bills Payables

The Group's trade and bills payables fell by 1.9% from approximately RMB179.3 million as at 31 December 2016 to approximately RMB175.9 million as at 31 December 2017, due mainly to the repayment of payables relating to trading purchases.

Analysis of Net Current Liabilities Position

The Group's net current liabilities position fell by 14.9% from approximately RMB478.8 million as at 31 December 2016 to approximately RMB407.5 million as at 31 December 2017 on conversion of certain short-term bank loans of approximately RMB302.0 million to three-year long-term bank loans, which was partially offset by a fall in inventories of approximately RMB91.9 million and the write-off of the carrying value for the Exchangeable Notes of approximately RMB109.6 million.

Borrowings

As at 31 December 2017, the Group's borrowings included mainly (i) a bank loan of RMB120.0 million with an annual interest rate of 8.82% 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 RMB319.4 million with annual interest rates ranging from 4.28% to 4.41% to Huili Caitong which were secured by the mining right of the Baicao Mine; (iii) bank loans of RMB84.0 million with annual interest rates ranging from 7.79% to 8.40% to Aba Mining which were secured by the mining right of the Maoling Mine; (iv) unsecured bank loans of RMB112.7 million and RMB120.0 million with annual interest rates of 3.92% and 8.82%, respectively, to Huili Caitong and Xiushuihe Mining; and (v) an unsecured loan of RMB141.0 million with annual interest rates ranging from 8.4% to 9.0% from an asset management company to Huili Caitong, which is repayable on demand and guaranteed by the Company at nil consideration.

Contingent Liabilities

As at 31 December 2017, the Group did not have any material contingent liabilities.

Pledge of Assets

As at 31 December 2017, (i) the mining right of the Xiushuihe Mine and 95% equity interest of Xiushuihe Mining were pledged for the bank loan of RMB120.0 million of Xiushuihe Mining; (ii) the mining right of the Baicao Mine was pledged for the bank loans of RMB319.4 million of Huili Caitong; (iii) the mining right of the Maoling Mine was pledged for the bank loans of RMB84.0 million of Aba Mining; and (iv) certain machineries with a carrying value of approximately RMB14.0 million were pledged for payable relating to the hire purchase arrangements of MHPL.

Foreign Currency Risk

The Group's businesses are mainly located in the PRC and most of the transactions are conducted in Renminbi. Most of its assets and liabilities are denominated in Renminbi, except for certain items of cash and cash equivalents and financial assets at fair value through profit or loss that are denominated in Hong Kong dollars, US dollars and Australian 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 arise.

The following table demonstrates the sensitivity to a 5.0% change in RMB against HK$, US$ and AU$, respectively. The 5.0% is the rate used when reporting currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in the foreign currency rate. The sensitivity analyses of the Group's exposure to foreign currency risk at the end of each reporting period have been determined based on the adjustment of translation of the monetary assets and liabilities at the end of each reporting period for a 5.0% change in RMB against HK$, US$ and AU$, respectively, with all other variables held constant, of the Group's loss before tax for the year ended 31 December 2017 (due to changes in the fair value of cash and cash equivalents and financial assets at fair value through profit and loss denominated in HK$, US$ and AU$):

	RMB'000
Increase/(decrease) in loss before tax	
If RMB strengthens against HK$, US$ and AU$	338
If RMB weakens against HK$, US$ and AU$	(338)

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 swaps to hedge against interest rate risk.

Contractual Obligations

As at 31 December 2017, the Group had no contractual obligations compared with approximately RMB31.3 million as at 31 December 2016. 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 Limited which was satisfied by the allotment and issue of Shares during the year.

Capital Expenditure

The Group's total capital expenditure increased by RMB21.6 million from approximately RMB46.7 million for the year ended 31 December 2016 to approximately RMB68.3 million for the year. The capital expenditure mainly 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 Hailong Processing Plant which aggregated to RMB39.9 million; and (ii) technical improvement regarding flotation processing for the processing lines of vanadium-bearing iron concentrates and high-grade titanium concentrates at the Baicao Processing Plant which aggregated to RMB21.5 million.

Financial Instruments

As at 31 December 2017, 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 the carrying value of which reduced to nil as at 31 December 2017 after accounting for an impairment loss of approximately RMB109.6 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 2017, gearing ratio was 39.9% (31 December 2016: 33.8%).

RESOURCE AND RESERVE OF MINES UNDER THE JORC CODE (2012 EDITION) AS AT 1 JANUARY 2018

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	16.88	23.42	10.73	0.20	3,945	1,811	34
Indicated resource	22.51	23.42	10.02	0.21	5,273	2,256	47
Total (M+I)	**39.40**	**23.42**	**10.32**	**0.21**	**9,226**	**4,068**	**81**
Inferred resource	9.80	23.00	10.98	0.23	2,254	1,076	23
Xiushuihe Mine (including expansion)							
Measured resource	41.37	24.64	9.12	0.22	10,193	3,772	92
Indicated resource	25.22	23.58	8.07	0.19	5,947	2,036	48
Total (M+I)	**66.58**	**24.24**	**8.72**	**0.21**	**16,140**	**5,808**	**140**
Inferred resource	–	–	–	–	–	–	–

Notes:

1. All assumptions and technical parameters, except for re-interpretation of geology, 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 mineral resources of the Baicao Mine and the Xiushuihe Mine (including expansion) as at 1 January 2018 were estimated by BDA by subtracting 2017 production consumed mineral resources and making a significant negative adjustment (25.95 Mt of Measured and Indicated resources and 15.54 Mt of Inferred resource) for the remaining mineral resources for the Baicao Mine and a smaller negative adjustment (1.95 Mt of Measured and Indicated resources and 7.23 Mt of Inferred resource) for the remaining mineral resources for the Xiushuihe Mine (including expansion).

3. The negative adjustments are based on the in-pit resource estimates completed by the Company and reviewed by BDA. The difference between the depletion-adjusted original resource estimates and the resource estimates by the Company is considered as the historical accumulative resource variation, and has been used to adjust the mineral resources as at 1 January 2018.

4. BDA's review indicates that the geologic conditions of the iron ore deposits for the Baicao Mine are more complicated than originally interpreted; there are numerous post-mineral dikes offsetting the mineralisation, causing the mineralisation to be less continuous. Therefore, the resource tonnage in the Company's updated in-pit estimates has been reduced significantly. As the previous annual resource updates were generally conducted by subtracting the production consumed resource tonnage from the original resource estimate, the resource discrepancy has accumulated over the years. The Company's in-pit resource estimate as at 1 January 2018 was based on all drilling and sampling data, including original exploration drilling, production drilling and grade control data, and was completed on bench plans; BDA considers it is more reliable than the original resource estimates based only on exploration drilling. This in-pit resource adjustment will also result in a significant reserve reduction for the Baicao Mine.

5. BDA's review indicates that the geological conditions of the iron ore deposits for the Xiushuihe Mine (including expansion) are generally consistent with the original interpretation. The accumulative discrepancy for the Measured and Indicated resources is small, resulting in a small in-pit Measured and Indicated resources adjustment. The original Inferred resource was removed from the resource statement as the Company's in-pit resource estimate as at 1 January 2018 does not contain this category of resource. The decrease of the in-pit Measured and Indicated resources will result in a reserve reduction for the Xiushuihe Mine (including expansion).

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

(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	3.04	21.08	10.54	0.22	640	320	7
Probable reserve	7.59	21.08	10.24	0.22	1,600	777	17
Total	**10.63**	**21.08**	**10.33**	**0.22**	**2,240**	**1,097**	**24**
Xiushuihe Mine (including expansion)							
Proved reserve	29.69	24.54	9.43	0.22	7,287	2,800	64
Probable reserve	18.27	23.80	8.57	0.20	4,455	1,605	37
Total	**48.41**	**24.25**	**9.10**	**0.21**	**11,742**	**4,404**	**101**

Notes:

1. All assumptions and technical parameters, except for re-interpretation of geology, 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 ore reserves of the Baicao Mine and the Xiushuihe Mine (including expansion) as at 1 January 2018 were estimated by BDA by subtracting 2017 production consumed ore reserves and making a significant negative adjustment (23.35 Mt of Proved and Probable reserves) for the remaining ore reserves for the Baicao Mine and a smaller negative adjustment (1.83 Mt of Proved and Probable reserves) for the remaining ore reserves for the Xiushuihe Mine (including expansion).

3. The ore reserve negative adjustments are based on the negative mineral resource adjustment discussed previously under the "JORC Mineral Resource Category".

4. 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 (Mt)	Grades TFe (%)	Contained Metals TFe (Kt)
Maoling-Yanglongshan Mine			
Measured resource	–	–	–
Indicated resource	9.30	22.24	2,069
Total (M+I)	**9.30**	**22.24**	**2,069**
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 2018

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 2017, the Group had a total of 1,434 dedicated full time employees (31 December 2016: 1,486 employees), including 17 management staff members, 96 technical staff members, 76 administrative and sales & marketing staff members, and 1,245 operational staff members. For the year, the employee benefit expenses (including Directors' remuneration in the form of fees, salaries and other allowances) were approximately RMB74.3 million (2016: RMB53.7 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 section headed "Directors' Report" in this annual report.

OTHER SIGNIFICANT EVENTS

With a view to tapping on foreign expertise as well as gaining access to the technical fields of expertise in internationally recognised standards of efficiency, safety, environmental management and innovative training methods in mining operations, on 30 December 2016, the Company entered into the sale and purchase agreement with Sapphire Corporation Limited ("Sapphire"), pursuant to which Sapphire had conditionally agreed to sell, and the Company had conditionally agreed to purchase the 2,940,000 shares, representing 49% of the entire issued share capital of Mancala Holdings Limited, a then wholly-owned subsidiary of Sapphire, at an aggregate consideration of HK$38,200,000, which should 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. 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 then in issue. On 29 September 2017, the Company entered into the sale and purchase agreement with Mr. Toe Teow Heng, pursuant to which Mr. Toe had conditionally agreed to sell, and the Company had conditionally agreed to purchase the 1,920,000 shares, representing 32% of the entire issued share capital of Mancala Holdings Limited at an aggregate consideration of HK$25,000,000, which should be wholly satisfied by the allotment and issue of the consideration Shares in the aggregate value of HK$25,000,000 at the issue price of HK$0.32 per consideration Share to Mr. Toe. The completion of the sale and purchase took place on 1 December 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 then in issue. For details, please refer to the Company's announcements dated 30 December 2016, 28 February 2017, 29 September 2017 and 1 December 2017, respectively.

Mancala Holdings Limited is the legal and beneficial owner of the entire issued share capital of 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.

Profile of Directors and Senior Management

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Mr. Teh Wing Kwan（鄭永權）

Mr. Teh, aged 45, was appointed as the non-executive Director of the Company on 26 July 2017 and subsequently appointed as the chairman of the Board on 12 October 2017. Mr. Teh is also the chairman of the nomination committee of the Company.

Mr. Teh was the group chief executive officer and managing director of Sapphire, a company listed on the main board of Singapore Exchange Securities Trading Limited (the "SGX") from October 2013 to December 2017. Under his leadership, Sapphire has undergone a major corporate restructuring exercise and he has transformed Sapphire by acquiring one of the largest privately-owned urban rail transit engineering groups in China. Mr. Teh has also led Sapphire to be the first company listed outside Hong Kong to receive The Listed Enterprise Excellence Awards 2016 from the Hong Kong-based Capital Weekly.

Mr. Teh, a sophisticated investor, specialises in corporate restructuring, corporate finance and merger & acquisition. Mr. Teh was nominated for the 2015 and 2016 Asia Pacific Entrepreneurship Awards (Singapore) under the Industrial and Commercial Products Industry as well as the 2017 and 2018 Outstanding Leaders in Asia Corporate Excellence & Sustainability Awards under the Leadership Category.

Mr. Teh is also an advisor to the board of Koda Ltd. He served as a non-executive director of Singapore eDevelopment Limited (listed on the Catalist of the SGX and formerly known as CCM Group Limited) from June 2013 to August 2016; a non-executive director of Asian American Medical Group Limited (listed on the Australian Securities Exchange (the "ASX") and formerly known as Asian Centre For Liver Diseases & Transplantation Limited) from January 2011 to January 2016 and a non-executive director of Heng Fai Enterprises Limited (listed on the Stock Exchange and currently known as ZH International Holdings Limited) from October 2013 to September 2014.

Some of Mr. Teh's other investment and corporate portfolios included but not limited to – In 2002, he advised and completed the restructuring and initial public offering (the "IPO") exercise of Koda Ltd (was subsequently named one of the best 200 companies under a billion by Forbes Asia in 2006) on the SGX. In 2006, he evaluated and advised a spinoff plan for the proposed IPO application of a foreign-controlled enterprise on the Ho Chi Minh Stock Exchange. In 2009, he advised and completed the restructuring and listing exercise of one of Asia's foremost liver centres, the Singapore-incorporated Asian Centre For Liver Diseases & Transplantation Limited via a reverse takeover of an ASX-listed fashion design house. In 2014, Mr. Teh jointly invested in and advised an integrated township development in the State of Perak, Malaysia covering a total land area of approximately 8.9 million square feet. Mr. Teh had also previously involved in and advised on other corporate actions including business reorganisation, corporate restructuring, proposed divestments, corporate debts restructuring and cash exit offer for other publicly listed companies, family-owned enterprises and regional asset owners.

Mr. Teh is a fellow of The Association of Chartered Certified Accountants (United Kingdom), a fellow chartered accountant of the Institute of Singapore Chartered Accountants, an international affiliate of the Hong Kong Institute of Certified Public Accountants, a chartered accountant of the Malaysian Institute of Accountants, a full member of the Singapore Institute of Directors and an ordinary member of the Hong Kong Securities and Investment Institute.

EXECUTIVE DIRECTORS

Mr. Jiang Zhong Ping（蔣中平）

Mr. Jiang, aged 52, has been an executive Director of the Company since 28 April 2008 and re-designated as the chief executive officer of the Company since 12 October 2017. Mr. Jiang is also a member of the nomination committee and the remuneration committee of the Company. Mr. Jiang joined the Group in March 2008 as a director of Huili Caitong. Mr. Jiang is a director and the general manager of Sichuan Lingyu and a director of Huili Caitong, First China Limited, Simply Rise Holdings Limited and Sure Prime Limited. Sichuan Lingyu, Huili Caitong, First China Limited, Simply Rise Holdings Limited and Sure Prime Limited 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. Hao Xiemin（郝謝敏）

Mr. Hao, aged 36, has been an executive Director and the financial controller of the Company since 1 January 2018. Mr. Hao has been the financial manager of the Company since January 2012. Mr. Hao is also a director/supervisor/financial manager of certain key subsidiaries of the Company and is responsible for the financial reporting and management of these subsidiaries. He had also been the financial controller of Huili Caitong from January 2012 to February 2016. He has 13 years of experience in financial management and had also previously participated in IPO exercise of the Company, including pre-IPO reorganisation, merger and acquisition, corporate finance matters and operational reorganisation. Prior to joining the Company, Mr. Hao was the financial supervisor of the Panxi Region of the mining branch of Chuanwei from March 2010 to January 2012, a financial supervisor in each of the financial management department of Chuanwei from May 2006 to March 2010 and Sichuan Longwei Metal Products Co., Ltd.*（四川省龍威金屬製品有限公司）from July 2004 to April 2006, respectively. Mr. Hao has professional qualification as an International Certified Management Accountant. Mr. Hao obtained a bachelor's degree in accounting from Southwestern University of Finance and Economics in June 2004.

Mr. Wang Hu（王虎）

Mr. Wang, aged 38, has been an executive Director of the Company since 1 January 2018. Mr. Wang has been the assistant to the then chairman, Mr. Jiang Zhong Ping and the manager of legal and compliance department of the Company, and the manager of legal and compliance department and a director of Huili Caitong since August 2008. Mr. Wang is also a director and supervisor of certain key subsidiaries of the Company and is responsible for legal and compliance matters of these subsidiaries. Mr. Wang has 14 years of experience in legal and compliance matters. Mr. Wang had previously participated in the pre-IPO reorganisation and IPO exercise of the Company, including merger and acquisition. He is responsible for the legal and compliance matters of the Group after the listing of the Company. Prior to joining the Company, Mr. Wang was the supervisor of legal department of Chuanwei from September 2003 to August 2008 and worked as a client relationship manager in Agricultural Bank of China, Chongqing Changshou branch*（中國農業銀行重慶市長壽支行）from August 2002 to September 2003. Mr. Wang obtained a bachelor's degree in law from Southwest University of Political Science & Law in July 2002.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Liu Yi（劉毅）

Mr. Liu, aged 55, has been an independent non-executive Director of the Company since 4 September 2009. Mr. Liu is also the chairman of the remuneration committee and a member of the audit committee and the nomination committee of the Company. 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 the deputy chief engineer, the director and the chief project designer of the mining engineering institute of Sichuan Metallurgical Design and Research Institute. He is also 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 Shaanxi and received a bachelor's degree in engineering in 1987.

Mr. Wu Wen（吳文）

Mr. Wu, aged 49, has been an independent non-executive Director of the Company since 1 November 2014. Mr. Wu is also a member of the audit committee and the nomination committee of the Company. Mr. Wu is a qualified lawyer in the PRC. Mr. Wu graduated from Peking University School of Law in 1990. Mr. Wu obtained a Juris Doctor degree from Northwestern School of Law of Lewis and Clark College in 1998. Mr. Wu worked as an associate of Sichuan Canway Law Firm from August 1998 to May 2002 and later became a partner from February 2003 to December 2008. Mr. Wu also worked as legal counsel in Kodak (China) Company Limited from May 2002 to December 2002. Mr. Wu practised law as a partner of Tahota Law Firm from February 2009 to February 2014. Since March 2014, Mr. Wu has been a partner of Zhonglun Law Firm. Mr. Wu is a member of the Chinese Bar Association.

Mr. Yu Haizong（余海宗）

Mr. Yu, aged 53, has been an independent non-executive Director of the Company since 4 September 2009. Mr. Yu is also the chairman of the audit committee and a member of the nomination committee and the remuneration committee of the Company. 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; an independent non-executive director of Sichuan Jiuzhou Electric Group Co., Ltd, a company listed on the Shenzhen Stock Exchange and an independent non-executive director and a chairman of audit committee of Royal China International Holdings Limited, a company listed on 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 in internal controls and reviewing and analysing audited financial statements of a public company that he gained when he was 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.

SENIOR MANAGEMENT

Mr. Jiang Zhong Ping（蔣中平）

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

Mr. Hao Xiemin（郝謝敏）

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

COMPANY SECRETARY

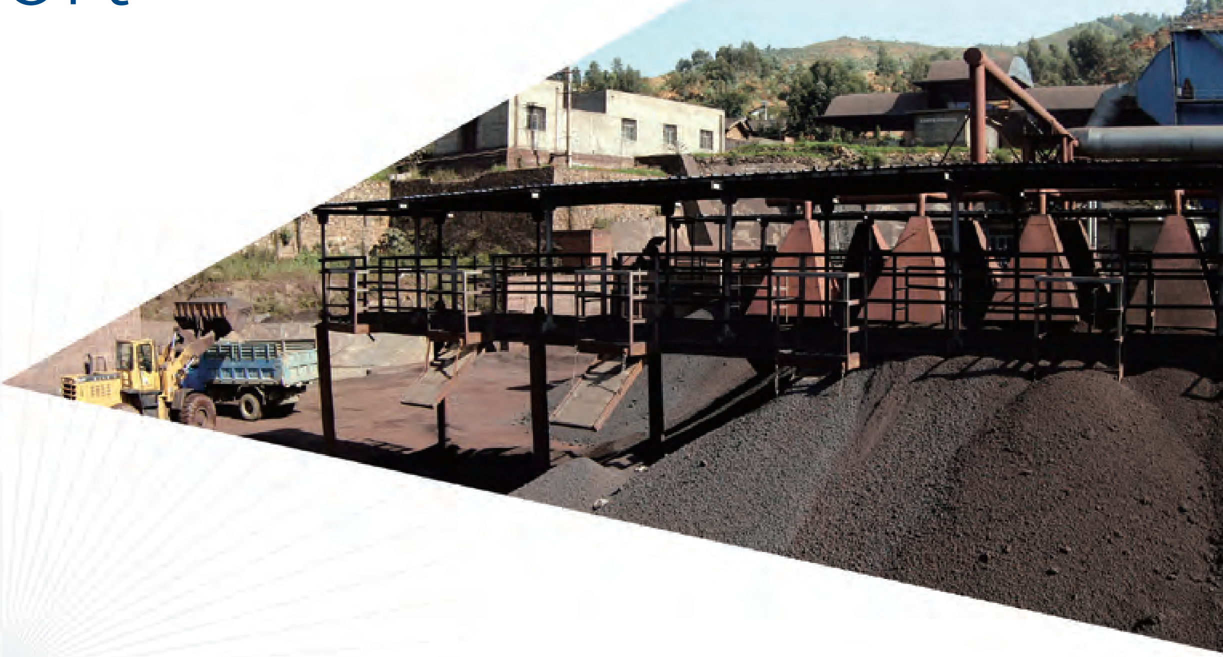
Mr. Kong Chi Mo（江智武）

Mr. Kong, aged 42, 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 has over 19 years of experience in accounting, auditing, financial management, corporate finance, investor relations, company secretarial affairs and corporate governance. Mr. Kong also serves as an independent non-executive director in public companies listed on the Stock Exchange.

Mr. Kong was the executive director and the chief financial officer of the Company from October 2013 to May 2015 and from May 2008 to May 2015, respectively. Mr. Kong was an independent non-executive director of CAA Resources Limited (stock code: 02112), a company listed on the main board of the Stock Exchange from April 2013 to August 2017. Mr. Kong worked at KPMG from October 1999 to December 2007 and was promoted to senior manager during his term of office. 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 obtained his bachelor's degree in business administration from The Chinese University of Hong Kong in December 1997. Mr. Kong is a fellow of The Association of Chartered Certified Accountants (United Kingdom), a member of The Hong Kong Institute of Directors, a fellow of each of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators (United Kingdom), an ordinary member of Hong Kong Securities and Investment Institute and a full member of Hong Kong Investor Relations Association.

Directors' Report



The Directors hereby present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2017.

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 coals and steels, management of strategic investments and providing specialist mining services. Details of the Company's subsidiaries as at 31 December 2017 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 and officers 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 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 69 and 70 of this annual report.

FINAL DIVIDEND

The Board does not recommend payment of a final dividend for the year ended 31 December 2017 (2016: nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 14 May 2018 to Thursday, 17 May 2018 (both days inclusive) during which no transfer of Shares will be effected. In order to determine the entitlement to attend and vote at the 2018 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, 11 May 2018.

PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment of the Group for the year ended 31 December 2017 amounted to approximately RMB64.6 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 28 to the financial statements of this annual report. An aggregate of 174,015,410 Shares were issued during the year as a result of the issue of consideration Shares upon the completion of the acquisitions of a total of 81% of issued share capital of Mancala Holdings Limited on 28 February 2017 and 1 December 2017. For details, please refer to the Company's announcements dated 30 December 2016, 28 February 2017, 29 September 2017 and 1 December 2017, respectively.

DISTRIBUTABLE RESERVES

Details of the movements during the year ended 31 December 2017 in the reserves of the Group are set out in the consolidated statement of changes in equity on page 73 of this annual report.

As at 31 December 2017, the Company's reserves available for distribution to the Shareholders in accordance with the Articles were RMB1,877.5 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 consolidated 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 158 to 159 of this annual report.

LOANS AND BORROWINGS

Details of the loans and borrowings of the Group are set out in note 26 to financial statements of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the years ended 31 December 2017 and 2016, sales to the Group's five largest customers accounted for 99.7% and 100% of the total revenue of the Group, respectively, and sales to the largest customer accounted for 61.1% and 76.4%, respectively.

During the years, 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 and (ii) the production volumes of self-produced products were low and our 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 2017 and 2016, purchases from the Group's five largest suppliers accounted for 84.8% and 88.8% of the total purchases of the Group, respectively, and purchases from the largest supplier accounted for 33.6% and 60.0%, 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:

Non-executive Director

Mr. Teh Wing Kwan *(Appointed as non-executive Director and chairman of the Board on 26 July 2017 and 12 October 2017, respectively)*

Executive Directors

Mr. Jiang Zhong Ping *(Re-designated from chairman of the Board and acting chief executive officer to chief executive officer on 12 October 2017)*
Mr. Zheng Zhiquan *(Resigned as executive Director and financial controller on 1 January 2018)*
Mr. Hao Xiemin *(Appointed as executive Director and financial controller on 1 January 2018)*
Mr. Wang Hu *(Appointed as executive Director on 1 January 2018)*

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 28 to 31 of this annual report.

In accordance with article 83(3) of the Articles, Messrs. Teh Wing Kwan, Hao Xiemin and Wang Hu will retire at the 2018 AGM and, being eligible, will offer themselves for re-election at the 2018 AGM.

In accordance with articles 84(1) and 84(2) of the Articles, Messrs. Jiang Zhong Ping and Liu Yi will retire at the 2018 AGM and, being eligible, will offer themselves for re-election at the 2018 AGM.

DIRECTORS' SERVICE CONTRACTS

Mr. Teh Wing Kwan, the non-executive Director, executed a letter of appointment with the Company, pursuant to which Mr. Teh will hold office until the first general meeting of the Company after his appointment and be subject to re-election at such meeting in accordance with the Articles. Thereafter, Mr. Teh will be subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Articles.

Mr. Jiang Zhong Ping, an executive Director, entered into a new service contract with the Company for a term of one year commencing from 12 December 2017. Mr. Zheng Zhiquan, a former executive Director, entered into a new service contract with the Company for a term of one year commencing from 12 December 2017 and Mr. Zheng resigned as an executive Director on 1 January 2018. Each of Mr. Hao Xiemin and Mr. Wang Hu, an executive Director, entered into a service contract with the Company for a term of one year commencing from 1 January 2018.

Each of Mr. Yu Haizong and Mr. Liu Yi, an independent non-executive Director, executed a letter of appointment with the Company for a term of three years commencing from 8 October 2017. Mr. Wu Wen, an independent non-executive Director, executed a letter of appointment with the Company for a term of three years commencing from 1 November 2017.

None of the Directors proposed for re-election at the 2018 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 29 to the financial statements 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 2017, 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 Divisions 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 2017:

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	0.76%
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 2017, so far as is known to all the 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 Divisions 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 7,800,000 Shares available for issue under the Old Option Scheme, which represented approximately 0.35% 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 2017 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 01.01.2017	No. of share options lapsed during the year	No. of share options exercised during the year	No. of share options held as at 31.12.2017
1.	**Director/chief executive**							
	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
2.	**Employees** (in aggregate)	29.12.2009	29.06.2012 to 28.12.2019	5.05	1,900,000	(200,000)	–	1,700,000
			29.12.2014 to 28.12.2019	5.05	1,900,000	(200,000)	–	1,700,000
		01.04.2010	01.10.2012 to 31.03.2020	4.99	450,000	–	–	450,000
			01.04.2015 to 31.03.2020	4.99	450,000	–	–	450,000
	Total				8,200,000	(400,000)	–	7,800,000

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 9.23% 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 of 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 2017 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 01.01.2017	No. of share options lapsed during the year	No. of share options exercised during the year	No. of share options held as at 31.12.2017
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 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	6,300,000	(800,000)	–	5,500,000
		15.04.2014	15.10.2014 to 14.04.2024	1.00	4,000,000	(50,000)	–	3,950,000
			15.04.2015 to 14.04.2024	1.00	2,000,000	(25,000)	–	1,975,000
			15.10.2015 to 14.04.2024	1.00	2,000,000	(25,000)	–	1,975,000
	Total				28,000,000	(900,000)	–	27,100,000

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 2017, 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 Divisions 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)	44.76% (L)
Kingston Grand	1, 2, 3 & 6	–	1,006,754,000 (L)	–	–	1,006,754,000 (L)	44.76% (L)
Mr. Wang Jin	1, 2, 6 & 7	–	1,006,754,000 (L)	–	–	1,006,754,000 (L)	44.76% (L)
Mr. Yang Xianlu	1 & 6	–	1,006,754,000 (L)	–	–	1,006,754,000 (L)	44.76% (L)
Mr. Wu Wendong	1 & 6	–	1,006,754,000 (L)	–	–	1,006,754,000 (L)	44.76% (L)
Mr. Li Hesheng	1, 2 & 6	–	1,006,754,000 (L)	–	–	1,006,754,000 (L)	44.76% (L)
Mr. Shi Yinjun	1, 2 & 6	–	1,006,754,000 (L)	–	–	1,006,754,000 (L)	44.76% (L)
Mr. Zhang Yuangui	1, 2 & 6	–	1,006,754,000 (L)	–	–	1,006,754,000 (L)	44.76% (L)
Long Sino International Limited	1, 3, 4 & 6	–	1,006,754,000 (L)	–	–	1,006,754,000 (L)	44.76% (L)
Mr. Zou Hua	1, 4, 5 & 6	–	1,006,754,000 (L)	–	–	1,006,754,000 (L)	44.76% (L)
Ms. Jiang Hua	1, 5 & 6	–	1,006,754,000 (L)	–	–	1,006,754,000 (L)	44.76% (L)
四川信托有限公司	1	–	–	–	614,080,000 (L)	614,080,000 (L)	27.30% (L)
Templeton Asset Management Ltd.	1	–	–	173,068,700 (L)	–	173,068,700 (L)	7.70% (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 2017, 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 2017, 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 Divisions 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, none of the Directors had an interest in any business constituting a competing business to the Company.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

For the year ended 31 December 2017, there were no non-exempt continuing connected transactions (2016: 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 2017, the audit committee has reviewed: (i) the audited consolidated financial statements of the Group and annual results announcement for the year ended 31 December 2016 and (ii) the consolidated financial statements of the Group and interim results announcement for the six months ended 30 June 2017. During the year ended 31 December 2017, 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 57 to 61 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 non-executive Director, namely Mr. Teh Wing Kwan (Chairman), one executive Director, namely Mr. Jiang Zhong Ping and three independent non-executive Directors, namely Mr. Yu Haizong, Mr. Liu Yi and Mr. Wu Wen.

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 2017.

CORPORATE GOVERNANCE

The Company has adopted the CG Code. Throughout the year ended 31 December 2017, 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.4.1 as described in the Corporate Governance Report.

For details of the Corporate Governance Report, please refer to pages 47 to 62 of this annual report.

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

Throughout the year ended 31 December 2017, 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 36 to financial statements of this annual report. These related party transactions either did not constitute connected transactions/continuing connected transactions or constituted connected transactions/continuing connected transactions but were exempted from all disclosure and independent shareholders' approval requirements under the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

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

CHANGE IN DIRECTORS AND DIRECTORS' AND CHIEF EXECUTIVES' INFORMATION

Effective from 26 July 2017, Mr. Teh Wing Kwan was appointed as the non-executive Director.

Each of Mr. Yu Haizong and Mr. Liu Yi, an independent non-executive Director, executed a letter of appointment with the Company for a term of three years commencing from 8 October 2017. Mr. Wu Wen, an independent non-executive Director, executed a letter of appointment with the Company for a term of three years commencing from 1 November 2017.

Effective from 12 October 2017, (i) Mr. Jiang Zhong Ping, an executive Director, was re-designated from the chairman of the Board and the acting chief executive officer to the chief executive officer of the Company, and he also resigned as the chairman of the nomination committee but remained as a member of the nomination committee of the Company; (ii) Mr. Teh Wing Kwan, the non-executive Director, was appointed as the chairman of the Board and the chairman of the nomination committee of the Company; and (iii) Mr. Wu Wen, an independent non-executive Director, was appointed as a member of the nomination committee of the Company.

Mr. Jiang Zhong Ping, an executive Director, entered into a new service contract with the Company for a term of one year commencing from 12 December 2017. Mr. Zheng Zhiquan, a former executive Director, entered into a new service contract with the Company for a term of one year commencing from 12 December 2017 and Mr. Zheng resigned as an executive Director on 1 January 2018.

Effective from 1 January 2018, (i) Mr. Hao Xiemin was appointed as an executive Director and the financial controller of the Company in place of Mr. Zheng Zhiquan; and (ii) Mr. Wang Hu was appointed as an executive Director of the Company.

The annual Director's fee of each of Messrs. Jiang Zhong Ping, Yu Haizong, Liu Yi and Wu Wen was adjusted to RMB150,000 with effect from 1 January 2018.

Save as disclosed above, there is no change in Directors and Directors' and chief executives' information up to the date of this annual report.

RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

(i) Employees

As at 31 December 2017, the Group had a total of 1,434 dedicated full time employees, decreased by approximately 3.5% as compared to the total dedicated full time employees as at 31 December 2016. The employee turnover rate for the year was approximately 4.7%. The total full time employees included 430 female employees and 1,004 male employees, of which 467 employees were aged 30 or below, 354 employees were aged between 31 and 40, 586 employees were aged between 41 and 50, and 27 employees were aged 51 or above. 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 training were provided when necessary.

(ii) Suppliers

During the year, the Group's suppliers mainly consisted of mining contractors, transportation contractors, suppliers of production-related materials and trading companies. The Group selected the suppliers based on various criteria, including but not limited to qualifications and reputations. The Group has established long-term relationship with the major mining contractor for more than 14 years, the transportation contractors for more than 4 years, and both the suppliers of production-related materials and trading companies for more than 2 years. Due to the repayment of trade payables relating to purchase of steels, the Group's trade payables as at 31 December 2017 was slightly decreased as compared with the end of last year. 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, sales to the Group's five largest customers accounted for 99.7% of the total revenue. The Group maintained good relationships with the customers who required stable supply for these bulk raw materials, these customers are distributors and trading companies. The Group has established long-term relationship with the customers for 2 to 4 years. The trading of steels and coals contributed 61.1% of the total revenue. Due to the increase in sales portion of sale of self-produced products, the Group granted those customers who purchase self-produced products with longer credit terms, the Group's trade receivable turnover days were increased. Certain customers were in financial difficulties and the recoverability of their trade receivables was still low. The Group, therefore, stopped supplying goods to them, initiated discussions on repayment terms with them 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. It has implemented a series of measures to alleviate environmental impacts of 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 environmentally 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

The Group and its activities are subject to requirements under various laws. These include, among others, the Work Safety Law of the PRC* ("中華人民共和國安全生產法"), Labour Law of the PRC* ("中華人民共和國勞動法"), Environmental Protection Law of the PRC* ("中華人民共和國環境保護法"), Land Administration Law of the PRC* ("中華人民共和國土地管理法"), Mineral Resources Law of the PRC* ("中華人民共和國礦產資源法"), Law of the PRC on Safety in Mines* ("中華人民共和國礦山安全法"), Law of the PRC on Water and Soil Conservation* ("中華人民共和國水土保持法"), Law of the PRC on Wholly Foreign-Owned Enterprises* ("中華人民共和國外資企業法") and Law of the PRC on Enterprise Income Tax* ("中華人民共和國企業所得稅法") and the applicable regulations, guidelines and policies issued or promulgated under or in connection with these statutes. In addition, the Listing Rules also apply to the Company. The Company seeks to ensure compliance with these requirements through various measures such as internal controls, trainings and oversight of various business units at different levels of the Group. The Group highly values the importance of ensuring compliance with applicable legal and regulatory requirements.

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 2017. A resolution will be proposed for approval by the Shareholders at the 2018 AGM to re-appoint Ernst & Young as auditor of the Company.

On behalf of the Board
Teh Wing Kwan
Chairman

27 March 2018

Corporate Governance Report

The Company has adopted the CG Code as its own code of corporate governance. The Directors consider that during the year ended 31 December 2017, the Company has complied with the code provisions under the CG Code except for code provisions A.2.1 and A.4.1.

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 deviated from this code provision as Mr. Jiang Zhong Ping was the chairman and acting chief executive officer of the Company concurrently until 12 October 2017. 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 to take charge of the supervision of the execution of the policies determined by the Board prior to the appointment of the new chief executive officer. On 12 October 2017, Mr. Teh Wing Kwan was appointed as the chairman of the Board and Mr. Jiang Zhong Ping was re-designated from the chairman of the Board and the acting chief executive officer to the chief executive officer of the Company. Following such changes, the Company is now in compliance with the requirement under code provision A.2.1 of the CG Code.

Code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Mr. Teh Wing Kwan, the non-executive Director, is not appointed for a specific term. This constitutes a deviation from code provision A.4.1. However, as Mr. Teh's appointment is subject to retirement by rotation and re-election by the Shareholders at the annual general meetings of the Company in accordance with the Articles, in the opinion of the Directors, this meets the objective of the CG Code.

The Directors are committed to upholding the corporate governance of the Company to ensure that formal and transparent procedures are in place to protect and maximise the interests of the Shareholders.

Set out below is 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, 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 2017.

BOARD OF DIRECTORS

The Board currently comprises a combination of executive Directors, non-executive Director 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 senior management in the process of formulating business strategies for the Group. 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 are as follows:

Board member	**Audit committee**	**Remuneration committee**	**Nomination committee**
Non-executive Director			
Mr. Teh Wing Kwan *(Chairman)*	–	–	C
Executive Directors			
Mr. Jiang Zhong Ping *(Chief executive officer)*	–	M	M
Mr. Hao Xiemin *(Financial controller)*	–	–	–
Mr. Wang Hu	–	–	–
Independent non-executive Directors			
Mr. Yu Haizong	C	M	M
Mr. Liu Yi	M	C	M
Mr. Wu Wen	M	–	M

Notes:

C: Chairman

M: Member

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

Mr. Teh Wing Kwan, the non-executive Director, executed a letter of appointment with the Company, pursuant to which Mr. Teh will hold office until the first general meeting of the Company after his appointment and be subject to re-election at such meeting in accordance with the Articles. Mr. Jiang Zhong Ping, an executive Director, entered into a new service contract with the Company for a term of one year commencing from 12 December 2017. Each of Mr. Hao Xiemin and Mr. Wang Hu, an executive Director, entered into a service contract with the Company for a term of one year commencing from 1 January 2018. Each of Mr. Yu Haizong and Mr. Liu Yi, an independent non-executive Director, executed a letter of appointment with the Company for a term of three years commencing from 8 October 2017. Mr. Wu Wen, an independent non-executive Director, executed a letter of appointment with the Company for a term of three years commencing from 1 November 2017.

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 the 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 18 May 2017. 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 2017:

	Number of meeting(s) attended/Number of meeting(s) held				
Name of Director	**Board meeting**	**Audit committee meeting**	**Remuneration committee meeting**	**Nomination committee meeting**	**General meeting**
Mr. Teh Wing Kwan *(Appointed as non-executive Director and chairman of the nomination committee on 26 July 2017 and 12 October 2017, respectively)*	2/2	–	–	1/1	–
Mr. Jiang Zhong Ping	4/4	–	2/2	2/2	1/1
Mr. Zheng Zhiquan *(Resigned on 1 January 2018)*	4/4	–	–	–	0/1
Mr. Yu Haizong	4/4	2/2	2/2	2/2	1/1
Mr. Liu Yi	4/4	2/2	2/2	2/2	1/1
Mr. Wu Wen *(Appointed as member of the nomination committee on 12 October 2017)*	4/4	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 remain informed and relevant.

All the 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 the 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.

All the Directors had provided the Company with their respective training records pursuant to the CG Code. During the year, all the Directors have participated in appropriate continuous professional development by ways of attending training or reading materials relevant to the Group's business or to Directors' duties and responsibilities.

CHAIRMAN AND CHIEF EXECUTIVE

Mr. Jiang Zhong Ping was the chairman of the Board who was chiefly responsible for managing the Board and acting in the best interests of the Group and the Shareholders until 12 October 2017. 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 to take 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 deviated from this code provision as Mr. Jiang Zhong Ping was the chairman and the acting chief executive officer of the Company concurrently until 12 October 2017. However, the roles of the Company's chairman and the chief executive have been segregated, with effect from 12 October 2017, as Mr. Teh Wing Kwan was appointed as the chairman of the Board and Mr. Jiang Zhong Ping was re-designated from the chairman of the Board and the acting chief executive officer to the chief executive officer of the Company. Mr. Teh Wing Kwan is chiefly responsible for managing the Board and acting in the best interests of the Group and the Shareholders. Mr. Jiang Zhong Ping takes charge of the supervision of the execution of the policies determined by the Board.

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

APPOINTMENT AND RE-ELECTION OF THE DIRECTORS

According to the Articles, at each annual general meeting, one-third of the Directors are subject to retirement by rotation or, if the number is not a multiple of three, then the number nearest to but not less than one-third shall retire from the office and shall be eligible for re-election. The Directors to be retired by rotation shall be those who have been longest in office since their last appointment or re-election. Every Director shall be subject to retirement at an annual general meeting at least once every three years. Any other appointment, resignation, removal or re-designation of Director will be timely disclosed to the Shareholders by announcement and shall include in such announcement, the reasons given by the Director for his resignation.

The Board selects and recommends candidates for directorship having regard to the balance of skills and experience appropriate to the Group's business.

AUDIT COMMITTEE

The Company 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 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 and performed the following major works:

- reviewed the audited consolidated financial statements of the Group and annual results announcement for the year ended 31 December 2016, and reviewed the consolidated financial statements of the Group and interim results announcement for the six months ended 30 June 2017;
- reviewed the changes in accounting standards and assessed their potential impacts on the financial statements;
- reviewed the Company's external auditor's qualifications, independence and performance;
- reviewed the Company's external auditor's statutory audit plan, audit scope and engagement letters; and
- assisted the Board to evaluate on the adequacy and effectiveness of risk management and internal control systems of the Group and financial reporting procedures.

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, 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 2017, 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 57 to 61 of this report.

REMUNERATION COMMITTEE

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

The remuneration committee's main functions are:

- to review and recommend to the Board in consultation with the chairman of the Board and the chief executive, a framework of remuneration and to determine specific remuneration packages and terms of employment for all the 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 schemes adopted by the Company;

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

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

During the year, the remuneration committee held one meeting, at which the members of the remuneration committee reviewed the remuneration packages of the Directors of the Company.

The remuneration payable to senior management (comprising Directors) for the year ended 31 December 2017 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 %
Chairman and non-executive Director						
Mr. Teh Wing Kwan *(Appointed on 26 July 2017)*	< 1*	100	–	–	–	100
Executive Directors						
Mr. Jiang Zhong Ping	300,000 – 400,000	34.8	60.6	–	4.6	100
Mr. Zheng Zhiquan *(Resigned on 1 January 2018)*	300,000 – 400,000	34.2	61.3	–	4.5	100
Independent non-executive Directors						
Mr. Yu Haizong	100,000 – 200,000	100	–	–	–	100
Mr. Liu Yi	100,000 – 200,000	100	–	–	–	100
Mr. Wu Wen	100,000 – 200,000	100	–	–	–	100

* Mr. Teh has voluntarily accepted a nominal Director's fee of HK$1 per annum as the chairman of the Board and the non-executive Director.

NOMINATION COMMITTEE

The Company established a nomination committee with written terms of reference in compliance with the CG Code. The nomination committee currently comprises the non-executive Director, Mr. Teh Wing Kwan (Chairman), one executive Director, namely Mr. Jiang Zhong Ping and three independent non-executive Directors, Mr. Yu Haizong, Mr. Liu Yi and Mr. Wu Wen. 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 the Directors and succession planning for the 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 the 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 the 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 the Directors; and
- to review the Company's compliance with the CG Code and disclosure in the corporate governance report.

During the year, the Board held four meetings, at which the Board reviewed the Company's policies and practices on corporate governance and legal and regulatory compliance, training and continuous professional development of the Directors, as well as the Company's compliance with the CG Code.

AUDITOR'S REMUNERATION

For the year ended 31 December 2017, the remuneration paid/payable (excluding out-of-pocket expenses and value added tax) by the Group to the Company's external auditor, Ernst & Young, is set out below:

	RMB'000
Assurance services	3,580
Advisory services	500
Total	4,080

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 2017, the Group's financial position has been materially and adversely affected by a combination of factors, such as weak market demand for iron products, 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 2017, 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 2017 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 2017 is set out in the Independent Auditor's Report on pages 63 to 68 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, 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 an international advisory firm 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 has 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 developing 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. As the third line of defense, the internal audit function 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 during the year, the management convened meetings which were chaired by 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 basis and half yearly basis, respectively. 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 a 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, senior management and the employees of the Group specify the confidentiality clauses; and

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

Risk Management

The Board established an 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 senior management in a timely manner. In 2017, 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:

- market conditions of iron ore industry are highly related to the macroeconomic condition, which will affect the Group's revenue. China is undergoing a major structural reform. The issues of overcapacity in the steel industry remains a serious concern and there is also limited opportunity to export excess steel when global investments are subdued and anti-dumping measures are already in place. 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 since 2016;

- timely collection of trade receivables is important to the Group's cash flow. Lack of proper credit management may lead to high risk sales, while excessive trade receivables' balance will affect the Group's financial performance. In 2017, the management has strengthened the review and approval on the sales contracts and sales orders; meanwhile, the sales department conducts periodical evaluation on the collection of trade receivables and contractual performance of major customers, and adjusts their credit rating accordingly;

- raising funds 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 is 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 has started to sell the tailings to independent third parties for further production, processing and reuse since 2016. The tailings water produced was recycled and sent to the processing plant for reuse after proper treatment; and

- talents retention is important to the sustainable development of the Group. 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 has held diversified cultural and recreational activities to unite its staff, enhance the corporate culture and inspire its employees. The Group has also set up a reasonable performance mechanism to retain talents.

Internal Control

The audit committee supervises and inspects 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 has developed the management policy and procedures and exerted strict evaluation on personnel performance. The Board has 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 2017, the internal audit function of the Group, with the assistance of an international advisory firm, 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 30 issues, the Group requested the relevant departments to take remediation action in a timely manner. The internal audit function together with an international advisory firm 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 2017, 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 was 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. 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 2017, 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 the 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 newly appointed chairman of the Board also encourages Shareholders and investors to write to him directly if they wish so. He has thus included his email addresses in the section headed "Chairman's Statement" on page 10 of this annual report.

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 69 to 157, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017, 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 requirements 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 consolidated net loss of RMB389,621,000 for the year ended 31 December 2017 and, as at that date, the Group's current liabilities exceed its current assets by RMB407,478,000. 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.

In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

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	
In accordance with IFRSs, the Group assesses at the end of each reporting period whether there are any indications of impairment for the non-current assets. If such indications of impairment exist, a formal estimate of the recoverable amount is performed. The Group has material non-current assets, including property, plant and equipment, mining infrastructure, mining rights, exploration rights and assets. 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. Total impairment loss on non-current assets of RMB151,318,000 was recognised during the year. The assessment of recoverable amounts involves significant estimation uncertainty, subjective assumptions and application of significant judgement, in relation to recoverable reserves, commodity prices, discount rate, budgeted gross margin and production volumes. The Group's disclosures about impairment assessment for these assets are included in notes 3, 12, 13 and 15 to the consolidated financial statements.	Our audit procedures included the following: • We tested the impairment model selected for each CGU and class of assets based on our understanding of their nature and checked 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 the discount rate calculation, the 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 trade receivables	
The Group has material credit exposures in its portfolio of trade receivables. As at 31 December 2017, the gross balance of trade receivables was RMB580,171,000 of which RMB348,204,000 was past due. As at 31 December 2017, a total provision for impairment of trade receivables of RMB340,748,000 was recorded. The volatility of iron ore and steel markets in 2017 increased the required judgement in making the impairment assessment. The assessment of impairment provision for trade receivables involves significant management judgement including the assessment of customers' financial position, 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, 19, and 38 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 aging 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 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 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 2017, the Group had investments in Exchangeable Notes with gross face value of US$30 million bearing interest at 25% per annum which were fully impaired as at 31 December 2017. The Exchangeable Notes 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 Exchangeable Notes 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 Exchangeable Notes, particularly regarding the estimation of future cash collection. During the year ended 31 December 2017, a further fair value loss on the Exchangeable Notes of RMB109,617,000 was recognized. The Group's related disclosures are included in notes 3, 20, and 37 to the consolidated financial statements.	Our audit procedures included the following: • We assessed the methodology used by management to estimate the recoverable amount of the Exchangeable Notes, • We also reviewed management's assessment and the information used to determine the fair value of the Exchangeable Notes and the key inputs used in the valuation and the recovery rate taking into account the issuer's source of funding available for the redemption of the Exchangeable Notes and the latest correspondence among the Group, the issuer and the potential investors; and • We assessed 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 of the Company 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 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
REVENUE	4, 5	**1,317,479**	1,833,305
Cost of sales		**(1,189,959)**	(1,790,858)
Gross profit		**127,520**	42,447
Other income and gains	5	**1,535**	1,442
Selling and distribution expenses		**(69,201)**	(76,295)
Administrative expenses		**(67,560)**	(72,028)
Other expenses		**(8,157)**	(619)
Impairment losses on property, plant and equipment	12	**(72,776)**	(185,195)
Impairment losses on intangible assets	13	**(76,129)**	(200,040)
Impairment losses on prepaid land lease payments	15	**(2,413)**	–
Impairment losses on trade receivables	19	**(10,521)**	(64,865)
Impairment losses on assets held for sale	23	**(44,525)**	(78,334)
Fair value losses on financial assets at fair value through profit or loss	20	**(109,617)**	(111,555)
Finance costs	6	**(73,588)**	(57,322)
Share of losses of an associate	32	**(9,458)**	–
LOSS BEFORE TAX	7	**(414,890)**	(802,364)
Income tax credit	9	**25,269**	2,853
LOSS FOR THE YEAR		**(389,621)**	(799,511)
Other comprehensive loss：			
Other comprehensive loss to be reclassified to profit or loss in subsequent years:			
Exchange differences on translation of foreign operations		**(140)**	–
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(389,761)**	(799,511)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2017

	Notes	**2017** RMB'000	2016 RMB'000
Loss attributable to:			
Owners of the Company		**(349,490)**	(773,742)
Non-controlling interests		**(40,131)**	(25,769)
		(389,621)	(799,511)
Total comprehensive loss attributable to:			
Owners of the Company		**(349,603)**	(773,742)
Non-controlling interests		**(40,158)**	(25,769)
		(389,761)	(799,511)
Loss per Share attributable to ordinary equity holders of the Company			
Basic and diluted	11	**RMB(0.16)**	RMB(0.37)

Consolidated Statement of Financial Position

31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**630,898**	648,556
Intangible assets	13	**1,349,971**	1,430,373
Other intangible asset	14	**8,440**	–
Prepaid land lease payments	15	**33,015**	36,535
Prepayments and deposits	16	**7,347**	7,521
Payments in advance		**156**	156
Deferred tax assets	17	**70,269**	39,567
Total non-current assets		**2,100,096**	2,162,708
CURRENT ASSETS			
Inventories	18	**174,637**	266,536
Trade and bills receivables	19	**373,707**	321,675
Prepayments, deposits and other receivables	16	**71,387**	100,222
Financial assets at fair value through profit or loss	20	**–**	109,617
Due from related parties	21	**637**	658
Cash and cash equivalents	22	**13,286**	19,740
		633,654	818,448
Assets classified as held for sale	23	**302,125**	300,000
Total current assets		**935,779**	1,118,448
CURRENT LIABILITIES			
Trade and bills payables	24	**175,871**	179,265
Other payables and accruals	25	**554,906**	536,899
Interest-bearing bank and other loans	26	**596,205**	873,458
Due to related parties	21	**11,220**	2,244
Tax payable		**3,254**	3,610
Dividend payable		**1,801**	1,801
Total current liabilities		**1,343,257**	1,597,277
NET CURRENT LIABILITIES	2.1	**(407,478)**	(478,829)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,692,618**	1,683,879

	Notes	2017 RMB'000	2016 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other loans	26	**311,106**	653
Provision for rehabilitation	27	**11,400**	10,670
Other payables	25	**25,007**	601
Total non-current liabilities		**347,513**	11,924
Net assets		**1,345,105**	1,671,955
EQUITY			
Equity attributable to owners of the Company			
Issued capital	28	**197,889**	182,787
Reserves	30	**823,018**	1,135,386
		1,020,907	1,318,173
Non-controlling interests		**324,198**	353,782
Total equity		**1,345,105**	1,671,955

Jiang Zhong Ping
Director

Hao Xiemin
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2017

	Attributable to owners of the Company												
	Issued capital RMB'000 note 28	Share premium account RMB'000 note 30(a)	Statutory reserves RMB'000 note 30(b)	Safety fund surplus reserve RMB'000 note 30(d)	Contributed surplus RMB'000 note 30(c)	Share option reserve RMB'000 note 29	Difference arising from acquisition of non-controlling interests RMB'000	Capital reserve RMB'000 note 30(f)	Exchange fluctuation reserves RMB'000	Retained earnings/ (accumulated losses) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 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	–	–	–	–	–	(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

	Attributable to owners of the Company												
	Issued capital RMB'000 note 28	**Share premium account RMB'000 note 30(a)**	**Statutory reserves RMB'000 note 30(b)**	**Safety fund surplus reserve RMB'000 note 30(d)**	**Contributed surplus RMB'000 note 30(c)**	**Share option reserve RMB'000 note 29**	**Difference arising from acquisition of non-controlling interests RMB'000**	**Capital reserve RMB'000 note 30(f)**	**Exchange fluctuation reserves RMB'000**	**Retained earnings/ (accumulated losses) RMB'000**	**Total RMB'000**	**Non-controlling interests RMB'000**	**Total equity RMB'000**
At 1 January 2017	**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**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(349,490)**	**(349,490)**	**(40,131)**	**(389,621)**
Other comprehensive loss for the year:													
Exchange differences on translation of financial statements	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(113)**	**–**	**(113)**	**(27)**	**(140)**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(113)**	**(349,490)**	**(349,603)**	**(40,158)**	**(389,761)**
Equity-settled share option arrangement (note 29)	**–**	**–**	**–**	**–**	**–**	**(1,777)**	**–**	**–**	**–**	**1,777**	**–**	**–**	**–**
Issue of new Shares (note 28)	**15,102**	**37,235**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**52,337**	**–**	**52,337**
Establishment for safety fund surplus reserve	**–**	**–**	**–**	**26,429**	**–**	**–**	**–**	**–**	**–**	**(26,429)**	**–**	**–**	**–**
Acquisition of a subsidiary (note 32)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**10,574**	**10,574**
At 31 December 2017	**197,889**	**1,877,488***	**220,176***	**160,643***	**87,238***	**40,144***	**(852,820)***	**186,200***	**(113)**	**(895,938)***	**1,020,907**	**324,198**	**1,345,105**

* These reserve accounts comprise the consolidated reserves of RMB823,018,000 (2016: RMB1,135,186,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(414,890)**	(802,364)
Adjustments for:			
Finance costs	6	**73,588**	57,155
Bank interest income	5	**(17)**	(72)
Reversal of inventory provision	7	**(35)**	(17,969)
Fair value losses on financial assets at fair value through profit or loss	20	**109,617**	111,555
Impairment losses recognised	7	**206,364**	528,434
Depreciation	12	**47,597**	68,515
Amortisation of intangible assets	13	**7,960**	21,059
Fair value loss on previously held equity interest under the step acquisition of a subsidiary	32	**633**	–
Share of losses of an associate		**9,458**	–
Amortisation of prepaid land lease payments	15	**1,107**	1,107
		41,382	(32,580)
Increase in trade and bills receivables		**(54,035)**	(66,396)
Decrease/(increase) in inventories		**120,406**	(14,038)
Decrease/(increase) in prepayments, deposits and other receivables		**21,984**	(13,370)
Increase in amounts due from related parties		**9,750**	5,406
Decrease in trade and bills payables		**(19,687)**	(132,336)
Increase in other payables and accruals		**7,119**	65,657
Decrease in amounts due to related parties		**(4,545)**	(2,575)
Cash from/(used in) operations		**122,374**	(190,232)
Interest paid		**(55,080)**	(6,496)
Interest received		**17**	72
Income tax paid		**(356)**	(314)
Net cash flows from/(used in) operating activities		**66,955**	(196,970)

Consolidated Statement of Cash Flows

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(71,692)**	(40,570)
Expenditures on exploration and evaluation assets		**–**	(271)
Purchase of intangible assets		**(1,258)**	–
Proceeds from disposal of items of property, plant and equipment		**35**	62
Consideration paid for previously acquired subsidiaries		**(20,850)**	–
Acquisition of a subsidiary	32	**4,197**	–
Acquisition of an associate	32	**(2,835)**	–
Disposal of a subsidiary		**–**	1,000
Decrease in pledged bank balances		**–**	12,904
Net cash flows used in investing activities		**(92,403)**	(26,875)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank loans and other loans		**24,842**	55,745
Repayment of bank loans and other loans		**(5,621)**	–
Net cash flows from financing activities		**19,221**	55,745
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(6,227)**	(168,100)
Cash and cash equivalents at beginning of year		**19,740**	187,840
Effect of foreign exchange rate changes, net		**(227)**	–
CASH AND CASH EQUIVALENTS AT END OF YEAR	22	**13,286**	19,740

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 2017, the Group was principally engaged in the following principal activities:

- mining and ore processing
- sale of self-produced products
- trading of coals and steels
- management of strategic investments
- providing specialist mining services

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")	US$1	100	Investment holding
First China Limited	Hong Kong	HK$2	100	Investment holding
Sure Prime Limited	BVI	US$1	100	Investment holding
Mancala Holdings Limited[d]	BVI	HK$1	81	Investment holding

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
Indirectly held:				
Simply Rise Holdings Limited	Hong Kong	HK$1	100	Investment holding
Huili Caitong[a]	The People's Republic of China ("PRC")	RMB610,520,000	100	Iron ore mining, iron ore beneficiation and sale of self-produced products
Sichuan Lingyu[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
Aba Mining[c]	PRC	RMB20,000,000	100	Iron ore mining, iron ore beneficiation and sale of self-produced products
Akuang Trading[d]	PRC	RMB20,000,000	100	Iron ore beneficiation and sale of iron concentrates
Sichuan Xinglian[c]	PRC	RMB1,000,000	100	Mining and construction consulting
Panzhihua Yixingda[c]	PRC	RMB1,000,000	100	Iron ore mining, iron ore beneficiation and sale of self-produced products
Sichuan Haoyuan[c]	PRC	RMB20,000,000	51	Gypsum ore beneficiation and sale of self-produced products
Xinjin Mining[c]	PRC	RMB1,150,000	51	Gypsum ore mining, gypsum ore beneficiation and sale of self-produced products
MHPL[d]	AUS	AU$298,817	81	Contract mining and specialist mining services

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

[b] Sichuan Lingyu is registered as a wholly-foreign-owned enterprise under PRC law.

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

[d] Not audited by Ernst & Young, Hong Kong or other member firm of the Ernst & Young global network.

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

During the year, the Group acquired 81% equity interest of Mancala Holdings Limited from independent third parties. Further details of this acquisition are included in note 32 to the financial statements.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with IFRSs, which comprise standards and interpretations approved by 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 23. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

Going concern basis

During the year ended 31 December 2017, the Group incurred a consolidated net loss of RMB389,621,000 (2016: RMB799,511,000). As at 31 December 2017, the Group had net current liabilities of RMB407,478,000 (2016: RMB478,829,000).

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 2017, the Group's total borrowings amounted to RMB907,311,000, of which RMB596,025,000 will be due within twelve months from 31 December 2017. The Group has not experienced any significant difficulties in renewing its short-term bank loans upon their maturities and there is no indication that the banks will not renew the existing bank loans if the Group applies for renewal. The Group will actively negotiate with the banks for the renewal of its borrowings when they fall due to secure necessary facilities to meet the Group's working capital and financial requirements in 2018. The Directors have evaluated all the relevant facts available to them and are of the opinion that they have a good track record or relationship with the banks so that the bank loans will be renewed upon maturity. During the year, the Group had successfully renewed certain short-term bank loans into three-year long-term loans of approximately RMB302,000,000.

2.1 BASIS OF PREPARATION (continued)

Going concern basis (continued)

(b) The Group is taking the necessary measures to expedite the disposal of Heigutian Processing Plant (as defined in note 23) 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 2018, with the disposal proceeds received by December 2018.

(c) The Group is actively following up with its customers on overdue trade receivables with an aim of agreeing a repayment schedule with each of them.

(d) The Group is proactively implementing various strategic plans to streamline its operations to improve profitability and initiate plans to rationalise assets. These 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 2017 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. The effect of these adjustments has not been reflected in the consolidated financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2017. 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).

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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 interests 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

Amendments to IAS 7	*Disclosure Initiative*
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to IFRS 12 included in *Annual Improvements to IFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of IFRS 12*

None of the above amendments to IFRSs has had a significant financial effect on these financial statements. Disclosure has been made in note 33 to the financial statements upon the adoption of amendments to IAS 7, which 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.

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*[1]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[1]
IFRS 9	*Financial Instruments*[1]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[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*[1]
Amendment to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[1]
Amendments to IAS 40	*Transfers of Investment Property*[1]
IFRS 16	*Leases*[2]
IFRS 17	*Insurance Contracts*[3]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[1]
IFRIC 23	*Uncertainty over Income Tax Treatments*[2]
Amendment to IAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Annual Improvements 2014-2016 Cycle	Amendments to IFRS 1 and IAS 28[1]
Annual Improvements 2015-2017 Cycle	Amendments to IFRS 3, IFRS11, IAS 12 and IAS 23[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

Of those standards, IFRS 9 and IFRS 15 will be applicable for the Group's financial year ending 31 December 2018 and are expected to have no significant financial impact upon adoption. Whilst management has performed an assessment of the estimated impacts of these standards, that assessment is based on the information currently available to the Group. The actual impacts upon adoption could be different to those below, depending on additional reasonable and supportable information being made available to the Group at the time of applying the standards.

Further information about those IFRSs that are expected to be applicable to the Group is described below.

IFRS 9 Financial Instruments

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 will adopt IFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018. During 2017, the Group has performed an assessment of the impact of the adoption of IFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of IFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value through profit or loss.

(b) Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. The Group has determined that no material further impairment will be provided upon the initial adoption of the standard.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15, issued in May 2014, 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. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In April 2016, the IASB issued amendments of 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 plans to adopt the transitional provisions in IFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before 1 January 2018. The Group expects that the transitional adjustment to be made on 1 January 2018 upon initial adoption of IFRS 15 will not be material. Also, the expected changes in accounting policies will not have a material financial impact on the Group's financial statements from 2018 onwards.

IFRS 16 Leases

IFRS 16, issued in January 2016, 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, or relates to a class of property, plant and equipment to which the revaluation model is applied. 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. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt IFRS 16 from 1 January 2019. During 2017, the Group has performed an assessment on the impact of the adoption of IFRS 16 and concluded that no material financial impact exists.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations not under common control are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

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

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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.

Fair value measurement

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

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

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

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

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, 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.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

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

or

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

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (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 and disposal groups 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	7-40 years
Plant and machinery	2-20 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 3.5 years to 20.7 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 and disposal groups held for sale

Non-current assets and disposal groups 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 or disposal group 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. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interests in its former subsidiary after the sale.

Non-current assets and disposal groups (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.

Brand name

Brand name is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 10 years.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill) (continued)

Exploration rights and assets (continued)

Exploration rights are amortised over the term of rights. Equipment used in exploration is depreciated over its useful life, or, if dedicated to a particular exploration project, over the life of the project on the straight-line basis, whichever is shorter. Amortisation and depreciation are included, in the first instance, in exploration rights and assets and are transferred to mining rights when it can be reasonably ascertained that an exploration property is capable of commercial production.

Exploration and evaluation costs include expenditure incurred to secure further mineralisation in existing ore bodies as well as in new areas of interest. Expenditure incurred prior to acquiring legal rights to explore an area is written off as incurred.

Exploration 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 rights and assets' carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the exploration rights and assets' fair value less costs of disposal and their value in use. For the purpose of assessing impairment, the exploration rights 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 rights and assets are written off to profit or loss if the exploration property is abandoned.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Stripping (waste removal) costs

As part of its mining operations, the Group incurs stripping (waste removal) costs both during the development phase and production phase of its operations. Stripping costs incurred in the development phase of a mine, before the production phase commences (development stripping), are capitalised as part of the cost of constructing the mine and subsequently amortised over its useful life using 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;

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Stripping (waste removal) costs (continued)

The stripping activity asset is subsequently amortised using the UOP method over the life of the identified component of the ore body that 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 lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. 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.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

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 are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Financial assets at fair value through profit or loss (continued)

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primary derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or decreased by adjusting the allowance amount. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include trade and 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.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

Provisions for the Group's obligations for rehabilitation are based on estimates of required expenditure at the mines in accordance with the rules and regulations of the PRC. The obligation generally arises when the asset is installed or the ground environment is disturbed at the production location. The Group estimates its liabilities for final rehabilitation and mine closure based upon detailed calculations of the amount and timing of the future cash expenditure to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. When the liability is initially recognised, the present value of the estimated cost is capitalised by increasing the carrying amount of the related mining infrastructure.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)

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 and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for "Contracts for services" below;

(c) 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;

(d) from the rendering of services, when the service has been rendered; and

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

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the Shareholders in a general meeting. Proposed final dividends are disclosed in the note to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the Directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including Directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 29 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

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 employee in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

Housing fund

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

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

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING 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.

3. SIGNIFICANT ACCOUNTING ESTIMATES (continued)

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 2017 was RMB340,748,000 (2016: RMB328,906,000). Further details are given in note 19 to the financial statements.

(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 2017 was RMB3,254,000 (2016: RMB3,610,000).

(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 2017 was RMB630,898,000 (2016: RMB648,556,000). Further details are given in note 12 to the financial statements.

3. SIGNIFICANT ACCOUNTING ESTIMATES (continued)

Estimation uncertainty (continued)

(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.

(e) Exploration rights 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 rights and assets as at 31 December 2017 was RMB320,414,000 (2016: RMB320,414,000). 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 2017 was RMB174,637,000 (2016: RMB266,536,000). Further details are given in note 18 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 2017 (2016: 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 2017 was RMB11,400,000 (2016: RMB11,670,000). Further details are contained in note 27 to the financial statements.

3. SIGNIFICANT ACCOUNTING 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 the tax losses can be utilised. 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 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 2017 was RMB70,269,000 (2016: RMB39,567,000). The amount of unrecognised tax losses and unrecognised deductible temporary differences as at 31 December 2017 was RMB887,978,000 (2016: RMB869,050,000) and RMB1,683,365,000 (2016: RMB1,376,013,000), respectively. Further details are contained in note 17 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 2017 was nil (2016: RMB109,617,000). Further details are contained in note 20 to the financial statements.

(j) Impairment of non-financial 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 rights, 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, intangible assets and prepaid land lease payment at 31 December 2017 were RMB683,188,000 (2016: RMB610,412,000), RMB311,884,000 (2016: RMB235,755,000) and RMB2,413,000 (2016: nil) respectively. Further details are contained in notes 12, 13 and 15 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and products and has two (2016: one) reportable operating segments as follows:

(a) the products sales segment comprises the operation of sale of self-produced products and traded products;

(b) the specialist mining services segment comprises the provision of specialist mining services which include raised boring, shaft excavation, engineering services, and other mining services.

In previous years, the Board concluded that there was no separate reporting segment apart from the products sales segment. In 2017, following the acquisition of Mancala Holdings Limited, which principally engages in the business of providing specialist mining services, the Board monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Following a change in the composition of the Group's reportable segments, the Group has restated the corresponding items of segment information for the year ended 31 December 2016.

Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax from continuing operations. The adjusted profit/loss before tax is measured consistently with the Group's loss before tax except that finance costs and fair value losses on financial assets at fair value through profit or loss are excluded from such measurement.

Segment assets exclude deferred tax assets and cash and cash equivalents as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, tax payable and dividend payable as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2017

	Products sales RMB'000	Specialist mining services RMB'000	Total RMB'000
SEGMENT REVENUE	1,313,904	3,575	1,317,479
SEGMENT RESULTS	(218,693)	(12,992)	(231,685)
Reconciliation:			
Finance costs			(73,588)
Fair value losses on financial assets at fair value through profit or loss			(109,617)
Loss before tax			(414,890)
SEGMENT ASSETS	2,833,868	118,452	2,952,320
Reconciliation:			
Deferred tax assets			70,269
Cash and cash equivalents			13,286
Total assets			3,035,875
SEGMENT LIABILITIES	733,082	45,322	778,404
Reconciliation:			
Tax payable			3,254
Interest-bearing bank and other loans			907,311
Dividend payable			1,801
Total liabilities			1,690,770
OTHER SEGMENT INFORMATION			
Impairment loss	201,839	4,525	206,364
Share of losses of an associate	–	9,458	9,458
Depreciation and amortisation	55,923	741	56,664
Capital expenditure*	68,317	45,747	114,064

* Capital expenditure consist of additions of property, plant and equipment and intangible assets, including assets from the acquisition of a subsidiary.

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2016

	Products sales
	RMB'000
SEGMENT REVENUE	1,833,305
SEGMENT RESULTS	(633,487)
Reconciliation:	
Finance costs	(57,322)
Fair value losses on financial assets at fair value through profit and loss	(111,555)
Loss before tax	(802,364)
SEGMENT ASSETS	3,221,849
Reconciliation:	
Deferred tax assets	39,567
Cash and cash equivalents	19,740
Total assets	3,281,156
SEGMENT LIABILITIES	729,679
Reconciliation:	
Tax payable	3,610
Interest-bearing bank and other loans	874,111
Dividend payable	1,801
Total liabilities	1,609,201
OTHER SEGMENT INFORMATION	
Impairment loss	528,434
Depreciation and amortisation	90,681
Capital expenditure	46,684

4. OPERATING SEGMENT INFORMATION (continued)

Entity-wide disclosures

Geographical information

The following table sets out information about the geographical locations of the Group's revenue from external customers during the year. The geographical locations of customers are determined based on the locations designated by the customers at which the goods were delivered or services were rendered.

	2017	2016
	RMB'000	RMB'000
Domestic – Mainland China	**1,313,904**	1,833,305
Overseas – Australia	**3,575**	–
	1,317,479	1,833,305

At the end of the reporting period, except for certain property, plant and equipment located in Australia with the total net carrying amounts of RMB48,822,000 (2016: nil), all of the Group's non-current assets were located in the PRC, the place of domicile of the Group's operating entities.

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:

	2017	2016
	RMB'000	RMB'000
Customer A	**506,144**	402,541
Customer B	**805,254**	1,402,462

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, net of various types of government surcharges.

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

	2017		2016	
	RMB'000	**%**	RMB'000	%
Self-produced products:				
Vanadium-bearing iron concentrates	**391,020**	**29.7%**	293,928	16.0%
Ordinary iron concentrates	**69,479**	**5.3%**	100,817	5.5%
High-grade titanium concentrates	**48,151**	**3.6%**	38,167	2.1%
Trading of iron products	**–**	**–**	33,104	1.8%
Trading of coals	**449,243**	**34.1%**	240,851	13.1%
Trading of steels	**356,011**	**27.0%**	1,126,438	61.5%
Rendering of specialist mining services	**3,575**	**0.3%**	–	–
	1,317,479	**100.0%**	1,833,305	100%

An analysis of other income and gains is as follows:

	2017	2016
	RMB'000	RMB'000
Bank interest income	**17**	72
Sale of raw materials	**237**	18
Government grants*	**1,120**	1,088
Miscellaneous	**161**	264
Total other income and gains	**1,535**	1,442

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

6. FINANCE COSTS

	2017	2016
	RMB'000	RMB'000
Interest on bank and other loans	**72,798**	56,405
Interest on discounted bills receivable	**5**	67
Unwinding of discount on provision (note 27)	**730**	683
	73,533	57,155
Others	**55**	167
	73,588	57,322

7. LOSS BEFORE TAX

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

	Notes	2017 RMB'000	2016 RMB'000
Cost of inventories sold		**1,183,554**	1,790,858
Cost of services rendered		**6,405**	–
Employee benefit expenses (including Directors' and chief executive's remuneration (note 8)):			
Wages and salaries		**60,044**	41,301
Welfare and other benefits		**5,523**	3,787
Pension scheme contributions			
– Defined contribution fund		**8,496**	8,266
Housing fund			
– Defined contribution fund		**224**	343
Total employee benefit expenses		**74,287**	53,697
Depreciation	12	**47,597**	68,515
Amortisation of intangible assets	13	**7,960**	21,059
Amortisation of prepaid land lease payments	15	**1,107**	1,107
Depreciation and amortisation expenses		**56,664**	90,681
Impairment losses recognised on:			
Property, plant and equipment	12	**72,776**	185,195
Intangible assets	13	**76,129**	200,040
Prepaid land lease payments	15	**2,413**	–
Assets classified as held for sale	23	**44,525**	78,334
Trade receivables	19	**10,521**	64,865
Total impairment losses recognised		**206,364**	528,434
Operating lease rentals		**795**	425
Fair value loss on previously held equity interest under the step acquisition of a subsidiary	32	**633**	–
Reversal of inventory provision		**(35)**	(17,969)
Auditor's remuneration		**3,580**	3,580
Fair value losses on financial assets at fair value through profit or loss	20	**109,617**	111,555

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

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange ("HKSE"), 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:

	2017	2016
	RMB'000	RMB'000
Fees	**600**	617
Other emoluments:		
Salaries, allowances and benefits in kind	**424**	460
Pension scheme contributions		
– Defined contribution fund	**32**	36
	456	496
	1,056	1,113

(a) Independent non-executive Directors

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

	2017	2016
	RMB'000	RMB'000
Mr. Yu Haizong	**120**	120
Mr. Liu Yi	**120**	120
Mr. Wu Wen	**120**	120
	360	360

There were no other emoluments payable to the independent non-executive Directors during the year (2016: Nil).

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

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

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
2017				
Executive Directors				
Mr. Jiang Zhong Ping[(i)]	**120**	**209**	**16**	**345**
Mr. Zheng Zhiquan[(ii)]	**120**	**215**	**16**	**351**
	240	**424**	**32**	**696**
Non-executive Director				
Mr. Teh Wing Kwan[(iii)]	**–**	**–**	**–**	**–**
	240	**424**	**32**	**696**
2016				
Executive Directors				
Mr. Jiang Zhong Ping	120	230	18	368
Mr. Zheng Zhiquan	120	230	18	368
	240	460	36	736
Non-executive Directors				
Mr. Yu Xing Yuan	17	–	–	17
	257	460	36	753

Notes:

(i) Mr. Jiang Zhong Ping was re-designated from the chairman of the Board and the acting chief executive officer to the chief executive officer on 12 October 2017.

(ii) Mr. Zheng Zhiquan resigned as an executive Director and a financial controller on 1 January 2018.

(iii) Mr. Teh Wing Kwan has been appointed as a non-executive Director and the chairman of the Board on 26 July 2017 and 12 October 2017, respectively, with an annual remuneration of HK$1.

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

(c) Five highest paid employees

The five highest paid employees during the year included two (2016: two) Director (including the chief executive who is also the executive Director of the Company), details of whose remuneration are set out above. Details of the remuneration for the year of the remaining three (2016: three) highest paid employees who are neither a Director nor chief executive of the Company are as follows:

	2017 **RMB'000**	2016 RMB'000
Salaries, allowances and benefits in kind	**1,300**	1,315
Pension scheme contributions	**31**	14
	1,331	1,329

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	
	2017	2016
Nil to HK$1,000,000	**2**	2
HK$1,000,001 to HK$2,000,000	**1**	1
	3	3

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 2017 and 2016.

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 2017 and 2016.

The provision for PRC CIT is based on the respective tax 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.

9. INCOME TAX (continued)

All subsidiaries domiciled in the PRC (the "PRC subsidiaries") are subject to the PRC CIT rate of 25% during the year ended 31 December 2017. Pursuant to the income tax rules and regulations in Australia, the Group's subsidiaries located in Australia are liable to Australia corporate income tax at a rate of 25% on the assessable profits generated for the year.

The major components of income tax credit are as follows:

	2017 **RMB'000**	2016 RMB'000
Deferred (note 17)	**(25,269)**	(2,853)

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

	Notes	**2017** **RMB'000**	2016 RMB'000
Loss before tax		**(414,890)**	(802,364)
Tax at the applicable tax rate of 25%		**(103,723)**	(200,591)
Lower tax rate for certain subsidiaries	(a)	**–**	20,238
Expenses not deductible for tax	(b)	**27,404**	29,756
Tax effect of tax losses not recognised		**4,732**	13,517
Tax effect of deductible temporary differences not recognised		**76,838**	141,183
Effect on opening deferred tax due to change in tax rate	(a)	**(26,378)**	–
Income not subject to tax		**(4,142)**	(6,351)
Tax losses utilised from the prior year		**–**	(605)
Tax credit at the Group's effective tax rate		**(25,269)**	(2,853)

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 Caitong, Aba Mining and Xiushuihe Mining enjoyed the preferential corporate income tax rate of 15% for the year ended 31 December 2016 according to the "Western Development Policy". The Catalogue of Encouraged industries in the Western Region (revised 2017) (the "Revised Catalogue") was introduced and implemented since 28 July 2017, the principal businesses of Huili Caitong, Aba Mining and Xiushuihe Mining was not included in the Revised Catalogue, therefore, the provision for income tax expense of Huili Caitong, Aba Mining and Xiushuihe Mining during the year was calculated at the CIT rate of 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 2018, the Directors did not recommend payment of a final dividend for the year ended 31 December 2017 (2016: 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 weighted average number of Shares of 2,160,167,244 (2016: 2,075,000,000) in issue during the year ended 31 December 2017.

No adjustment has been made to the basic earnings per Share amounts presented for the years ended 31 December 2017 and 2016 in respect of a dilution as the exercise prices of the Company's outstanding share options were higher than the average market prices for the Company's Shares during the current and prior 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 2017							
Cost:							
At 1 January 2017	1,029,262	519,640	4,698	10,310	234,580	75,547	1,874,037
Additions	2,565	26,284	222	237	7,850	27,472	64,630
Acquisition of a subsidiary (note 32)	–	36,720	647	–	–	5,271	42,638
Transferred from CIP	16,588	28,268	–	–	–	(44,856)	–
Disposals	–	–	–	(690)	–	–	(690)
Exchange realignment	–	806	12	2	–	97	917
At 31 December 2017	1,048,415	611,718	5,579	9,859	242,430	63,531	1,981,532
Accumulated depreciation and impairment:							
At 1 January 2017	633,930	444,034	4,609	9,273	133,635	–	1,225,481
Provided for the year	13,335	23,593	45	199	10,425	–	47,597
Acquisition of a subsidiary (note 32)	–	5,229	102	–	–	–	5,331
Impairment recognised during the year (note 13(b))	57,678	8,855	24	30	4,033	2,156	72,776
Disposals	–	–	–	(655)	–	–	(655)
Exchange realignment	–	104	–	–	–	–	104
At 31 December 2017	704,943	481,815	4,780	8,847	148,093	2,156	1,350,634
Net carrying amount:							
At 1 January 2017	395,332	75,606	89	1,037	100,945	75,547	648,556
At 31 December 2017	343,472	129,903	799	1,012	94,337	61,375	630,898

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 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

As at 31 December 2017, payable relating to the hire purchase arrangements were secured by the corresponding machineries with an aggregate carrying amount of RMB13,994,000 (note 26(c)).

13. INTANGIBLE ASSETS

	Mining rights RMB'000	Stripping activity assets RMB'000	Exploration rights and assets RMB'000	Total RMB'000
31 December 2017				
Cost:				
At 1 January 2017	1,281,614	148,847	437,568	1,868,029
Additions	2,015	1,672	–	3,687
At 31 December 2017	1,283,629	150,519	437,568	1,871,716
Accumulated amortisation and impairment:				
At 1 January 2017	191,580	128,922	117,154	437,656
Impairment recognised for the year	72,060	4,069	–	76,129
Amortisation provided during the year	3,285	4,675	–	7,960
At 31 December 2017	266,925	137,666	117,154	521,745
Net carrying amount:				
At 1 January 2017	1,090,034	19,925	320,414	1,430,373
At 31 December 2017	1,016,704	12,853	320,414	1,349,971

13. INTANGIBLE ASSETS (continued)

	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

(a) As at 31 December 2017, the mining rights of Baicao Mine, Xiushuihe Mine and Maoling Mine with net carrying amounts of RMB22,667,000 (2016: RMB32,201,000), RMB1 (2016: RMB248,000) and RMB22,771,000 (2016: RMB23,543,000), respectively, were pledged to secure the Group's bank loans (note 26(a)).

13. INTANGIBLE ASSETS (continued)

(b) Impairment

In accordance with the Group's accounting policies, each asset or 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 the mining right to Xiushuihe Mine, land use right of Xiushuihe Mining, Xiushuihe Processing Plant and Hailong Processing Plant) are treated as separate CGUs. The recoverable amounts of Baicao CGU, Xiushuihe CGU and the mining right of Shigou Gypsum 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 13.18% and 16.67% (2016: 14.0% and 17.3%) 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 market price of gypsum raw ore for the mining right of Shigou Gypsum Mine, 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 2017 and impairment provisions for the year ended 31 December 2017 are as follows:

	Recoverable amount	**Carrying amount**	**Impairment provision**
	RMB'000	RMB'000	RMB'000
Baicao CGU	123,420	162,491	39,071
Xiushuihe CGU	283,523	330,885	47,362
Mining right of Shigou Gypsum Mine	651,853	716,738	64,885
			151,318

The above impairment provisions as at 31 December 2017 have been allocated to the following asset classes.

Impairment loss recognised on property, plant and equipment

An impairment loss of RMB72,776,000 (note 12) (2016: RMB185,195,000) 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 RMB87,901,000, RMB204,003,000 and RMB65,071,000 as at 31 December 2017.

Impairment loss recognised on prepaid land lease payments

An impairment loss of RMB2,413,000 (note 15) (2016: Nil) was recognised during the year to write down the carrying amounts of prepaid land lease payments to Xiushuihe Mine to their respective recoverable amounts of RMB14,449,000 as at 31 December 2017.

13. INTANGIBLE ASSETS (continued)

(b) Impairment (continued)

Impairment loss recognised on intangible assets

An impairment loss of RMB76,129,000 (2016: RMB200,040,000) was recognised during the year to write down the carrying amounts of the mining right and stripping activity assets of Baicao Mine and the mining right of Shigou Gypsum Mine to their respective recoverable amounts of RMB22,667,000, RMB12,852,000 and RMB651,853,000 as at 31 December 2017.

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

The impairment losses recognised for Baicao CGU, Xiushuihe CGU and Shigou Gypsum Mine were primarily due to the following reasons:

Baicao Mine – the resource tonnage of the Baicao Mine in the updated pit estimates has been reduced significantly due mainly to the geologic conditions of the iron ore deposits for the Baicao Mine which were more complicated than originally interpreted and there were numerous post-mineral dikes offsetting the mineralisation, causing the mineralisation to be less continuous.

Xiushuihe Mine –the resource tonnage of the Xiushuihe Mine in the updated pit estimates has been reduced due to the small accumulative discrepancy for the measured and indicated resources.

Shigou Gypsum Mine – lower commodity price and budgeted gross margin due to the partially adjustment of production operation from self-produced products as gypsum concentrates as originally designated to raw ore production.

14. OTHER INTANGIBLE ASSETS

	Brand Name 2017 RMB'000
Carrying amount at 1 January	–
Acquisition of a subsidiary (note 32)	8,440
Carrying amount at 31 December	8,440
At 31 December 2017:	
Cost	8,440
Accumulated amortisation	–
Net Carrying amount	8,440

15. PREPAID LAND LEASE PAYMENTS

	2017 RMB'000	2016 RMB'000
Carrying amount at 1 January	36,535	37,642
Impairment recognised for the year	(2,413)	–
Amortised during the year (note 7)	(1,107)	(1,107)
Carrying amount at 31 December	33,015	36,535

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

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Note	2017 RMB'000	2016 RMB'000
Current portion:			
Prepayments consisting of:			
Purchase of raw materials		**4,826**	6,933
Utilities		**496**	3,440
Prepayment for the use right of a road		**45**	45
Prepaid stripping and mining fees	(a)	**40,227**	56,757
Prepaid transportation fees		**2,732**	3,217
Other prepayments		**12,087**	9,049
Deposit		**–**	9,483
Other receivables consisting of:			
Utilities		**5,269**	6,066
Other receivables		**5,705**	5,232
		71,387	100,222
Non-current portion:			
Prepayment for the use right of a road		**694**	739
Long-term environmental rehabilitation deposits		**6,653**	6,782
		7,347	7,521
		78,734	107,743

Note:

(a) As at 31 December 2017, the balance represented prepaid stripping and mining fees made to an independent third party contractor for stripping and mining activities at Baicao Mine and Xiushuihe Mine for lower stripping and mining rates offered by the said contractor.

17. 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	Others RMB'000	Total RMB'000
At 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	3,691	(870)	129	(171)	74	2,853
Deferred tax assets at 31 December 2016 and 1 January 2017	**28,918**	**1,876**	**2,451**	**54**	**6,268**	**39,567**
Deferred tax credited/(charged) to profit or loss during the year (note 9)	**–**	**(651)**	**240**	**(728)**	**30**	**(1,109)**
Effect of change in tax rate	**19,247**	**2,885**	**31**	**3,914**	**301**	**26,378**
Acquisition of a subsidiary (note 32)	**5,433**	**–**	**–**	**–**	**–**	**5,433**
At 31 December 2017	**53,598**	**4,110**	**2,722**	**3,240**	**6,599**	**70,269**

Notes:

(a) As at 31 December 2017, the Group has tax losses arising from Mainland China of RMB887,978,000 (2016: RMB869,050,000) that would expire in three to five years and other deductible temporary differences of RMB1,683,365,000 (2016: RMB1,376,013,000) 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 they can be utilised.

(b) Deferred tax assets related to the PRC subsidiaries have been provided at the enacted corporate income tax rate of 25%.

(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 2017, 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 RMB212,497,000 (2016: RMB505,779,000).

18. INVENTORIES

	2017 RMB'000	2016 RMB'000
Raw materials	**49,258**	51,181
Spare parts and consumables	**38,505**	27,653
Finished goods	**85,937**	187,943
Others	**1,143**	–
	174,843	266,777
Inventory provision	**(206)**	(241)
	174,637	266,536

19. TRADE AND BILLS RECEIVABLES

	2017 RMB'000	2016 RMB'000
Trade receivables	**580,171**	583,081
Impairment	**(340,748)**	(328,906)
Trade receivables, net of impairment	**239,423**	254,175
Bills receivable	**134,284**	67,500
	373,707	321,675

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 market conditions remained weak and a three-month credit term to its trading customers and customers for rendering specialist mining services. Trade receivables are non-interest-bearing and unsecured.

19. TRADE AND BILLS RECEIVABLES (continued)

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:

	2017 RMB'000	2016 RMB'000
Within 3 months	**226,646**	187,668
3 to 9 months	**5,321**	11,097
9 to 12 months	**217**	–
Over 1 year	**7,239**	55,410
	239,423	254,175

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

	2017 RMB'000	2016 RMB'000
At 1 January	**328,906**	264,041
Impairment recognised (note 7)	**10,521**	64,865
Acquisition of a subsidiary	**1,321**	–
At 31 December	**340,748**	328,906

Impairment of trade receivables recognised during the year ended 31 December 2017 represented a provision for individually impaired trade receivables of RMB10,521,000(2016:RMB64,865,000) with an aggregate carrying amount before provision of RMB10,521,000(2016: RMB120,275,000). 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 RMB10,521,000 during the year. Despite such provision and longer-than-expected repayment periods, the Group will initiate necessary actions to recover these receivables in part or in full.

19. TRADE AND BILLS RECEIVABLES (continued)

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:

	2017 RMB'000	2016 RMB'000
Neither past due nor impaired	**231,967**	198,765
Amounts due and partially impaired, net of provision		
– 9 months to 3 years past due	**7,456**	55,410
	239,423	254,175

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 2017, 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 RMB259,954,000 (2016: RMB244,807,000); furthermore, as at 31 December 2017, the Group discounted certain bills receivable accepted by banks in the PRC, with a carrying amount in aggregate of RMB200,000 (2016: RMB5,800,000) (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 a recognised interest expense of RMB5,000 (2016: RMB67,000) (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.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The balance represented Exchangeable Notes with an aggregate amount of US$20,000,000 and US$10,000,000 subscribed by Sure Prime Limited 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 the Issuer. The original maturity date of the Exchangeable Notes was 25 November 2014.

As at 2 December 2014, Sure Prime Limited 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 Limited 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 Limited shall be entitled to exchange all or any part of the Exchangeable Notes at any time to shares in the target company owned by the Issuer 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 2017 and 2016 the Issuer is in default.

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

	2017	2016
	RMB'000	RMB'000
Carrying amount at 1 January	**109,617**	221,172
Fair value losses recognised during the year (note 7)	**(109,617)**	(111,555)
Carrying amount at 31 December	**–**	109,617

The fair value of the Exchangeable Notes as at 31 December 2017 and 2016 was estimated by management based on the estimated recoverable amount of the Exchangeable Notes discounted with a risk-free interest rate. The following table lists the key inputs:

	2017	2016
Risk-free interest rate (Indonesia) (% per annum)	**0.91**	0.91
Recovery rate (%)	**0.00**	15.66

21. BALANCES WITH RELATED PARTIES

	Notes	2017 RMB'000	2016 RMB'000
Due from related parties:			
Non-trade in nature			
– Trisonic International	(a)	**537**	546
– Chengyu Vanadium Titano Technology., Ltd. ("Chengyu Vanadium")	(b)	**–**	112
– Minefair Pty Ltd	(c)	**100**	–
		637	658
Due to related parties:			
Non-trade in nature			
– Yanyuan County Xiwei Mining Co., Ltd. ("Yanyuan Xiwei")	(d)	**1,332**	1,332
– Longwei Hotel Management Co., Ltd. ("Longwei Hotel")	(e)	**460**	460
– Sichuan Chuanwei Group Co., Ltd. ("Chuan Wei")	(f)	**472**	452
– Mancala Resources Pty Ltd. ("Mancala Resources")	(g)	**4,876**	–
– Kyne Family Trust	(h)	**1,712**	–
– Lannen Family Trust	(h)	**1,761**	–
– Akerman Family Trust	(h)	**607**	–
		11,220	2,244

Notes:

(a) The balance due from Trisonic International as at 31 December 2017 represented miscellaneous expenses paid by the Group on behalf of Trisonic International.

(b) Chengyu Vanadium and Trisonic International are ultimately controlled by the same beneficial owners. Balances due from Chengyu Vanadium as at 31 December 2016 was fully settled in 2017.

(c) Minefair Pty Ltd is a company controlled by an entity which directors of Mancala Holdings Limited owned. The balance as at 31 December 2017 represented interest free loan granted to Minefair Pty Ltd. which is receivable on demand.

(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 Sichuan Lingyu and Aba Mining.

21. BALANCES WITH RELATED PARTIES (continued)

Notes: (continued)

(g) Mancala Resources is a company controlled by an entity which directors of Mancala Holdings Limited owned. The balance as at 31 December 2017 represented interest free loan granted by Mancala Resources, which is repayable on demand.

(h) These entities are controlled by the directors of Mancala Holdings Limited. The balances as at 31 December 2017 represented interest-bearing loans granted to Mancala Holdings Limited, which bore a fixed interest rate of 6.6% per annum and were repayable on demand.

22. CASH AND CASH EQUIVALENTS

	2017	2016
	RMB'000	RMB'000
Cash and cash equivalents	**13,286**	19,740

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

	2017	2016
	RMB'000	RMB'000
Cash and bank balances denominated in:		
HK$	**2,359**	2,684
US$	**37**	37
AU$	**4,359**	–

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.

23. ASSETS CLASSIFIED AS HELD FOR SALE

Non-recurring fair value measurements:

	Notes	2017 RMB'000	2016 RMB'000
Heigutian Processing Plant	(a)	**260,000**	300,000
Unutilised fixed assets of mining service	(b)	**42,125**	–
		302,125	300,000

Notes:

(a) Management has permanently halted 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.

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 RMB260,000,000, resulting in accumulated losses of RMB178,889,000, of which RMB40,000,000 (note 7), RMB78,334,000 and RMB60,555,000 were included in profit or loss for the years ended 31 December2017, 2016 and 2015, respectively.

(b) The balance as at 31 December 2017 represented the fair value less cost to sell of assets held for sale, which comprised part of plant and equipment of MHPL which would not be utilised in current operation. Those assets were classified as assets held for sale with a carrying amount of RMB46,650,000 and were written down to the fair values less cost to sell of RMB42,125,000, resulting in a loss of RMB4,525,000 (note 7),which was included in profit or loss for the year.

The non-recurring fair value measurement for assets held for sale is considered to be Level 2 for the years ended 31 December 2017 and 2016, as it is derived from quoted prices in markets that are not active.

24. TRADE AND BILLS PAYABLES

	2017 RMB'000	2016 RMB'000
Trade payables	**175,273**	177,134
Bills payable	**598**	2,131
	175,871	179,265

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:

	2017 RMB'000	2016 RMB'000
Within 180 days	**65,813**	40,969
181 to 365 days	**10,314**	31,367
1 to 2 years	**15,876**	27,971
2 to 3 years	**21,584**	31,708
Over 3 years	**62,284**	47,250
	175,871	179,265

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.

25. OTHER PAYABLES AND ACCRUALS

	Notes	2017 RMB'000	2016 RMB'000
Current portion:			
Advances from customers		**1,955**	2,217
Payables related to:			
Construction in progress		**128,452**	135,514
Taxes other than income tax		**142,546**	119,878
Exploration and evaluation assets		**20,398**	19,641
Payroll and welfare payable		**94,575**	94,108
Transportation expenses		**3,242**	1,474
Acquisition of subsidiaries			
– Sichuan Xinglian	(a)	**1,693**	2,543
– Panzhihua Yixingda	(b)	**–**	20,000
Consultancy and professional fees		**9,189**	9,393
Deposits received		**99**	2,020
Land occupation compensation payables		**10,497**	8,818
Accrued government surcharges		**37,237**	36,737
Accrued price adjustment fund		**7,991**	8,003
Accrued interest expenses		**86,851**	69,133
Other payables		**10,181**	7,420
		554,906	536,899
Non-current portion:			
Loan from a third party	(c)	**23,794**	–
Other payables		**1,213**	601
		25,007	601
		579,913	537,500

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 Sichuan Lingyu.

(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, which was been fully paid in 2017.

(c) Balances represented interest-free loans granted by Sapphire Corporation Limited ("Sapphire", a non-controlling shareholder of Mancala Holdings Limited) to MHPL. The loan is unsecured and is due for repayment on or before 31 December 2020.

26. INTEREST-BEARING BANK AND OTHER LOANS

	Notes	2017 RMB'000	2016 RMB'000
Bank loans – Secured	(a)	**523,400**	428,992
Bank loans – Unsecured	(b)	**232,725**	443,866
Hire purchase arrangements – secured	(c)	**9,558**	–
Other loans – unsecured	(d)	**141,628**	1,253
		907,311	874,111
Current liabilities		**(596,205)**	(873,458)
Non-current liabilities		**311,106**	653
Analysed into:			
Bank loans repayable:			
Within one year or on demand		**445,125**	872,858
In the second year		**9,000**	–
In the third to fifth years, inclusive		**302,000**	–
		756,125	872,858
Hire purchase arrangements repayable:			
Within one year		**9,452**	–
In the second year		**106**	–
		9,558	–
Other loans repayable:			
Within one year or on demand		**141,628**	600
In the second year		**–**	653
		141,628	1,253
		907,311	874,111

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

	2017 (Effective interest rate)	2016 (Effective interest rate)
Bank loans	**3.92% – 8.84%**	4.35% – 6.00%
Other loans	**0.00% – 9.00%**	0.00%
Hire purchase arrangements	**4.80% – 6.79%**	–

Notes:

(a) The Group's bank loans are secured by:

	2017 RMB'000 (Amount of bank loans)	2016 RMB'000 (Amount of bank loans)
Mining rights of Xiushuihe Mine and 95% equity interest in Xiushuihe Mining	**120,000**	120,000
Mining rights of Baicao Mine	**319,400**	225,000
Mining rights of Maoling Mine	**84,000**	83,992
	523,400	428,992

(b) As at 31 December 2017, the unsecured bank loans totalling RMB232,725,000 were guaranteed by the Company at nil consideration.

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

Notes: (continued)

(c) The Group acquired certain of its machinery and other fixed assets through hire purchase arrangements, which were classified as finance leases and have remaining lease terms ranging from one to two years. As at 31 December 2017, payable relating to the hire purchase arrangements were secured by the corresponding assets with an aggregate carrying amount of RMB13,994,000 (note12).

At 31 December 2017, the total future minimum lease payments under hire purchase arrangements and their present values were as follows:

	Minimum lease payments 2017 RMB'000	Present value of minimum lease payments 2017 RMB'000
Amounts payable:		
Within one year	**9,514**	**9,452**
In the second year	**108**	**106**
Total minimum finance lease payments	**9,622**	**9,558**
Future finance charges	**(64)**	
Total net finance lease payables	**9,558**	
Portion classified as current liabilities	**9,452**	
Non-current portion	**106**	

(d) As at 31 December 2017, unsecured other loans consisted of (i) interest-bearing loans totaling RMB140,975,000 payable to an asset management company, which was due for repayment on demand and guaranteed by the Company and (ii) interest-free loans of RMB653,000 granted by Wenchuan County State Assets Investment Co., Ltd., which were due for repayment within one year.

As at 31 December 2017 and 31 December 2016, except for the hire purchase arrangements which were denominated in AU$, all bank and other loans were denominated in RMB.

27. PROVISION FOR REHABILITATION

	2017 RMB'000	2016 RMB'000
At the beginning of year	**10,670**	9,987
Unwinding of discount (note 6)	**730**	683
At the end of year	**11,400**	10,670

28. SHARE CAPITAL

Shares

	2017 RMB'000	2016 RMB'000
Authorised:		
10,000,000,000 (2016: 10,000,000,000) Shares of HK$0.1 each	**880,890**	880,890
Issued and fully paid:		
2,249,015,410 (2016: 2,075,000,000) Shares of HK$0.1 each	**197,889**	182,787

A summary of movements in the Company's share capital is as follows:

	Number of Shares in issue	Issued Capital RMB'000
At 1 January 2017	2,075,000,000	182,787
Issuance of new Shares (note(a))	174,015,410	15,102
At 31 December 2017	2,249,015,410	197,889

28. SHARE CAPITAL (continued)

Shares (continued)

Note:

(a) On 3 March 2017, the Company allotted and issued an aggregate of 95,890,410 new Shares as part of the consideration for the acquisition of a 49% interest in Mancala Holdings Limited (note 32). The aggregate fair value of the 95,890,410 Shares, determined by reference to the closing quoted market price of the Shares on the Main Board of the Stock Exchange at the acquisition date, amounted to RMB34,825,000, of which RMB8,494,000 and RMB26,331,000 were credited to the issued share capital and share premium account of the Company, respectively.

On 5 December 2017, the Company allotted and issued an aggregate of 78,125,000 new Shares for the acquisition of additional 32% interest in Mancala Holdings Limited (note 32). The aggregate fair value of the 78,125,000 Shares, determined by reference to the closing quoted market price of the Shares on the Main Board of the Stock Exchange at the acquisition date, amounted to RMB17,512,000, of which RMB6,608,000 and RMB10,904,000 were credited to the issued share capital and share premium account of the Company, respectively.

29. SHARE OPTION SCHEMES

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

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

The maximum number of the Shares in respect of which options may be granted under the New Share Option Scheme and any other schemes of the Company shall not, in aggregate, exceed 207,500,000 Shares, being 10% of the total number of Shares in issue on the adoption date of the New Share Option Scheme. The maximum number of Shares issued and which may fall to be issued upon exercise of the options granted and to be granted under the New Share Option Scheme to each eligible participant in the New Share Option Scheme within any 12-month period is limited to 1% of the Shares 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.

29. SHARE OPTION SCHEMES (continued)

Share options granted to Directors, chief executives, substantial Shareholders or any of their respective associates are subject to approval by the independent non-executive Directors (excluding the independent non-executive Directors who are the grantees of the options). In addition, any grant of share options to substantial Shareholders or independent non-executive Directors or to any of their respective associates, in excess of 0.1% of the Shares in issue on the date of offer with an aggregate value (based on the closing price of the Shares quoted on the Stock Exchange at the date of grant) in excess of HK$5 million made within any 12-month period from the date of grant (inclusive) would be subject to Shareholders' approval in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the Directors that no option may be exercised more than 10 years from the date of grant.

The exercise price of share options is determinable by the Board, but may not be less than the highest of (i) the nominal value of Shares; (ii) the average closing price of the Shares for the five trading days immediately preceding the date of grant of the share options; and (iii) the Stock Exchange closing price of the Shares on the date of grant of the share options.

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

	Notes	**Weighted average exercise price** HK$ per Share	**Number of options** '000
As at 1 January 2017			
– Old Share Option Scheme	(a)	5.04	8,200
– New Share Option Scheme	(a)	2.05	28,000
Forfeited during the year			
– Old Share Option Scheme	(b)	5.05	(400)
– New Share Option Scheme	(b)	3.31	(900)
As at 31 December 2017		2.68	34,900

Notes:

(a) The share options outstanding as at 1 January 2017 represented share options granted under the Old Share Option Scheme and the New Share Option Scheme by the Company on 29 December 2009, 1 April 2010, 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 Mrs. Wu Wei under the Old Share Option Scheme and the New Share Option Scheme were forfeited following her resignation during the year. As a result of her resignation, share option reserves of RMB1,777,000 were transferred to retained profits.

29. SHARE OPTION SCHEMES (continued)

The exercise prices and exercise periods of the share options outstanding as at 31 December 2017 and 31 December 2016 are as follows:

2017

Number of options	**Exercise price per Share**	**Exercise period**
'000	**HK$**	
3,000	**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**
10,500	**3.60**	**23 May 2013 to 22 May 2021**
8,250	**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**
34,900		

2016

Number of options	Exercise price per Share	Exercise period
'000	HK$	
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		

29. SHARE OPTION SCHEMES (continued)

The Group has 34,900,000 share options exercisable as at 31 December 2017 (2016: 36,200,000) and the weighted average exercise price was HK$2.68 per Share (2016: HK$2.73).

The Group did not recognise share option expense during the year (2016: Nil).

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

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

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

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

At 31 December 2017, the Company had 7,800,000 share options outstanding under the Old Share Option Scheme and 27,100,000 share options outstanding under the New Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 34,900,000 additional Shares and additional share capital of HK$3,490,000 and share premium of HK$90,216,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 34,900,000 share options outstanding, which represented approximately 1.55% of the Shares in issue as at that date.

30. 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 Sichuan Lingyu is required to allocate 10% of its profits after tax, as determined in accordance with the PRC Generally Accepted Accounting Principles (the "PRC GAAP"), to the statutory surplus reserve (the "SSR") until such reserve reaches 50% of its registered capital.

As Sichuan Lingyu is a wholly-foreign-owned enterprise, according to the Rules for the Implementation of Foreign-funded Enterprise Law of the PRC and the articles of association of Sichuan Lingyu, Sichuan Lingyu is required to allocate 10% of its profit after tax in accordance with PRC GAAP to the statutory reserve fund (the "SRF") until such reserve reaches 50% of its registered capital.

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

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

(c) Contributed surplus

The contributed surplus represented the difference between the nominal value of the 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.

30. RESERVES (continued)

(d) Safety fund surplus reserve

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

(e) Share option reserve

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

(f) Capital reserve

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

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

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

	2017 **RMB'000**	2016 RMB'000
Percentage of equity interest held by non-controlling interests:		
Sichuan Haoyuan	**49%**	49%
Total comprehensive loss for the year allocated to non-controlling interests:		
Sichuan Haoyuan	**33,627**	23,246
Accumulated balances of non-controlling interests at the reporting date:		
Sichuan Haoyuan	**298,445**	332,072

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

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

	2017 RMB'000	2016 RMB'000
Impairment on non-current assets	**(64,888)**	(47,270)
Other expenses	**(3,738)**	(171)
Loss and total comprehensive loss for the year	**(68,626)**	(47,441)
Current assets	**3,383**	2,087
Non-current assets	**651,864**	716,752
Current liabilities	**(46,176)**	(41,142)
Net cash flows from operating activities	**85**	–
Net cash flows from/(used in) investing activities	**–**	–
Net cash flows from/(used in) financing activities	**–**	–
Net decrease in cash and cash equivalents	**85**	–

32. BUSINESS COMBINATION

On 28 February 2017, the Group had acquired 49% equity interest in Mancala Holdings Limited from an independent third party, at a consideration of HK$38,200,000 (equivalent to approximately RMB33,838,000), which was satisfied by a cash consideration of HK$3,200,000 (equivalent to approximately RMB2,835,000) and the allotment and issue of 95,890,410 consideration Shares at the market price of HK$0.365 at the acquisition date (note 28). The acquisition of 49% equity interest in Mancala Holdings Limited was accounted as an investment in an associate and accounted for by using the equity method. The Group's share of losses of an associate from the acquisition date to the step acquisition date (as described below) amounted to RMB9,458,000.

On 1 December 2017, the Group acquired additional 32% equity interest in Mancala Holdings Limited from an independent third party and gained control over Mancala Holdings Limited via a step acquisition. The purchase consideration was satisfied by the allotment and issue of 78,125,000 consideration shares at the market price of HK$0.27per Share at the acquisition date (note 28), amounting to HK$20,703,125 (equivalent to approximately RMB17,512,000).

32. BUSINESS COMBINATION (continued)

Particulars of the acquisition of the 49% and 32% equity interests in Mancala Holdings Limited were set out in the Company's announcements dated 30 December 2016, 28 February 2017, 29 September 2017 and 1 December 2017, respectively.

The acquisitions of Mancala Holdings Limited have been accounted for using the acquisition method, as the acquisition had all the required attributes of a business. The fair values of the identifiable assets and liabilities of Mancala Holdings Limited as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition RMB'000
Property, plant and equipment	12	37,307
Intangible asset-brand name	14	8,440
Cash and bank balances		4,197
Trade receivables		8,518
Prepayments and other receivables		5,294
Inventories		28,472
Non-current assets classified as held for sale		46,645
Due from related parties		9,729
Deferred tax assets		5,433
Trade payables		(16,293)
Other payables		(54,885)
Bank and other loans		(13,979)
Due to related parties		(13,521)
Total identifiable net assets at fair value		55,357
Non-controlling interests measured at the non-controlling interest's effective proportional share of Mancala Holdings Limited		(10,574)
		44,783
Satisfied by acquisition-date fair value of previously held 49% equity interest		27,271
Satisfied by the issue of Shares for 32% interest acquired on 1 December 2017		17,512

32. BUSINESS COMBINATION (continued)

As at the step acquisition date, the difference of RMB633,000 between the fair value of previously held 49% equity interest in Mancala Holdings Limited and the carrying amount of investment in an associate Mancala Holdings Limited, was charged to profit or loss.

The Group has elected to measure the non-controlling interests in Mancala Holdings Limited at the non-controlling interest's proportionate share of Mancala Holdings Limited's identifiable net assets.

The Group incurred transaction costs of RMB1,500,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in profit or loss.

An analysis of the cash flows in respect of the acquisition of a subsidiary at the step acquisition date is as follows:

	RMB'000
Cash consideration	–
Cash and bank balances acquired	4,197
Net inflow of cash and cash equivalents included in cash flows from investing activities	4,197

Since the step acquisition, Mancala Holdings Limited contributed RMB3,575,000 to the Group's revenue and RMB13,046,000 to the consolidated loss for the year ended 31 December 2017.

Had the combination taken place at the beginning of the year, the revenue of the Group and the loss of the Group for the year would have been RMB1,366,242,000 and RMB432,453,000, respectively.

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Non-cash transaction

During the year, part of the debts of Mancala Holdings Limited owing to Sapphire was offset with the refundable deposits previously paid by the Group to Sapphire amounted RMB9,483,000.

(b) Changes in liabilities arising from financing activities

	Bank and other loans
	RMB'000
At 1 January 2017	874,111
Changes from financing cash flows	19,221
Non-cash changes:	
Acquisition of a subsidiary	13,979
Interest expense	–
At 31 December 2017	907,311
At 1 January 2016	818,366
Changes from financing cash flows	55,745
Non-cash changes:	
Interest expense	–
At 31 December 2016	874,111

34. 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:

	2017	2016
	RMB'000	RMB'000
Within one year	**479**	129
In the second to fifth years, inclusive	**179**	120
	658	249

35. CAPITAL COMMITMENTS

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

	2017	2016
	RMB'000	RMB'000
Contracted, but not provided for:		
– Acquisition of 49% equity interest in Mancala Holdings Limited*	**–**	31,308

* The acquisition was completed during the year (note 32)

36. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the financial statements, the Group had the following transactions with related parties during the year.

(a) 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 21 to the financial statements.

(b) 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.

37. 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:

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

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 2017 and 31 December 2016. Increase in recovery rate would result in the increase in the fair value of Exchangeable Notes. 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 2017 and 31 December 2016.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Risk management is carried out by the finance department which is led by the Group's executive Directors. The Group's finance department identifies and evaluates financial risks in close co-operation with the Group's operating units. The main risks arising from the Group's financial instruments are liquidity risk, interest rate risk, credit risk and foreign currency risk.

The Group's financial risk management policy seeks to ensure that adequate resources are available to manage the above risks and to create value for its Shareholders. The Directors regularly review these risks and they are summarised below.

Liquidity risk

The Group monitors its exposure to a shortage of funds by considering the maturity of both its financial liabilities and financial assets and projected cash flows from operations.

As at 31 December 2017, the Group had net current liabilities of RMB407,478,000.

With regard to 2017 and thereafter, the liquidity of the Group is primarily dependent on its ability to maintain adequate cash flows from operations and successfully renew its short-term bank loans to meet its debt obligations as they fall due.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2017				
	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	**486,221**	**4,542**	**134,530**	**333,381**	**958,674**
Trade and bills payables	**127,681**	**41,218**	**6,972**	**–**	**175,871**
Other payables and accruals	**141,357**	**129,245**	**–**	**25,007**	**295,609**
Dividend payable	**1,801**	**–**	**–**	**–**	**1,801**
Due to related parties	**11,489**	**–**	**–**	**–**	**11,489**
	768,549	**175,005**	**141,502**	**358,388**	**1,443,444**

	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

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 26 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.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

Substantial amounts of the Group's cash and cash equivalents and time deposits are held in major reputable financial institutions located in Mainland China, Hong Kong and Australia, 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 market conditions remained weak 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 and 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 mainly located in Mainland China and most of 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 US$, and AU$.

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.

38. 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$, US$ and AU$, respectively. The 5.0% is the rate used when reporting currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in the foreign currency rate. The sensitivity analyses of the Group's exposure to foreign currency risk at the end of each reporting period have been determined based on the adjustment of translation of the monetary assets and liabilities at the end of each reporting period for a 5.0% change in RMB against HK$, US$ and AU$, respectively, with all other variables held constant, of the Group's loss before tax for the year ended 31 December 2017 (due to changes in the fair value of cash and cash equivalents and financial assets at fair value through profit or loss denominated in HK$, US$ and AU$):

	2017 **RMB'000**	2016 RMB'000
Increase/(decrease) in loss before tax		
If RMB strengthens against HK$, US$ and AU$	**338**	5,617
If RMB weakens against HK$, US$ and AU$	**(338)**	(5,617)

The Group does not consider that it has any significant exposure to the risk of fluctuation in the exchange rates between HK$/US$ and RMB as a reasonable possible change of 5% in RMB against HK$/US$ 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 2017, the gearing ratio was 39.9% (2016: 33.8%).

39. 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:

	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS		
Office equipment	**6**	7
Investments in subsidiaries	**114,530**	751,427
Total non-current assets	**114,536**	751,434
CURRENT ASSETS		
Dividend receivable	**17,157**	17,157
Due from subsidiaries	**931,075**	939,174
Due from the holding company	**566**	–
Deposit and other receivables	**9,483**	9,483
Cash and cash equivalents	**446**	861
Total current assets	**958,727**	966,675
CURRENT LIABILITIES		
Due to subsidiaries	**49,550**	41,707
Other payables and accruals	**2,806**	4,447
Total current liabilities	**52,356**	46,154
NET CURRENT ASSETS	**906,371**	920,521
Net assets	**1,020,907**	1,671,955
EQUITY		
Issued capital	**197,889**	182,787
Reserves (Note)	**823,018**	1,489,168
Total equity	**1,020,907**	1,671,955

39. 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 2016	1,840,253	107,485	(301,232)	1,646,506
Total comprehensive loss for the year	–	–	(157,338)	(157,338)
Equity-settled share option arrangements	–	(65,564)	65,564	–
At 31 December 2016 and 1 January 2017	1,840,253	41,921	(393,006)	1,489,168
Issue of new Shares	37,235	–	–	37,235
Total comprehensive loss for the year	–	–	(703,385)	(703,385)
Equity-settled share option arrangements (note 29)	–	(1,777)	1,777	–
At 31 December 2017	**1,877,488**	**40,144**	**(1,094,614)**	**823,018**

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.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 27 March 2018.

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				
	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	**1,317,479**	1,833,305	516,365	649,094	1,429,875
Cost of sales	**(1,189,959)**	(1,790,858)	(539,535)	(661,920)	(925,372)
Gross profit/(loss)	**127,520**	42,447	(23,170)	(12,826)	504,503
Other income and gains	**1,535**	1,442	23,971	52,051	100,268
Selling and distribution expenses	**(69,201)**	(76,295)	(53,789)	(35,208)	(50,665)
Administrative expenses	**(67,560)**	(72,028)	(197,698)	(193,501)	(152,575)
Other expenses	**(8,157)**	(619)	(74,563)	(14,398)	(38,094)
Impairment losses on goodwill	**–**	–	(15,318)	–	–
Impairment losses on property, plant and equipment	**(72,776)**	(185,195)	(258,270)	(166,947)	–
Impairment losses on intangible assets	**(76,129)**	(200,040)	(35,715)	–	–
Impairment losses on prepaid land lease payments	**(2,413)**	–	–	–	–
Impairment losses on trade receivables	**(10,521)**	(64,865)	(181,916)	(82,125)	–
Impairment losses on assets held for sale	**(44,525)**	(78,334)	(60,555)	–	–
Fair value gains/(losses) on financial assets at fair value through profit or loss	**(109,617)**	(111,555)	(68,999)	14,861	–
Finance costs	**(73,588)**	(57,322)	(64,465)	(62,176)	(98,613)
Share of losses of an associate	**(9,458)**	–	–	–	–
Share of profits and losses of joint ventures	**–**	–	–	(308)	1,352
PROFIT/(LOSS) BEFORE TAX	**(414,890)**	(802,364)	(1,010,487)	(500,577)	266,176
Income tax credit/(expense)	**25,269**	2,853	(102,704)	133,155	(83,704)
PROFIT/(LOSS) FOR THE YEAR	**(389,621)**	(799,511)	(1,113,191)	(367,422)	182,472
Other comprehensive loss:					
Other comprehensive loss to be reclassified to profit or loss in subsequent years:					
Exchange differences on translation of foreign operations	**(140)**	–	–	–	–
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(389,761)**	(799,511)	(1,113,191)	(367,422)	182,472

Five-Year Financial Summary

	For the year ended 31 December				
	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Loss attributable to:					
Owners of the Company	**(349,490)**	(773,742)	(1,105,519)	(366,381)	179,135
Non-controlling interests	**(40,131)**	(25,769)	(7,672)	(1,041)	3,337
	(389,621)	(799,511)	(1,113,191)	(367,422)	182,472
Total comprehensive loss attributable to:					
Owners of the Company	**(349,603)**	(773,742)	(1,105,519)	(366,381)	179,135
Non-controlling interests	**(40,158)**	(25,769)	(7,672)	(1,041)	3,337
	(389,761)	(799,511)	(1,113,191)	(367,422)	182,472
Earnings/(loss) per Share attributable to ordinary equity holders of the Company (RMB) – Basic and diluted	**(0.16)**	(0.37)	(0.53)	(0.18)	0.09
Proposed final dividend per Share (HK$)	**–**	–	–	–	0.022

Assets, Liabilities and Non-controlling Interests

	As at 31 December				
	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**2,100,096**	2,162,708	2,588,298	3,031,590	2,996,274
Current assets	**935,779**	1,118,448	1,449,690	1,832,463	2,509,241
Non-current liabilities	**(347,513)**	(11,924)	(11,065)	(35,048)	(64,198)
Current liabilities	**(1,343,257)**	(1,597,277)	(1,555,457)	(1,601,477)	(1,827,350)
Total equity	**1,345,105**	1,671,955	2,471,466	3,227,528	3,613,967
Non-controlling interests	**(324,198)**	(353,782)	(379,551)	(31,733)	(32,774)
Equity attributable to owners of the Company	**1,020,907**	1,318,173	2,091,915	3,195,795	3,581,193

Glossary

"2010 AGM"	the Shareholders' annual general meeting held on 15 April 2010
"2018 AGM"	the Shareholders' annual general meeting to be held on 17 May 2018
"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
"Akuang Trading"	Akuang Trading Co., Ltd.* (會理縣阿礦貿易有限公司), a limited liability company established in the PRC on 13 June 2012 and an indirect wholly-owned subsidiary of the Company
"Anhydrite"	an anhydrous sulfate mineral with the chemical formula $CaSO_4$
"Articles"	the articles of association of the Company, adopted on 4 September 2009 and as amended from time to time
"Australian dollars" or "AU$"	the lawful currency of the Commonwealth of Australia
"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", "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

Glossary

"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, and 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

Glossary

"Kingston Grand"	Kingston Grand Limited, a company incorporated in the British Virgin Islands on 20 February 2007, holder of 40% of the issued share capital of Trisonic International
"km"	kilometre(s), a metric unit measure of distance
"Kt"	thousand tonnes
"Ktpa"	thousand tonnes per annum
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mancala Asia"	Mancala Asia Ltd, a limited liability company incorporated in Hong Kong on 26 March 2013 and a subsidiary of the Company, in which the Company indirectly owns 81% equity interest
"Mancala Group"	MHPL and its subsidiaries
"Mancala Mining"	Mancala Mining Pty Ltd, a limited liability company incorporated in Australia on 9 June 1992 and a subsidiary of the Company, in which the Company indirectly owns 81% equity interest
"Mancala Pty"	Mancala Pty Ltd, a limited liability company incorporated in Australia on 15 March 1989 and a subsidiary of the Company, in which the Company indirectly owns 81% equity interest
"Mancala Services"	Mancala Mine Services Pty Ltd, a limited liability company incorporated in Australia on 21 August 2003 and a subsidiary of the Company, in which the Company indirectly owns 81% equity interest
"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 11.6 sq.km. covered under the exploration permit of the Maoling-Yanglongshan Mine (the mining area covered is owned by the Maoling Mine), formed from the combination of the Maoling Extended Exploration Area and the Yanglongshan Mine since September 2012 and operated by Aba Mining

"MCL Vietnam"	MCL Vietnam Industries Company Limited, a limited liability company incorporated in Vietnam on 14 May 2013 and a subsidiary of the Company, in which the Company indirectly owns 39.69% equity interest
"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
"MHPL"	Mancala Holdings Pty Ltd, a limited liability company incorporated in Australia on 8 March 1990 and a subsidiary of the Company, in which the Company indirectly owns 81% equity interest
"mining right(s)"	the right(s) to mine mineral resources and obtain mineral products in areas where mining activities are licensed
"Model Code"	Model Code for Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 of the Listing Rules
"Mt"	million tonnes
"Note Certificate"	the note certificate of the Exchangeable Note with the terms and conditions of the Exchangeable Note set out therein
"ore processing"	the process which in general refers to the extraction of usable portions of ores by using physical and chemical extraction methods
"Panxi Region"	a region in Sichuan located at southwest of Chengdu reaching from Panzhihua to Xichang
"Panzhihua Yixingda"	Panzhihua Yixingda Industrial Trading Co., Ltd.* (攀枝花易興達工貿有限責任公司), a limited liability company established in the PRC on 9 July 2009 and an indirect wholly-owned subsidiary of the Company
"Probable reserve"	the economically mineable part of an indicated, and in some circumstances, a measured mineral resource. The confidence in the modifying factors applying to a probable ore reserve is lower than that applying to a proved ore reserve
"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
"Spectrum Resources"	Spectrum Resources Australia Pty Ltd, a limited liability company incorporated in Australia on 19 February 1987 and a subsidiary of the Company, in which the Company indirectly owns 81% equity interest
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) in the share capital of the Company, with a nominal value of HK$0.1 each
"Shareholder(s)"	holder(s) of the Share(s)
"Shigou Gypsum Mine"	Shigou gypsum mine located at Hanyuan County, Ya'an City, Sichuan, with a mining area of 0.1228 sq.km.
"Sichuan"	the Sichuan province of the PRC
"Sichuan Haoyuan"	Sichuan Haoyuan New Materials Co., Ltd.*（四川省浩遠新材料有限公司）, a limited liability company established in the PRC on 18 July 2011 and a subsidiary of the Company, in which the Company indirectly owns 51% equity interest
"Sichuan Lingyu"	Sichuan Lingyu Investment Co., Ltd.*（四川省凌御投資有限公司）, a limited liability company established in the PRC on 9 June 2010 and an indirect wholly-owned subsidiary of the Company
"Sichuan Mancala"	Sichuan Mancala Mining Co., Ltd.*（四川省曼卡拉礦業有限公司）, a limited liability company established in the PRC on 25 September 2017 and a subsidiary of the Company, in which the Company indirectly owns 60% equity interest
"Sichuan Xinglian"	Sichuan Xinglian Mining and Technology Construction Co., Ltd.*（四川省興聯礦產技術工程有限公司）, a limited liability company established in the PRC on 23 June 2011 and an indirect wholly-owned subsidiary of the Company
"sq.km."	square kilometres
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"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
"Xinjin Mining"	Hanyuan County Xinjin Mining Co., Ltd.* (漢源縣鑫金礦業有限公司), a limited liability company established in the PRC on 29 September 2010 and a subsidiary of the Company, in which the Company indirectly owns 51% equity interest
"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 and a subsidiary of the Company, in which the Company indirectly owns 95.0% equity interest
"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*