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)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2011

FINANCIAL HIGHLIGHTS

- On 31 May 2011, the Group completed the acquisition of Aba Mining from Chuan Wei and Aba Mining becomes an indirect wholly-owned subsidiary of the Company. Chuan Wei and Trisonic International are ultimately controlled by the same beneficial owners and Trisonic International is a Controlling Shareholder of the Company and, the Company and Aba Mining are ultimately under common control before and after the acquisition and that control is not transitory. Hence, from the accounting perspective, the acquisition of Aba Mining has been accounted for as a business combination of entities under common control and, the interim condensed financial information has been prepared by applying the principles of merger accounting and certain comparative information of the interim condensed financial information has been accordingly restated.

- The Group's revenue amounted to approximately RMB845.4 million for the Reporting Period, representing an increase of RMB145.6 million or 20.8% as compared to approximately RMB699.8 million for the six months ended 30 June 2010.

- The profit and total comprehensive income attributable to owners of the Company for the Reporting Period was approximately RMB300.6 million, representing an increase of RMB69.8 million or 30.2% as compared to approximately RMB230.8 million for the six months ended 30 June 2010.

- The basic and diluted earnings per Share attributable to ordinary equity holders of the Company amounted to approximately RMB14 cents for the Reporting Period, representing an increase of RMB3 cents or 27.3% as compared to approximately RMB11 cents for the six months ended 30 June 2010.

- The Board does not recommend the payment of an interim dividend for the Reporting Period.

The Board is pleased to announce the unaudited interim condensed financial information of the Group for the Reporting Period together with the comparative information for the corresponding period as follows:

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2011

	Notes	**For the six months ended 30 June** **2011** ***RMB'000*** **(Unaudited)**	2010 *RMB'000* (Unaudited and restated)
Revenue	*3*	**845,391**	699,761
Cost of sales		**(414,032)**	(334,324)
Gross profit		**431,359**	365,437
Other income and gains	*4*	**21,936**	36,137
Selling and distribution costs		**(23,004)**	(18,834)
Administrative expenses		**(50,498)**	(36,517)
Other operating expenses		**(4,010)**	(28,313)
Finance costs	*5*	**(9,698)**	(11,442)
Share of loss from an associate		**–**	(4,200)
PROFIT BEFORE TAX	*6*	**366,085**	302,268
Income tax expense	*7*	**(62,402)**	(51,708)
Profit and total comprehensive income for the period		**303,683**	250,560
Attributable to:			
Owners of the Company		**300,594**	230,840
Non-controlling interests		**3,089**	19,720
		303,683	250,560
Earnings per share attributable to ordinary equity holders of the Company:			
Basic and diluted	*8*	**RMB0.14**	RMB0.11

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2011

	Notes	**30 June 2011 RMB'000 (Unaudited)**	31 December 2010 RMB'000 (Unaudited and restated)
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**1,598,235**	1,539,809
Intangible assets	*9*	**558,597**	548,441
Prepaid land lease payments	*9*	**51,256**	51,791
Prepayments and deposits	*10*	**214,482**	158,943
Payments in advance		**52,377**	68,295
Goodwill		**15,318**	15,318
Deferred tax assets		**17,274**	16,501
Total non-current assets		**2,507,539**	2,399,098
CURRENT ASSETS			
Inventories		**119,469**	70,531
Trade and notes receivables	*11*	**142,068**	207,598
Prepayments, deposits and other receivables	*10*	**155,246**	100,154
Due from related parties		**16,513**	600
Financial assets at fair value through profit or loss	*12*	**148,033**	–
Pledged time deposits	*14(a)*	**100,000**	–
Cash and cash equivalents		**716,060**	1,101,843
Total current assets		**1,397,389**	1,480,726
CURRENT LIABILITIES			
Trade payables	*13*	**261,317**	260,887
Other payables and accruals		**215,354**	293,565
Interest-bearing bank loans	*14*	**302,074**	175,000
Due to related parties		**51,482**	55,276
Tax payables		**42,016**	91,380
Dividends payable		**1,801**	1,801
Total current liabilities		**874,044**	877,909
NET CURRENT ASSETS		**523,345**	602,817
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,030,884**	3,001,915
NON-CURRENT LIABILITIES			
Interest-bearing bank and other loans	*14*	**128,200**	157,000
Provision for rehabilitation		**7,418**	7,173
Other payable		**500**	500
Total non-current liabilities		**136,118**	164,673
Net assets		**2,894,766**	2,837,242
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**182,787**	182,787
Reserves		**2,693,819**	2,516,436
Proposed final dividend		**–**	107,756
		2,876,606	2,806,979
Non-controlling interests		**18,160**	30,263
Total equity		**2,894,766**	2,837,242

NOTES TO INTERIM CONDENSED FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 28 April 2008 under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is located at 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 Room 2201, 22/F, Wheelock House, 20 Pedder Street, Central, Hong Kong.

During the Reporting Period, the Company and the Group were principally engaged in the business of mining, ore processing, iron ore pelletising, sale of vanadium-bearing iron concentrates, ordinary iron concentrates, iron pellets and titanium concentrates and management of strategic investments. Other than the acquisition of Aba Mining during the Reporting Period as further disclosed in note 2.1, there were no significant changes in the nature of the Group's principal activities during the Reporting Period.

In the opinion of the Directors, Trisonic International is the parent and ultimate holding company of the Company.

2.1 BASIS OF PRESENTATION

On 31 May 2011, the Group completed the acquisition of the entire equity interests in Aba Mining from Chuan Wei. Upon completion of the acquisition, Aba Mining became an indirectly wholly-owned subsidiary of the Company. Chuan Wei is ultimately controlled by the same ultimate controlling shareholders of Trisonic International. As the Company and Aba Mining are ultimately under common control of the controlling shareholders before and after the acquisition, and that control is not transitory, the acquisition of Aba Mining has been accounted for as a business combination of entities under common control. Accordingly, the interim condensed financial information has been prepared by applying the principles of merger accounting as if the current group structure had been in existence throughout each of the six months ended 30 June 2010 and 2011, or since their respective dates of establishment, whichever is shorter.

Equity interests in Aba Mining held by parties other than the controlling shareholders and changes therein, prior to the acquisition are presented as non-controlling interests in equity in applying the principles of merger accounting.

All intra-group transactions and balances have been eliminated on consolidation. Accordingly, the comparative figures of the interim condensed financial information have been restated.

2.2 BASIS OF PREPARATION

The unaudited interim condensed financial information for the Reporting Period has been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting".

The unaudited interim condensed financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2010.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

The accounting policies adopted in the preparation of this interim condensed financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010, except for the adoption of standards, amendments and interpretations issued by the International Accounting Standards Board that are mandatory for annual periods beginning 1 January 2011. The effect of the adoption of these standards, amendments and interpretations was not material to the Group's results of operations or financial position.

3. REVENUE AND OPERATING SEGMENT INFORMATION

Revenue, which is the Group's turnover, represents the net invoiced value of goods sold, net of various types of government surcharges.

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

Entity-wide disclosures

Information about products

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

	For the six months ended 30 June			
	2011		2010	
	RMB'000 **(Unaudited)**	*%*	*RMB'000* (Unaudited and restated)	*%*
Vanadium-bearing iron concentrates	**466,438**	**55.1**	336,840	48.1
Ordinary iron concentrates	**3,020**	**0.4**	13,841	2.0
Iron pellets	**301,568**	**35.7**	330,096	47.2
Medium-grade titanium concentrates	**9,623**	**1.1**	3,178	0.5
High-grade titanium concentrates	**64,742**	**7.7**	15,806	2.2
	845,391	**100.0**	699,761	100.0

Geographical information

All external revenues of the Group during each of the six months ended 30 June 2010 and 2011 were attributable to customers established in the PRC, the place of domicile of the Group's operating entities. Meanwhile, the Group's principal non-current assets are all located in the PRC.

Information about major customers

Revenue from major customers, each of whom accounted for 10% or more of the total revenue, is set out below:

	For the six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited and restated)
Customer A	**157,769**	*
Customer B	**153,559**	119,665
Customer C	**136,590**	153,463
Customer D	**115,913**	110,019
Customer E	**109,293**	126,137

* *Less than 10%*

4. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited and restated)
Bank interest income	**1,985**	1,392
Sale of raw materials	**1,752**	34,107
Fair value gains on financial assets at fair value through profit or loss *(note 12)*	**18,023**	–
Miscellaneous	**176**	638
Total other income and gains	**21,936**	36,137

5. FINANCE COSTS

	For the six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited and restated)
Interest on bank and other loans wholly repayable within five years	**9,761**	6,757
Interest on other bank loans	**795**	432
Interest on discounted notes receivable	**–**	2,330
Unwinding of discount	**246**	228
	10,802	9,747
Less: Interest capitalised to property, plant and equipment	**(1,499)**	(3,467)
	9,303	6,280
Foreign exchange losses, net	**395**	5,162
	9,698	11,442
Range of interest rates of borrowing costs capitalised	**5.4%~6.4%**	5.4%~5.94%

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited and restated)
Cost of inventories sold	**414,032**	334,324
Employee benefit expense (including Directors' remuneration)	**34,088**	29,830
Equity-settled share option expense	**11,597**	8,638
Depreciation and amortisation expenses *(note 9)*	**55,930**	36,452
Minimum lease payments under operating leases:		
– Land	**64**	37
– Office	**588**	541
Auditors' remuneration	**1,100**	800
Foreign exchange losses, net	**395**	5,162
Loss on disposal of items of property, plant and equipment	**5**	259
Write-down/(reversal of write-down) of inventories to net realisable value	**(2,413)**	515
Amortisation of prepaid technical service fee *(note 10)*	**2,067**	2,067
Fair value gains on financial assets at fair value through profit or loss *(note 12)*	**(18,023)**	–

7. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited and restated)
Current – Mainland China		
Corporate income tax payable for the period	**63,175**	51,755
Deferred	**(773)**	(47)
Total tax charge for the period	**62,402**	51,708

Pursuant to the income tax rules and regulations of the PRC, a 10% withholding tax is levied on dividends declared to foreign investors from foreign investment enterprises established in the PRC effective from 1 January 2008.

Pursuant to the resolution dated 26 July 2011 of the board of directors of the operating subsidiary in the PRC, Huili Caitong, the net profit of Huili Caitong for the Reporting Period, after appropriations to the statuary reserve fund, would be used for business development of Huili Caitong and would not be distributed to its shareholders. As a result, no deferred tax liabilities relating to withholding tax on the distributable profits of Huili Caitong for the Reporting Period have been recorded.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of earnings per share is based on the profit attributable to owners of the Company for the Reporting Period of RMB300,594,000 (six months ended 30 June 2010: RMB230,840,000), and the weighted average number of Shares of 2,075,000,000 (six months ended 30 June 2010: 2,075,000,000) in issue during the Reporting Period.

No adjustment has been made to the basic earnings per share amounts presented for the two periods ended 30 June 2010 and 2011 in respect of a dilution as the exercise price of the Company's outstanding share options was higher than the average market price for the Company's Shares during each of the six months ended 30 June 2010 and 2011.

9. PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND PREPAID LAND LEASE PAYMENTS

Movements in property, plant and equipment, intangible assets and prepaid land lease payments during the Reporting Period are as follows:

	Property, plant and equipment *RMB'000* (Unaudited) *(note (a))*	**Intangible assets** *RMB'000* (Unaudited)	**Prepaid land lease payments** *RMB'000* (Unaudited) *(note (b))*
Carrying amount at 1 January 2011			
As previously stated	1,476,162	481,069	51,791
Effect of a business combination under common control *(note 2.1)*	63,647	67,372	–
As restated	1,539,809	548,441	51,791
Additions	103,905	20,085	–
Disposals	(13)	–	–
Depreciation/amortisation charged for the period *(note 6)*	(45,466)	(9,929)	(535)
Carrying amount at 30 June 2011	1,598,235	558,597	51,256

(a) As at 30 June, 2011, the building ownership certificates ("BOC") of certain buildings with a carrying amount of approximately RMB37,030,000 (31 December 2010: RMB47,319,000) that the Group acquired during the six months ended 30 June 2010 have not been transferred to the Group yet and the relevant BOC transfers are still in the process.

(b) As at 30 June 2011, the legal title of the land use rights with a carrying amount of approximately RMB3,882,000 (31 December 2010: RMB3,915,000) that the Group acquired during the six months ended 30 June 2010 has not been transferred to the Group and relevant title transfer is still in the process.

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Unaudited and restated)
Current portion:			
Prepayments consist of:			
Purchase of raw materials and services		**51,017**	578
Utilities		**551**	551
Other prepayments		**1,830**	4,594
Prepaid stripping fees	*(a)*	**91,553**	88,762
Prepaid technical service fee	*(b)*	**4,133**	4,133
Prepayment for the using right of a road	*(c)*	**35**	35
Other receivables		**6,127**	1,501
		155,246	100,154
Non-current portion:			
Prepaid stripping fees	*(a)*	**158,027**	101,875
Prepaid technical service fee	*(b)*	**51,667**	53,733
Prepayment for the using right of a road	*(c)*	**971**	989
Long-term environmental rehabilitation deposits		**3,817**	2,346
		214,482	158,943
		369,727	259,097

(a) The balances represented deferred stripping costs paid by the Group to an independent third party mining contractor for the stripping activities of Baicao Mine (白草鐵礦) and Xiushuihe Mine (秀水河鐵礦), which will be recognised as part of the production costs once the raw iron ore is extracted.

(b) The balance represented technical service support fee for a period of 15 years ending on 31 December 2024 prepaid to Sichuan Nanjiang Mining Co., Ltd. ("Nanjiang"), an independent third party, by Xiushuihe Mining, an indirect subsidiary of the Company. The prepaid technical support fee is amortised according to straight line method based on the terms of technical service to be provided by Nanjiang with yearly technical service fee of approximately RMB4.1 million.

During the Reporting Period, the prepaid technical service fee amortised and charged to profit or loss amounted to RMB2,067,000 (six months ended 30 June 2010: RMB2,067,000).

(c) The balance represented payment made to Xinqiao Mining Co., Ltd. for the right to use a pavement road that connecting to the Maoling Mine (毛岭鐵礦) for a total period of 30 years, starting from 23 August 2010 to 22 August 2040 at a consideration of approximately RMB1,035,000. The prepayment for the right of using the road recorded as current portion represented the amount to be amortised in the next twelve months from 30 June 2011.

11. TRADE AND NOTES RECEIVABLES

	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Unaudited and restated)
Trade receivables	**111,648**	147,096
Notes receivable	**30,420**	60,502
	142,068	207,598

An aged analysis of the trade receivables as at the end of the Reporting Period, based on the invoice date, is as follows:

	30 June 2011 *RMB'000* **(Unaudited)**	31 December 2010 *RMB'000* (Unaudited and restated)
Within 1 month	**111,648**	147,093
Over 6 months but within 1 year	**–**	3
	111,648	147,096

The credit term granted to customers of iron ore products and high-grade titanium products is 30 days. For the sale of medium-grade titanium products, the Group generally requires full payment prior to delivery. At the end of the Reporting Period, all trade and notes receivables were neither past due nor impaired.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The balance represented the Exchangeable Note purchased by the Group during the Reporting Period and designated by the Group as financial assets at fair value through profit or loss upon initial recognition. The Exchangeable Note was issued by a non-listed company, particulars of which are included in the Company's announcement dated 2 May 2011.

The movement in the fair value of the financial assets during the Reporting Period is as follows:

	For the six months ended 30 June 2011 *RMB'000* **(Unaudited)**
Consideration for acquisition of financial assets	**130,010**
Change in fair value during the Reporting Period	**18,023**
At 30 June 2011	**148,033**

The fair value of the Exchangeable Note was estimated by an independent valuer using the Binomial Lattice Model. The following table lists the key inputs to the model used:

	30 June 2011
Valuation of liability component	
Risk-free interest rate (Indonesia) *(% per annum)*	**2.63**
Credit spread *(%)*	**25.67**
Valuation of embedded derivatives	
Current market capitalisation *(USD)*	**490 Million**
Risk-free interest rate (Indonesia) *(% per annum)*	**2.63**
Coupon rate *(% per annum)*	**–**
Dividend yield *(% per annum)*	**–**
Equity return volatility *(% per annum)*	**62.61**
Probability of Initial Public Offering *(% per month)*	**2**
Maturity period	**less than 35 months**
Lattice step	**36**
Non-marketability *(%)*	**35**

13. TRADE PAYABLES

An aged analysis of the trade payables as at 30 June 2011 and 31 December 2010, based on the invoice date, is as follows:

	30 June 2011 *RMB'000* **(Unaudited)**	31 December 2010 *RMB'000* (Unaudited and restated)
Within 180 days	**229,854**	248,593
181 to 365 days	**23,444**	10,497
1 to 2 years	**7,408**	1,043
2 to 3 years	**351**	338
Over 3 years	**672**	416
	261,729	260,887

Trade payables are non-interest bearing and are normally settled in 60 to 180 days.

14. INTEREST-BEARING BANK AND OTHER LOANS

	Notes	**30 June 2011** *RMB'000* **(Unaudited)**	31 December 2010 *RMB'000* (Unaudited and restated)
Bank loans:			
Secured	*(a)*	**97,074**	–
Unsecured	*(b)*	**300,000**	300,000
Guaranteed	*(c)*	**30,000**	30,000
Other loans, unsecured	*(d)*	**3,200**	2,000
		430,274	332,000
Bank loans repayable:			
Within one year or on demand		**302,074**	175,000
In the second year		**25,000**	55,000
In the third to fifth years, inclusive		**75,000**	75,000
Beyond five years		**25,000**	25,000
		427,074	330,000
Other loans repayable:			
In the second year		**2,000**	–
In the third to fifth years, inclusive		**1,200**	2,000
		3,200	2,000
Total bank and other loans		**430,274**	332,000
Portion classified as current liabilities		**(302,074)**	(175,000)
Portion classified as non-current liabilities		**128,200**	157,000

(a) During the Reporting Period, OCBC has granted the Company banking facilities in a total amount of USD31 million (equivalent to approximately RMB200,620,000), of which USD15.0 million (equivalent to approximately RMB97,074,000) were utilised through short-term bank loans borrowed by the Company as at 30 June 2011. These short-term bank loans bear interest at the rate of 3% over the OCBC's prevailing LIBOR as determined by OCBC for interest periods of up to 12 months or such other interest periods at may be agreed by OCBC. These short-term bank loans from OCBC are secured by the pledge of time deposits of RMB100.0 million at OCBC Chengdu branch by Huili Caitong.

(b) As at 30 June 2011, Huili Caitong had unsecured interest-bearing bank loans from China Construction Bank ("CCB") Xichang branch at fixed rates ranging from 5.81% to 6.4% (31 December 2010: 5.31% to 5.94%) per annum. In accordance with the bank loan agreements entered into between Huili Caitong and CCB Xichang branch, Huili Caitong agreed not to mortgage or pledge Huili Caitong's mining rights of Baicao Mine and the vanadium-bearing iron concentrates production line with annual production capacity of 500 Kt to any parties, and CCB Xichang branch will be entitled to a pre-emption right in the event of such mortgage or pledge.

(c) As at 30 June 2011, Aba Mining had a long-term interest-bearing bank loan from CCB Aba branch of RMB30.0 million, at the fixed rate of 6.4% (31 December 2010: 5.4%) per annum and due for repayment in May 2012. The long-term bank loan from CCB Aba branch is guaranteed by Weiyuan Steel for nil consideration.

(d) Other loans represented interest-bearing loans granted by Wenchuan County State Assets Investment Co., Ltd. (汶川縣國有資產投資經營有限公司) to Aba Mining for the reconstruction of production plants affected by the earthquake in May 2008. Other loans are unsecured and bear interest at the fixed rate of 5.76% per annum (31 December 2010: 5.76%), of which RMB2.0 million and RMB1.2 million are due for repayment in July 2012 and January 2014, respectively.

15. SHARE OPTION SCHEME

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

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

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

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

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

The exercise price of share options is determinable by the Board of Directors, but may not be less than the highest of (i) the nominal value of Shares of the Company; (ii) the average closing price of the Company's Shares as stated on the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the share options; and (iii) the closing price of the Company's Shares as stated in the Stock Exchange's daily quotation sheet on the date of grant of the share options.

Share options do not confer rights on the holders to dividends or to vote at Shareholders' meetings.

The following share options were outstanding under the Old Option Scheme during the Reporting Period:

	Notes	**Weighted average exercise price** *HK$ per share*	**Number of options** *'000*
As at 1 January 2011	*(1)*	**5.03**	29,600
Granted during the Reporting Period	*(2)*	**3.60**	27,300
As at 30 June 2011		**4.34**	56,900

(1) The share options outstanding as at 1 January 2011 represented share options granted under the Old Option Scheme by the Company on 29 December 2009 and 1 April 2010 at the exercise price of HK$5.05 per share and HK$4.99, respectively.

(2) On 23 May 2011, options to subscribe for a total of 27,300,000 new Shares with nominal value of HK$0.10 each in the share capital of the Company were granted under the New Option Scheme at the exercise price of HK$3.60 per share.

The exercise prices and exercise periods of the share options outstanding at the end of the Reporting Period are as follows:

30 June 2011

Number of options *'000*	**Exercise price per share** *HK$*	**Exercise period**
10,100	**5.05**	29 June 2012 to 28 December 2019
10,100	**5.05**	29 December 2014 to 28 December 2019
4,700	**4.99**	1 October 2012 to 31 March 2020
4,700	**4.99**	1 April 2015 to 31 March 2020
27,300	**3.60**	23 May 2013 to 22 May 2021
56,900		

31 December 2010

Number of options *'000*	Exercise price per share *HK$*	Exercise period
10,100	5.05	29 June 2012 to 28 December 2019
10,100	5.05	29 December 2014 to 28 December 2019
4,700	4.99	1 October 2012 to 31 March 2020
4,700	4.99	1 April 2015 to 31 March 2020
29,600		

The fair value of the share options granted during the Reporting Period was HK$31,595,000 (equivalent to approximately RMB26,415,000) or HK1.16 each (equivalent to approximately RMB0.97 each) (six months ended 30 June 2010: HK$24,349,000 (equivalent to approximately RMB21,406,000) or HK$2.59 each (equivalent to approximately RMB2.28 each) of which the Group recognised a share option expense of HK$1,664,000 (equivalent to approximately RMB1,376,000) during the Reporting Period (six months ended 30 June 2010: HK$1,752,000 (equivalent to approximately RMB1,540,000)).

The fair value of equity-settled share options granted was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

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

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

At the end of the Reporting Period, the Company had 29,600,000 share options outstanding under the Old Option Scheme and 27,300,000 share options outstanding under the New Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 56,900,000 additional Shares of the Company and additional share capital of HK$5,690,000 and share premium of HK$241,506,000 (before issue expenses).

At the date of approval of this interim condensed financial information, the Company had 56,900,000 share options outstanding, which represented approximately 2.74% of the Company's Shares in issue as at that date.

16. DIVIDENDS

(a) Dividends attributable to the Reporting Period

At a meeting of the Board of Directors held on 29 August 2011, the Directors of the Company resolved not to pay an interim dividend to Shareholders (six months ended 30 June 2010: Nil).

(b) Dividends attributable to the previous financial year, declared and paid during the Reporting Period

	For the six months ended 30 June 2011 *RMB'000*
Final dividend in respect of the financial year ended 31 December 2010 of RMB0.052 per share (2009: Nil)	
Declared during the Reporting Period	107,756
Paid during the Reporting Period	(107,756)
	–

17. COMPARATIVE INFORMATION

As further explained in note 2.1 to the interim condensed financial information, due to the adoption of merger accounting for business combination under common control during the Reporting Period, certain comparative information has been restated.

18. EVENTS AFTER THE REPORTING PERIOD

(a) The Company decided not to exercise the option to acquire the Huangcaoping Mine from Yanyuan Xiwei and the Lagaluo Mine from Weixi Guangfa. Furthermore the Company was not able to reach an agreement to the terms of the acquisition of the Xiaoheiqing Jingzhi Mine and to exercise the option to acquire the Xiaoheiqing Jingzhi Mine from Panzhihua Jingzhi, which expired in May 2011. The Company will enter into further negotiations with Panzhihua Jingzhi with a view to acquiring the Xiaoheiqing Jingzhi Mine in terms acceptable to the Company.

Particulars of the non-exercise of options in relation to the acquisitions of Huangcaoping Mine and Lagaluo Mine and update on the acquisition of Xiaoheiqing Jingzhi Mine were set out in the Company's announcement dated 26 July 2011.

(b) On 9 August 2011, the Group entered into a supplemental agreement with the Issuer in respect of the Exchangeable Note (as disclosed in note 12), pursuant to which the Group and the Issuer has agreed to extend the time for the Group to decide whether to further subscribe for the Exchangeable Note of USD30 million from "on or before 10 August 2011" to "on or before 30 September 2011".

Particulars of the extension of the time for further subscription of the Exchangeable Note were set out in the Company's announcement dated 9 August 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

During 2011, in line with the on-going development of China's economy, domestic demand has been growing vigorously as infrastructure and manufacturing industries continued their rapid development. According to the National Bureau of Statistics of the PRC, the GDP of Sichuan during the Reporting Period was approximately RMB937.1 billion and the year-on-year growth rate of 14.8% was well ahead of the country's national growth rate of 9.6%.

China's 12th Five-Year Plan has begun in 2011, a critical year for economic restructuring and strategic transformation. This plan will oversee a strategic transformation through enhancement of the country's overall economic structure, development of emerging industries, along with improving innovation and stimulating domestic demand. The enhancement of traditional industries, including high-end equipment manufacturing, construction of high-speed railways and expansion of social welfare housing is set to bring about greater structural growth to the steel industry. The disparity in regional development across China has led to varying levels of steel consumption across regions. The development of China's western region is still at the phase of infrastructure development, whereby steel consumption is still expected to grow further. The current production capacity of crude steel is less than 100 million tonnes in western China. This will provide steel making enterprises with more business opportunities in future and spur on new markets for mining companies in the region. The National Development and Reform Commission of the PRC issued the Chengdu-Chongqing ("Chengyu") Economic Zone Development Plan in the first half of this year, aiming to accelerate the economic development in the region, which will in turn provide fresh impetus for the growth of the steel industry. In addition, the investment plan of approximately RMB600 billion in 23 infrastructure projects across the western region announced by the National Development and Reform Commission of the PRC will also further increase the demand for steel in the Chengyu region. According to the National Bureau of Statistics of the PRC, the pig iron output of Sichuan for the first half of 2011 was approximately 8.5 Mt, representing a year-on-year growth rate of 8.5%. This increase in output drove a steady rise in the demand for iron ore within the region.

During the Reporting Period, the market price of iron ore in China was generally seen as volatile. On the contrary, as a single regional market, the demand of iron ore in Sichuan has been driven by the gradual increase in the capacity of steel production, enabling the current iron ore price to grow moderately. In view of the growing demand, the supply of iron ore in Sichuan could not meet the market demand in the first half of 2011.

Moreover, the PRC government's plans relating to vanadium and titanium industry have been successively promulgated. The Plan for the Integrated Utilisation of Vanadium and Titanium Resources and Production Base, which has been led and formulated by the National Development and Reform Commission of the PRC substantially shifted the overall direction of the utilisation of vanadium and titanium resources. Under this plan, regions such as Panxi Region are expected to become the first batch of future vanadium and titanium industrial bases in China. According to the outline of the Plan for Sichuan Economic and Social Development (2011-2015), the largest modern vanadium and titanium industrial park in the country, as well as the largest and most advanced vanadium steel production base in China's southwestern region will be constructed in Panzhihua and other areas. The above policies will drive greater growth for the vanadium and titanium industry and will be beneficial to the overall business development of the Group.

BUSINESS AND OPERATIONS REVIEW

During the Reporting Period, the Group recorded admirable performance results. For the Reporting Period, the revenue of the Group increased by 20.8% to approximately RMB845.4 million as compared to the corresponding period of 2010. The profit and total comprehensive income attributable to owners of the Company increased by 30.2% to approximately RMB300.6 million as compared to the corresponding period of 2010.

To meet strong future demand, the Group has upgraded its existing facilities and technologies to further expand the production capacity and output. The first phase of construction of the New Iron Pelletising Plant with an annual production capacity of 1,000.0 Kt was completed on 6 May 2011. Upon the completion of the first phase of construction, the Group's annual iron pellet self-production capacity has increased to 1,360.0 Kt.

In addition, the conditions precedent to the completion of the Aba Mining Acquisition Agreement have been fulfilled and took place on 31 May 2011 (Please refer to the Company's announcements dated 15 November 2010 and 31 May 2011 for further details). This acquisition was in line with the Group's strategic objective of increasing reserves and resources of iron ore. After the completion of the acquisition, Aba Mining becomes an indirect wholly-owned subsidiary of the Company, enabling the Group to obtain the Maoling Mine, the Yanglongshan Mine and an iron concentrate production line with an annual production capacity of 150.0 Kt.

As at 30 June 2011, the Group owned the Baicao Processing Plant, the Xiushuihe Processing Plant, the Hailong Processing Plant, the Heigutian Processing Plant and two iron pelletising plants in the Panxi Region. The Group also owned the Maoling Processing Plant in the Aba Region. As at 30 June 2011, the Group's annual production capacity (on a wet basis) of vanadium-bearing iron concentrates, ordinary iron concentrates, iron pellets and high-grade titanium concentrates amounted to 2,700.0 Kt (including 100.0 Kt production capacity allocated to the Group by an Independent Third Party Processing Contractor), 150.0 Kt, 1,860.0 Kt (including 500.0 Kt production capacity allocated to the Group by Independent Third Party Pelletising Contractors) and 280.0 Kt, respectively. The Group has achieved satisfactory growth in the output volume of the four core products, leveraging the expanding production scales and more favourable market conditions.

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

	Six months ended 30 June	
	2011	2010
	(Kt)	*(Kt)*
Vanadium-bearing iron concentrates		
Baicao Processing Plant	**274.0**	209.9
Xiushuihe Processing Plant	**330.8**	278.2
Heigutian Processing Plant	**332.1**	294.3
Hailong Processing Plant	**100.5**	9.2
Independent Third Party Processing Contractors	**1.3**	74.3
Total production volume	**1,038.7**	865.9
Total sales volume	**702.8**	506.8
Ordinary iron concentrates		
Maoling Processing Plant	**2.7**	–
Yanyuan Xiwei	**–**	23.5
Total production volume	**2.7**	23.5
Total sales volume	**2.5**	21.1
Iron pellets		
Old Iron Pelletising Plant	**165.7**	147.1
New Iron Pelletising Plant	**44.3**	–
Independent Third Party Pelletising Contractors	**90.3**	214.5
Total production volume	**300.3**	361.6
Total sales volume	**334.8**	376.2
Medium-grade titanium concentrates		
Baicao Processing Plant	**45.7**	26.8
Xiushuihe Processing Plant	**21.8**	5.6
Heigutian Processing Plant	**–**	5.5
Hailong Processing Plant	**4.5**	–
Independent Third Party Processing Contractors	**–**	2.3
Total production volume	**72.0**	40.2
Total sales volume	**54.3**	36.9
High-grade titanium concentrates		
Baicao Processing Plant	**17.5**	2.1
Xiushuihe Processing Plant	**7.3**	–
Heigutian Processing Plant	**32.8**	25.6
Independent Third Party Processing Contractors	**–**	6.3
Total production volume	**57.6**	34.0
Total sales volume	**57.2**	30.9

Vanadium-bearing Iron Concentrates and Ordinary Iron Concentrates

During the Reporting Period, the total production volume of vanadium-bearing iron concentrates was approximately 1,038.7 Kt, representing an increase of 20.0% as compared to approximately 865.9 Kt in the corresponding period of 2010. The sales volume of vanadium-bearing iron concentrates was approximately 702.8 Kt, representing an increase of 38.7% as compared to approximately 506.8 Kt in the corresponding period of 2010.

During the Reporting Period, Aba Mining produced ordinary iron concentrates. The total production volume and the sales volume was approximately 2.7 Kt and 2.5 Kt, respectively. During the six months ended 30 June 2010, the total production volume and the sales volume from Yanyuan Xiwei was approximately 23.5 Kt and 21.1 Kt, respectively. Yanyuan Xiwei was a wholly-owned subsidiary of Aba Mining during the six months ended 30 June 2010 and was disposed of in September 2010.

Iron Pellets

During the Reporting Period, the total production volume of iron pellets was approximately 300.3 Kt, representing a decrease of 17.0% as compared to approximately 361.6 Kt in the corresponding period of 2010. Such decrease was primarily because of the decrease in subcontracting pelletising activity from the Independent Third Party Pelletising Contractors since their requested pelletising contracting fees increased a lot than that of last year. The sales volume of iron pellets was approximately 334.8 Kt, representing a decrease of 11.0% as compared to approximately 376.2 Kt in the corresponding period of 2010.

Medium-grade Titanium Concentrates

During the Reporting Period, the total production volume of medium-grade titanium concentrates was approximately 72.0 Kt, representing an increase of 79.1% as compared to approximately 40.2 Kt in the corresponding period of 2010. The sales volume of medium-grade titanium concentrates was approximately 54.3 Kt, representing an increase of 47.2% as compared to approximately 36.9 Kt in the corresponding period of 2010.

High-grade Titanium Concentrates

During the Reporting Period, the total production volume of high-grade titanium concentrates was approximately 57.6 Kt, representing an increase of 69.4% as compared to approximately 34.0 Kt in the corresponding period of 2010. The sales volume of high-grade titanium concentrates was approximately 57.2 Kt, representing an increase of 85.1% as compared to approximately 30.9 Kt in the corresponding period of 2010.

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group's revenue was approximately RMB845.4 million (for the six months ended 30 June 2010: RMB699.8 million), representing an increase of 20.8% as compared to the corresponding period of 2010. Such increase was primarily due to the increase in sales volume as a result of the expansion of production capacity and substantial rise in the average selling price of high-grade titanium concentrates.

Cost of Sales

Cost of sales primarily included mining and stripping contracting fees, processing contracting fees, pelletising contracting fees, materials, labour, power and other utilities, repair and maintenance, and depreciation and amortisation. During the Reporting Period, the Group's cost of sales was approximately RMB414.0 million (for the six months ended 30 June 2010: RMB334.3 million), representing an increase of 23.8% as compared to the corresponding period of 2010. Such increase was primarily due to (i) the increase in sales volume of various products and (ii) the increase in unit cost of sales as a result of the increase in unit stripping cost and unit mining cost that affected by the inflation.

Gross Profit and Margin

As a result of the foregoing, the gross profit during the Reporting Period increased by 18.1%, from approximately RMB365.4 million to approximately RMB431.4 million. The gross profit margin remained competitive and amounted to approximately 51.0% for the Reporting Period (for the six months ended 30 June 2010: 52.2%) even experiencing the increase in unit cost of sales.

Other Income and Gains

The other income and gains decreased by 39.3%, from approximately RMB36.1 million for the six months ended 30 June 2010 to approximately RMB21.9 million for the Reporting Period and the decrease was mainly due to the decrease in sale of ancillary materials. The other income and gains for the Reporting Period mainly included interest income from bank deposits and the fair value change of the Exchangeable Note subscribed by the Group in May 2011.

Selling and Distribution Costs

The selling and distribution costs increased by 22.3%, from approximately RMB18.8 million for the six months ended 30 June 2010 to approximately RMB23.0 million for the Reporting Period and the increase was mainly due to the increase in sales volume during the Reporting Period. The selling and distribution costs primarily consisted of transportation fees, which mainly represented the road transportation cost, the goods loading and unloading fees, platform storage and platform administration fees.

Administrative Expenses

The administrative expenses increased by 38.4%, from approximately RMB36.5 million for the six months ended 30 June 2010 to approximately RMB50.5 million for the Reporting Period. The increase in administrative expenses was mainly due to the increase in equity-settled share option expenses and other miscellaneous expenses during the Reporting Period.

The equity-settled share option expenses of approximately RMB11.6 million for the Reporting Period (for the six months ended 30 June 2010: RMB8.6 million) were incurred because three batches of share options were granted to certain Directors, senior management and employees of the Group on 29 December 2009, 1 April 2010 and 23 May 2011, respectively.

Other Operating Expenses

The other operating expenses decreased by 85.9%, from approximately RMB28.3 million for the six months ended 30 June 2010 to approximately RMB4.0 million for the Reporting Period, mainly due to the decrease in cost of ancillary materials sold, which was in line with the decrease in sale of ancillary materials. The other operating expenses mainly included cost of ancillary materials sold and miscellaneous tax expenses.

Finance Costs

The finance costs decreased by 14.9%, from approximately RMB11.4 million for the six months ended 30 June 2010 to approximately RMB9.7 million for the Reporting Period, primarily due to the decrease in foreign exchange losses caused by the appreciation of Renminbi against Hong Kong dollars and US dollars.

Income Tax Expense

The income tax expense increased by 20.7%, from approximately RMB51.7 million for the six months ended 30 June 2010 to approximately RMB62.4 million for the Reporting Period, and the increase was in line with the increase of the Group's profit before tax.

Profit and Total Comprehensive Income for the Period

As a result of the foregoing, the profit and total comprehensive income for the period increased by 21.2%, from approximately RMB250.6 million for the six months ended 30 June 2010 to approximately RMB303.7 million for the Reporting Period.

Profit and Total Comprehensive Income Attributable to Owners of the Company

The profit and total comprehensive income attributable to owners of the Company increased by 30.2%, from approximately RMB230.8 million for the six months ended 30 June 2010 to approximately RMB300.6 million for the Reporting Period. The Net Profit Margin increased from 33.0% for the six months ended 30 June 2010 to 35.6% for the Reporting Period.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the Reporting Period.

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE

The following table sets out certain information regarding the Group's condensed consolidated statement of cash flows for the six months ended 30 June 2010 and 2011:

	Six months ended 30 June	
	2011	2010
	(RMB'000)	*(RMB'000)*
Net cash flows from operating activities	**115,642**	84,503
Net cash flows used in investing activities	**(310,817)**	(971,230)
Net cash flows (used in)/from financing activities	**(109,886)**	215,220
Net decrease in cash and cash equivalents	**(305,061)**	(671,507)

Net Cash Flows from Operating Activities

The Group's net cash flows from operating activities increased by 36.8%, from approximately RMB84.5 million for the six months ended 30 June 2010 to approximately RMB115.6 million for the Reporting Period. It primarily included the profit before tax of approximately RMB366.1 million and the decrease in trade receivable of approximately RMB65.5 million, which was partially offset by the increase in prepayments and other receivables, the decrease in other payables, and the decrease in income tax payable during the Reporting Period due to business expansion.

Net Cash Flows used in Investing Activities

The Group's net cash flows used in investing activities decreased by 68.0%, from approximately RMB971.2 million for the six months ended 30 June 2010 to approximately RMB310.8 million for the Reporting Period. It primarily included (i) the purchase of items of property, plant and equipment and intangible assets of approximately RMB159.3 million; (ii) the investment in the Exchangeable Note of approximately RMB130.0 million; and (iii) the deposit of RMB100.0 million pledged by Huili Caitong at OCBC, which were partially offset by the decrease of RMB80.0 million in time deposits with original maturity of over three months.

Net Cash Flows (used in)/from Financing Activities

The Group's net cash flows from financing activities was approximately RMB215.2 million for the six months ended 30 June 2010 and the net cash flows used in financing activities was approximately RMB109.9 million for the Reporting Period, of which primarily included the partial payment for the acquisition of Aba Mining of RMB100.0 million and the payment of 2010 final dividend of approximately RMB107.8 million, which were partially offset by the bank and other borrowing proceeds.

Analysis of Inventories

The Group's inventories increased by 69.5%, from approximately RMB70.5 million as at 31 December 2010 to approximately RMB119.5 million as at 30 June 2011, primarily due to the increase in raw materials and finished goods after the commencement of the New Iron Pelletising Plant and the expanded production of high-grade titanium concentrates.

Analysis of Trade and Notes Receivables

The Group's trade and notes receivables decreased by 31.6%, from approximately RMB207.6 million as at 31 December 2010 to approximately RMB142.1 million as at 30 June 2011, primarily due to the decrease in sales in June 2011 as compared to December 2010 in accordance with the Group's standardised credit term of 30 days given to the customers.

Analysis of Trade and Other Payables

The Group's trade and other payables decreased by 14.0%, from approximately RMB554.5 million as at 31 December 2010 to approximately RMB476.7 million as at 30 June 2011, primarily due to the decrease in payable for value added tax which was in line with the decrease in sales during June 2011 as compared to December 2010, and the decrease in payables arising from the acquisitions.

Analysis of Net Current Assets Position

The Group's net current assets position decreased by 13.2%, from approximately RMB602.8 million as at 31 December 2010 to approximately RMB523.3 million as at 30 June 2011, primarily due to the construction of the New Iron Pelletising Plant and other production lines, the acquisition of Aba Mining and the payment of 2010 final dividend, which were partially offset by the bank and other borrowings obtained and the profit realised during the Reporting Period.

Borrowings

As at 30 June 2011, the Group's borrowings mainly included: (i) an unsecured short-term bank loan of RMB150.0 million with an annual interest rate of 5.81% from CCB Xichang branch by Huili Caitong in February 2011 and an unsecured long-term bank loan of RMB150.0 million with an annual interest rate of 6.4% from CCB Xichang branch by Huili Caitong in February 2010. In accordance with the loan agreements entered into between Huili Caitong and CCB Xichang branch, Huili Caitong agreed not to mortgage or pledge Huili Caitong's mining right of the Baicao Mine and its vanadium-bearing iron concentrate production line with an annual production capacity of 500.0 Kt to any parties and CCB Xichang branch will be entitled to a pre-emption right in the event of such mortgage or pledge; (ii) a secured short-term bank loan of US$15.0 million (approximately RMB97.1 million) with an annual interest rate of prevailing LIBOR plus 3% from OCBC by the Company in May 2011, which was secured by the pledge of a deposit of RMB100.0 million by Huili Caitong at OCBC Chengdu branch; and (iii) a long-term bank loan of RMB30.0 million with an annual interest rate of 6.4% from CCB Aba branch by Aba Mining in May 2009, which was guaranteed by Weiyuan Steel.

Contingent Liabilities

As at 30 June 2011, the Group did not have any material contingent liabilities or guarantees.

Pledge of Assets

As at 30 June 2011, Huili Caitong pledged its deposit of RMB100.0 million at OCBC Chengdu branch for the bank loan of US$15.0 million obtained by the Company from OCBC.

Foreign Currency Risk

The Group's businesses are located in the PRC and its operating transactions are conducted in Renminbi. Most of its assets and liabilities are denominated in Renminbi, except for a small part of net proceeds from the IPO and Over-allotment, certain payables to professional parties and administrative expenses in Hong Kong office that are denominated in Hong Kong dollars, and the bank loan obtained from OCBC and the Exchangeable Note that are denominated in US dollars.

The Renminbi is not freely convertible. There is a risk that the PRC government may take actions affecting exchange rates which may have a material adverse effect on the Group's net assets, earnings and any dividends it declares if such dividend is to be exchanged or converted into foreign exchange. The Group has not entered into any hedging transaction to manage the potential fluctuation in foreign currencies. The Group does not consider that it has any significant exposure to the risk of fluctuation in the exchange rate between HK$, US$ and RMB, as a possible change of 5% in RMB against HK$ and US$ would have no significant financial impact to the Group's financial performance.

Interest Rate Risk

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

Contractual Obligations

As at 30 June 2011, the Group's contractual obligations amounted to approximately RMB97.7 million and decreased by RMB60.3 million as compared to approximately RMB158.0 million as at 31 December 2010, which was primarily due to the completion of major construction projects such as the New Iron Pelletising Plant and the substantial progress in exploration activities conducted at the Maoling Mine, the Yanglongshan Mine, the Yangqueqing Mine and the Xiushuihe Mine by the Group during the Reporting Period.

Capital Expenditure

The Group's total capital expenditure amounted to approximately RMB124.0 million during the Reporting Period, and decreased by 89.5% from approximately RMB1,180.2 million for the six months ended 30 June 2010. The capital expenditure incurred during the Reporting Period mainly comprised of (i) the construction of the first phase of the New Iron Pelletising Plant with an annual production capacity of 1,000.0 Kt of approximately RMB32.5 million; (ii) the post-earthquake reconstruction of processing facilities at the Maoling Mine of approximately RMB22.4 million; (iii) the construction of the vanadium-bearing iron concentrate and high-grade titanium concentrate production lines at the Xiushuihe Mine aggregated to approximately RMB27.0 million; (iv) the exploration and evaluation costs in respect of the expansion of the Maoling Mine, the Xiushuihe Mine and the Yangqueqing Mine aggregated to approximately RMB11.4 million and the exploration of the iron ore resources and obtaining mining rights of the Cizhuqing Mine and the Yanglongshan Mine aggregated to approximately RMB8.7 million; and (v) the construction of miscellaneous projects and acquisition of machinery equipment aggregated to approximately RMB22.0 million.

Financial Instruments

During the Reporting Period, the Group subscribed for the Exchangeable Note in the principal amount of US$20.0 million. Please refer to Other Significant Events of this announcement for further details.

Gearing Ratio

As at 30 June 2011, the Group's cash and cash equivalents exceeded the interest-bearing bank loans. As such, the Group was at a net cash position and no gearing ratio as at 30 June 2011.

RESOURCES OF THE YANGQUEQING MINE AND THE CIZHUQING MINE UNDER THE JORC CODE AS AT 1 AUGUST 2011

(a) Resource Summary of the Yangqueqing Mine and the Cizhuqing Mine

JORC Mineral Resource Category	Tonnage (Mt)	Grades TFe(%)	TiO_2(%)	V_2O_5(%)	Contained Metals TFe(Kt)	*TiO_2(Kt)	V_2O_5(Kt)
Yangqueqing Mine							
Measured	7.34	30.40	12.50	0.29	2,231.36	458.54	21.19
Indicated	10.27	19.70	11.90	0.18	2,023.19	611.07	18.49
Total (M+I)	**17.61**	**24.20**	**12.20**	**0.23**	**4,261.62**	**1,074.21**	**40.50**
Inferred	3.57	29.49	11.84	0.14	1,052.79	213.01	5.00
Cizhuqing Mine							
Measured	–	–	–	–	–	–	–
Indicated	2.01	27.32	11.71	0.23	549.13	117.87	4.61
Total (M+I)	**2.01**	**27.32**	**11.71**	**0.23**	**549.13**	**117.87**	**4.61**
Inferred	23.56	20.90	8.74	0.17	4,925.08	1,029.68	39.33

* Only 50% of the mineralisation is expected to produce TiO_2 – contained metal has been adjusted.

(b) Resource Summary of the Yangqueqing Expansion

JORC Mineral Resource Category	Tonnage (Mt)	Grades TFe(%)	TiO_2(%)	V_2O_5(%)	Contained Metals TFe(Kt)	*TiO_2(Kt)	V_2O_5(Kt)
Yangqueqing Expansion							
Measured	4.02	29.69	12.64	0.29	1,193.53	252.19	11.66
Indicated	45.13	20.83	9.02	0.19	9,400.58	2,035.36	85.75
Total (M+I)	**49.15**	**21.55**	**9.32**	**0.20**	**10,591.83**	**2,287.55**	**97.41**
Inferred	11.63	30.00	12.70	0.27	3,489.00	731.28	31.40

* Only 50% of the mineralisation is expected to produce TiO_2 – contained metal has been adjusted.

The area between the Yangqueqing Mine and the Baicao Mine is called the Yangqueqing Expansion. The Group has submitted the application of a consolidated mining permit, which includes the Baicao Mine, the Yangqueqing Mine and the Yangqueqing Expansion, to the government authorities for approval.

The Group will disclose the resource summary of the Maoling Mine and the Yanglongshan Mine as at 31 December 2011 under the JORC Code in its 2011 Annual Report.

OTHER SIGNIFICANT EVENTS

(i) On 2 May 2011, the Group entered into the agreement with the Issuer to subscribe for the Exchangeable Note in the principal amount of US$20.0 million. The final maturity date of the Exchangeable Note is 3 years after the Issue Date or such other later date agreed by the Group and the Issuer. If the Exchangeable Note is redeemed on the final maturity date, the yield to maturity shall be 20% per annum, but if the Exchangeable Note is redeemed upon an event of default, the yield to maturity shall be 25% per annum. The Group shall be entitled to exchange all or some of the Exchangeable Note into shares of the Target Company upon presentation of an exchangeable notice at any time prior to the final maturity date for a minority stake in the Target Company which is principally engaged in investment holding. The Target Group is principally engaged in the exploration and development of the Target Iron Mine. The Issuer guarantees that the Target Iron Mine has not less than 1.42 billion tonnes of iron ore at an average grade of 10% Fe content. Meanwhile, the Group entered into the agreement with the Target Company in connection with the purchase by the Group of iron concentrates of the Project for a period up to the expiry of the mining service period of the Project. Subject to adjustments that the Group may make to cancel or reduce the purchase quantity of the products by advance notice, the Group shall purchase and the Target Company shall sell a quantity equivalent to 20% of the production volume of iron concentrates from the Project for the seven months ending 31 December 2012 and the year ending 31 December 2013, and a quantity equivalent to 2,000,000 metric tonnes (on a wet basis) for each year commencing from 2014,. The subscription of the Exchangeable Note in the principal amount of US$20.0 million was completed on 12 May 2011. The Group may make a further subscription of the Exchangeable Note and thereby increasing the principal amount to US$50.0 million after payment of a further US$30.0 million on or before 30 September 2011. Please refer to the Company's announcements dated 2 May 2011 and 9 August 2011 for further details.

(ii) As announced on 26 July 2011, the Group decided not to exercise the Huangcaoping Option and the Lagaluo Option that were granted by Yanyuan Xiwei and Weixi Guangfa to acquire the Huangcaoping Mine and the Lagaluo Mine, respectively as the potential reserves of both the Huangcaoping Mine and the Lagaluo Mine are unlikely to be significant enough commercially to justify investment by the Group. The Directors confirmed that the non-exercise of both options was in the interests of the Company and its Shareholders as a whole. Further, the Group was not able to exercise the Xiaoheiqing Option that was granted by Panzhihua Jingzhi since it was not able to reach an agreement to the terms of the acquisition of the Xiaoheiqing Jingzhi Mine with Panzhihua Jingzhi prior to the expiration of the Xiaoheiqing Option in May 2011. Notwithstanding the expiry of the option, the Group will enter into further negotiation with Panzhihua Jingzhi with a view to acquiring the Xiaoheiqing Jingzhi Mine in terms acceptable to the Group. Please refer to the Company's announcement dated 26 July 2011 for further details.

OUTLOOK

Recent favourable policies introduced by China nationally as well as in Sichuan have provided the Group with enormous developmental opportunities. Leveraging its role as an industry leader and key integrator, the Group will take full advantage of every market opportunity as well as those opportunities brought about by government policies in order to proactively and swiftly implement prudent development strategies. Increased level of resources, higher production capacity and a more robust product chain will also be achieved through strategic merger and acquisition activities as well as expansion of various mining areas. The Group is also gearing up its strategic planning over the next five years to bolster favourable prospects for rapid growth. The Group will also strive to achieve a breakthrough in the growth of its mine resources. Moreover, the production line for titanium-related products in the Panxi Region will also be expanded while the industry chain for high-grade ordinary iron concentrates in the Aba Region will see a boost in the overall added value of the Group's products. At the same time, the Group will seek additional vanadium titano-magnetite resources overseas when deemed appropriate. Efforts will also be directed at developing overseas markets as well as coastal markets in China to help the expansion of the geographic span of the market for the Group's products. Finally, the Group is looking forward to becoming a large and influential mining group in Hong Kong backed by a strong foundation in the capital markets.

EMPLOYEES AND EMOLUMENT POLICIES

As at 30 June 2011, the number of employees of the Group was 1,727 (as at 31 December 2010: 1,757). During the Reporting Period, employee benefit expenses (including Directors' remuneration in the form of salaries, equity-settled share option expenses and other allowances) were approximately RMB45.7 million (for the six months ended 30 June 2010: RMB38.5 million).

The emolument policies of the Group are based on performance, experience, competence and market comparables. Remuneration package generally comprises salary, housing allowance, contribution to pension scheme 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 contribution.

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

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiries of all the Directors, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code during the Reporting Period.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Board is of the view that the Company has complied with all applicable code provisions in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules during the Reporting Period. The Directors are not aware of any information that reasonably reveals that there is any non-compliance with or derivation from applicable code provisions on corporate governance practices set out in Appendix 14 of the Listing Rules by the Company any time during the Reporting Period.

REVIEW OF INTERIM RESULTS

The unaudited interim consolidated financial information of the Group for the Reporting Period has been reviewed by Ernst & Young (the auditor of the Company) and the audit committee of the Company, which consists of three independent non-executive Directors, namely Mr. Yu Haizong, Mr. Gu Peidong and Mr. Liu Yi. The audit committee expressed no disagreement with the accounting policies and principles adopted by the Company.

Glossary

"12th Five-Year Plan"	the Twelfth Five-Year Plan for National Economic and Social Development
"Aba Mining"	Aba Mining Co., Ltd.* (阿壩礦業有限公司), a limited liability company established in the PRC on 27 February 2004 and an indirect wholly-owned subsidiary of the Company
"Aba Mining Acquisition Agreement"	the equity interest transfer agreement dated 15 November 2010 entered into between Sichuan Lingyu Investment Co., Ltd.* (四川省淩御投資有限公司) (as transferee) and Chuan Wei (as transferor) under which the entire interest in Aba Mining is being transferred
"Aba Region"	an autonomous prefecture in Sichuan
"Baicao Mine"	白草鐵礦, the vanadium-bearing titano-magnetite mine located in Xiaoheiqing Townlet, Huili County, Sichuan and operated by Huili Caitong
"Baicao Processing Plant"	the ore processing plant located at our Baicao Mine and operated by Huili Caitong
"Board" or "Board of Directors"	our board of Directors
"China" or "PRC"	the People's Republic of China, but for the purpose of this announcement, excluding Hong Kong
"Chuan Wei"	Sichuan Chuanwei Group Co., Ltd.* (四川省川威集團有限公司), a limited liability company established in the PRC on 29 March 1998 and a connected person to our Group
"Cizhuqing Mine"	茨竹箐鐵礦, the vanadium-bearing titano-magnetite mine in Xiaoheiqing Townlet, Huili County, Sichuan, with an exploration area of 2.30 sq.km.
"Company" or "our Company", "we" or "us"	China Vanadium Titano-Magnetite Mining Company Limited (中國釩鈦磁鐵礦業有限公司), a limited liability company incorporated in the Cayman Islands on 28 April 2008

"concentrate(s)"	the product(s) of ore processing plants that contain higher concentrations of minerals and are suitable for smelting
"Controlling Shareholder(s)"	has the meaning ascribed thereto in the Listing Rules and in the context of this announcement, refers to Trisonic International, Kingston Grand, Messrs. Wang Jin, Shi Yinjun, Yang Xianlu, Wu Wendong, Zhang Yuangui and Li Hesheng
"Director(s)"	director(s) of our Company or any one of them
"Exchangeable Note"	the exchangeable note in the Principal Amount due 2014 issued by the Issuer in accordance with the Secured Exchangeable Note Purchase Agreement with its terms and conditions set out in the Note Certificate
"GDP"	Gross Domestic Product, a measure of country's overall official economic output
"Group"	the Company and its subsidiaries
"Hailong Processing Plant"	the ore processing plant located at the Cizhuqing Mine, including an iron and titanium concentrate production line with an annual capacity of 300.0 Kt iron concentrates, together with a tailing storage facility, certain buildings and machinery and equipment located at Xiaoheiqing Townlet, Huili County, Sichuan
"Heigutian Processing Plant"	the ore processing plant located at Heigutianshe, Xinjiu Town, Yanbian County, Sichuan
"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
"Huangcaoping Mine"	黃草坪鐵礦, an iron ore mine owned by Yanyuan Xiwei located at Huangcaoping near Pingchuan Town of Yanyuan County, Sichuan
"Huangcaoping Option"	an option to acquire the Huangcaoping Mine, such option has expired on 16 June 2011
"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 is a foreign equity joint venture in the PRC since 29 December 2010, an indirect wholly-owned subsidiary of the Company
"Huili County"	a county in Sichuan

"Independent Third Party Pelletising Contractors"	the independent third party contractors which entered into the pelletising contracts with us, including Panzhihua Henghong Iron Pellets Co., Ltd.* (攀枝花恒弘球團有限公司), Panzhihua City Guangchuan Metallurgy Co., Ltd.* (攀枝花市廣川冶金有限公司) and Yanbian County Tianshili Mining Co., Ltd.* (鹽邊縣天時利礦業有限公司)
"Independent Third Party Processing Contractor(s)"	the independent third party contractor(s) which entered into the processing contracts with us, including Yanbian County Hongyuan Mining Co., Ltd.* (鹽邊縣宏緣礦業有限責任公司) and Panzhihua City Aolei Gongmao Co., Ltd.* (攀枝花市奧磊工貿有限責任公司)
"Indicated resources"	part of the iron ore resources for which tonnage, densities, shape, physical characteristics, quality and mineral content can be estimated with a reasonable level of confidence as defined by the JORC Code
"Inferred resources"	part of the iron ore resources for which tonnage, quality and mineral content can be estimated with a low level of confidence as defined by the JORC Code
"IPO"	the initial public offering and listing of Shares of the Company on the Main Board on 8 October 2009
"iron"	a silvery-white, lustrous, malleable, ductile, magnetic or magnetisable, metallic element occurring abundantly in combined forms, notably in hematite, limonite, magnetite, and taconite, and alloyed for use in a wide range of important structural materials
"iron concentrate(s)"	concentrate(s) whose main mineral content (by value) is iron
"iron ore"	compounds of iron and oxygen (iron oxides) mixed with impurities (gangue); it is a mineral which when heated in the presence of a reductant will yield metallic iron
"iron pellet(s)"	round hardened clumps of iron-rich material suitable for application in blast furnaces
"Issue Date"	the date on which the Exchangeable Note is issued
"Issuer"	a private company incorporated in the British Virgin Islands with limited liability, being the issuer of the Exchangeable Note under the Secured Exchangeable Note Purchase Agreement and a third party independent of the Company and its connected persons
"JORC Code"	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004 edition), as published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy and used to determine resources and reserves, as amended from time to time
"Kingston Grand"	Kingston Grand Limited, a company incorporated in the British Virgin Islands on 20 February 2007, holder of 40% of the issued share capital of Trisonic International
"km"	kilometer(s), a metric unit measure of distance

"Kt"	thousand tonnes
"Lagaluo Mine"	拉嘎洛鐵礦, an iron ore mine owned by Weixi Guangfa located at Zhanglu Village, Weixi County, Sichuan
"Lagaluo Option"	an option to acquire the Lagaluo Mine, such option has expired on 27 July 2011
"LIBOR"	The London Inter Bank Offered Rate, as determined by the bank for interest periods of up to 12 months or such other interest periods at may be agreed by the bank
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	the Main Board of the Stock Exchange
"Maoling Mine"	毛嶺鐵礦, an iron mine owned by Aba Mining and located in Wenchuan County, Sichuan
"Maoling Processing Plant"	the ore processing plant located at our Maoling Mine and operated by Aba Mining
"Measured resources"	mineral resources that have been intersected and tested by drill holes or sampling procedures at locations close enough to confirm continuity
"Messrs."	Messieurs
"mining right(s)"	the right(s) to mine mineral resources and obtain mineral products in areas where mining activities are licensed
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
"Mr."	Mister
"Mt"	million tonnes
"Net Profit Margin"	a ratio of profitability calculated as the profit and total comprehensive income attributable to owners of the Company divided by revenue
"New Iron Pelletising Plant"	the plant that produces iron pellets and is located in Ailang Townlet, Huili County, which is approximately 5.5 km from our Xiushuihe Mine
"Note Certificate"	the note certificate of the Exchangeable Note with the terms and conditions of the Exchangeable Note set out therein
"OCBC"	Oversea-Chinese Banking Corporation Limited

"Old Iron Pelletising Plant"	the plant that produces iron pellets and is located approximately 36 km from our Xiushuihe Mine
"ore processing"	the process which in general refers to the extraction of usable portions of ores by using physical and chemical extraction methods
"Over-allotment"	the exercise of the over-allotment option, pursuant to the announcement published by the Company on 28 October 2009
"Panxi Region"	a region in Sichuan located at southwest of Chengdu reaching from Panzhihua to Xichang
"Panzhihua"	a city in Sichuan
"Panzhihua Jingzhi"	Panzhihua Jingzhi Mining Co., Ltd.* (攀枝花市經質礦產有限責任公司), a limited liability company established in the PRC on 2 August 2000
"pelletising"	a process to compress the iron ore into the shape of a pellet
"Principal Amount"	US$20,000,000 (equivalent to approximately HK$155,340,000) which could be increased to US$50,000,000 (equivalent to approximately HK$388,350,000) if the Group pays a further sum of US$30,000,000 (equivalent to approximately HK$233,010,000) in full
"Project"	the exploration and mining operation to be conducted by the Target Group in the Target Iron Mine in Java, Indonesia
"Renminbi" or "RMB"	the lawful currency of the PRC
"Reporting Period"	the six months ended 30 June 2011
"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)
"Sichuan"	the Sichuan province of the PRC
"sq.km."	square kilometre
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	a private company incorporated in the Cayman Islands and a third party independent of the Company and its connected persons

"Target Group"	the Target Company and its subsidiaries
"Target Iron Mine"	the vanadium bearing titano-magnetite iron sand ore mine located in Java, Indonesia over which the Target Group has the relevant exploration licence and mining license
"TFe"	the symbol for denoting total iron
"TiO_2"	the chemical symbol for titanium dioxide
"titanium"	a light, strong, lustrous, corrosion-resistant transition metal with a white-silvery-metallic colour
"titanium concentrates"	concentrates whose main content (by value) is titanium dioxide
"Trisonic International"	Trisonic International Limited (合創國際有限公司), a company incorporated in Hong Kong on 19 July 2006
"United States" or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US dollars" or "US$"	the lawful currency of the United States
"V_2O_5"	the chemical symbol for vanadium pentoxide
"Weixi Guangfa"	Weixi Guangfa Iron Ore Development Co., Ltd.* (維西廣發鐵礦開發有限公司), a limited liability company established in the PRC on 10 June 2005
"Weiyuan Steel"	Weiyuan Steel Co., Ltd* (威遠鋼鐵有限公司), a sino-foreign equity joint venture established in the PRC on 3 April 2001 and a connected person to our Group
"Xiaoheiqing Jingzhi Mine"	小黑箐經質鐵礦, the vanadium-bearing titano-magnetite mine owned by Panzhihua Jingzhi located at Huili County, Sichuan
"Xiaoheiqing Option"	an option to require the Xiaoheiqing Jingzhi Mine, such option has expired on 11 May 2011
"Xiushuihe Mine"	秀水河鐵礦, the vanadium-bearing titano-magnetite mine located in Ailang Townlet, Huili County, Sichuan and operated by Xiushuihe Mining
"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 member of our Group
"Xiushuihe Processing Plant"	the ore processing plant located at our Xiushuihe Mine and operated by Xiushuihe Mining
"Yanglongshan Mine"	羊龍山鐵礦, the iron mine located at Yanglongshan in Wenchuan County, Sichuan, with an exploration area of 8.79 sq.km.

"Yangqueqing Mine"	陽雀箐鐵礦, the vanadium-bearing titano-magnetite mine located in Huili County, Sichuan, with a mining area of 0.25 sq.km.
"Yanyuan Xiwei"	Yanyuan County Xiwei Mining Co., Ltd* (鹽源縣西威礦業有限責任公司), a limited liability company established in the PRC on 7 December 2007

* *For identification purpose only*

By order of the Board
China Vanadium Titano-Magnetite Mining Company Limited
Jiang Zhong Ping
Chairman

Hong Kong, 29 August 2011

As at the date of this announcement, the Board comprises Mr. Jiang Zhong Ping, Mr. Liu Feng and Mr. Yu Xing Yuan as Executive Directors; Mr. Wang Jin and Mr. Teo Cheng Kwee as Non-executive Directors; and Mr. Yu Haizong, Mr. Gu Peidong and Mr. Liu Yi as Independent Non-executive Directors.

Website: www.chinavtmmining.com