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 2016

FINANCIAL HIGHLIGHTS

- The Group's revenue was approximately RMB1,184.8 million for the Reporting Period, representing an increase of RMB1,033.3 million or 682.0% as compared with approximately RMB151.5 million for the corresponding period in 2015.

- The Group's gross profit was approximately RMB2.5 million for the Reporting Period, reversing a gross loss of approximately RMB17.0 million for the corresponding period in 2015. The gross profit margin of approximately 0.2% for the Reporting Period remained thin amidst weak condition, despite an improvement over the gross loss margin of approximately 11.2% for the corresponding period in 2015.

- The administrative expenses were approximately RMB46.4 million for the Reporting Period, representing a decrease of RMB102.0 million or 68.7% as compared with approximately RMB148.4 million for the corresponding period in 2015 mainly due to the lower expenses relating to production suspension as a result of the resumption of production at the Baicao Mine and the Xiushuihe Mine and in the absence of one-time write-off for prepaid technical service fee during the Reporting Period.

- The impairment losses were approximately RMB31.3 million for the Reporting Period, which were substantially lower than that of the corresponding period in 2015 in the absence of impairment losses for key operating assets.

- The loss and total comprehensive loss attributable to owners of the Company was approximately RMB217.5 million for the Reporting Period, as compared with approximately RMB865.5 million for the corresponding period in 2015.

- The basic and diluted loss per Share attributable to ordinary equity holders of the Company was approximately RMB10 cents for the Reporting Period, as compared with approximately RMB42 cents for the corresponding period in 2015.
- The Board does not recommend the payment of an interim dividend for the Reporting Period (six months ended 30 June 2015: Nil).

The Board hereby announces 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 PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

		For the six months ended 30 June	
		2016	2015
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**1,184,766**	151,496
Cost of sales		**(1,182,287)**	(168,476)
Gross profit/(loss)		**2,479**	(16,980)
Other income and gains	*4*	**236**	2,995
Selling and distribution expenses		**(32,926)**	(19,848)
Administrative expenses		**(46,418)**	(148,397)
Impairment loss on property, plant and equipment		**–**	(102,309)
Impairment loss on intangible assets		**–**	(137,239)
Impairment loss on goodwill		**–**	(15,318)
Impairment loss on trade receivables	*12*	**(31,302)**	(122,947)
Fair value loss on financial assets at fair value through profit or loss	*13*	**(81,948)**	(59,916)
Impairment loss for writing down to the fair value less cost to sell of assets held for sale	*14*	**–**	(60,555)
Other expenses		**(3,349)**	(60,787)
Finance costs	*5*	**(29,897)**	(36,030)
Loss before tax	*6*	**(223,125)**	(777,331)

	Notes	For the six months ended 30 June **2016** **RMB'000** **(Unaudited)**	2015 *RMB'000* (Unaudited)
Income tax credit/(expense)	*7*	**5,366**	(91,324)
Loss and total comprehensive loss for the period		**(217,759)**	(868,655)
Attributable to:			
Owners of the Company		**(217,547)**	(865,482)
Non-controlling interests		**(212)**	(3,173)
		(217,759)	(868,655)
Loss per Share attributable to ordinary equity holders of the Company:			
– Basic and diluted	*8*	**RMB(0.10)**	RMB(0.42)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2016

	Notes	**30 June 2016 RMB'000 (Unaudited)**	31 December 2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	**853,458**	855,644
Intangible assets	9	**1,644,886**	1,651,472
Prepaid land lease payments	9	**37,089**	37,642
Prepayments and deposits	10	**7,055**	6,670
Payments in advance		**156**	156
Deferred tax assets	11	**42,080**	36,714
Total non-current assets		**2,584,724**	2,588,298
CURRENT ASSETS			
Inventories		**134,423**	234,529
Trade and bills receivables	12	**509,393**	320,144
Prepayments, deposits and other receivables	10	**81,151**	88,703
Financial assets at fair value through profit or loss	13	**139,224**	221,172
Due from related parties		**215**	6,064
Pledged time deposits	15	**12,959**	12,904
Cash and cash equivalents		**44,428**	187,840
		921,793	1,071,356
Assets classified as held for sale	14	**378,334**	378,334
Total current assets		**1,300,127**	1,449,690
CURRENT LIABILITIES			
Trade and bills payables	15	**266,139**	311,601
Other payables and accruals		**526,342**	414,946
Interest-bearing bank and other loans	16	**818,366**	818,366
Due to related parties		**3,319**	4,819
Tax payables		**3,724**	3,924
Dividend payable		**1,801**	1,801
Total current liabilities		**1,619,691**	1,555,457
NET CURRENT LIABILITIES		**(319,564)**	(105,767)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,265,160**	2,482,531

	Notes	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000
Non-current liabilities			
Provision for rehabilitation		**10,375**	9,987
Other payables		**1,078**	1,078
Total non-current liabilities		**11,453**	11,065
Net assets		**2,253,707**	2,471,466
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**182,787**	182,787
Reserves		**1,691,581**	1,909,128
		1,874,368	2,091,915
Non-controlling interests		**379,339**	379,551
Total equity		**2,253,707**	2,471,466

NOTES TO INTERIM CONDENSED FINANCIAL INFORMATION
30 June 2016

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. The registered office 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 in Hong Kong is located at Unit A, 4/F, E168, Nos. 166-168 Des Vouex Road Central, Hong Kong.

During the Reporting Period, the Group was principally engaged in the business of mining, ore processing, sale of vanadium-bearing iron concentrates, ordinary iron concentrates and titanium concentrates, trading of coal and steel, and management of strategic investments. 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, a company incorporated in Hong Kong, is the parent and ultimate holding company of the Company.

2.1 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 2015.

Going concern basis

During the Reporting Period, the Group incurred a consolidated net loss of RMB217,759,000 (six months ended 30 June 2015: RMB868,655,000) and had a net cash outflows from operating activities of RMB113,670,000 (six months ended 30 June 2015: RMB29,251,000). As at 30 June 2016, the Group had net current liabilities of RMB319,564,000 (31 December 2015: RMB105,767,000).

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

(a) As at 30 June 2016, the Group's total borrowings amounted to RMB818,366,000, all of which will be due within twelve months from 30 June 2016. The Group has not experienced any significant difficulties in renewing its short-term borrowings upon their maturities and there is no indication that the banks will not renew the existing borrowings if the Group applies for the renewal. In March 2016, two banks have confirmed in writing to renew the loans of approximately RMB352,725,000 for another twelve months when the loans fall due in the second half of 2016. The Group will continue to negotiate with the respective banks for the renewal of its borrowings when they fall due in order to secure necessary facilities to meet the Group's working capital and financing requirements. The Directors have evaluated all the relevant facts available to them and are of the opinion that the Group has good track records and business relationship with the existing banks, which could facilitate the Group's applications for renewal of banking facilities when they fall due.

(b) While the Group is evaluating other recommendations and proposals with the foreign experts, the Group remains committed in relation to the existing disposal plans on the Heigutian Processing Plant at indicative disposal prices under a framework agreement signed with the potential buyers. The Group is taking necessary measures to finalise the disposal plans and discussions with the foreign experts.

(c) The Group has been following up closely on the recoverability of the Exchangeable Notes. The Group has since entered into extensive discussions with the Issuer, including negotiations on timeline for redemption and evaluation of the Issuer's future business plans in assessing such recoverability. The Group will continue to pursue necessary course of actions, which may include enforcement actions against the Issuer in relation to redemption of the Exchangeable Notes.

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

(e) The Group has streamlined its loss-making operations and continued to implement various strategic plans to improve financial performance, financial position and operating cash flows. These plans included assets rationalisation (including proposed disposal of assets or jointly development of selected mines), continual suspension of loss-making production, scale-back capacity (for improving efficiency per plant), headcounts reduction and costs control.

The Directors have reviewed the Group's cash flow forecasts 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 factors, plans, initiatives 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 interim condensed financial information of the Group for the Reporting Period 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 accrue or make provisions for additional liabilities, including contingent liabilities that may arise under such circumstances, and accordingly, may have to reclassify non-current assets and non-current liabilities as current assets and current liabilities, as the case may be.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 2015, except for the adoption of amendments to a number of International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board that are mandatory for the first time for the financial year beginning 1 January 2015. The adoption of these amendments to IFRSs has had no significant financial effect on the financial position or performance of the Group.

3. REVENUE

Revenue, which is the Group's turnover, represents the net invoiced value of goods sold, net of various types of government surcharges. An analysis of revenue from the by product is as follows:

	For the six months ended 30 June			
	2016		2015	
	RMB'000	*%*	*RMB'000*	*%*
	(Unaudited)		(Unaudited)	
Self-produced products:				
Vanadium-bearing iron concentrates	**73,822**	**6.2**	63,031	41.6
Ordinary iron concentrates	**42,196**	**3.6**	20,545	13.6
High-grade titanium concentrates	**10,393**	**0.9**	1,802	1.2
Raw ore	**19,983**	**1.7**	–	–
Processing of vanadium-bearing iron concentrates	**28,831**	**2.4**	–	–
Trading of iron ore products	**33,041**	**2.8**	66,118	43.6
Trading of coals	**104,176**	**8.8**	–	–
Trading of steels	**872,324**	**73.6**	–	–
	1,184,766	**100.0**	151,496	100.0

4. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Bank interest income	**41**	1,656
Sale of raw materials	**–**	396
Government grant*	**28**	60
Miscellaneous	**167**	883
Total other income and gains	**236**	2,995

* *There were no unfulfilled conditions or contingencies relating to the government grant.*

5. FINANCE COSTS

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank and other loans	**29,433**	30,255
Interest on discounted bills receivable *(note 12)*	**16**	3,115
Unwinding of discount on provision	**388**	320
	29,837	33,690
Foreign exchange losses, net	**–**	841
Others	**60**	1,499
	29,897	36,030

6. LOSS BEFORE TAX

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

	Notes	**For the six months ended 30 June** **2016** ***RMB'000*** **(Unaudited)**	2015 *RMB'000* (Unaudited)
Cost of inventories sold		**1,182,287**	168,476
Impairment losses recognised on:			
Property, plant and equipment		**–**	102,309
Intangible assets		**–**	137,239
Goodwill		**–**	15,318
Trade receivables	*12*	**31,302**	122,947
Assets held for sale		**–**	60,555
Total impairment losses recognised		**31,302**	438,368
Employee benefit expense (including directors' remuneration and chief executive's remuneration)*		**29,314**	33,594
Depreciation and amortisation expenses	*9*	**44,633**	70,943
Write-down of inventories to net realisable value		**3,060**	7,503
Operating lease rentals		**276**	1,086
Auditors' remuneration		**950**	1,000
Foreign exchange losses, net		**–**	841
Prepaid technical fee released to profit or loss		**–**	2,067
Prepaid technical service fee written off		**–**	39,266
Prepayment written off		**–**	4,890
Fair value losses on financial assets at fair value through profit or loss	*13*	**81,948**	59,916

* *The total employee benefit expense for the Reporting Period did not include any equity-settled share option expenses (six months ended 30 June 2015: RMB97,000).*

7. INCOME TAX

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current – Mainland China		
Over provision in prior years	**–**	(3,061)
Deferred		
Charge/(credit) for the period *(note 11)*	**(5,366)**	909
Reversal for the period *(note 11)*	**–**	93,476
Total tax charge/(credit) for the period	**(5,366)**	91,324

Aba Mining and Xiushuihe Mining enjoyed a preferential tax rate of 15% according to the "Western Development Policy" until 31 December 2020. For Huili Caitong, as its revenue fell below the 70% threshold for the industrial projects prescribed in the Catalogue of Encouraged Industries in the Western Region, Huili Caitong was subject to the Corporate Income Tax ("CIT") of the PRC rate of 25% for the Reporting Period. The other subsidiaries of the Group located in Mainland China were liable to PRC CIT at a rate of 25% on the assessable profits generated for the Reporting Period.

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

The calculation of loss per Share is based on the loss attributable to owners of the Company for the Reporting Period of RMB217,547,000 (six months ended 30 June 2015: RMB865,482,000), and the number of ordinary Shares of 2,075,000,000 (six months ended 30 June 2015: 2,075,000,000) in issue during the Reporting Period.

No adjustment has been made to the basic earnings per Share amounts presented for each of the six months ended 30 June 2015 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 each of the six months ended 30 June 2015 and 2016.

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)	Intangible assets *RMB'000* (Unaudited) *(note (a))*	Prepaid land lease payments *RMB'000* (Unaudited)
Carrying amounts at 1 January 2016	**855,644**	**1,651,472**	**37,642**
Additions	**35,308**	**–**	**–**
Depreciation/amortisation charged for the Reporting Period *(note 6)*	**(37,494)**	**(6,586)**	**(553)**
Carrying amounts at 30 June 2016	**853,458**	**1,644,886**	**37,089**

Note:

(a) As at 30 June 2016, the mining rights of Baicao Mine, Xiushuihe Mine and Maoling Mine with net carrying amounts of RMB46,974,000 (31 December 2015: RMB47,260,000), RMB2,513,000 (31 December 2015: RMB6,406,000) and RMB24,037,000 (31 December 2015: RMB24,374,000), respectively, were pledged to secure the Group's bank loans.

10. PAYMENTS IN ADVANCE, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Note	**30 June 2016** *RMB'000* **(Unaudited)**	31 December 2015 *RMB'000*
Current portion:			
Prepayments consist of:			
Purchase of raw materials and services		**5,785**	6,177
Utilities		**501**	5,947
Prepayment for the use right of a road		**45**	45
Prepaid stripping and mining fees	*(a)*	**61,007**	57,682
Prepaid transportation fees		**2,751**	4,607
Other prepayments		**6,888**	8,691
Other receivables consisting of:			
Disposal of a subsidiary		**–**	1,000
Other receivables		**4,174**	4,554
		81,151	88,703
Non-current portion:			
Prepayment for the use right of a road		**739**	784
Environmental rehabilitation deposits		**6,316**	5,886
		7,055	6,670
Total prepayments, deposits and other receivables		**88,206**	95,373

Note:

(a) As at 30 June 2016, the balance consisted of prepaid stripping and mining fees made to an independent third party contractor for stripping and mining activities at the Xiushuihe Mine and Baicao Mine for lower stripping and mining rates offered by the said contractor.

11. DEFERRED TAX ASSETS

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

	Losses available for offsetting against taxable profits	Excess tax depreciation over book value of fixed assets	Provision for rehabi-litation	Stripping cost	Provision for Impair-ment	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2015	32,193	9,941	2,003	56,136	37,361	5,500	143,134
Deferred tax credited/ (charged) to profit or loss during the period	–	(130)	80	–	–	(859)	(909)
Reversal during the period	(14,289)	–	–	(56,136)	(23,051)	–	(93,476)
At 30 June 2015 (unaudited)	17,904	9,811	2,083	–	14,310	4,641	48,749
At 1 January 2016	**25,227**	**2,746**	**2,322**	**–**	**–**	**6,419**	**36,714**
Deferred tax credited/ (charged) to profit or loss during the Reporting Period *(note 7)*	**5,350**	**(844)**	**206**	**–**	**–**	**654**	**5,366**
At 30 June 2016 (unaudited)	**30,577**	**1,902**	**2,528**	**–**	**–**	**7,073**	**42,080**

As at 30 June 2016, the Group has tax losses arising from Mainland China of RMB903,983,000 (31 December 2015: RMB814,982,000) that would expire in three to five years and deductible temporary differences of RMB845,645,000 (31 December 2015: RMB811,283,000) that were available for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses and deductible temporary differences as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

12. TRADE AND BILLS RECEIVABLES

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000
Trade receivables	**804,736**	564,118
Impairment	**(295,343)**	(264,041)
Trade receivables, net of impairment	**509,393**	300,077
Bills receivable	**–**	20,067
	509,393	320,144

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

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

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000
Within 9 months	**402,813**	155,677
9 to 12 months	**2,997**	71,126
Over 1 year	**103,583**	73,274
	509,393	300,077

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

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000
At 1 January	**264,041**	82,125
Impairment losses recognised *(note 6)*	**31,302**	181,916
	295,343	264,041

Impairment of trade receivables recognised during the Reporting Period represented a provision for individually impaired trade receivables of RMB31,302,000 (six months ended 30 June 2015: RMB122,947,000) with an aggregate carrying amount before provision of RMB134,885,000 (30 June 2015: RMB239,022,000). The individually impaired trade receivables related to certain customers that were in financial difficulties, which the Group had stopped supplying goods, initiated discussions on repayment terms and is in the midst of monitoring their repayment schedules. Whilst the Group will continue to follow up closely on the receivable status, the recoverability of part of the receivables has specifically been affected by the weak market condition and 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 RMB31,302,000 during the Reporting Period. Despite such provisions and longer-than-expected repayment periods, the Group will initiate necessary actions to recover these receivables in part or in full.

The aged analysis of the trade receivables that are not individually impaired and trade receivables that are considered impaired are as follows:

	30 June 2016 *RMB'000* **(Unaudited)**	31 December 2015 *RMB'000*
Neither past due nor impaired	**402,813**	155,677
Less than 9 months past due	**2,997**	71,126
Amounts due and impaired, net of provision		
– 9 months to 1 year past due	**103,583**	73,274
	509,393	300,077

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

As at 30 June 2016, the Group endorsed certain bills receivable accepted by banks in the PRC to certain of its suppliers in order to settle the trade payables to these suppliers with a carrying amount in aggregate of RMB51,367,000 (31 December 2015: RMB107,256,000); furthermore, as at 30 June 2016 the Group discounted certain bills receivable accepted by banks in the PRC, with a carrying amount in aggregate of RMB800,000 (31 December 2015: RMB10,500,000) (collectively referred to as the "Derecognised Bills"). The Derecognised Bills had a maturity 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 equals to their carrying 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 Reporting Period, the Group has recognised interest expense of RMB16,000 (six months ended 30 June 2015: RMB3,115,000) (note 5) on discounted bills receivable. No gains or losses were recognised from the Continuing Involvement, both during the Reporting Period or cumulatively. The endorsement and discount have been made evenly throughout the Reporting Period.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The balance represented Exchangeable Notes and designated by the Group as financial assets at fair value through profit or loss upon initial recognition. The Exchangeable Notes were issued by the Issuer. The original maturity date of the Exchangeable Notes was 25 November 2014.

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

The movements in the fair values of the Exchangeable Notes during each of the six months ended 30 June 2015 and 2016 are as follows:

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Carrying amount at 1 January	**221,172**	290,171
Fair value losses on financial assets at fair value through profit or loss recognised during the period *(note 6)*	**(81,948)**	(59,916)
Carrying amount at 30 June	**139,224**	230,255

The fair value the Exchangeable Notes as at 30 June 2016 was estimated by management (31 December 2015: the fair value the Exchangeable Notes was estimated by an independent professional valuer) based on the estimated recoverable amount of the exchangeable notes discounted with a risk-free interest rate. The following table lists the key inputs:

	30 June 2016	31 December 2015
Risk-free interest rate (Indonesia) (% per annum)	**0.91**	0.91
Recovery rate (%)	**26.3**	40.00

14. ASSETS CLASSIFIED AS HELD FOR SALE

The management has permanently ceased the production for 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 the plant and equipment on a piecemeal basis or (ii) dispose the Heigutian Processing Plant in its entirety.

The management has been in active discussions with potential buyers for the proposed sale before 30 June 2015 and from the discussions held, the management noted that the potential proceeds from the sale of the entire plant are likely to be higher than that arising from the sale of plant and equipment on a piecemeal basis. The Group committed in relation to the existing disposal plans on Heigutian Processing Plant. As such, Heigutian Processing Plant was continued to be classified as assets held for sale as at 30 June 2016 and recorded at fair value less cost to sell.

Non-recurring fair value measurements:

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	
Assets held for sale	**378,334**	378,334

In accordance with IFRS 5, assets held for sale including property, plant and equipment and prepaid land lease payments with carrying amounts of RMB435,355,000 and RMB3,534,000 respectively, were written down to their aggregate fair values less cost to sell of RMB378,334,000, resulting in a loss of RMB60,555,000 recognised for the six months ended 30 June 2015.

The non-recurring fair value measurement for assets held for sale was considered to be Level 2 as at 30 June 2016 (31 December 2015: Level 2), as it was derived from quoted prices in markets that were not active.

15. TRADE AND BILLS PAYABLES

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000
Trade payables	**233,608**	279,070
Bills payable	**32,531**	32,531
	266,139	311,601

An aged analysis of the trade payables and bills payable as at the end of each reporting period, based on the invoice date or issuance date, is as follows:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000
Within 180 days	**167,178**	195,544
181 to 365 days	**650**	22,168
1 to 2 years	**17,210**	40,130
2 to 3 years	**33,450**	29,055
Over 3 years	**47,651**	24,704
	266,139	311,601

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

As at 30 June 2016, the Group's bills payable of RMB30,400,000 (31 December 2015: RMB30,400,000) were secured by pledged time deposits of RMB12,959,000 (31 December 2015: RMB12,904,000).

16. INTEREST-BEARING BANK AND OTHER LOANS

	Notes	**30 June 2016** *RMB'000* **(Unaudited)**	31 December 2015 *RMB'000*
Repayable within one year:			
Bank loans:			
Secured	*(a)*	**373,700**	373,700
Unsecured	*(b)*	**443,866**	443,866
Other loans, unsecured	*(c)*	**800**	800
		818,366	818,366

Notes:

(a) The balance as at 30 June 2016 consisted of (i) a bank loan of RMB120,000,000 granted by Shanghai Pudong Development Bank ("SPDB") Chengdu Branch bearing interest at the rate of 5.88% per annum, which was pledged by the mining right of Xiushuihe Mining and 95% equity interests in Xiushuihe Mining; (ii) bank loans of RMB225,000,000 granted by China Construction Bank ("CCB") Huili Branch bearing interest at the rate of 5.32% per annum, which were pledged by the mining right of Baicao Mine; and (iii) a bank loan of RMB28,700,000 granted by SPDB Chengdu Branch bearing interest at the rate of 6.48% per annum, which was pledged by the mining right of Maoling Mine.

(b) As at 30 June 2016, Huili Caitong had an unsecured interest-bearing bank loan of RMB75,000,000 from CCB Xichang Branch at a fixed rate of 6.55% per annum. In accordance with the bank loan agreement entered between Huili Caitong and CCB Xichang Branch, Huili Caitong agreed not to mortgage or pledge the iron concentrate production line with annual production capacity of 500,000 tonnes to any other parties, and CCB Xichang Branch will be entitled to a pre-emption right in the event of such mortgage or pledge.

In addition, as at 30 June 2016, Huili Caitong and Xiushuihe Mining had unsecured interest-bearing bank loans from China Merchants Bank ("CMB") Yingmenkou Branch, Industrial and Commercial Bank of China ("ICBC") Liangshan Branch and SPDB Chengdu Branch of RMB136,166,000, RMB112,700,000 and RMB120,000,000, respectively, with fixed rates ranging from 5.35% to 6.0% per annum. The above unsecured interest-bearing bank loans were guaranteed by the Company at nil consideration.

(c) Other loans represented interest-bearing loans granted by Wenchuan County State Assets Investment Co., Ltd. to Aba Mining for the reconstruction of production plants affected by the earthquake in May 2008. Other loans are unsecured and interest-bearing at a fixed rate of 5.76% per annum, which are fully due for repayment in the first half of 2017.

17. SHARE OPTION SCHEMES

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 whom the Board 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. Eligible participants include the Company's Directors, including non-executive directors, and other employees of the Group. The options will remain in force for 10 years from the date of grant.

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

	Notes	**Weighted average exercise price** *HK$ per Share*	**Number of options** *'000*
As at 1 January 2016			
– Old Option Scheme	*(a)*	5.03	28,200
– New Option Scheme	*(a)*	2.16	56,800
Forfeited during the Reporting Period			
– Old Option Scheme	*(b)*	5.03	(9,500)
– New Option Scheme	*(b)*	1.69	(18,800)
As at 30 June 2016		3.26	56,700

Notes:

(a) The share options outstanding as at 1 January 2016 represented share options granted under the Old Option Scheme and the New Option Scheme by the Company on 29 December 2009, 1 April 2010, 23 May 2011 and 15 April 2014 at the exercise prices of HK$5.05, HK$4.99, HK$3.60 and HK$1.00 per share, respectively.

(b) The share options granted to Mr. Yu Xingyuan under the Old Option Scheme and the New Option Scheme were forfeited following his resignation during the Reporting Period.

The exercise prices and exercise periods of the share options outstanding as at 30 June 2016 are as follows:

Number of options *'000*	**Exercise price per Share** *HK$*	**Exercise period**
6,400	5.05	29 June 2012 to 28 December 2019
6,400	5.05	29 December 2014 to 28 December 2019
2,950	4.99	1 October 2012 to 31 March 2020
2,950	4.99	1 April 2015 to 31 March 2020
20,300	3.60	23 May 2013 to 22 May 2021
8,850	1.00	15 October 2014 to 14 April 2024
4,425	1.00	15 April 2015 to 14 April 2024
4,425	1.00	15 October 2015 to 14 April 2024
56,700		

The Group had 56,700,000 share options exercisable as at 30 June 2016, and the weighted average exercise price was HK$3.26 per Share, which were fully vested in 2015.

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

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

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

As at 30 June 2016 and at the date of approval of this interim condensed financial information, the Company had 56,700,000 share options outstanding, which represented approximately 2.73% of the Company's Shares in issue as at that respective dates. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 56,700,000 additional Shares of the Company and additional share capital of HK$5,670,000 and share premium of HK$179,191,000 (before issue expenses).

18. DIVIDENDS

At a meeting of Directors held on 29 August 2016, the Directors resolved not to pay an interim dividend to Shareholders for the Reporting Period (six months ended 30 June 2015: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

During the Reporting Period, there was a slew of news on the diverse outlook of the global economy, with most being challenging and the global steel industry continued to remain weak as demand persistently lagged further behind supply. This weak market condition was also burdened by the slowdown and rebalancing of China's economy. With less focus on rapid growth under a "new normal" stage for China's economy (which also meant lower gross domestic product ("GDP") growth forecasts), there was less incentive to invest in the local steel-related industry, further driving down the steel demand and resulting in "cut-throat" pricing from aggressive destocking in China. Given so, local steel producers were forced to sell excess stocks on the global markets and steel exports, as a result, have risen substantially causing western countries to accuse China of dumping steels at low prices on different occasions. The massive overcapacity issue and resultant low prices have adversely affected the operational viability of many local steel producers.

To rebalance the supply and demand discrepancy, the Chinese government has been implementing reforms on all fronts, particularly in the steel sector, in order to tackle the overcapacity issue and maintain sustainable industry development. Supply-side structural reform (《供給側結構性改革》) has been carried out since the Central Economic Work Conference held in December 2015, where "cut excessive industry capacity" was identified as one of the top priorities.

More specifically, to tackle the ongoing surplus situation in the steel industry, the Chinese government targeted to cut 100 Mt to 150 Mt of annual crude steel capacity by 2020 and encouraged mergers within the industry, according to the "Opinions on Resolving Overcapacity in the Steel Industry to Revive Development" (《關於鋼鐵行業化解過剩產能實現脱困發展的意見》) issued by the State Council of the PRC ("State Council") in early 2016. As the State Council advocated trimming excessive capacities, each provincial government has also announced its respective target and timetable in response. In Sichuan, where the Group's operations are located, the local government has published a "General Plan on Implementing Supply-side Structural Reform in Sichuan Province" (《四川省推進供給側結構改革總體方案》) that further elaborated its target to phase out 4.2 Mt of annual crude steel capacity by 2017. Furthermore, the Sichuan government has taken measures to actively cut excessive capacity by executing preferential policies and administrative measures including officer accountability and financial subsidies.

To further facilitate the supply-side structural reform, the State Council called for all-out efforts in July 2016 to meet overcapacity reduction targets in the steel industry, aiming to pare steel production capacity by 45 Mt in 2016. Apart from closing down factories with low efficiency and those which failed to meet environmental protection and energy saving requirements, mergers have also been the focus of the Chinese government for industrial reform, in order to increase capacity utilisation and improve operational efficiency. Despite such directives to merge or consolidate for larger size of operations and higher scale of efficiency, the outcomes of these mergers remained yet to be seen.

On the other hand and notwithstanding the government's actions for cutting excessive capacities, increase in construction activities in early 2016 as a result of improved property market in certain selected provinces has in some ways driven up steel demand, leading to price rallies in iron ore and steel since then. As suggested by relevant statistics, the China Iron Ore Price Index ("CIOPI") compiled by the China Iron and Steel Association increased by 48% since early January 2016 to 231.72 at the end of April 2016. The steel industry showed signs of recovery as the steel Purchasing Managers' Index ("PMI"), released by the China Federation of Logistics and Purchasing, rose from 46.7% in January 2016 all the way to 57.3% in April 2016. However, the run-up in steel price did not sustain reasonably well due to the persistent excessive supply in the market. The CIOPI subsequently fell by 14% to 198.77 at the end of June 2016 while the steel PMI in June 2016 fell to 45.1%, the lowest so far this year. Although the price rally had somewhat resumed profits of domestic steel producers, it also brought new capacities that in turn, went against the supply-side structural reform. After all, while the Chinese government has taken various proactive actions to ease overcapacity concerns, it will likely to take some time to see if these reforms or plans work in improving financial performance for the industry players over a medium to longer term.

For the titanium industry, it was generally favourable for some of the titanium producers with economies of scale as the price of high-grade titanium concentrates (with over 46% titanium) in Panzhihua climbed from RMB510-RMB530/tonne at the end of 2015 to RMB690-RMB730/tonne in June 2016 due to gradual market recovery. Whilst this price recovery was good for the overall industry, excess in market supply remained. The Group will continue to monitor the trend closely to see if it can sustain over a longer term.

Given the above, the Group's financial performance during the Reporting Period remained weak, despite a significant improvement over that of corresponding period in 2015. More importantly, the Group will continue to intensify its efforts in streamlining operations and rationalising under-utilised assets as industry development is uncertain and market conditions remain highly volatile.

BUSINESS AND OPERATIONS REVIEW

Overview

During the Reporting Period, the market conditions of iron ore industry remained volatile. As a result, the capacity utilisation of the Group's plants was still low and below optimal levels. During the Reporting Period, the Group's revenue increased significantly by 682.0% to approximately RMB1,184.8 million as compared with the corresponding period in 2015 mainly due to the new trading of steels and coals, as part of the diversification plans which the Group embarked on, despite thin margins amidst market condition. During the Reporting Period, the purchases and sales of steels, coals and iron ore products for trading were approximately 643.4 Kt and 739.3 Kt in volume respectively, representing increases of 499.1% and 588.4% respectively, as compared with the corresponding period in 2015.

Both total production and sales volumes of the Group's self-produced products (mainly vanadium-bearing iron concentrates, ordinary iron concentrates and high-grade titanium concentrates) also increased as compared with the corresponding period in 2015. Specifically, the production and sales volumes of:

- vanadium-bearing iron concentrates were approximately 291.0 Kt and 364.1 Kt, respectively;

- ordinary iron concentrates were approximately 60.9 Kt and 71.3 Kt, respectively; and

- high-grade titanium concentrates were approximately 15.8 Kt and 19.1 Kt, respectively.

During the Reporting Period, the Group has also commenced to sell raw ore to an independent third party and process vanadium-bearing iron concentrates for an independent third party in the volume of approximately 987.8 Kt and 176.9 Kt, respectively. Please refer to the table which summarised the details, including those changes in volumes, expressed in % term of this section for further details.

Given the above, the Group's revenue increased significantly as compared with the corresponding period in 2015. During the Reporting Period, the Group recorded a lower loss and total comprehensive loss attributable to owners of the Company for the Reporting Period as compared with the corresponding period in 2015 due to the lower administrative expenses and impairment losses.

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

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

	Six months ended 30 June		
	2016	2015	Change
	(Kt)	*(Kt)*	*(%)*
(i) Trading Sales			
Steels			
Purchase from an independent third party	**367.9**	–	N/A
Sale to an independent third party	**443.2**	–	N/A
Coals			
Purchase from the independent third parties	**159.2**	–	N/A
Sale to an independent third party	**167.5**	–	N/A
Iron ore products			
Purchase from the independent third parties	**116.3**	107.4	8.3
Sale to the independent third parties	**128.6**	107.4	19.7

	Six months ended 30 June		
	2016	2015	Change
	(Kt)	*(Kt)*	*(%)*
(ii) Sales of Self-produced Products			
Vanadium-bearing iron concentrates			
Baicao Processing Plant	**–**	36.6	-100.0
Xiushuihe Processing Plant	**207.2**	147.4	40.6
Hailong Processing Plant	**83.8**	58.3	43.7
Total production volume	**291.0**	242.3	20.1
Total sales volume	**364.1**	263.5	38.2
Ordinary iron concentrates			
Maoling Processing Plant	**60.9**	49.0	24.3
Total production volume	**60.9**	49.0	24.3
Total sales volume	**71.3**	26.7	167.0
Medium-grade titanium concentrates			
Baicao Processing Plant	**16.1**	12.8	25.8
Total production volume	**16.1**	12.8	25.8
Total sales volume	**–**	–	N/A
High-grade titanium concentrates			
Xiushuihe Processing Plant	**15.8**	6.3	150.8
Total production volume	**15.8**	6.3	150.8
Total sales volume	**19.1**	5.1	274.5
Raw ore			
Sale to an independent third party	**987.8**	–	N/A
(iii) Others			
Processing of vanadium-bearing iron concentrates for an independent third party	**176.9**	–	N/A

Exchangeable Notes

Meanwhile, the Group has been following up closely on the recoverability of the Exchangeable Notes owing 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. The Group has since entered into extensive discussions with the Issuer, including negotiations on timeline for redemption and evaluation of investee's future business plans, as part of the Group's internal assessment in assigning an accounting fair value thereof as at the reporting dates and proactive approach in following up on its redemption. Given that, the estimated fair value loss on the Exchangeable Notes during the Reporting Period was approximately RMB81.9 million with a carrying value for the Exchangeable Notes of approximately RMB139.2 million as at 30 June 2016. The Group will continue to pursue necessary actions in relation to full or partial redemption of the Exchangeable Notes over a to-be-agreed timeline and amount. The Group will update Shareholders in due course.

Assets Classified as Held for Sale

The assets classified as held for sale were approximately RMB378.3 million as at 30 June 2016, representing the property, plant and equipment and land use right of the Heigutian Processing Plant. As explained in the Company's 2015 annual report relating to assets classified as held for sale, the management has permanently ceased the production for the Heigutian Processing Plant under the Group's strategic plans as the plant continued to operate at below optimal utilisation level and failed to achieve economies of scale despite various operational streamlining exercises due to challenging operating environment and massive overcapacity concerns for the industry. The management has very limited opportunity to optimise its capacity utilisation with no immediate plans to revive the production for this processing plant. As such, the management has decided to dispose either (i) the plant and equipment on a piecemeal basis or (ii) the Heigutian Processing Plant in its entirety. The Heigutian Processing Plant was classified as assets held for sale as at 31 December 2015 and recorded at fair value less cost to sell.

On the back of market uncertainty and commodity prices volatility in the dynamic business environment, the Group has been looking for various ways to improve assets utilisation. The Group has thus recently initiated discussions with strategic partners and/or foreign experts in performing technical reviews on the existing mining methodology and sustainable mines development for one of the mines, the Yangqueqing Mine (near the Heigutian Processing Plant). The Group is in the midst of discussions with a foreign expert in re-assessing the viability of the Yangqueqing Mine development in various stages and over a longer term, which also include inviting offers for potential collaboration that could either (i) vary the terms for the existing plans on disposal or (ii) form an all-party joint consortium for gradual mine development (base on a to-be-agreed revenue sharing or operating model). Despite this development and while the Group will continue to evaluate other recommendations and proposals with the foreign experts, the Group remains committed in relation to the existing disposal plans on the Heigutian Processing Plant. As at 30 June 2016, the classification of the Heigutian Processing Plant as assets held for sale remained unchanged and continued be recorded at fair value less cost to sell.

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group's revenue was approximately RMB1,184.8 million (six months ended 30 June 2015: RMB151.5 million), representing an increase of 682.0% as compared with the corresponding period in 2015. Such increase was mainly due to the significantly higher revenue from new trading of steels and coals.

Cost of Sales

The cost of sales primarily included contracting fees for mining and stripping as well as materials, labour, power and other utilities, repair and maintenance, depreciation and amortisation, and purchase cost for trading. During the Reporting Period, the Group's cost of sales was approximately RMB1,182.3 million (six months ended 30 June 2015: RMB168.5 million), representing an increase of 601.7% as compared with the corresponding period in 2015 primarily due to the purchases of steels and coals from the independent third parties for trading purpose.

Gross Profit/(Loss) and Margin

On the back of higher revenue from new trading of steels and coals – as part of the Group's business diversification to expand revenue – the Group recorded a gross profit of approximately RMB2.5 million for the Reporting Period, reversing a gross loss of approximately RMB17.0 million for the corresponding period in 2015. The gross profit margin of approximately 0.2% for the Reporting Period remained thin amidst market condition, despite an improvement over the gross loss margin of approximately 11.2% for the corresponding period in 2015. The thin gross profit margin was primarily due to (i) the high-volume and low-pricing strategy for the trading business and (ii) the continual low selling prices of the Group's iron ore products due to the excessive downstream crude steel capacity.

Other Income and Gains

The other income and gains decreased by 93.3%, from approximately RMB3.0 million for the six months ended 30 June 2015 to approximately RMB0.2 million for the Reporting Period. The decrease in other income and gains of the Group for the Reporting Period was mainly due to the lower bank interest income.

Selling and Distribution Expenses

The selling and distribution expenses increased by 66.2%, from approximately RMB19.8 million for the six months ended 30 June 2015 to approximately RMB32.9 million for the Reporting Period on the back of higher sales volume. The selling and distribution expenses primarily comprised of transportation fees, logistic costs, storage and other administrative fees.

Administrative Expenses

The administrative expenses decreased by 68.7%, from approximately RMB148.4 million for the six months ended 30 June 2015 to approximately RMB46.4 million for the Reporting Period mainly due to the lower expenses relating to production suspension as a result of the resumption of production at the Baicao Mine and the Xiushuihe Mine and in the absence of one-time write-off for prepaid technical service fee to Sichuan Nanjiang Mining Group Co., Ltd. during the Reporting Period.

Other Expenses

The other expenses decreased by 94.6%, from approximately RMB60.8 million for the six months ended 30 June 2015 to approximately RMB3.3 million for the Reporting Period. The decrease was mainly because of (i) a mine landslide treatment expense of RMB45.0 million incurred for the Xiushuihe Mine (on safety concerns to the nearby villagers) for the six months ended 30 June 2015 and no such expense incurred for the Reporting Period; and (ii) lower write-off for inventories of the Group's iron ore products.

Impairment Losses

The impairment losses decreased by 92.9%, from approximately RMB438.4 million for the six months ended 30 June 2015 to approximately RMB31.3 million for the Reporting Period mainly due to the absence of impairment losses for key operating assets. During the Reporting Period, the Group issued letter of demand and made provision for impairment of trade receivables relating to certain customers which were in financial difficulties. The Group is still in the midst of monitoring the repayment schedules.

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

The fair value loss on financial assets was approximately RMB81.9 million for the Reporting Period due to the lower fair value for the Exchangeable Notes and following which the Exchangeable Notes were recorded at the fair value of approximately RMB139.2 million as at 30 June 2016.

Finance Costs

The finance costs decreased by 16.9%, from approximately RMB36.0 million for the six months ended 30 June 2015 to approximately RMB29.9 million for the Reporting Period, primarily due to the lower interest expense on discounted bills receivable.

Income Tax Credit/(Expense)

The income tax credit was approximately RMB5.4 million for the Reporting Period and the income tax expense was approximately RMB91.3 million for the six months ended 30 June 2015. The income tax credit was mainly due to the accounting recognition of deferred tax assets arising from tax losses available for offsetting against future taxable profits.

Loss and Total Comprehensive Loss

Given the above, the loss and total comprehensive loss was approximately RMB217.8 million for the Reporting Period (six months ended 30 June 2015: RMB868.7 million).

Loss and Total Comprehensive Loss Attributable to Owners of the Company

The loss and total comprehensive loss attributable to owners of the Company was approximately RMB217.5 million for the Reporting Period (six months ended 30 June 2015: RMB865.5 million).

Interim Dividend

The Board does not recommend the payment of an interim dividend for the Reporting Period (six months ended 30 June 2015: Nil).

LIQUIDITY AND CAPITAL RESOURCES

The following table sets out certain information regarding the Group's consolidated statement of cash flows for each of the six months ended 30 June 2016 and 2015:

	Six months ended 30 June			
	2016		**2015**	
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Cash and cash equivalents as stated in the consolidated statement of cash flows for the year ended 31 December 2015/2014		**187,840**		202,811
Net cash flows used in operating activities	**(113,670)**		(29,251)	
Net cash flows from/(used in) investing activities	**(29,742)**		300,734	
Net cash flows used in financing activities	**–**		(130,375)	
Net increase/(decrease) in cash and cash equivalents		**(143,412)**		141,108
Effect of foreign exchange rate changes, net		**–**		(841)
Cash and cash equivalents as stated in the interim consolidated statement of cash flows for the six months ended 30 June 2016/2015		**44,428**		343,078

Net Cash Flows Used in Operating Activities

The Group's net cash flows used in operating activities were approximately RMB29.3 million for the six months ended 30 June 2015 and approximately RMB113.7 million for the Reporting Period, primarily due to the loss before tax of approximately RMB223.1 million during the Reporting Period, partially offset by the non-cash losses relating to fair value loss on the Exchangeable Notes of approximately RMB81.9 million and the impairment loss on trade receivables of approximately RMB31.3 million.

Net Cash Flows from/(used in) Investing Activities

The Group's net cash flows from investing activities were approximately RMB300.7 million for the six months ended 30 June 2015 and the net cash flows used in investing activities were approximately RMB29.7 million for the Reporting Period, primarily due to the purchase of items of property, plant and equipment of approximately RMB30.7 million for daily production.

Net Cash Flows Used in Financing Activities

The Group's net cash flows used in financing activities were approximately RMB130.4 million for the six months ended 30 June 2015 and there were no net cash flows used in financing activities for the Reporting Period.

Analysis of Inventories

The Group's inventories decreased by 42.7%, from approximately RMB234.5 million as at 31 December 2015 to approximately RMB134.4 million as at 30 June 2016, primarily due to the lower finished goods as a result of higher sales for the Group's self-produced products and trading sales for steels.

Analysis of Trade and Bills Receivables

The Group's trade and bills receivables increased by 59.1%, from approximately RMB320.1 million as at 31 December 2015 to approximately RMB509.4 million as at 30 June 2016, mainly due to the significantly higher trading sales during the Reporting Period, despite an impairment of approximately RMB31.3 million. Trade receivables turnover days were approximately 63 days (year ended 31 December 2015: 277 days). The Group generally has a three-month credit period given to its trading customers and the trading sales accounted for approximately 85.2% of the total revenue during the Reporting Period.

Assets Classified as Held for Sale

The assets classified as held for sale were approximately RMB378.3 million as at 30 June 2016, representing the property, plant and equipment and land use right of the Heigutian Processing Plant. Please refer to the "Business and Operations Review" of this section for further details.

Analysis of Trade and Bills Payables

The Group's trade and bills payables decreased by 14.6%, from approximately RMB311.6 million as at 31 December 2015 to approximately RMB266.1 million as at 30 June 2016, primarily due to the settlement of payable relating to purchase of steels.

Analysis of Net Current Liabilities Position

The Group's net current liabilities position increased by 202.1%, from approximately RMB105.8 million as at 31 December 2015 to approximately RMB319.6 million as at 30 June 2016, primarily due to the lower cash and cash equivalents as a result of the operating loss incurred during the Reporting Period and the fair value loss on the Exchangeable Notes.

Borrowings

As at 30 June 2016, the Group's borrowings included mainly (i) a bank loan of RMB120.0 million with an annual interest rate of 5.88% from SPDB Chengdu Branch to Xiushuihe Mining which was secured by the mining right of the Xiushuihe Mine and 95% equity interest in Xiushuihe Mining; (ii) bank loans of RMB225.0 million with an annual interest rate of 5.32% from CCB Huili Branch to Huili Caitong which was secured by the mining right of the Baicao Mine; (iii) a bank loan of RMB28.7 million with an annual interest rate of 6.48% from SPDB Chengdu Branch to Aba Mining which was secured by the mining right of the Maoling Mine; (iv) an unsecured bank loan of RMB75.0 million with an annual interest rate of 6.55% from CCB Xichang Branch to Huili Caitong and (v) unsecured bank loans of RMB136.2 million, RMB112.7 million and RMB120.0 million with annual interest rates ranging from 5.35% to 6.0%, 5.6% to 6.0% and 5.88% from CMB Yingmenkou Branch, ICBC Liangshan Branch and SPDB Chengdu Branch, respectively, to Huili Caitong and Xiushuihe Mining.

Contingent Liabilities

As at 30 June 2016, the Group did not have any material contingent liabilities.

Pledge of Assets

As at 30 June 2016, the mining right of the Xiushuihe Mine and 95% equity interest in Xiushuihe Mining were pledged to SPDB Chengdu branch for the bank loan of RMB120.0 million. The mining right of the Baicao Mine was pledged to CCB Huili branch for the bank loans of RMB225.0 million and the mining right of the Maoling Mine was pledged to SPDB Chengdu branch for the bank loan of RMB28.7 million. In addition, the Group's deposits of approximately RMB13.0 million were pledged at banks for the issuance of bills payable.

Foreign Currency Risk

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

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

The following table demonstrates the sensitivity to a 5.0% change in RMB against HK$ and US$, respectively. The 5.0% is the rate used when reporting currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in the foreign currency rate. The sensitivity analyses of the Group's exposure to foreign currency risk at the end of the reporting period have been determined based on the adjustment of translation of the monetary assets and liabilities at the end of each reporting period for a 5.0% change in RMB against HK$ and US$, respectively, with all other variables held constant, of the Group's loss before tax for the six months ended 30 June 2016 (due to changes in the fair value of cash and cash equivalents and financial assets at fair value through profit and loss):

	RMB'000
Increase/(decrease) in loss before tax	
If RMB strengthens against HK$ and US$	7,097
If RMB weakens against HK$ and US$	(7,097)

Interest Rate Risk

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

Contractual Obligations

As at 30 June 2016, the Group's contractual obligations decreased by RMB0.3 million to approximately RMB8.8 million as compared with approximately RMB9.1 million as at 31 December 2015.

Capital Expenditure

The Group's total capital expenditure decreased by RMB87.5 million from approximately RMB122.9 million for the six months ended 30 June 2015 to approximately RMB35.4 million during the Reporting Period. The capital expenditure comprised of (i) technical improvement regarding dewatering innovation, power saving and pipeline innovation for the processing lines of vanadium-bearing iron concentrates at the Xiushuihe Processing Plant and the Hailong Processing Plant aggregated to

RMB17.0 million; (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 aggregated to RMB8.1 million and (iii) the development of the construction of miscellaneous projects and acquisition of machinery equipment of approximately RMB10.3 million.

Financial Instruments

As at 30 June 2016, the Group had the Exchangeable Notes in the principal amount of US$30.0 million. The Exchangeable Notes are accounted for as financial assets at fair value and recorded at the fair value of approximately RMB139.2 million as at 30 June 2016 after accounting for an impairment loss of approximately RMB81.9 million during the Reporting Period.

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 30 June 2016, gearing ratio was 25.6% (31 December 2015: 20.3%).

OUTLOOK

The expected gradual slowdown in China's economic prospects and its ongoing adjustments are mainly the results of the historic shift of China's economy to a more consumption-and-service-driven model. This historic shift has caused significantly lower manufacturing activities for exports and affected many steel producers adversely, which are already burdened by massive overcapacity in the industry. In view of this, the Chinese government has further increased infrastructure spending budgets and hopefully, this could help to ease excessive supply, which could progressively boost steel demand and related commodities.

Against this backdrop, there have also been talks of mergers in the steel industry as part of the major structural reform, which aims to improve scale efficiency for producers by increasing operational sizes. However, there is no assurance that the merger plans will "guarantee" efficient use of energy, labour, materials, and to a certain extent, technologies for the merging entities. As reiterated and explained in the "Market Review" of this section, despite such proposed directives to merge for larger scale of operations, the outcomes of these consolidations remain to be seen. Specifically, the overall rebalancing economic policies aim to sustain growth, albeit at a slower rate (which has recently been reflected in lower GDP growth rate for China). Broadly, the Group reasonably believes that such a re-focus in policies may benefit the steel and other resource sectors over a longer term if economies of scale can be attained and sustainable demand trend can be established.

However, on the back of market uncertainty and commodity prices volatility, the Group has scaled back part of its capacity, streamlined those loss-making operations, kept its cost control discipline; and will continue to improve production efficiency and boost asset utilisation rates. The Group has also initiated discussions with various strategic partners and/or foreign experts in (i) performing technical reviews on the existing mining methodology and for sustainable mines development; and (ii) conducting strategic reviews on current operating models and the related business development strategies (which could involve revenue sharing and/or cost recovery). These commercial discussions may potentially lead to opportunities for strategic acquisitions or collaborations, joint mines development and increasing use of innovative mining methods. These strategies fall in line with recent efforts from the Chinese government in promoting "sustainable development" and "efficient transformation" of traditional industries.

Meanwhile, the Group recognises that there exists an immediate need to make strategic moves, adopt asset-light strategies and reallocate part of its resources in order to improve its financial performance, cap segmental losses and enhance shareholder value. Whilst the Group has taken a proactive approach towards such operational improvements, the Group remains cautious about the volatility of commodity prices and emphasises that continual cost control discipline and operational streamlining are key factors to keep operations nimble and adaptive in this dynamic business environment.

EMPLOYEES AND EMOLUMENT POLICIES

As at 30 June 2016, the number of employees of the Group was 1,521 (31 December 2015: 1,497). During the Reporting Period, employee benefit expense (including Directors' remuneration in the form of salaries, equity-settled share option expenses and other allowances) was approximately RMB29.3 million (six months ended 30 June 2015: RMB33.6 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.

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

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

CORPORATE GOVERNANCE

The Board is of the view that during the Reporting Period, the Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report as contained in Appendix 14 of the Listing Rules ("CG Code") except for code provisions A.2.1 and A.6.7.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company deviates from this code provision by Mr. Jiang Zhong Ping, being the chairman and acting chief executive officer of the Company concurrently. Mr. Jiang Zhong Ping was appointed as the acting chief executive officer of the Company on 15 May 2015 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. The nomination committee of the Company will consider and identify a suitable individual and make recommendations to the Board on the appointment of the chief executive officer as soon as possible.

Code provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of the shareholders. Messrs. Liu Yi and Wu Wen did not attend the annual general meeting of the Company held on 25 May 2016 due to other business commitments.

Save as disclosed above, the Directors are not aware of any other information that reasonably reveals that there is any non-compliance with or deviation from applicable code provisions on corporate governance practices set out in Appendix 14 of the Listing Rules by the Company anytime during the Reporting Period.

REVIEW OF INTERIM CONDENSED FINANCIAL INFORMATION

Disclosure of financial information in this announcement complies with Appendix 16 of the Listing Rules. The audit committee has discussed internal control affairs and reviewed the Company's interim results for the Reporting Period, and the audit committee is of the view that the interim results for the Reporting Period is prepared in accordance with applicable accounting standards, rules and regulations, and appropriate disclosures have been duly made.

GLOSSARY

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

"Baicao Mine"	白草鐵礦, the vanadium-bearing titano-magnetite mine located in Huili County, Sichuan and operated by Huili Caitong, with a mining area of 1.88 sq.km.
"Baicao Processing Plant"	the ore processing plant located near the Baicao Mine and operated by Huili Caitong
"Board"	the board of Directors
"China" or "PRC"	the People's Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"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.
"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
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Controlling Shareholder(s)"	has the meaning ascribed thereto in the Listing Rules and in the context of this announcement, refers to Trisonic International, Kingston Grand, Messrs. Wang Jin, Shi Yinjun, Yang Xianlu, Wu Wendong, Zhang Yuangui and Li Hesheng, Long Sino International Limited, Mr. Zou Hua and Ms. Jiang Hua
"Director(s)"	director(s) of the Company or any one of them
"Exchangeable Note(s)"	the exchangeable note(s) issued by the Issuer in accordance with the Secured Exchangeable Note Purchase Agreement with its terms and conditions set out in the Note Certificate
"Group"	the Company and its subsidiaries
"Haibaodang Mine"	海保凼鈦鐵礦, the vanadium-bearing titano-magnetite mine located in Renhe District, Panzhihua City, Sichuan, with an exploration area of 26.2 sq.km.

"Hailong Processing Plant"	the ore processing plant located near the Cizhuqing Mine and operated by Huili Caitong
"Heigutian Processing Plant"	the ore processing plant located near the Yangqueqing Mine and owned by Huili Caitong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Huili Caitong"	Huili County Caitong Iron and Titanium Co., Ltd.*（會理縣財通鐵鈦有限責任公司）, established in the PRC on 7 July 1998 and has been a foreign equity joint venture in the PRC since 29 December 2010, an indirect wholly-owned subsidiary of the Company
"iron"	a silvery-white, lustrous, malleable, ductile, magnetic or magnetisable, metallic element occurring abundantly in combined forms, notably in hematite, limonite, magnetite, and taconite, and alloyed for use in a wide range of important structural materials
"iron concentrate(s)"	concentrate(s) whose main mineral content (by value) is iron
"iron ore"	compounds of iron and oxygen (iron oxides) mixed with impurities (gangue); it is a mineral which when heated in the presence of a reductant will yield metallic iron
"iron pellet(s)"	a round hardened clump of iron-rich material suitable for application in blast furnaces
"Iron Pelletising Plant"	the plant that produces iron pellets and is located in Huili County, Sichuan, which is approximately 5.5 km. from the Xiushuihe Mine and operated by Huili Caitong
"Issuer"	Rui Tong Limited, a private company incorporated in the British Virgin Islands with limited liability, being the issuer of the Exchangeable Note under the Secured Exchangeable Note Purchase Agreement and a third party independent of the Company and its connected persons

"Kingston Grand"	Kingston Grand Limited, a company incorporated in the British Virgin Islands on 20 February 2007, holder of 40% of the issued share capital of Trisonic International
"km."	kilometre(s), a metric unit measure of distance
"Kt"	thousand tonnes
"Ktpa"	thousand tonnes per annum
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Maoling Extended Exploration Area"	formerly an independent exploration region with an area of 2.83 sq.km. covered under the extended exploration permit of the Maoling Mine (covering 1.9 sq.km. of the mining area of the Maoling Mine), has been consolidated with the Yanglongshan Mine since September 2012 to form the Maoling-Yanglongshan Mine
"Maoling Mine"	毛嶺鐵礦, an ordinary magnetite mine located in Wenchuan County, Sichuan, with a mining area of 1.9 sq.km.
"Maoling Processing Plant"	the ore processing plant located near the Maoling-Yanglongshan Mine and operated by Aba Mining
"Maoling-Yanglongshan Mine"	an exploration region with a total area of 11.62 sq.km. covered under the exploration permit of the Maoling-Yanglongshan Mine (the mining area covered is owned by the Maoling Mine), formed from the combination of the Maoling Extended Exploration Area and the Yanglongshan Mine since September 2012 and operated by Aba Mining
"mining right(s)"	the right(s) to mine mineral resources and obtain mineral products in areas where mining activities are licensed
"Mt"	million tonnes
"Note Certificate"	the note certificate of the Exchangeable Notes with the terms and conditions of the Exchangeable Notes set out therein

"ore processing"	the process which in general refers to the extraction of usable portions of ores by using physical and chemical extraction methods
"Panxi Region"	a region in Sichuan located at southwest of Chengdu reaching from Panzhihua to Xichang
"Renminbi" or "RMB"	the lawful currency of the PRC
"Reporting Period"	the six months ended 30 June 2016
"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$0.1 each
"Shareholder(s)"	holder(s) of the Share(s)
"Shigou Gypsum Mine"	Shigou gypsum mine located at Hanyuan County, Ya'an City, Sichuan, with a mining area of 0.1228 sq.km.
"Sichuan"	the Sichuan province of the PRC
"sq.km."	square kilometres
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"titanium concentrate(s)"	concentrate(s) whose main content (by value) is titanium dioxide
"Trisonic International"	Trisonic International Limited (合創國際有限公司), a company incorporated in Hong Kong on 19 July 2006 and a Controlling Shareholder
"United States" or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US dollars" or "US$"	the lawful currency of the United States

"Xiushuihe Mine"	秀水河鐵礦, the vanadium-bearing titano-magnetite mine located in Huili County, Sichuan and operated by Xiushuihe Mining, with a mining area of 0.52 sq.km.
"Xiushuihe Mining"	Huili County Xiushuihe Mining Co., Ltd.*（會理縣秀水河礦業有限公司）, a limited liability company established in the PRC on 26 June 2007, an indirect subsidiary of the Company that owns 95.0% equity interest
"Xiushuihe Processing Plant"	the ore processing plant located at 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 original 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, with a mining area of 0.25 sq.km.

* *For identification purpose only*

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

Hong Kong, 29 August 2016

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

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