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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

FINANCIAL HIGHLIGHTS

- The Board would like to draw the Shareholders' attention that the Company's auditors have included an "Emphasis of Matter" paragraph in the independent auditors' report in respect of the consolidated financial statements of the Group for the year ended 31 December 2015 as set out below:

  "Without qualifying our opinion, we draw attention to note 2.1 to the financial statements which indicates that the Group incurred a net loss of RMB1,113.2 million for the year ended 31 December 2015 and, as at that date, the Group's current liabilities exceeds its current assets by RMB105.8 million. These conditions, along with other matters as set out in note 2.1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern."

- During the year, the Group has downsized its overall production capacity, streamlined operations and initiated plans to rationalise assets due to weak market conditions. As a result, during the year:

  – The Group's revenue amounted to approximately RMB516.4 million, representing a decrease of RMB132.7 million or 20.4% as compared to approximately RMB649.1 million for the year ended 31 December 2014.

  – The net cash flows used in operating activities improved to approximately RMB201.9 million from approximately RMB764.5 million for the year ended 31 December 2014 due mainly to the Group's operational streamlining exercise;

- The impairment losses were approximately RMB551.8 million, representing an increase of RMB302.7 million or 121.5% as compared to approximately RMB249.1 million for the year ended 31 December 2014.

- The loss and total comprehensive loss attributable to the owners of the Company was approximately RMB1,105.5 million, representing an increase of RMB739.1 million or 201.7% as compared to approximately RMB366.4 million for the year ended 31 December 2014.

- The basic and diluted loss per Share attributable to ordinary equity holders of the Company amounted to approximately RMB0.53, representing an increase of RMB0.35 or 194.4% as compared to approximately RMB0.18 for the year ended 31 December 2014.

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

The Board hereby announces the audited consolidated results of the Group for the year ended 31 December 2015 together with the comparative figures for the year ended 31 December 2014 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2015

	Notes	**2015** **RMB'000**	2014 RMB'000
REVENUE	*3*	**516,365**	649,094
Cost of sales		**(539,535)**	(661,920)
Gross loss		**(23,170)**	(12,826)
Other income and gains	*4*	**23,971**	52,051
Selling and distribution expenses		**(53,789)**	(35,208)
Administrative expenses		**(197,698)**	(193,501)
Other expenses		**(74,563)**	(14,398)
Impairment loss on goodwill		**(15,318)**	–
Impairment loss on property, plant and equipment	*10*	**(258,270)**	(166,947)
Impairment loss on intangible assets	*11*	**(35,715)**	–
Impairment loss on trade receivables	*15*	**(181,916)**	(82,125)
Impairment loss on assets held for sale	*17*	**(60,555)**	–
Fair value gains/(losses) on financial assets at fair value through profit or loss	*16*	**(68,999)**	14,861
Finance costs	*5*	**(64,465)**	(62,176)
Share of profits and losses of joint ventures		**–**	(308)
LOSS BEFORE TAX	*6*	**(1,010,487)**	(500,577)
Income tax credit/(expense)	*7*	**(102,704)**	133,155
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(1,113,191)**	(367,422)
Attributable to:			
Owners of the Company		**(1,105,519)**	(366,381)
Non-controlling interests		**(7,672)**	(1,041)
		(1,113,191)	(367,422)
Loss per share attributable to ordinary equity holders of the Company:			
Basic and diluted	*9*	**RMB(0.53)**	RMB(0.18)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	**855,644**	1,525,517
Intangible assets	11	**1,651,472**	628,107
Prepaid land lease payments		**37,642**	42,282
Prepayments and deposits	12	**6,670**	44,046
Payments in advance	13	**156**	633,186
Goodwill	14	**–**	15,318
Deferred tax assets		**36,714**	143,134
Total non-current assets		**2,588,298**	3,031,590
CURRENT ASSETS			
Inventories		**234,529**	154,901
Trade and bills receivables	15	**320,144**	533,426
Prepayments, deposits and other receivables	12	**88,703**	122,724
Financial assets at fair value through profit or loss	16	**221,172**	290,171
Due from related parties		**6,064**	–
Pledged time deposits		**12,904**	200,618
Cash and cash equivalents		**187,840**	530,623
		1,071,356	1,832,463
Assets classified as held for sale	17	**378,334**	–
Total current assets		**1,449,690**	1,832,463
CURRENT LIABILITIES			
Trade and bills payables	18	**311,601**	302,057
Other payables and accruals	19	**414,946**	310,269
Interest-bearing bank and other loans	20	**818,366**	975,042
Due to related parties		**4,819**	5,245
Tax payable		**3,924**	7,063
Dividend payable		**1,801**	1,801
Total current liabilities		**1,555,457**	1,601,477
NET CURRENT ASSETS/(LIABILITIES)		**(105,767)**	230,986

	Notes	**2015** *RMB'000*	2014 *RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,482,531**	3,262,576
NON-CURRENT LIABILITIES			
Interest-bearing bank and other loans	*20*	**–**	25,000
Provision for rehabilitation		**9,987**	9,347
Other payables	*19*	**1,078**	701
Total non-current liabilities		**11,065**	35,048
Net assets		**2,471,466**	3,227,528
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*21*	**182,787**	182,787
Reserves	*23*	**1,909,128**	3,013,008
		2,091,915	3,195,795
Non-controlling interests		**379,551**	31,733
Total equity		**2,471,466**	3,227,528

NOTES TO FINANCIAL STATEMENTS

31 December 2015

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 28 April 2008 under the Companies Law. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located at Unit A, 4/F, E168, Nos. 166-168 Des Voeux Road, Central, Hong Kong.

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

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

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Company name	Place of incorporation/ registration	Issued share/ registered share capital	Percentage of equity interests attributable to the Company %	Principal activities
Directly held:				
Powerside Holdings Limited	British Virgin Islands ("BVI")	USD1	100	Investment holding
First China Limited	Hong Kong	HK$2	100	Investment holding
Sure Prime Limited ("Sure Prime" or "Investor")	BVI	USD1	100	Investment holding
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

Company name	Place of incorporation/ registration	Issued share/ registered share capital	Percentage of equity interests attributable to the Company %	Principal activities
Sichuan Lingyu Investment Co.,Ltd. ("Lingyu Investment") (b)	PRC	HK$770,000,000	100	Product trading and investment holding
Xiushuihe Mining (c)	PRC	RMB200,000,000	95	Iron ore mining, iron ore beneficiation and sale of self-produced products
Aba Mining (c)	PRC	RMB20,000,000	100	Iron ore mining, iron ore beneficiation and sale of self-produced products
Aba Trading Co., Ltd. (formerly known as HuiliCaitong Trading Co., Ltd.) (c)	PRC	RMB20,000,000	100	Iron ore beneficiation and sale of iron concentrates
Sichuan Xinglian Mining and Technology Construction Co., Ltd. ("Sichuan Xinglian") (c)	PRC	RMB1,000,000	100	Mining and construction consulting
Panzhihua Yixingda Industrial Trading Co., Ltd. ("Panzhihua Yixingda") (c)	PRC	RMB1,000,000	100	Iron ore mining, iron ore beneficiation and sale of self-produced products
Sichuan Haoyuan (c)	PRC	RMB20,000,000	51	Gypsum ore beneficiation and sale of self-produced products
Hanyuan County Xinjin Mining Co., Ltd. ("Xinjin Mining") (c)	PRC	RMB1,150,000	51	Gypsum ore mining, gypsum ore beneficiation and sale of self-produced products

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

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

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

During the year, the Group acquired 51% equity interest in Sichuan Haoyuan, comprising Sichuan Haoyuanand its wholly-owned subsidiary, namely Xinjin Mining (collectively, "Sichuan Haoyuan Group") and 100% equity interest in Panzhihua Yixingda. Further details of these acquisitions are included in note 24 to the financial statements.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB"), and International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value. Assets held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 17. These financial statements are presented in Renminbi and all values are rounded to the nearest thousand except when otherwise indicated.

Going concern basis

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

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

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

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

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

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

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

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

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2015. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

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

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investments retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards for the first time for the current year's financial statements.

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

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

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

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

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2017
3 Effective for annual periods beginning on or after 1 January 2018
4 Effective for annual periods beginning on or after 1 January 2019
5 Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group
6 No mandatory effective date yet determined but is available for adoption

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

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

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In July 2015, the IASB issued an amendment to IFRS 15 regarding a one-year deferral of the mandatory effective date of IFRS 15 to 1 January 2018. The Group expects to adopt IFRS 15 on 1 January 2018 and is currently assessing the impact of IFRS 15 upon adoption.

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

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

(i) the materiality requirements in IAS 1;

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

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

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

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

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

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

3. REVENUE AND OPERATING SEGMENT INFORMATION

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

The Group's revenue and contribution to profit are mainly derived from its sale of vanadium-bearing iron concentrates, ordinary iron concentrates, iron pellets,medium-grade titanium concentrates and high-grade titanium concentrates, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior management for purposes of resource allocation and performance assessment. In addition, the principal non-current assets employed by the Group are located in Sichuan Province, the PRC. Accordingly, no segment analysis is presented other than entity-wide disclosures.

Entity-wide disclosures

Information about products

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

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

Geographical information

All external revenue of the Group during each of the two years ended 31 December 2015 and 2014 was attributable to customers located in the PRC, the place of domicile of the Group's operating entities. The Group's non-current assets are all located in the PRC.

Information about major customers

Revenue from each of the major customers, which amounted to 10% or more of the total revenue, is set out below:

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

* *Less than 10%*

4. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	2015	2014
	RMB'000	*RMB'000*
Bank interest income	**4,043**	32,218
Sale of raw materials	**842**	421
Government grants*	**60**	17,613
Gain on disposal of a subsidiary *(note 25)*	**17,583**	–
Miscellaneous	**1,443**	1,799
Total other income and gains	**23,971**	52,051

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

5. FINANCE COSTS

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

6. LOSS BEFORE TAX

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

	Notes	2015 RMB'000	2014 RMB'000
Cost of inventories sold		**539,535**	661,920
Employee benefit expenses (including Directors' and chief executive's remuneration):			
Wages and salaries		**36,883**	52,209
Welfare and other benefits		**3,580**	6,276
Equity-settled share option expense	*22*	**1,639**	17,026
Pension scheme contributions			
– Defined contribution fund		**9,409**	12,545
Housing fund			
– Defined contribution fund		**144**	604
Total employee benefit expenses		**51,655**	88,660
Depreciation	*10*	**100,598**	131,972
Amortisation of intangible assets	*11*	**7,016**	37,893
Amortisation of prepaid land lease payments		**1,106**	1,106
Depreciation and amortisation expenses		**108,720**	170,971
Impairment losses recognised on:			
Property, plant and equipment	*10*	**258,270**	166,947
Intangible assets	*11*	**35,715**	–
Goodwill	*14*	**15,318**	–
Assets classified as held for sale	*17*	**60,555**	–
Trade receivables	*15*	**181,916**	82,125
Total impairment losses recognised		**551,774**	249,072
Operating lease rentals		**1,415**	1,455
Auditors' remuneration		**3,350**	3,950
Amortisation of prepaid technical service fee		**2,068**	4,133
Technical service fee written off		**39,266**	–
Loss on disposal of items of property, plant and equipment		**–**	765
Write-down of inventories to net realisable value		**10,437**	7,658
Gain on winding up of a joint venture		**–**	(95)
Goodwill written off		**–**	280
Prepayment written off		**4,890**	–
Reversal of accrued interest income on time deposits with maturity of over three months		**10,577**	–
Fair value losses/(gains) on financial assets at fair value through profit or loss	*16*	**68,999**	(14,861)
Fair value loss on previously held equity interest under step acquisition of a subsidiary		**–**	73

7. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group was not subject to any income tax in the Cayman Islands and the BVI during the two years ended 31 December 2015.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the two years ended 31 December 2015.

The provision for PRC CIT is based on the respective PRC CIT rates applicable to the subsidiaries located in Mainland China as determined in accordance with the relevant income tax rules and regulations of Mainland China for the year. Except for certain subsidiaries domiciled in the PRC (the "PRC subsidiaries") (see note (a) below) that are entitled to a preferential income tax rate, the PRC subsidiaries are subject to the PRC CIT rate of 25% during the two years ended 31 December 2015.

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

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

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

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

Notes:

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

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

The other subsidiaries of the Group located in Mainland China were liable to PRC CIT at a rate of 25% on the assessable profits generated for the year.

(b) Expenses not deductible for tax mainly consist offair value losses on financial assets at fair value through profit or loss, unrealised foreign exchange losses, equity-settled share option expense and administrative expenses incurred by offshore companies. These expenses are not expected to be deductible for tax.

8. DIVIDEND

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

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company, and the number of ordinary shares of 2,075,000,000 (2014: 2,075,000,000) in issue during the year ended 31 December 2015.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2015 and 2014 in respect of a dilution as the exercise prices of the Company's outstanding share options were higher than the average market prices for the Company's shares during the current and prior year.

10. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Office equipment	Motor vehicles	Mining infrastructure	Construction in progress ("CIP")	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2015							
Cost:							
At 1 January 2015	1,412,093	617,149	5,154	10,682	234,605	43,144	2,322,872
Additions	126,831	2,912	–	–	–	3,788	133,531
Acquisition of a subsidiary *(note 24)*	572	–	64	522	–	1,493	2,651
Transferred from CIP	23	299	–	–	–	(322)	–
Disposal of a subsidiary *(note 25)*	(2,438)	(13,681)	(344)	–	–	(194)	(16,657)
Assets classified as held for sale *(note 17)*	(514,297)	(98,271)	(277)	–	–	–	(612,845)
Disposals	–	(853)	–	(968)	–	–	(1,821)
At 31 December 2015	1,022,784	507,555	4,597	10,236	234,605	47,909	1,827,686
Accumulated depreciation and impairment:							
At 1 January 2015	381,331	360,023	4,039	7,824	44,093	–	797,310
Provided for the year	51,691	36,085	759	1,004	11,059	–	100,598
Disposal of a subsidiary *(note 25)*	(532)	(5,180)	(290)	–	–	–	(6,002)
Assets classified as held for sale *(note 17)*	(128,224)	(49,003)	(263)	–	–	–	(177,490)
Impairment recognised during the year	170,059	49,498	117	106	38,490	–	258,270
Disposals	–	(223)	–	(421)	–	–	(644)
At 31 December 2015	474,325	391,200	4,362	8,513	93,642	–	972,042
Net carrying amount:							
At 1 January 2015	1,030,762	257,126	1,115	2,858	190,512	43,144	1,525,517
At 31 December 2015	548,459	116,355	235	1,723	140,963	47,909	855,644

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

Impairment assessment in 2015

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

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

Other key assumptions used in the estimation of value in use are as follows:

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

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

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

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

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

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

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

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

Impairment loss recognised on property, plant and equipment

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

Impairment loss recognised on intangible assets

An impairment loss of RMB35,715,000 (note 11) was recognised during the year to write down the carrying amounts of the mining right and stripping activity assets of the Baicao Mine, the mining right and exploration rights and assets of the Xiushuihe Mine, and the mining right of the Maoling Mine to their respective recoverable amounts of RMB32,122,000, RMB33,679,000 and RMB24,374,000, as at 31 December 2015.

Impairment loss recognised on goodwill

An impairment loss of RMB15,318,000 (note 14) was recognised during the year to fully write down the goodwill arising from the acquisition of the Xiushuihe Mining by the Group as at 31 December 2015.

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

Impairment assessment in 2014

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

11. INTANGIBLE ASSETS

	Mining rights	Stripping activity assets	Exploration rights and assets	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2015				
Cost:				
At 1 January 2015	**397,520**	**145,512**	**258,901**	**801,933**
Additions	**–**	**3,335**	**1,026**	**4,361**
Acquisition of subsidiaries *(note 24)*	**761,861**	**–**	**299,874**	**1,061,735**
Transfer from exploration rights and assets	**122,233**	**–**	**(122,233)**	**–**
At 31 December 2015	**1,281,614**	**148,847**	**437,568**	**1,868,029**
Accumulated amortisation and impairment:				
At 1 January 2015	**103,204**	**70,622**	**–**	**173,826**
Impairment recognised for the year *(note 10)*	**14,574**	**15,139**	**6,002**	**35,715**
Amortisation provided during the year	**4,740**	**2,276**	**–**	**7,016**
At 31 December 2015	**122,518**	**88,037**	**6,002**	**216,557**
Net carrying amount:				
At 1 January 2015	**294,316**	**74,890**	**258,901**	**628,107**
At 31 December 2015	**1,159,096**	**60,810**	**431,566**	**1,651,472**
31 December 2014				
Cost:				
At 1 January 2014	397,520	67,032	257,783	722,335
Additions	–	78,480	1,118	79,598
At 31 December 2014	397,520	145,512	258,901	801,933
Accumulated amortisation:				
At 1 January 2014	95,918	40,015	–	135,933
Provided for the year	7,286	30,607	–	37,893
At 31 December 2014	103,204	70,622	–	173,826
Net carrying amount:				
At 1 January 2014	301,602	27,017	257,783	586,402
At 31 December 2014	294,316	74,890	258,901	628,107

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

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

Notes:

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

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

13. PAYMENTS IN ADVANCE

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

As at 31 December 2014, payments in advance in respect of acquisition of subsidiaries consisted of (i) the prepayment of RMB354,025,000 in respect of the acquisition of 51% equity interests in Sichuan Haoyuan, which was settled upon the completion of the foresaid acquisition on 2 July 2015; and (ii) the prepayment of RMB279,030,000 in respect of the acquisition of 100% equity interests in Panzhihua Yixingda, which was settled upon the completion of the foresaid acquisition on 4 January 2015. Further details are given in note 24 to the financial statements.

14. GOODWILL

	RMB'000
Carrying amount at 1 January 2014, 31 December 2014 and 1 January 2015	15,318
Impairment *(note 6)*	(15,318)
Carrying amount at 31 December 2015	–

Goodwill, which arose from the acquisition of Xiushuihe Mining by the Group, represented the excess of the cost of the business combination over the Company's interest in the fair value of Xiushuihe Mining's identifiable assets and liabilities as at the date of the acquisition.

Impairment testing of goodwill

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

The recoverable amount of the Xiushuihe CGU as at 31 December 2015 of RMB455,887,000 (2014: RMB587,366,000) has been determined based on a value-in-use calculation using cash flow projections based on the key assumptions as disclosed in note 10.

15. TRADE AND BILLS RECEIVABLES

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

The Group's trading terms with its customers are mainly on credit. The Group granted a six-month credit term to its existing customers, which is further extended to nine months since 1 July 2015 given the unfavourable market conditions. Trade receivables are non-interest-bearing and unsecured.

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

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

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

	2015	2014
	RMB'000	*RMB'000*
At 1 January	**82,125**	–
Impairment recognised *(note 6)*	**181,916**	82,125
At 31 December	**264,041**	82,125

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

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

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

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

As at 31 December 2015, the Group endorsed certain bills receivable accepted by banks in the PRC to certain of its suppliers in order to settle the trade payables to these suppliers with a carrying amount in aggregate of RMB107,256,000 (2014: RMB294,495,000); furthermore, as at 31 December 2015, the Group discounted certain bills receivable accepted by banks in the PRC, with a carrying amount in aggregate of RMB10,500,000 (2014: RMB39,045,000) (collectively referred to as the "Derecognised Bills"). The Derecognised Bills have a maturity term from three to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated advances on discounting and trade payables. The maximum exposure to loss from the Group's Continuing

Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their face amounts. In the opinion of the Directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the year, the Group has recognised interest expense of RMB3,236,000 (2014: RMB13,154,000) (note 5) 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.

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The balance represented Exchangeable Notes of US$20,000,000 and US$10,000,000 subscribed by Sure Prime on 2 May 2011 and 18 November 2011, respectively and designated as financial assets at fair value through profit or loss upon initial recognition. The Exchangeable Notes were issued by a non-listed company incorporated in the BVI. The original maturity dates of the Exchangeable Notes were 25 November 2014.

As at 2 December 2014, Sure Prime did not receive any part of the redemption amount payable by the Issuer under the Exchangeable Notes, and there occurred an event of default under the Exchangeable Notes. During the year, Sure Prime together with other noteholders gave effect to the waiver in favour of the Issuer to waive the event of default and the maturity date of the Exchangeable Notes was extended from 25 November 2014 to 25 March 2015 and further extended to 25 August 2015 pursuant to two separate default waiver letters. In addition, the yield to maturity for the entire term of the Exchangeable Notes and until the full redemption thereof has been revised from 20% to 25% per annum and Sure Prime shall be entitled to exchange all or any part of the Exchangeable Notes at any time prior to the full redemption of the Exchangeable Notes by a single or multiple presentations of exchange notice. Since the previous extension on default waiver, the Group does not receive any part of the amount repayable by the Issuer from the redemption of the Exchangeable Notes. The management has been following up with the Issuer since then.

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

	2015	2014
	RMB'000	*RMB'000*
Carrying amount at 1 January	**290,171**	275,310
Fair value gains/(losses)recognised during the year *(note 6)*	**(68,999)**	14,861
Carrying amount at 31 December	**221,172**	290,171

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

The fair value of the Exchangeable Notes as at 31 December 2015 was estimated by an independent professional valuer based on the estimated recoverable amount of the Exchangeable Notes discounted with a risk-free interest rate. The following table lists the key inputs used by the independent professional valuer:

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

17. ASSETS CLASSIFIED AS HELD FOR SALE

Management has permanently ceased the production for the Heigutian Processing Plant under the Group's strategic plans as the plant continued to operate at below optimal utilisation level and failed to achieve economies of scale despite various operational streamlining exercises 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) the Heigutian Processing Plant in its entirety.

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

Non-recurring fair value measurements:

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

In accordance with IFRS 5, assets held for sale including property, plant and equipment and prepaid land lease payments with carrying amounts of RMB435,355,000 (note 10) and RMB3,534,000 respectively, were written down to their fair values less cost to sell of RMB378,334,000, resulting in a loss of RMB60,555,000 (note 6), which was included in profit or loss for the year.

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

18. TRADE AND BILLS PAYABLES

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

An ageing analysis of the trade and bills payables of the Group as at the end of the reporting period, based on the invoice date or issuance date, where appropriate, is as follows:

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

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

As at 31 December 2015, the Group's bills payable of RMB30,400,000 (2014: RMB48,880,000) were secured by pledged time deposits.

19. OTHER PAYABLES AND ACCRUALS

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

Notes:

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

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

20. INTEREST-BEARING BANK AND OTHER LOANS

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

Notes:

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

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

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

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

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

21. SHARE CAPITAL

Shares

	2015	2014
	RMB'000	*RMB'000*
Authorised:		
10,000,000,000 (2014: 10,000,000,000) ordinary shares of HK$0.1 each	**880,890**	880,890
Issued and fully paid:		
2,075,000,000 (2014: 2,075,000,000) ordinary shares of HK$0.1 each	**182,787**	182,787

There was no change in the authorised and issued capital of the Company during the year ended 31 December 2015.

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

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

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

The exercise price of share options is determinable by the board of Directors, but may not be less than the highest of (i) the nominal value of shares of the Company; (ii) the average closing price of the Company's shares for the five trading days immediately preceding the date of grant of the share options; and (iii) the HKSE closing price of the Company's shares on the date of grant of the share options.

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 2015			
– Old Share Option Scheme	*(a)*	5.03	29,600
– New Share Option Scheme	*(a)*	2.06	67,100
Forfeited during the year			
– Old Share Option Scheme	*(b)*	5.01	(1,400)
– New Share Option Scheme	*(b)*	1.50	(10,300)
As at 31 December 2015		3.11	85,000

Notes:

(a) The share options outstanding as at 1 January 2015 represented share options granted under the Old 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 Mr. Tang Wei and other employee under the Old Share Option Scheme and the New Share Option Scheme were forfeited following their resignation during the year. The share options granted to Mr. Teo Cheng Kwee and other employee under the New Share Option Scheme were forfeited following their resignation during the year.

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

2015

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

2014

Number of options	Exercise price per share	Exercise period
'000	*HK$*	
10,100	5.05	29 June 2012 to 28 December 2019
10,100	5.05	29 December 2014 to 28 December 2019
4,700	4.99	1 October 2012 to 31 March 2020
4,700	4.99	1 April 2015 to 31 March 2020
27,300	3.60	23 May 2013 to 22 May 2021
19,900	1.00	15 October 2014 to 14 April 2024
9,950	1.00	15 April 2015 to 14 April 2024
9,950	1.00	15 October 2015 to 14 April 2024
96,700		

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

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

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

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

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

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

At 31 December 2015, the Company had 28,200,000 share options outstanding under the Old Share Option Scheme and 56,800,000 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 85,000,000 additional ordinary shares of the Company and additional share capital of HK$8,500,000 and share premium of HK$255,986,000 (before issue expenses).

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

23. RESERVES

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

(a) Share premium account

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

(b) Statutory reserve fund

In accordance with the Company Law of the PRC and the respective articles of association of the PRC Subsidiaries, each of the PRC Subsidiaries other than Huili Caitong and Lingyu Investment is required to allocate 10% of its profits after tax, as determined in accordance with the PRC Generally Accepted Accounting Principles (the "PRC GAAP"), to the statutory surplus reserve (the "SSR") until such reserve reaches 50% of its registered capital.

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

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

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

(c) Contributed surplus

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

(d) Safety fund surplus reserve

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

(e) Share option reserve

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

(f) Capital reserve

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

24. ACQUISITIONS

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

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

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

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

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

	Sichuan Panzhihua Yixingda *RMB'000*	**Haoyuan Group** *RMB'000*	**Total** *RMB'000*
Property, plant and equipment *(note 10)*	–	2,651	2,651
Intangible assets *(note 11)*	299,874	761,861	1,061,735
Cash and bank balances	–	198	198
Other receivables and prepayments	1,478	–	1,478
Other payables	(52)	(39,220)	(39,272)
Non-controlling interests	–	(355,490)	(355,490)
Total identifiable net assets	301,300	370,000	671,300

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

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

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

25. DISPOSAL OF A SUBSIDIARY

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

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

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

EXTRACT OF INDEPENDENT AUDITORS' REPORT

The following is an extract of independent auditors' report issued by the Group's independent auditors:

"Opinion

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

Emphasis of matter

"Without qualifying our opinion, we draw attention to note 2.1 to the financial statements which indicates that the Group incurred a net loss of RMB1,113.2 million for the year ended 31 December 2015 and, as at that date, the Group's current liabilities exceeds its current assets by RMB105.8 million. These conditions, along with other matters as set out in note 2.1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern."

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

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

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

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

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

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

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

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

BUSINESS AND OPERATIONS REVIEW

Overview

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

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

The Group currently owns the Baicao Mine, the Xiushuihe Mine, the Yangqueqing Mine, the Cizhuqing Mine, the Maoling-Yanglongshan Mine, the Haibaodang Mine and the Shigou Gypsum Mine. Furthermore, the Group owns the Baicao Processing Plant, the Xiushuihe Processing Plant, the Hailong Processing Plant, the Heigutian Processing Plant and the Iron Pelletising Plant in the Panxi Region and also owns the Maoling Processing Plant in the Aba Prefecture.

Operations

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

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

Risk and Uncertainties

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

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

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

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

Exchangeable Notes

Regarding the Group's investment in an Indonesian mine, the Investor, a wholly-owned subsidiary of the Company, did not receive any part of the redemption amount payable by the Issuer under the Exchangeable Notes during the year. On 30 December 2014, the Investor, subject to the consent of the other noteholders, granted a waiver in favour of the Issuer to waive the event of default and entered into the supplemental deed with the Issuer, its ultimate beneficial owner, and the Target Company. Pursuant to the supplemental deed, the final maturity date of 25 November 2014 under the Exchangeable Notes has been extended to 25 June 2015, which was then brought forward to 25 March 2015 on 8 January 2015.

On 25 March 2015, which was the final maturity date under the supplemental deed, the Investor did not receive any part of the redemption amount payable by the Issuer under the Exchangeable Notes. In view of this, on even date, the legal advisor of the Investor, for and on its behalf, issued a notice of potential event of default to the Issuer requesting for the payment of the redemption amount in accordance with the terms of the Exchangeable Notes and reminding the Issuer about the potential occurrence of an event of default if the Investor did not receive the full redemption amount by 1 April 2015.

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

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

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

	For the year ended 31 December		
	2015	2014	Change
	(Kt)	*(Kt)*	*(%)*
Vanadium-bearing iron concentrates			
Baicao Processing Plant	**36.6**	150.2	-75.6%
Xiushuihe Processing Plant	**381.9**	322.8	18.3%
Heigutian Processing Plant	**–**	225.5	-100.0%
Hailong Processing Plant	**140.8**	128.9	9.2%
Total production volume	**559.3**	827.4	-32.4%
Total sales volume	**752.6**	857.1	-12.2%

	For the year ended 31 December		
	2015	2014	Change
	(Kt)	*(Kt)*	*(%)*
Ordinary iron concentrates			
Maoling Processing Plant	**134.4**	99.1	35.6%
Total production volume	**134.4**	99.1	35.6%
Total sales volume	**127.6**	96.9	31.7%
Purchase from an independent third party for trading purpose	**110.9**	298.4	-62.8%
Sale to an independent third party for trading purpose	**110.9**	298.4	-62.8%
Medium-grade titanium concentrates			
Baicao Processing Plant	**12.8**	46.6	-72.5%
Total production volume	**12.8**	46.6	-72.5%
Total sales volume	**–**	16.6	-100.0%
High-grade titanium concentrates			
Baicao Processing Plant	**–**	**1.5**	-100.0%
Xiushuihe Processing Plant	**33.1**	**24.6**	34.6%
Heigutian Processing Plant	**–**	**1.4**	-100.0%
Total production volume	**33.1**	**27.5**	20.4%
Total sales volume	**33.1**	**28.1**	17.8%
Steels			
Purchase from an independent third party for trading purchase	**135.0**	–	N/A
Sales to an independent third party for trading purpose	**95.0**	–	N/A

FINANCIAL REVIEW

Revenue

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

Cost of Sales

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

Gross Loss and Margin

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

Other Income and Gains

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

Selling and Distribution Expenses

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

Administrative Expenses

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

Other Expenses

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

Impairment Losses

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

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

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

Finance Costs

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

Income Tax Credit/(Expense)

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

Loss and Total Comprehensive Loss

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

Loss and Total Comprehensive Loss Attributable to Owners of the Company

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

Final Dividend

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 23 May 2016 to Wednesday, 25 May 2016 (both days inclusive) during which period no transfer of Shares will be effected. In order to determine the entitlement to attend and vote at the 2016 AGM, all share transfers accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, 20 May 2016.

LIQUIDITY AND CAPITAL RESOURCES

The following table sets out certain information regarding the Group's consolidated statement of cash flows for the years ended 31 December 2015 and 2014:

	For the year ended 31 December			
	2015		2014	
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Cash and cash equivalents as stated in the consolidated statement of cash flows at beginning of year		**202,811**		115,018
Net cash flows used in operating activities	**(201,877)**		(764,466)	
Net cash flows from investing activities	**369,377**		452,960	
Net cash flows from/(used in) financing activities	**(181,676)**		400,572	
Net increase/(decrease) in cash and cash equivalents		**(14,176)**		89,066
Effect of foreign exchange rate changes, net		**(795)**		(1,273)
Cash and cash equivalents as stated in the consolidated statement of cash flows at end of year		**187,840**		202,811

Net Cash Flows Used in Operating Activities

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

Net Cash Flows from Investing Activities

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

Net Cash Flows from/(Used in) Financing Activities

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

Analysis of Inventories

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

Analysis of Trade and Bills Receivables

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

Assets Classified as Held for Sale

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

Analysis of Trade and Bills Payables

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

Analysis of Net Current Assets/(Liabilities) Position

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

Borrowings

As at 31 December 2015, the Group's borrowings included mainly (i) a bank loan of RMB120.0 million with an annual interest rate of 5.88% from SPDB Chengdu Branch to Xiushuihe Mining which was secured by the mining right of the Xiushuihe Mine and 95% equity interest in Xiushuihe Mining; (ii) bank loans of RMB225.0 million with an annual interest rate of 5.32% from CCB Huili Branch to Huili Caitong which was secured by the mining right of the Baicao Mine; (iii) a bank loan of RMB28.7 million with an annual interest rate of 6.48% from SPDB Chengdu Branch to Aba Mining which was secured by the mining right of the Maoling Mine; (iv) an unsecured bank loan of RMB75.0 million with an annual interest rate of 6.55% from CCB Xichang Branch to Huili Caitong and (v) unsecured bank loans of RMB136.2 million, RMB112.7 million and RMB120.0 million with annual interest rates ranging from 5.35% to 6.0%, 5.6% to 6.0% and 5.88% from CMB Yingmenkou Branch, ICBC Liangshan Branch and SPDB Chengdu Branch, respectively, to Huili Caitong and Xiushuihe Mining.

Contingent Liabilities

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

Pledge of Assets

As at 31 December 2015, the mining right of the Xiushuihe Mine and 95% equity interest in Xiushuihe Mining were pledged to SPDB Chengdu for the bank loan of RMB120.0 million. The mining right of the Baicao Mine was pledged to CCB Huili branch for the bank loans of RMB225.0 million and the mining right of the Maoling Mine was pledged to SPDB Chengdu branch for the bank loan of RMB28.7 million. In addition, the Group's deposits of approximately RMB12.9 million were pledged at banks for the issuance of bills payable.

Foreign Currency Risk

The Group's business is located in the PRC and its operating transactions are conducted in Renminbi. Most of its assets and liabilities are denominated in Renminbi, except for certain payables to professional parties and administrative expenses in the Hong Kong office that are denominated in Hong Kong dollars, and the Exchangeable Notes that are denominated in US dollars.

The Renminbi is not freely convertible. There is a risk that the Chinese Government may take actions affecting exchange rates which may have a material adverse effect on the Group's net assets, earnings and any dividends it declares if such dividend is to be exchanged or converted into foreign exchange. The Group has not entered into any hedging transactions to manage the potential fluctuation in foreign currencies. Management monitors the Group's foreign currency exposure and will consider hedging significant foreign currency exposure when the needs rise.

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

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

Interest Rate Risk

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

Contractual Obligations

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

Capital Expenditure

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

Financial Instruments

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

Gearing Ratio

Gearing ratio is a measure of financial leverage, which is calculated by net debt divided by "total equity plus net debt". Net debt is defined as interest-bearing bank and other loans, net of cash and cash equivalents and it excludes liabilities incurred for working capital purpose. Equity includes equity attributable to owners of the Company and non-controlling interests. As at 31 December 2015, gearing ratio was 20.3% (31 December 2014: 12.7%).

EMPLOYEES AND EMOLUMENT POLICIES

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

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.

OTHER SIGNIFICANT EVENTS

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

On 30 December 2014, the Investor, subject to the consent of the other noteholders, (i) granted a waiver in favour of the Issuer to waive the event of default; and (ii) entered into the supplemental deed with the Issuer, its ultimate beneficial owner, and the Target Company. Pursuant to the supplemental deed, (a) the final maturity date of 25 November 2014 under the Exchangeable Notes has been extended to 25 June 2015; (b) the yield to maturity for the entire term of the Exchangeable Notes and until the full redemption thereof has been revised from 20% to 25% per annum; and (c) the Investor shall be entitled to exchange all or any part of the Exchangeable Notes at any time prior to the full redemption of the Exchangeable Notes by a single or multiple presentation of exchange notice (the "Supplemental Arrangement"). On 8 January 2015, the Investor received the consent from the other noteholders to give effect to the waiver and the Supplemental Arrangement except that the final maturity date under the Supplemental Arrangement shall be brought forward from 25 June 2015 to 25 March 2015. Save for the above, there are no other revisions made to the Supplemental Arrangement.

On 25 March 2015, which was the final maturity date under the Supplemental Arrangement, the Investor did not receive any part of the redemption amount payable by the Issuer under the Exchangeable Notes. In view of this, on even date, the legal advisor of the Investor, for and on its behalf, issued a notice of potential event of default to the Issuer requesting for the payment of the redemption amount in accordance with the terms of the Exchangeable Notes and reminded the Issuer about the potential occurrence of an event of default if the Investor did not receive the full redemption amount by 1 April 2015.

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

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

OUTLOOK

Industry Development and Prospects

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

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

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

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

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

Business Strategy

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

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

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

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

CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules (the "CG Code") as its own code of corporate governance. The Directors consider that for the year ended 31 December 2015, the Company has complied with the code provisions under the CG Code except for code provisions A.2.1 and A.6.7 as described below.

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

Code provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of the shareholders. Messrs. Tang Wei, Yu Xing Yuan, Wu Wen and Yu Haizong did not attend the annual general meeting held on 15 May 2015 due to other business commitments.

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

Throughout the year ended 31 December 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE WEBSITE

This announcement is published on the websites of the Company and the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2015 will be dispatched to Shareholders of the Company and available on the above websites in due course.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2015.

GLOSSARY

"2016 AGM"	the Shareholders' annual general meeting to be held on 25 May 2016
"Aba Mining"	Aba Mining Co., Ltd.*（阿壩礦業有限公司）, a limited liability company established in the PRC on 27 February 2004 and an indirect wholly-owned subsidiary of the Company
"Aba Prefecture"	阿壩藏族羌族自治州, Aba Tibetan and Qiang Autonomous Prefecture

"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
"China" or "PRC"	the People's Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"China VTM Mining", "Company", "our Company", "we" or "us"	China Vanadium Titano-Magnetite Mining Company Limited (中國釩鈦磁鐵礦業有限公司), a limited liability company incorporated in the Cayman Islands on 28 April 2008
"Cizhuqing Mine"	茨竹箐鐵礦, the vanadium-bearing titano-magnetite mine located in Huili County, Sichuan and operated by Huili Caitong, with a mining area of 1.279 sq.km.
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Controlling Shareholder(s)"	has the meaning ascribed thereto in the Listing Rules and in the context of this announcement, refers to Trisonic International, Kingston Grand, Messrs. Wang Jin, Shi Yinjun, Yang Xianlu, Wu Wendong, Zhang Yuangui, Li Hesheng, Long Sino International Limited, Mr. Zou Hua and Ms. Jiang Hua
"Director(s)"	director(s) of the Company or any one of them
"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 20.37 sq.km.
"Hailong Processing Plant"	the ore processing plant located near the Cizhuqing Mine and operated by Huili Caitong
"Heigutian Processing Plant"	the ore processing plant located near the Yangqueqing Mine and operated by Yanbian Caitong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Huili Caitong"	Huili County Caitong Iron and Titanium Co., Ltd.*（會理縣財通鐵鈦有限責任公司）, established in the PRC on 7 July 1998 and has been a foreign equity joint venture in the PRC since 29 December 2010, an indirect wholly-owned subsidiary of the Company
"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
"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
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Maoling Extended Exploration Area"	formerly an independent exploration region with an area of 2.83 sq.km. covered under the extended exploration permit of the Maoling Mine (covering 1.9 sq.km. of the mining area of the Maoling Mine), has been consolidated with the Yanglongshan Mine since September 2012 to form the Maoling-Yanglongshan Mine
"Maoling Mine"	毛嶺鐵礦, an ordinary magnetite mine located in Wenchuan County, Sichuan, with a mining area of 1.9 sq.km.
"Maoling Processing Plant"	the ore processing plant located near the Maoling-Yanglongshan Mine and operated by Aba Mining
"Maoling-Yanglongshan Mine"	an exploration region with a total area of 11.62 sq.km. covered under the exploration permit of the Maoling-Yanglongshan Mine (the mining area covered is owned by the Maoling Mine), formed from the combination of the Maoling Extended Exploration Area and the Yanglongshan Mine since September 2012 and operated by Aba Mining
"mining right(s)"	the right(s) to mine mineral resources and obtain mineral products in areas where mining activities are licensed

"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
"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
"Share(s)"	ordinary share(s) in the share capital of the Company, with a nominal value of HK$0.1 each
"Shareholder(s)"	holder(s) of the Share(s)
"Shigou Gypsum Mine"	Shigou gypsum mine located at Hanyuan County, Ya'an City, Sichuan, with a mining area of 0.1228 sq.km.
"Sichuan"	the Sichuan Province of the PRC
"Sichuan Haoyuan"	Sichuan Haoyuan New Materials Co., Ltd.* (四川省浩遠新材料有限公司), a limited liability company established in the PRC on 18 July 2011
"sq.km."	square kilometres
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Target Company"	Oriental Mining and Mineral Resources Co., Ltd., a company incorporated in the Cayman Islands on 8 April 2011 and a third party independent of the Company and its connected persons
"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
"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
"Xiushuihe Mine"	秀水河鐵礦, the vanadium-bearing titano-magnetite mine located in Huili County, Sichuan and operated by Xiushuihe Mining, with a mining area of 0.52 sq.km.
"Xiushuihe Mining"	Huili County Xiushuihe Mining Co., Ltd.* (會理縣秀水河礦業有限公司), a limited liability company established in the PRC on 26 June 2007, an indirect subsidiary of the Company that owns 95.0% equity interest
"Xiushuihe Processing Plant"	the ore processing plant located near the Xiushuihe Mine and operated by Xiushuihe Mining
"Yanbian Caitong"	Yanbian County Caitong Iron and Titanium Co., Ltd.* (鹽邊縣財通鐵鈦有限責任公司), established in the PRC on 26 January 2010 and an indirect wholly-owned subsidiary of the Company
"Yanglongshan Mine"	羊龍山鐵礦, an ordinary magnetite mine located in Wenchuan County, Sichuan, formerly an independent exploration region with an area of 8.79 sq.km. covered under the exploration permit of the Yanglongshan Mine, and has been consolidated as the Maoling-Yanglongshan Mine with the Maoling Extended Exploration Area since September 2012

"Yangqueqing Mine"	陽雀箐鐵礦, the vanadium-bearing titano-magnetite mine located in Huili County, Sichuan and operated by Huili Caitong, with a mining area of 0.25 sq.km.

* *For identification purpose only*

By order of the Board
China Vanadium Titano-Magnetite Mining Company Limited
Jiang Zhong Ping
Chairman and Acting Chief Executive Officer

Hong Kong, 21 March 2016

As at the date of this announcement, the Board comprises Mr. Jiang Zhong Ping (Chairman and Acting Chief Executive Officer) and Mr. Zheng Zhiquan as executive Directors; and Mr. Yu Haizong, Mr. Liu Yi and Mr. Wu Wen as independent non-executive Directors.

Website: www.chinavtmmining.com