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 2017

FINANCIAL HIGHLIGHTS

- The Group's revenue was approximately RMB1,317.5 million for the year ended 31 December 2017, representing a decrease of RMB515.8 million or 28.1% as compared to approximately RMB1,833.3 million for the year ended 31 December 2016.
- The Group's gross profit was approximately RMB127.5 million for the year ended 31 December 2017, representing a sharp increase as compared with approximately RMB42.4 million for the year ended 31 December 2016. The gross profit margin was approximately 9.7% for the year, which is a significant improvement as compared to approximately 2.3% for the year ended 31 December 2016.
- The Group's net operating cash flows position improved significantly. The net cash flows from operating activities were approximately RMB67.0 million for the year ended 31 December 2017 as compared to the net cash flows (used in) operating activities of approximately RMB197.0 million for the year ended 31 December 2016.
- The loss attributable to owners of the Company (including impairment losses of RMB206.4 million and fair value losses on financial assets of RMB109.6 million) was approximately RMB349.5 million for the year ended 31 December 2017, representing a decrease of RMB424.2 million or 54.8% as compared to approximately RMB773.7 million for the year ended 31 December 2016.
- The basic and diluted loss per Share attributable to ordinary equity holders of the Company was approximately RMB0.16 for the year ended 31 December 2017, representing a decrease of RMB0.21 or 56.8% as compared to approximately RMB0.37 for the year ended 31 December 2016.
- The Board does not recommend payment of a final dividend for the year ended 31 December 2017 (2016: Nil).

The Board hereby announces the audited consolidated results of the Group for the year ended 31 December 2017 together with the comparative figures for the year ended 31 December 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2017

	Notes	**2017** *RMB'000*	2016 *RMB'000*
REVENUE	*3, 4*	**1,317,479**	1,833,305
Cost of sales		**(1,189,959)**	(1,790,858)
Gross profit		**127,520**	42,447
Other income and gains	*4*	**1,535**	1,442
Selling and distribution expenses		**(69,201)**	(76,295)
Administrative expenses		**(67,560)**	(72,028)
Other expenses		**(8,157)**	(619)
Impairment losses on property, plant and equipment	*10*	**(72,776)**	(185,195)
Impairment losses on intangible assets	*11*	**(76,129)**	(200,040)
Impairment losses on prepaid land lease payments		**(2,413)**	–
Impairment losses on trade receivables	*13*	**(10,521)**	(64,865)
Impairment losses on assets held for sale	*15*	**(44,525)**	(78,334)
Fair value losses on financial assets at fair value through profit or loss	*14*	**(109,617)**	(111,555)
Finance costs	*5*	**(73,588)**	(57,322)
Share of losses of an associate	*20*	**(9,458)**	–
LOSS BEFORE TAX	*6*	**(414,890)**	(802,364)
Income tax credit	*7*	**25,269**	2,853
LOSS FOR THE YEAR		**(389,621)**	(799,511)
Other comprehensive loss:			
Other comprehensive loss to be reclassified to profit or loss in subsequent years:			
Exchange differences on translation of foreign operations		**(140)**	–
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(389,761)**	(799,511)

	Notes	**2017** *RMB'000*	2016 *RMB'000*
Loss attributable to:			
Owners of the Company		**(349,490)**	(773,742)
Non-controlling interests		**(40,131)**	(25,769)
		(389,621)	(799,511)
Total comprehensive loss attributable to:			
Owners of the Company		**(349,603)**	(773,742)
Non-controlling interests		**(40,158)**	(25,769)
		(389,761)	(799,511)
Loss per Share attributable to ordinary equity holders of the Company:			
Basic and diluted	*9*	**RMB(0.16)**	RMB(0.37)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	**630,898**	648,556
Intangible assets	11	**1,349,971**	1,430,373
Other intangible asset	20	**8,440**	–
Prepaid land lease payments		**33,015**	36,535
Prepayments and deposits	12	**7,347**	7,521
Payments in advance		**156**	156
Deferred tax assets		**70,269**	39,567
Total non-current assets		**2,100,096**	2,162,708
CURRENT ASSETS			
Inventories		**174,637**	266,536
Trade and bills receivables	13	**373,707**	321,675
Prepayments, deposits and other receivables	12	**71,387**	100,222
Financial assets at fair value through profit or loss	14	**–**	109,617
Due from related parties		**637**	658
Cash and cash equivalents		**13,286**	19,740
		633,654	818,448
Assets classified as held for sale	15	**302,125**	300,000
Total current assets		**935,779**	1,118,448
CURRENT LIABILITIES			
Trade and bills payables	16	**175,871**	179,265
Other payables and accruals	17	**554,906**	536,899
Interest-bearing bank and other loans	18	**596,205**	873,458
Due to related parties		**11,220**	2,244
Tax payable		**3,254**	3,610
Dividend payable		**1,801**	1,801
Total current liabilities		**1,343,257**	1,597,277
NET CURRENT LIABILITIES		**(407,478)**	(478,829)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,692,618**	1,683,879

	Notes	**2017** *RMB'000*	2016 *RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank and other loans	*18*	**311,106**	653
Provision for rehabilitation		**11,400**	10,670
Other payables	*17*	**25,007**	601
Total non-current liabilities		**347,513**	11,924
Net assets		**1,345,105**	1,671,955
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*19*	**197,889**	182,787
Reserves		**823,018**	1,135,386
		1,020,907	1,318,173
Non-controlling interests		**324,198**	353,782
Total equity		**1,345,105**	1,671,955

NOTES TO FINANCIAL STATEMENTS

31 December 2017

1. CORPORATE AND GROUP INFORMATION

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

During the year ended 31 December 2017, the Group was principally engaged in the following principal activities:

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

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with IFRSs 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 15. 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 2017, the Group incurred a consolidated net loss of RMB389,621,000 (2016: RMB799,511,000). As at 31 December 2017, the Group had net current liabilities of RMB407,478,000 (2016: RMB478,829,000).

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

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

(b) The Group is taking the necessary measures to expedite the disposal of Heigutian Processing Plant at indicative disposal prices under a framework agreement signed with the potential buyers, which is expected to be completed before the end of the first half of 2018, with the disposal proceeds received by December 2018.

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

(d) The Group is proactively implementing various strategic plans to streamline its operations to improve profitability and initiate plans to rationalise assets. These include initiatives to scale back capacity, reduce headcounts, trim operating expenses and reduce capital expenditure.

The Directors have reviewed the Group's cash flow forecast prepared by management which covers a period of twelve months from the end of the reporting period. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the Directors are of the opinion that it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2017 on a going concern basis.

Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at the amounts other than which they are currently recorded in the consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effect of these adjustments has not been reflected in the consolidated financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2017. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

None of the above amendments to IFRSs has had a significant financial effect on these financial statements. Disclosure has been made in note to the financial statements upon the adoption of amendments to IAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

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

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[1]
IFRS 9	*Financial Instruments*[1]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 15	*Revenue from Contracts with Customers*[1]
Amendment to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[1]
Amendments to IAS 40	*Transfers of Investment Property*[1]
IFRS 16	*Leases*[2]
IFRS 17	*Insurance Contracts*[3]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[1]
IFRIC 23	*Uncertainty over Income Tax Treatments*[2]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Annual Improvements 2014-2016 Cycle	Amendments to IFRS 1 and IAS 28[1]
Annual Improvements 2015-2017 Cycle	Amendments to IFRS 3, IFRS11, IAS 12 and IAS 23[2]

[1] *Effective for annual periods beginning on or after 1 January 2018*

[2] *Effective for annual periods beginning on or after 1 January 2019*

[3] *Effective for annual periods beginning on or after 1 January 2021*

[4] *No mandatory effective date yet determined but available for adoption*

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

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

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt IFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15, issued in May 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In April 2016, the IASB issued amendments of IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group plans to adopt the transitional provisions in IFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before 1 January 2018. The Group expects that the transitional adjustment to be made on 1 January 2018 upon initial adoption of IFRS 15 will not be material. Also, the expected changes in accounting policies will not have a material financial impact on the Group's financial statements from 2018 onwards.

IFRS 16 Leases

IFRS 16, issued in January 2016, replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt IFRS 16 from 1 January 2019. During 2017, the Group has performed an assessment on the impact of the adoption of IFRS 16 and concluded that no material financial impact exists.

3. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

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

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

Year ended 31 December 2017

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

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

Year ended 31 December 2016

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

Entity-wide disclosures

Geographical information

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

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

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

Information about major customers

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

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

4. REVENUE, OTHER INCOME AND GAINS

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

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

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

An analysis of other income and gains is as follows:

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

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

5. FINANCE COSTS

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

6. LOSS BEFORE TAX

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

	Notes	**2017** *RMB'000*	2016 *RMB'000*
Cost of inventories sold		**1,183,554**	1,790,858
Cost of services rendered		**6,405**	–
Employee benefit expenses (including Directors' and chief executive's remuneration):			
Wages and salaries		**60,044**	41,301
Welfare and other benefits		**5,523**	3,787
Pension scheme contributions			
– Defined contribution fund		**8,496**	8,266
Housing fund			
– Defined contribution fund		**224**	343
Total employee benefit expenses		**74,287**	53,697
Depreciation	*10*	**47,597**	68,515
Amortisation of intangible assets	*11*	**7,960**	21,059
Amortisation of prepaid land lease payments		**1,107**	1,107
Depreciation and amortisation expenses		**56,664**	90,681
Impairment losses recognised on:			
Property, plant and equipment	*11*	**72,776**	185,195
Intangible assets	*11*	**76,129**	200,040
Prepaid land lease payments	*11*	**2,413**	–
Assets classified as held for sale	*15*	**44,525**	78,334
Trade receivables	*13*	**10,521**	64,865
Total impairment losses recognised		**206,364**	528,434
Operating lease rentals		**795**	425
Fair value loss on previously held equity interest under the step acquisition of a subsidiary	*20*	**633**	–
Reversal of inventory provision		**(35)**	(17,969)
Auditor's remuneration		**3,580**	3,580
Fair value losses on financial assets at fair value through profit or loss	*14*	**109,617**	111,555

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 2017 and 2016.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the two years ended 31 December 2017 and 2016.

The provision for PRC corporate income tax is based on the respective tax rates applicable to the subsidiaries located in Mainland China as determined in accordance with the relevant income tax rules and regulations of Mainland China for the year.

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

The major components of income tax credit are as follows:

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

8. DIVIDEND

At a meeting of the Directors held on 27 March 2018, the Directors did not recommend payment of a final dividend for the year ended 31 December 2017 (2016: Nil).

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

The calculation of basic earnings per Share is based on the loss for the year attributable to ordinary equity holders of the Company, and the weighted average number of Shares of 2,160,167,244 (2016: 2,075,000,000) in issue during the year ended 31 December 2017.

No adjustment has been made to the basic earnings per Share amounts presented for the years ended 31 December 2017 and 2016 in respect of a dilution as the exercise prices of the Company's outstanding share options were higher than the average market prices for the Company's Shares during the current and prior years.

10. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Plant and machinery *RMB'000*	Office equipment *RMB'000*	Motor vehicles *RMB'000*	Mining infrastructure *RMB'000*	Construction in progress ("CIP") *RMB'000*	Total *RMB'000*
31 December 2017							
Cost:							
At 1 January 2017	**1,029,262**	**519,640**	**4,698**	**10,310**	**234,580**	**75,547**	**1,874,037**
Additions	**2,565**	**26,284**	**222**	**237**	**7,850**	**27,472**	**64,630**
Acquisition of a subsidiary *(note 20)*	**–**	**36,720**	**647**	**–**	**–**	**5,271**	**42,638**
Transferred from CIP	**16,588**	**28,268**	**–**	**–**	**–**	**(44,856)**	**–**
Disposals	**–**	**–**	**–**	**(690)**	**–**	**–**	**(690)**
Exchange realignment	**–**	**806**	**12**	**2**	**–**	**97**	**917**
At 31 December 2017	**1,048,415**	**611,718**	**5,579**	**9,859**	**242,430**	**63,531**	**1,981,532**
Accumulated depreciation and impairment:							
At 1 January 2017	**633,930**	**444,034**	**4,609**	**9,273**	**133,635**	**–**	**1,225,481**
Provided for the year	**13,335**	**23,593**	**45**	**199**	**10,425**	**–**	**47,597**
Acquisition of a subsidiary *(note 20)*	**–**	**5,229**	**102**	**–**	**–**	**–**	**5,331**
Impairment recognised during the year *(note 11(b))*	**57,678**	**8,855**	**24**	**30**	**4,033**	**2,156**	**72,776**
Disposals	**–**	**–**	**–**	**(655)**	**–**	**–**	**(655)**
Exchange realignment	**–**	**104**	**–**	**–**	**–**	**–**	**104**
At 31 December 2017	**704,943**	**481,815**	**4,780**	**8,847**	**148,093**	**2,156**	**1,350,634**
Net carrying amount:							
At 1 January 2017	**395,332**	**75,606**	**89**	**1,037**	**100,945**	**75,547**	**648,556**
At 31 December 2017	**343,472**	**129,903**	**799**	**1,012**	**94,337**	**61,375**	**630,898**
31 December 2016							
Cost:							
At 1 January 2016	1,022,784	507,555	4,597	10,236	234,605	47,909	1,827,686
Additions	6,512	11,149	119	74	–	28,830	46,684
Transferred from CIP	–	1,192	–	–	–	(1,192)	–
Disposals	(34)	(256)	(18)	–	(25)	–	(333)
At 31 December 2016	1,029,262	519,640	4,698	10,310	234,580	75,547	1,874,037
Accumulated depreciation and impairment:							
At 1 January 2016	474,325	391,200	4,362	8,513	93,642	–	972,042
Provided for the year	30,276	25,650	209	589	11,791	–	68,515
Impairment recognised during the year *(note 11(b))*	129,362	27,391	55	171	28,216	–	185,195
Disposals	(33)	(207)	(17)	–	(14)	–	(271)
At 31 December 2016	633,930	444,034	4,609	9,273	133,635	–	1,225,481
Net carrying amount:							
At 1 January 2016	548,459	116,355	235	1,723	140,963	47,909	855,644
At 31 December 2016	395,332	75,606	89	1,037	100,945	75,547	648,556

As at 31 December 2017, payable relating to the hire purchase arrangements were secured by the corresponding machineries with an aggregate carrying amount of RMB13,994,000 *(note 18(c))*.

11. INTANGIBLE ASSETS

	Mining rights *RMB'000*	Stripping activity assets *RMB'000*	Exploration rights and assets *RMB'000*	Total *RMB'000*
31 December 2017				
Cost:				
At 1 January 2017	**1,281,614**	**148,847**	**437,568**	**1,868,029**
Additions	**2,015**	**1,672**	**–**	**3,687**
At 31 December 2017	**1,283,629**	**150,519**	**437,568**	**1,871,716**
Accumulated amortisation and impairment:				
At 1 January 2017	**191,580**	**128,922**	**117,154**	**437,656**
Impairment recognised for the year	**72,060**	**4,069**	**–**	**76,129**
Amortisation provided during the year	**3,285**	**4,675**	**–**	**7,960**
At 31 December 2017	**266,925**	**137,666**	**117,154**	**521,745**
Net carrying amount:				
At 1 January 2017	**1,090,034**	**19,925**	**320,414**	**1,430,373**
At 31 December 2017	**1,016,704**	**12,853**	**320,414**	**1,349,971**
31 December 2016				
Cost:				
At 1 January 2016 and 31 December 2016	1,281,614	148,847	437,568	1,868,029
Accumulated amortisation and impairment:				
At 1 January 2016	122,518	88,037	6,002	216,557
Impairment recognised for the year	60,898	27,990	111,152	200,040
Amortisation provided during the year	8,164	12,895	–	21,059
At 31 December 2016	191,580	128,922	117,154	437,656
Net carrying amount:				
At 1 January 2016	1,159,096	60,810	431,566	1,651,472
At 31 December 2016	1,090,034	19,925	320,414	1,430,373

(a) As at 31 December 2017, the mining rights of Baicao Mine, Xiushuihe Mine and Maoling Mine with net carrying amounts of RMB22,667,000 (2016: RMB32,201,000), RMB1 (2016: RMB248,000) and RMB22,771,000 (2016: RMB23,543,000), respectively, were pledged to secure the Group's bank loans *(note 18(a))*.

(b) Impairment

In accordance with the Group's accounting policies, each asset or cash-generating unit ("CGU") is evaluated annually at 31 December to determine whether there are any indications of impairment. If any such indications of impairment exist, a formal estimate of the recoverable amount is performed.

In assessing whether an impairment is required, the carrying value of the asset or CGU is compared with its recoverable amount. The recoverable amount is the higher of the CGU's fair value less costs of disposal and value in use ("VIU"). Management has performed impairment assessment on all of the carrying amounts of the Group's property, plant and equipment and intangible assets. For the purpose of impairment assessment, Baicao CGU (comprising the mining right to Baicao Mine, stripping activity assets of Baicao Mine and Baicao Processing Plant) and Xiushuihe CGU (comprising the mining right to Xiushuihe Mine, land use right of Xiushuihe Mining, Xiushuihe Processing Plant and Hailong Processing Plant) are treated as separate CGUs. The recoverable amounts of Baicao CGU, Xiushuihe CGU and the mining right of Shigou Gypsum Mine were estimated based on their respective VIU determined by discounting the future cash flows to be generated from the continuing use of these assets. The recoverable amounts are determined based on the calculation using cash flow projections according to financial budgets covering a five-year period approved by management with pre-tax discount rates ranging between 13.18% and 16.67% (2016: 14.0% and 17.3%) depending on the nature of the CGU/asset. The cash flows beyond the five-year period are extrapolated using a zero growth rate until the end of the respective asset useful lives.

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

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

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

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margin achieved in the recent years for Baicao CGU and Xiushuihe CGU and the market price of gypsum raw ore for the mining right of Shigou Gypsum Mine, adjusted for management's expectations for possible changes in the production costs and estimated market prices.

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

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

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

Based on the above-mentioned impairment assessment, the recoverable amounts, carrying amounts as at 31 December 2017 and impairment provisions for the year ended 31 December 2017 are as follows:

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

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

Impairment loss recognised on property, plant and equipment

An impairment loss of RMB72,776,000 *(note 10)* (2016: RMB185,195,000) was recognised during the year to write down the carrying amounts of Baicao Processing Plant, Xiushuihe Processing Plant and Hailong Processing Plant to their respective recoverable amounts of RMB87,901,000, RMB204,003,000 and RMB65,071,000 as at 31 December 2017.

Impairment loss recognised on prepaid land lease payments

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

Impairment loss recognised on intangible assets

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

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

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

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

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

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

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

Note:

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

13. TRADE AND BILLS RECEIVABLES

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

The Group's trading terms with its customers are mainly on credit. During the year, the Group granted a nine-month credit term to its customers for sale of self-produced products given the market conditions remained weak and a three-month credit term to its trading customers and customers for rendering specialist mining services. Trade receivables are non-interest-bearing and unsecured.

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

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

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

	2017 *RMB'000*	2016 *RMB'000*
At 1 January	**328,906**	264,041
Impairment recognised *(note 6)*	**10,521**	64,865
Acquisition of a subsidiary	**1,321**	–
At 31 December	**340,748**	328,906

Impairment of trade receivables recognised during the year ended 31 December 2017 represented a provision for individually impaired trade receivables of RMB10,521,000 (2016:RMB64,865,000) with an aggregate carrying amount before provision of RMB10,521,000 (2016: RMB120,275,000). The individually impaired trade receivables related to certain customers that were in financial difficulties. The Group had stopped supplying goods to these customers, and initiated discussions with them on repayment terms and is in the midst of monitoring their repayment schedules. Whilst the Group will continue to follow up closely on the receivable status, the recoverability of part of the receivables has specifically been affected by the weak market condition, may be delayed by a longer-than-expected period or part of the receivables may not be recoverable. As such, the Group had made a provision for impairment of RMB 10,521,000 during the year. Despite such provision and longer-than-expected repayment periods, the Group will initiate necessary actions to recover these receivables in part or in full.

The ageing analysis of the trade receivables that are not individually impaired and trade receivables that are considered to be partially impaired are as follows:

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

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

Transferred financial assets that are derecognised in their entirely

As at 31 December 2017, the Group endorsed certain bills receivable accepted by banks in the PRC to certain of its suppliers in order to settle the trade payables to these suppliers with a carrying amount in aggregate of RMB259,954,000 (2016: RMB244,807,000); furthermore, as at 31 December 2017, the Group discounted certain bills receivable accepted by banks in the PRC, with a carrying amount in aggregate of RMB200,000 (2016: RMB5,800,000) (collectively referred to as the "Derecognised Bills"). The Derecognised Bills have a maturity term from three to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated advances on discounting and trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their face amounts. In the opinion of the Directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the year, the Group has a recognised interest expense of RMB5,000 (2016: RMB67,000) *(note 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.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The balance represented Exchangeable Notes with an aggregate amount of US$20,000,000 and US$10,000,000 subscribed by Sure Prime Limited on 2 May 2011 and 18 November 2011, respectively and designated as financial assets at fair value through profit or loss upon initial recognition. The Exchangeable Notes were issued by the Issuer. The original maturity date of the Exchangeable Notes was 25 November 2014.

As a result, as at 31 December 2017 and 2016, the Issuer is in default.

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

	2017	2016
	RMB'000	*RMB'000*
Carrying amount at 1 January	**109,617**	221,172
Fair value losses recognised during the year *(note 6)*	**(109,617)**	(111,555)
Carrying amount at 31 December	**–**	109,617

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

	2017	2016
Risk-free interest rate (Indonesia) (% per annum)	**0.91**	0.91
Recovery rate (%)	**0**	15.66

15. ASSETS CLASSIFIED AS HELD FOR SALE

Non-recurring fair value measurements:

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

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

In accordance with IFRS 5, assets held for sale including property, plant and equipment and prepaid land lease payments with carrying amounts of RMB435,355,000 and RMB3,534,000 respectively, were written down to the aggregate fair values less cost to sell of RMB260,000,000, resulting in accumulated losses of RMB178,889,000, of which RMB40,000,000 *(note 6)*, RMB78,334,000 and RMB60,555,000 were included in profit or loss for the years ended 31 December 2017, 2016 and 2015, respectively.

(b) The balance as at 31 December 2017 represented the fair value less cost to sell of assets held for sale, which comprised part of plant and equipment of MHPL which would not be utilised in current operation. Those assets were classified as assets held for sale with a carrying amount of RMB46,650,000 and were written down to the fair values less cost to sell of RMB42,125,000, resulting in a loss of RMB4,525,000 *(note 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 years ended 31 December 2017 and 2016, as it is derived from quoted prices in markets that are not active.

16. TRADE AND BILLS PAYABLES

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

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

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

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

17. OTHER PAYABLES AND ACCRUALS

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

Notes:

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

(b) Balances represented the remaining consideration payable to independent third parties in relation to the acquisition of a 100% equity interest in Panzhihua Yixingda by Huili Caitong, which was been fully paid in 2017.

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

18. INTEREST-BEARING BANK AND OTHER LOANS

	Notes	**2017** *RMB'000*	2016 *RMB'000*
Bank loans – Secured	*(a)*	**523,400**	428,992
Bank loans – Unsecured	*(b)*	**232,725**	443,866
Hire purchase arrangements – secured	*(c)*	**9,558**	–
Other loans – unsecured	*(d)*	**141,628**	1,253
		907,311	874,111
Current liabilities		**(596,205)**	(873,458)
Non-current liabilities		**311,106**	653

Analysed into:

	2017 *RMB'000*	2016 *RMB'000*
Bank loans repayable:		
Within one year or on demand	**445,125**	872,858
In the second year	**9,000**	–
In the third to fifth years, inclusive	**302,000**	–
	756,125	872,858
Hire purchase arrangements repayable:		
Within one year	**9,452**	–
In the second year	**106**	–
	9,558	–
Other loans repayable:		
Within one year or on demand	**141,628**	600
In the second year	**–**	653
	141,628	1,253
	907,311	874,111

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

Notes:

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

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

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

(c) The Group acquired certain of its machinery and other fixed assets through hire purchase arrangements, which were classified as finance leases and have remaining lease terms ranging from one to two years. As at 31 December 2017, payable relating to the hire purchase arrangements were secured by the corresponding assets with an aggregate carrying amount of RMB13,994,000 *(note10)*.

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

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

19. SHARE CAPITAL

Shares

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

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

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

Note:

(a) On 3 March 2017, the Company allotted and issued an aggregate of 95,890,410 new Shares as part of the consideration for the acquisition of a 49% interest in Mancala Holdings Limited *(note 20)*. The aggregate fair value of the 95,890,410 Shares, determined by reference to the closing quoted market price of the Shares on the Main Board of the Stock Exchange at the acquisition date, amounted to RMB34,825,000, of which RMB8,494,000 and RMB26,331,000 were credited to the issued share capital and share premium account of the Company, respectively.

On 5 December 2017, the Company allotted and issued an aggregate of 78,125,000 new Shares for the acquisition of additional 32% interest in Mancala Holdings Limited *(note 20)*. The aggregate fair value of the 78,125,000 Shares, determined by reference to the closing quoted market price of the Shares on the Main Board of the Stock Exchange at the acquisition date, amounted to RMB17,512,000, of which RMB6,608,000 and RMB10,904,000 were credited to the issued share capital and share premium account of the Company, respectively.

20. BUSINESS COMBINATION

On 28 February 2017, the Group had acquired 49% equity interest in Mancala Holdings Limited from an independent third party, at a consideration of HK$38,200,000 (equivalent to approximately RMB33,838,000), which was satisfied by a cash consideration of HK$3,200,000 (equivalent to approximately RMB2,835,000) and the allotment and issue of 95,890,410 consideration Shares at the market price of HK$0.365 at the acquisition date *(note 19)*. The acquisition of 49% equity interest in Mancala Holdings Limited was accounted as an investment in an associate and accounted for by using the equity method. The Group's share of losses of an associate from the acquisition date to the step acquisition date (as described below) amounted to RMB9,458,000.

On 1 December 2017, the Group acquired additional 32% equity interest in Mancala Holdings Limited from an independent third party and gained control over Mancala Holdings Limited via a step acquisition. The purchase consideration was satisfied by the allotment and issue of 78,125,000 consideration Shares at the market price of HK$0.27 per Share at the acquisition date *(note 19)*, amounting to HK$20,703,125 (equivalent to approximately RMB17,512,000).

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

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

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

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

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

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

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

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

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

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

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of independent auditor's report issued by the Company's independent auditor:

"Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRSs issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance.

Material uncertainty related to going concern

We draw attention to note 2.1 to the financial statements, which indicates the Group incurred a consolidated net loss of RMB389,621,000 for the year ended 31 December 2017 and, as at that date, the Group's current liabilities exceed its current assets by RMB407,478,000. As stated in note 2.1, these conditions, along with other matters as set forth in note 2.1, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter."

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

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

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

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

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

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

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

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

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

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

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

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

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

BUSINESS AND OPERATIONS REVIEW

Overview

The capacity utilisation of the Group's plants improved slightly during the year given market recovery but output was still below optimal levels. As a result of both higher selling prices and demand for the Group's self-produced products, the Group made guided decisions to reduce trading sales (which earned substantially lower margins but required more working capital). During the year, the Group's revenue decreased by 28.1% to approximately RMB1,317.5 million as compared with last year due mainly to the significantly lower trading sales. Due to the higher selling prices of the Group's self-produced products, the Group recorded a higher gross profit of approximately RMB127.5 million and gross profit margin of approximately 9.7% as compared with last year. The impairment losses were approximately RMB206.4 million for the year due mainly to the lower value-in-use for key operating assets given the less-than-optimal utilisation rates as well as under the key assumptions that the Group will not commit any significant capital investments in expanding or upgrading the related operating assets in the near future, unless justifiable otherwise. The fair value loss on the Exchangeable Notes for the year was approximately RMB109.6 million. As a result of higher gross profit and lower impairment losses, the Group recorded a lower loss attributable to owners of the Company for the year of approximately RMB349.5 million.

Operations

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

- vanadium-bearing iron concentrates (including the sale of raw ore and the rendering of processing services) were approximately 1,073.4 Kt and 1,004.9 Kt, respectively;

- ordinary iron concentrates were approximately 102.0 Kt and 93.1 Kt, respectively; and

- high-grade titanium concentrates were approximately 48.5 Kt and 47.8 Kt, respectively.

Please refer to the table on pages 34 to 35 which summarises the details, including those changes in volumes, presented in terms of percentage in this section for further details.

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

Risk and Uncertainties

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

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

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

During the year, the Group impaired part of the trade receivables relating to certain customers that were in financial difficulties. For these customers, the Group has reviewed their overdue status, stopped supplying goods to them, initiated discussions on repayment terms with them and has monitored their repayment schedules. Whilst certain customers settled the outstanding balances according to the repayment schedules, the recoverability of the receivables in general has been adversely affected by the volatile market conditions. As such, part of the collections may be delayed by a longer-than-expected period or part of the receivables may not be recoverable at all. As such, the Group made an impairment loss on trade receivables of approximately RMB10.5 million during the year. Despite such impairment and longer-than-expected repayment periods, the Group has taken and will continue to take necessary actions to recover these receivables in part or in full.

The following table summarises the transacted volumes from (i) trading sales and (ii) sale of self-produced products of the Group:

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

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

FINANCIAL REVIEW

Revenue

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

Cost of Sales

The cost of sales primarily included contracting fees for mining and stripping as well as materials, labour, power and other utilities, repair and maintenance, depreciation and amortisation, and trading purchases. During the year, the Group's cost of sales fell by 33.6% to approximately RMB1,190.0 million (2016: RMB1,790.9 million) due mainly to the lower trading purchases.

Gross Profit and Margin

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

Other Income and Gains

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

Selling and Distribution Expenses

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

Administrative Expenses

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

Other Expenses

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

Impairment Losses

The impairment losses fell by 60.9% from approximately RMB528.4 million for the year ended 31 December 2016 to approximately RMB206.4 million for the year. The impairment losses, despite lower amounts, arose from year-end assessment of recoverable amounts of those assets as at 31 December 2017 following the Group's efforts in streamlining operations and rationalising assets; and under the key assumptions that the Group will not commit any significant capital investments in expanding or upgrading the related assets in the near future, unless justifiable otherwise given the volatility of resource sectors and uncertainty in the market conditions. The impairment losses for the year mainly covered property, plant and equipment of approximately RMB72.8 million, intangible assets of approximately RMB76.1 million and assets held for sale of approximately RMB44.5 million. The main reasons that led to the impairment losses on property, plant and equipment and intangible assets are set out below:

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

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

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

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

Details of the impairment losses on property, plant and equipment and intangible assets during the year are set out in notes 10 and 11 to the financial statements of this announcement, respectively.

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

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

Finance Costs

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

Share of Losses of an Associate

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

Income Tax Credit

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

Loss for the Year

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

Loss Attributable to Owners of the Company

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

Final Dividend

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 14 May 2018 to Thursday, 17 May 2018 (both days inclusive) during which no transfer of Shares will be effected. In order to determine the entitlement to attend and vote at the 2018 AGM, all share transfers accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, 11 May 2018.

LIQUIDITY AND CAPITAL RESOURCES

The following table sets out certain information regarding the Group's consolidated statement of cash flows for the years ended 31 December 2017 and 2016:

	For the year ended 31 December			
	2017		2016	
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Cash and cash equivalents as stated in the consolidated statement of cash flows at beginning of year		**19,740**		187,840
Net cash flows from/(used in) operating activities	**66,955**		(196,970)	
Net cash flows used in investing activities	**(92,403)**		(26,875)	
Net cash flows from financing activities	**19,221**		55,745	
Net decrease in cash and cash equivalents		**(6,227)**		(168,100)
Effect of foreign exchange rate changes, net		**(227)**		–
Cash and cash equivalents as stated in the consolidated statement of cash flows at end of year		**13,286**		19,740

Net Cash Flows from/(Used in) Operating Activities

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

Net Cash Flows Used in Investing Activities

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

Net Cash Flows from Financing Activities

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

Analysis of Inventories

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

Analysis of Trade and Bills Receivables

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

Assets Classified as Held for Sale

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

Analysis of Trade and Bills Payables

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

Analysis of Net Current Liabilities Position

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

Borrowings

As at 31 December 2017, the Group's borrowings included mainly (i) a bank loan of RMB120.0 million with an annual interest rate of 8.82% to Xiushuihe Mining which was secured by the mining right of the Xiushuihe Mine and 95% equity interest of Xiushuihe Mining; (ii) bank loans of RMB319.4 million with annual interest rates ranging from 4.28% to 4.41% to Huili Caitong which were secured by the mining right of the Baicao Mine; (iii) bank loans of RMB84.0 million with annual interest rates ranging from 7.79% to 8.40% to Aba Mining which were secured by the mining right of the Maoling Mine; (iv) unsecured bank loans of RMB112.7 million and RMB120.0 million with annual interest rates of 3.92% and 8.82%, respectively, to Huili Caitong and Xiushuihe Mining; and (v) an unsecured loan of RMB141.0 million with annual interest rates ranging from 8.4% to 9.0% from an asset management company to Huili Caitong, which is repayable on demand and guaranteed by the Company at nil consideration.

Contingent Liabilities

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

Pledge of Assets

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

Foreign Currency Risk

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

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

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

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

Interest Rate Risk

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

Contractual Obligations

As at 31 December 2017, the Group had no contractual obligations compared with approximately RMB31.3 million as at 31 December 2016. The contractual obligations as at 31 December 2016 represented the remaining consideration for the acquisition of 49% of the issued share capital of Mancala Holdings Limited which was satisfied by the allotment and issue of Shares during the year.

Capital Expenditure

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

Financial Instruments

As at 31 December 2017, the Group had Exchangeable Notes in the principal amount of US$30.0 million. The Exchangeable Notes were accounted for as financial assets at fair value through profit or loss and the carrying value of which reduced to nil as at 31 December 2017 after accounting for an impairment loss of approximately RMB109.6 million during the year.

Gearing Ratio

Gearing ratio is a measure of financial leverage, which is calculated by net debt divided by "total equity plus net debt". Net debt is defined as interest-bearing bank and other loans, net of cash and cash equivalents and it excludes liabilities incurred for working capital purpose. Equity includes equity attributable to owners of the Company and non-controlling interests. As at 31 December 2017, gearing ratio was 39.9% (31 December 2016: 33.8%).

EMPLOYEES AND EMOLUMENT POLICIES

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

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

With a view to tapping on foreign expertise as well as gaining access to the technical fields of expertise in internationally recognised standards of efficiency, safety, environmental management and innovative training methods in mining operations, on 30 December 2016, the Company entered into the sale and purchase agreement with Sapphire, pursuant to which Sapphire had conditionally agreed to sell, and the Company had conditionally agreed to purchase the 2,940,000 shares, representing 49% of the entire issued share capital of Mancala Holdings Limited, a then wholly-owned subsidiary of Sapphire, at an aggregate consideration of HK$38,200,000, which should be satisfied by the payment of a cash consideration of HK$3,200,000 and the allotment and issue of the consideration Shares in the aggregate value of HK$35,000,000 at the issue price of HK$0.365 per consideration Share to Sapphire. The completion of the sale and purchase took place on 28 February 2017 and the consideration Shares were issued under the general mandate of the Company and ranked *pari passu* in all respects with all the Shares then in issue. On 29 September 2017, the Company entered into the sale and purchase agreement with Mr. Toe Teow Heng, pursuant to which Mr. Toe had conditionally agreed to sell, and the Company had conditionally agreed to purchase the 1,920,000 shares, representing 32% of the entire issued share capital of Mancala Holdings Limited at an aggregate consideration of HK$25,000,000, which should be wholly satisfied by the allotment and issue of the consideration Shares in the aggregate value of HK$25,000,000 at the issue price of HK$0.32 per consideration Share to Mr. Toe. The completion of the sale and purchase took place on 1 December 2017 and the consideration Shares were issued under the general mandate of the Company and ranked *pari passu* in all respects with all the Shares then in issue. For details, please refer to the Company's announcements dated 30 December 2016, 28 February 2017, 29 September 2017 and 1 December 2017, respectively.

Mancala Holdings Limited is the legal and beneficial owner of the entire issued share capital of MHPL. Mancala Group is principally engaged in the business of providing specialist mining services, which include raised boring, shaft excavation, engineering services and other mining services.

EXTRACT OF CHAIRMAN'S STATEMENT

The following "Outlook" and "Going Forward" are extracted from the chairman's statement as written by the chairman of the Board:

"Outlook

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

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

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

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

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

Going Forward

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

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

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 during the year ended 31 December 2017, the Company has complied with the code provisions under the CG Code except for code provisions A.2.1 and A.4.1.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company deviated from this code provision as Mr. Jiang Zhong Ping was the chairman and acting chief executive officer of the Company concurrently until 12 October 2017. On 15 May 2015, Mr. Jiang Zhong Ping was appointed as the acting chief executive officer of the Company to assume Mr. Tang Wei's responsibilities to take charge of the supervision of the execution of the policies determined by the Board prior to the appointment of the new chief executive officer. On 12 October 2017, Mr. Teh Wing Kwan was appointed as the chairman of the Board and Mr. Jiang Zhong Ping was re-designated from the chairman of the Board and the acting chief executive officer to the chief executive officer of the Company. Following such changes, the Company is now in compliance with the requirement under code provision A.2.1 of the CG Code.

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

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

Throughout the year ended 31 December 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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 2017 will be dispatched to the Shareholders 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 2017.

GLOSSARY

"2018 AGM"	the Shareholders' annual general meeting to be held on 17 May 2018
"Aba Mining"	Aba Mining Co., Ltd.*（阿壩礦業有限公司）, a limited liability company established in the PRC on 27 February 2004 and an indirect wholly-owned subsidiary of the Company
"Articles"	the articles of association of the Company, adopted on 4 September 2009 and as amended from time to time
"Australian dollars" or "AU$"	the lawful currency of the Commonwealth of Australia
"Baicao Mine"	白草鐵礦, the vanadium-bearing titano-magnetite mine located in Huili County, Sichuan and operated by Huili Caitong, with a mining area of 1.88 sq.km.
"Baicao Processing Plant"	the ore processing plant located near the Baicao Mine and operated by Huili Caitong
"Board"	the board of Directors
"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
"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
"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 $CaSO_4 \cdot 2H_2O$
"Hailong Processing Plant"	the ore processing plant located near the Cizhuqing Mine and operated by Huili Caitong
"Heigutian Processing Plant"	the ore processing plant located near the Yangqueqing Mine and owned by Huili Caitong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Huili Caitong"	Huili County Caitong Iron and Titanium Co., Ltd.*（會理縣財通鐵鈦有限責任公司）, established in the PRC on 7 July 1998 and has been a foreign equity joint venture in the PRC since 29 December 2010, and an indirect wholly-owned subsidiary of the Company
"IFRSs"	International Financial Reporting Standards, which comprise standards and interpretations approved by the International Accounting Standards Board and the International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect
"Indicated resource"	part of a mineral resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of modifying factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit
"Inferred resource"	part of a mineral resource for which quantity and grade (or quality) are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade (or quality) continuity. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes

"iron"	a silvery-white, lustrous, malleable, ductile, magnetic or magnetisable, metallic element occurring abundantly in combined forms, notably in hematite, limonite, magnetite, and taconite, and alloyed for use in a wide range of important structural materials
"iron concentrate(s)"	concentrate(s) whose main mineral content (by value) is iron
"iron ore"	compounds of iron and oxygen (iron oxides) mixed with impurities (gangue); it is a mineral which when heated in the presence of a reductant will yield metallic iron
"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
"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
"Mancala Group"	MHPL and its subsidiaries
"Maoling Extended Exploration Area"	formerly an independent exploration region with an area of 2.83 sq.km. covered under the extended exploration permit of the Maoling Mine (covering 1.9 sq.km. of the mining area of the Maoling Mine), has been consolidated with the Yanglongshan Mine since September 2012 to form the Maoling-Yanglongshan Mine
"Maoling Mine"	毛嶺鐵礦, an ordinary magnetite mine located in Wenchuan County, Sichuan, with a mining area of 1.9 sq.km.
"Maoling Processing Plant"	the ore processing plant located near the Maoling-Yanglongshan Mine and operated by Aba Mining
"Maoling-Yanglongshan Mine"	an exploration region with a total area of 11.6 sq.km. covered under the exploration permit of the Maoling-Yanglongshan Mine (the mining area covered is owned by the Maoling Mine), formed from the combination of the Maoling Extended Exploration Area and the Yanglongshan Mine since September 2012 and operated by Aba Mining

"Measured resource"	part of a mineral resource for which quantity, grade (or quality), densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of modifying factors to support detailed mine planning and final evaluation of the economic viability of the deposit
"MHPL"	Mancala Holdings Pty Ltd, a limited liability company incorporated in Australia on 8 March 1990 and a subsidiary of the Company, in which the Company indirectly owns 81% equity interest
"mining right(s)"	the right(s) to mine mineral resources and obtain mineral products in areas where mining activities are licensed
"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
"Panzhihua Yixingda"	Panzhihua Yixingda Industrial Trading Co., Ltd.*（攀枝花易興達工貿有限責任公司）, a limited liability company established in the PRC on 9 July 2009 and an indirect wholly-owned subsidiary of the Company
"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 Lingyu"	Sichuan Lingyu Investment Co., Ltd.*（四川省凌御投資有限公司）, a limited liability company established in the PRC on 9 June 2010 and an indirect wholly-owned subsidiary of the Company
"Sichuan Xinglian"	Sichuan Xinglian Mining and Technology Construction Co., Ltd.*（四川省興聯礦產技術工程有限公司）, a limited liability company established in the PRC on 23 June 2011 and an indirect wholly-owned subsidiary of the Company
"sq.km."	square kilometres
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"titanium concentrate(s)"	concentrate(s) whose main content (by value) is titanium dioxide
"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 and a subsidiary of the Company, in which the Company indirectly owns 95.0% equity interest
"Xiushuihe Processing Plant"	the ore processing plant located near the Xiushuihe Mine and operated by Xiushuihe Mining
"Yanglongshan Mine"	羊龍山鐵礦, an ordinary magnetite mine located in Wenchuan County, Sichuan, formerly an independent exploration region with an area of 8.79 sq.km. covered under the exploration permit of the Yanglongshan Mine, and has been consolidated as the Maoling-Yanglongshan Mine with the Maoling Extended Exploration Area since September 2012

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

* *For identification purpose only*

By order of the Board
China Vanadium Titano-Magnetite Mining Company Limited
Teh Wing Kwan
Chairman

Hong Kong, 27 March 2018

As at the date of this announcement, the Board comprises Mr. Teh Wing Kwan (Chairman) as non-executive Director; Mr. Jiang Zhong Ping (Chief Executive Officer), Mr. Hao Xiemin (Financial Controller) and Mr. Wang Hu as executive Directors; Mr. Yu Haizong, Mr. Wu Wen and Mr. Liu Yi as independent non-executive Directors.

Website: www.chinavtmmining.com