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 2017

FINANCIAL HIGHLIGHTS

- The Group's revenue was approximately RMB715.7 million for the Reporting Period, representing a decrease of RMB469.1 million or 39.6% as compared with approximately RMB1,184.8 million for the corresponding period in 2016.
- The Group's gross profit was approximately RMB70.0 million for the Reporting Period, representing a sharp increase as compared with approximately RMB2.5 million for the corresponding period in 2016. The gross profit margin was approximately 9.8% for the Reporting Period, a significant improvement over the gross profit margin of approximately 0.2% for the corresponding period in 2016.
- The administrative expenses were approximately RMB25.6 million for the Reporting Period, representing a decrease of RMB20.8 million or 44.8% as compared with approximately RMB46.4 million for the corresponding period in 2016 due mainly to cost control and lower production suspension expense (comprising staff costs and overheads relating to the resumption of certain production facilities) during the Reporting Period. The fair value loss on financial assets was approximately RMB55.9 million for the Reporting Period, representing a decrease of RMB26.0 million or 31.7% as compared with approximately RMB81.9 million for the corresponding period in 2016 due to the reduction in fair value for the Exchangeable Notes upon internal assessment.
- The loss and total comprehensive loss attributable to owners of the Company was approximately RMB111.3 million for the Reporting Period, as compared with approximately RMB217.5 million for the corresponding period in 2016.
- The basic and diluted loss per Share attributable to ordinary equity holders of the Company was approximately RMB5 cents for the Reporting Period, as compared with approximately RMB10 cents for the corresponding period in 2016.
- The Board does not recommend the payment of an interim dividend for the Reporting Period (six months ended 30 June 2016: 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 OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Notes	For the six months ended 30 June **2017** *RMB'000* (Unaudited)	2016 *RMB'000* (Unaudited)
Revenue	*3*	**715,668**	1,184,766
Cost of sales		**(645,645)**	(1,182,287)
Gross profit		**70,023**	2,479
Other income		**618**	236
Selling and distribution expenses		**(35,817)**	(32,926)
Administrative expenses		**(25,626)**	(46,418)
Impairment loss on trade receivables	*9*	**(8,843)**	(31,302)
Impairment loss on assets classified as held for sale	*11*	**(20,000)**	–
Fair value loss on financial assets at fair value through profit or loss	*10*	**(55,907)**	(81,948)
Other expenses		**(5,786)**	(3,349)
Finance costs		**(30,412)**	(29,897)
Share of loss of an associate		**(1,830)**	–
Loss before tax	*4*	**(113,580)**	(223,125)
Income tax credit/(expense)	*5*	**(1,601)**	5,366
Loss and total comprehensive loss for the period		**(115,181)**	(217,759)
Attributable to:			
Owners of the Company		**(111,327)**	(217,547)
Non-controlling interests		**(3,854)**	(212)
		(115,181)	(217,759)
Loss per share attributable to ordinary equity holders of the Company:			
– Basic and diluted	*6*	**RMB(0.05)**	RMB(0.10)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2017

	Notes	**30 June 2017** *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*7*	**643,076**	648,556
Intangible assets	*7*	**1,427,996**	1,430,373
Prepaid land lease payments	*7*	**35,982**	36,535
Prepayments and deposits	*8*	**7,282**	7,521
Payments in advance		**156**	156
Investment in an associate		**35,830**	–
Deferred tax assets		**37,966**	39,567
Total non-current assets		**2,188,288**	2,162,708
CURRENT ASSETS			
Inventories		**240,156**	266,536
Trade and bills receivables	*9*	**298,256**	321,675
Prepayments, deposits and other receivables	*8*	**109,304**	100,222
Financial assets at fair value through profit or loss	*10*	**53,710**	109,617
Due from related parties		**3,138**	658
Cash and cash equivalents		**25,596**	19,740
		730,160	818,448
Assets classified as held for sale	*11*	**280,000**	300,000
Total current assets		**1,010,160**	1,118,448
CURRENT LIABILITIES			
Trade and bills payables	*12*	**172,858**	179,265
Other payables and accruals		**540,586**	536,899
Interest-bearing bank and other loans	*13*	**873,758**	873,458
Due to related parties		**2,247**	2,244
Tax payables		**3,610**	3,610
Dividend payable		**1,801**	1,801
Total current liabilities		**1,594,860**	1,597,277
NET CURRENT LIABILITIES		**(584,700)**	(478,829)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,603,588**	1,683,879

	Notes	**30 June 2017** *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank and other loans	*13*	**353**	653
Provision for rehabilitation		**11,035**	10,670
Other payables		**601**	601
Total non-current liabilities		**11,989**	11,924
Net assets		**1,591,599**	1,671,955
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*14*	**191,281**	182,787
Reserves		**1,050,390**	1,135,386
		1,241,671	1,318,173
Non-controlling interests		**349,928**	353,782
Total equity		**1,591,599**	1,671,955

NOTES TO INTERIM CONDENSED FINANCIAL INFORMATION

30 June 2017

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 address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is located at Unit A, 4/F, E168, Nos. 166-168 Des Voeux 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 coals and steels, and management of strategic investments. There were no significant changes in the nature of the Group's principal activities during the Reporting Period.

During the Reporting Period, the Group completed the acquisition of 49% equity interest in Mancala Holdings for a purchase consideration of HK$38,200,000. The purchase consideration was satisfied by a cash consideration of HK$3,200,000 (equivalent to approximately RMB2,835,000) and the allotment and issue of the Company's 95,890,410 new Shares. Mancala Australia is principally engaged in the business of providing specialist mining services, including raised boring, shaft excavation, engineering services and other mining services.

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 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 2016.

Going concern basis

During the Reporting Period, the Group incurred a consolidated net loss of RMB115,181,000 (six months ended 30 June 2016: RMB217,759,000). As at 30 June 2017, the Group had net current liabilities of RMB584,700,000 (31 December 2016: RMB478,829,000).

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

(a) As at 30 June 2017, the Group's total borrowings amounted to RMB874,111,000, of which RMB873,758,000 will be due within twelve months from 30 June 2017. The management has been in the process of negotiation with various banks in China for renewals of the borrowings and thus has reasonable grounds to believe that it is probable for the Group to extend the short-term bank loans as and when these fall due.

(b) The Group is taking the necessary measures to expedite the disposal of the Heigutian Processing Plant at indicative disposal prices under a framework agreement signed with the potential buyers, which is expected to be completed before the end of 2017.

(c) The Group is closely pursuing the recoverability of the Exchangeable Notes and considering other potential courses of action, including enforcement actions against the Issuer of the Exchangeable Notes in connection with redemption of the Exchangeable Notes.

(d) The Group has taken necessary measures on recoverability of outstanding and certain impaired trade receivables in the current state of market uncertainty, including termination of supply contracts, negotiations of repayment terms and seeking legal advice.

(e) The Group will proactively implement various strategic plans to improve its financial performance and operating cash flows, including assets rationalisation plans and operational streamlining initiatives such as scaling back under-utilised capacity, reducing unproductive headcounts and trimming operating expenses.

Taking into account of the Group's cash flow forecasts prepared by the management which covers a period of twelve months from the end of the Reporting Period; and considering the above-mentioned factors, plans, initiatives and measures, the Directors have reasonable grounds to believe that 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, barring unforeseen circumstances. Accordingly, the preparation of the interim condensed financial information of the Group for the Reporting Period on a going concern basis remains acceptable and appropriate to the Directors.

Should the going concern assumption, for whatever reasons or as a result of changing circumstances, becomes inappropriate, necessary accounting 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 at realisable values, 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 2016, 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 on 1 January 2017. 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 external customers by product is as follows:

	For the six months ended 30 June			
	2017		2016	
	RMB'000	*%*	*RMB'000*	*%*
	(Unaudited)		(Unaudited)	
Vanadium-bearing iron concentrates				
– Self-produced	**189,515**	**26.5**	122,636	10.4
– Trading	**–**	**–**	33,041	2.8
Ordinary iron concentrates	**35,433**	**5.0**	42,196	3.6
High-grade titanium concentrates	**30,475**	**4.2**	10,393	0.9
Trading of coals	**228,858**	**32.0**	104,176	8.8
Trading of steels	**231,387**	**32.3**	872,324	73.5
	715,668	**100.0**	1,184,766	100.0

4. LOSS BEFORE TAX

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

	Notes	For the six months ended 30 June 2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Cost of inventories sold		**645,645**	1,182,287
Impairment losses recognised on:			
Trade receivables	*9*	**8,843**	31,302
Assets classified as held for sale	*11*	**20,000**	–
Total impairment losses recognised		**28,843**	31,302
Employee benefit expense (including Directors' remuneration and chief executive's remuneration)		**31,450**	29,314
Depreciation and amortisation expenses	*7*	**29,756**	44,633
Write-down of inventories to net realisable value		**–**	3,060
Operating lease rentals		**555**	276
Auditor's remuneration		**950**	950
Fair value losses on financial assets at fair value through profit or loss	*10*	**55,907**	81,948

5. INCOME TAX

	For the six months ended 30 June 2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Deferred		
Charge/(credit) for the period	**1,601**	(5,366)

Aba Mining, Huili Caitong and Xiushuihe Mining enjoyed a preferential tax rate of 15% according to the"Western Development Policy" until 31 December 2020 and were subject to the Corporate Income Tax ("CIT") of PRC rate of 15% 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.

6. 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 RMB111,327,000 (six months ended 30 June 2016: RMB217,547,000), and the weighted average number of Shares of 2,138,927,000 (six months ended 30 June 2016: 2,075,000,000) in issue for 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 2016 and 2017 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 2016 and 2017.

7. 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 were 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 2017	648,556	1,430,373	36,535
Additions	18,160	3,186	–
Depreciation/amortisation charged for the Reporting Period *(note 4)*	(23,640)	(5,563)	(553)
Carrying amounts at 30 June 2017	643,076	1,427,996	35,982

Note:

(a) As at 30 June 2017, the mining rights of the Baicao Mine, Xiushuihe Mine and Maoling Mine with net carrying amounts of RMB30,720,000 (31 December 2016: RMB32,201,000), RMB1 (31 December 2016: RMB248,000) and RMB23,145,000 (31 December 2016: RMB23,543,000), respectively, were pledged to secure the Group's bank loans.

8. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	**30 June 2017** ***RMB'000*** **(Unaudited)**	31 December 2016 *RMB'000*
Current portion:			
Prepayments consisting of:			
Purchase of raw materials and services		**9,773**	6,933
Utilities		**2,819**	3,440
Prepayment for the use right of a road		**45**	45
Prepaid stripping and mining fees	*(a)*	**53,641**	56,757
Prepaid transportation fees		**3,990**	3,217
Other prepayments		**10,266**	9,049
Deposit	*(b)*	**9,483**	9,483
Other receivables consisting of:			
Utilities		**11,743**	6,066
Other receivables		**7,544**	5,232
		109,304	100,222
Non-current portion:			
Prepayment for the use right of a road		**694**	739
Environmental rehabilitation deposits		**6,588**	6,782
		7,282	7,521
Total prepayments, deposits and other receivables		**116,586**	107,743

Notes:

(a) As at 30 June 2017, 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.

(b) The balances as at 30 June 2017 and 31 December 2016 represented a refundable deposit in respect of an acquisition of 49% equity interest in Mancala Holdings by the Group pursuant to a framework agreement of equity transfer entered into between the Group and Sapphire Corporation Limited ("Sapphire Corporation").

9. TRADE AND BILLS RECEIVABLES

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	
Trade receivables	**636,005**	583,081
Impairment	**(337,749)**	(328,906)
Trade receivables, net of impairment	**298,256**	254,175
Bills receivable	**–**	67,500
	298,256	321,675

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 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	
Within 3 months	**228,295**	197,803
3 to 9 months	**57,534**	962
9 to 12 months	**4,622**	–
Over 1 year	**7,805**	55,410
	298,256	254,175

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

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	
At 1 January	**328,906**	264,041
Impairment losses recognised *(note 4)*	**8,843**	64,865
	337,749	328,906

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

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	
Neither past due nor impaired	**229,558**	198,765
Amounts due and impaired, net of provision		
– 3 months to 9 months past due	**56,271**	–
– 9 months to 1 year past due	**12,427**	55,410
	298,256	254,175

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 significant changes in key factors, which may further affect the credit quality and the balances are thus considered fully recoverable at the point of assessment.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The balance represented Exchangeable Notes with an aggregate amount of US$30,000,000 subscribed by the Group in 2011 and designated as financial assets at fair value through profit or loss upon initial recognition. The Exchangeable Notes were issued by an 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 there occurred an event of default under the Exchangeable Notes. During 2015, the Group together with other noteholders waived the event of default and the maturity date of the Exchangeable Notes was extended from 25 November 2014 to 25 March 2015 and further extended to 25 August 2015 pursuant to two separate default waiver letters. In addition, the yield to maturity for the entire term of the Exchangeable Notes and until the full redemption thereof has been revised from 20% to 25% per annum and the Group shall be entitled to exchange all or any part of the Exchangeable Notes at any time to shares in the Target Company owned by the Issuer prior to the full redemption of the Exchangeable Notes by a single or multiple presentations of exchange notice. Since the previous extension on default waiver, the Group has not received any part of the amount repayable by the Issuer from the redemption of the Exchangeable Notes. As a result, as at 30 June 2017, the Issuer is in default.

The movements in the fair values of the Exchangeable Notes during each of the six months ended 30 June 2017 and 2016 are as follows:

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Carrying amount at 1 January	**109,617**	221,172
Fair value losses on financial assets at fair value through profit or loss recognised during the period *(note 4)*	**(55,907)**	(81,948)
Carrying amount at 30 June	**53,710**	139,224

The fair values of the Exchangeable Notes as at 30 June 2017 and 31 December 2016 was estimated by the management based on the estimated recoverable amount of the Exchangeable Notes discounted with a risk-free interest rate. The following table lists the key inputs:

	30 June 2017	31 December 2016
Risk-free interest rate (Indonesia) *(% per annum)*	**0.91**	0.91
Recovery rate *(%)*	**7.00**	15.66

11. 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. Unless subsequent technical and commercial assessment of its feasibility show improvements otherwise, 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 either (i) dispose of the plant and equipment on a piecemeal basis or (ii) dispose of the Heigutian Processing Plant in its entirety.

The management has been in active discussions with the potential buyers for the plant 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 the plant and equipment on a piecemeal basis. The Group committed in relation to the existing disposal plans on the Heigutian Processing Plant. As such, the Heigutian Processing Plant was continued to be classified as assets held for sale as at 30 June 2017 and recorded at fair value less cost to sell.

Non-recurring fair value measurements:

	30 June 2017 ***RMB'000*** **(Unaudited)**	31 December 2016 *RMB'000*
Assets classified as held for sale	**280,000**	300,000

In accordance with IFRS 5, assets classified as held for sale including property, plant and equipment and prepaid land lease payments with carrying amounts of RMB435,355,000 and RMB3,534,000, respectively, were written down to the aggregate fair values less cost to sell of RMB280,000,000, resulting in accumulated losses of RMB158,889,000, of which RMB20,000,000 and RMB138,889,000 were included in profit or loss for the Reporting Period *(note 4)* and prior years, respectively.

The non-recurring fair value measurement for assets classified as held for sale was considered to be Level 2 as at 30 June 2017 (31 December 2016: Level 2), as it was derived from quoted prices in markets that were not active.

12. TRADE AND BILLS PAYABLES

	30 June 2017 ***RMB'000*** **(Unaudited)**	31 December 2016 *RMB'000*
Trade payables	**170,727**	177,134
Bills payable	**2,131**	2,131
	172,858	179,265

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 2017 *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000*
Within 180 days	**39,646**	40,969
181 to 365 days	**33,657**	31,367
1 to 2 years	**25,244**	27,971
2 to 3 years	**22,973**	31,708
Over 3 years	**51,338**	47,250
	172,858	179,265

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

13. INTEREST-BEARING BANK AND OTHER LOANS

	Notes	**30 June 2017** *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000*
Bank loans:			
Secured	*(a)*	**428,992**	428,992
Unsecured	*(b)*	**443,866**	443,866
Other loans, unsecured	*(c)*	**1,253**	1,253
		874,111	874,111
Bank loans repayable:			
Within one year		**872,858**	872,858
Unsecured other loans repayable:			
Within one year		**900**	600
In the second year		**353**	653
		1,253	1,253
Total bank and other loans		**874,111**	874,111
Balances classified as current liabilities		**(873,758)**	(873,458)
Balances classified as non-current liabilities		**353**	653

Notes:

(a) The balance as at 30 June 2017 consists of (i) an interest-bearing bank loan of RMB120,000,000 bearing a fixed interest rate of 5.88% per annum granted by Shanghai Pudong Development Bank ("SPDB") Chengdu Branch to Xiushuihe Mining. In accordance with the bank loan agreement entered into between Xiushuihe Mining and SPDB, the mining right of the Xiushuihe Mine and 95% equity interest of Xiushuihe Mining were pledged to SPDB; (ii) interest-bearing bank loans of RMB225,000,000 bearing fixed interest rates ranging from 4.35% to 5.32% per annum granted by China Construction Bank ("CCB") Huili Branch to Huili Caitong, which is secured with mining right to the Baicao Mine; and (iii) interest-bearing bank loans of RMB83,992,000 bearing fixed interest rates ranging from 5.19% to 5.60% per annum granted by SPDB Chengdu Branch to Aba Mining, which is secured with mining right to the Maoling Mine.

(b) As at 30 June 2017, Huili Caitong had an unsecured interest-bearing bank loan of RMB75,000,000 from CCB Xichang Branch at a fixed interest rate of 4.90% per annum. In accordance with the bank loan agreement entered into between Huili Caitong and CCB Xichang Branch, Huili Caitong agreed not to mortgage or pledge the iron concentrates production line with an 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 2017, 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 RMB136,141,000, RMB112,725,000 and RMB120,000,000, respectively, with fixed interest rates ranging from 4.75% to 6.0% per annum. The above unsecured interest-bearing bank loans were guaranteed by the Company at nil consideration.

(c) Other loans represent 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.

As at 30 June 2017, other loans were unsecured and interest-free (six month ended 30 June 2016: interest rate of 5.76% per annum), of which RMB900,000 is due for repayment within twelve months from 30 June 2017, and RMB353,000 is due for repayment on 31 August 2018.

14. Share Capital

Shares

	30 June 2017 *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000*
Authorised:		
10,000,000,000 Shares	**880,890**	880,890
Issued and fully paid:		
2,170,890,410 (31 December 2016: 2,075,000,000) Shares	**191,281**	182,787

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

	Number of shares in issue	Issued capital *RMB'000*
At 1 January 2017	2,075,000,000	182,787
Issuance of new Shares *(note (a))*	95,890,410	8,494
At 30 June 2017	2,170,890,410	191,281

Note:

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

15. DIVIDENDS

At a meeting of the Board held on 28 August 2017, the Directors resolved not to pay an interim dividend for the Reporting Period (six months ended 30 June 2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

China's economy continues its new normal pace of growth under a major reform of policies and the Chinese government appears to have accepted a slower pace of growth in exchange for sustainability. Whilst the moderate growth policies were much within expectations, the gross domestic product ("GDP") of the PRC, which has increased by 6.9% in the Reporting Period (according to the National Bureau of Statistics of the PRC), fared slightly better than general analysts' forecasts. Apparently, public infrastructure expenditure and the unexpected real estate demand were the major drivers of economic growth of China in the Reporting Period, which helped to stabilise the steel demand during the Reporting Period. Despite such improvement, execution of the nationwide supply-side structural reform over a longer term remains the key focus in order to address overcapacity issues in the steel industry.

The proposal of "cutting excessive industry capacity" raised by the State Council of the PRC ("State Council") has been designated as one of the top priorities of the restructuring reform for the steel industry in China's 13th Five-Year Plan. The supply-side structural reform has thus become the key focus. During the meeting of the 5th Session of 12th National People's Congress in March 2017, the government work report announced that the steel production capacity would be further reduced by approximately 50 Mt in 2017. The National Development and Reform Commission of the PRC ("NDRC") also issued the "Plan for Cutting Excessive Capacity in Steel 2017"(2017年鋼鐵去產能實施方案) ("Plan") in April 2017 to provide specific guidelines to the industry. The suggested major implementations under the Plan include (i) adopting more methods based on market mechanism and the rule of law while phasing out outdated capacities; (ii) eliminating debt-laden "zombie enterprises"; (iii) eliminating backward production capacity by implementing stringent production standards such as tightened environmental protection measures; (iv) eliminating illegal productions and preventing shut-down production from restarting; and (v) encouraging restructuring, merger and acquisition within the industry for market consolidation and upgrade. To accelerate the transformation and improvement of the industry, the Plan urged enterprises to reduce corporate debt legally and implement a clear asset disposal policy for further industrial optimisation.

To upgrade the industry, the Chinese government has taken action to eliminate substandard steel supply. The NDRC stated clearly in early 2017 that the production of substandard steel had to cease immediately and 30 June 2017 was the deadline of clearing substandard steel production. The prohibition of substandard steel production, together with other efforts of the supply-side structural reform implemented by the Chinese government, has reduced the excessive production capacity of steel to a larger extent. In July 2017, the State Council presented the latest progress of diminished steel production capacity. In the first five months of 2017, 42.4 Mt of steel production capacity had been cut, representing 84.8% of the annual target.

As such, the fall in supply and the rise in demand of steel has led to an improvement in market condition and an increase in steel price in the Reporting Period. China's Purchasing Managers' Index ("PMI") for the steel sector was recorded at 49.7% in January 2017 and ascended to 54.1% in June 2017, climbing above the 50-point mark that separates growth from contraction, according to China Federation of Logistics and Purchasing. However, the elimination of substandard steel resulted in excessive supply and lower price of scrap steel, driving steel producers to use more scrap steel as raw material instead of iron ore. Therefore, the demand of iron ore remained sluggish and the price of iron ore was suppressed. The China Iron Ore Price Index compiled by China Iron and Steel Association decreased by 21.1% from 289.93 at the end of January 2017 to 228.79 at the end of June 2017. The inventory of imported iron ore at China ports reached a historical high of over 140 Mt in May 2017, indicating that the unbalanced supply and demand of iron ore remained obvious.

For the titanium industry, some titanium producers closed down as they failed to meet the stringent environmental protection standards implemented by the Sichuan government, leading to a short supply of titanium which in turn temporarily pushed up the price of titanium concentrates in early 2017 but it remained largely volatile. The high-grade titanium concentrates (with over 46% titanium) in Panzhihua climbed from RMB1,580-1,650/tonne at the end of January 2017 to RMB1,800-1,900/tonne at the end of April 2017. However, the price fell to RMB1,250-1,350/tonne at the end of June 2017 due to weakened demand.

Given the above and backed by cost control, the Group's financial performance for the Reporting Period improved as compared with the corresponding period in 2016 while the loss and total comprehensive loss attributable to owners of the Company narrowed as gross profit grew and expenses fell. Meanwhile, the Group cautions that unless higher demand of steel is supported by a sustained fundamental need, such pickup may fade; and also notes that the significant positive impacts arising from recent facilities consolidation in the industry are not likely to be immediate as the efforts to rationalise under-utilised assets and restructure operations take time.

BUSINESS AND OPERATIONS REVIEW

Overview

As explained in the above "Market Review", China's steel industry, to some extent, showed signs of recovery that the Group's business for its self-produced products benefitted from both higher prices and more stable demand during the Reporting Period. Given this improvement, the Group made guided decisions to reduce trading sales – as there was less incentive to boost its trading business, which earned substantially lower margins. As such, the Group's revenue decreased by 39.6% to approximately RMB715.7 million as compared with the corresponding period in 2016 due mainly to the significant lower trading sales. The total purchase and sales volumes of steels, coals and iron ore products for trading were approximately 298.8 Kt and 315.0 Kt respectively, representing a decrease of 53.6% and 57.4% respectively, as compared with the corresponding period in 2016 on the back of lower trading sales.

During the Reporting Period, the Group continued to sell raw ore to an independent third party and processed vanadium-bearing iron concentrates for an independent third party. For accounting purpose, the sale of raw ore and rendering of processing services for the independent third party were recorded as "sale of self-produced products – vanadium-bearing iron concentrates". The total production volumes of the Group's self-produced products increased while the total sales volumes decreased as compared with the corresponding period in 2016. For the Reporting Period, the production and sales volumes of:

- vanadium-bearing iron concentrates were approximately 605.3 Kt and 509.9 Kt, respectively;

- ordinary iron concentrates were approximately 48.5 Kt and 48.0 Kt, respectively; and

- high-grade titanium concentrates were approximately 26.2 Kt and 25.9 Kt, respectively.

As a result of higher selling prices for the Group's self-produced products, the Group recorded a higher gross profit of approximately RMB70.0 million and gross profit margin of approximately 9.8% as compared with the corresponding period in 2016 despite lower total revenue. The administrative expenses fell given lower production suspension expense and cost control while fair value loss on financial assets was also lower following an internal assessment. As such, the Group recorded a lower loss and total comprehensive loss attributable to owners of the Company during the Reporting Period, an improvement over the corresponding period in 2016.

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 for (i) trading sales and (ii) sale of self-produced products of the Group:

	Six months ended 30 June		
	2017	2016	Change
	(Kt)	*(Kt)*	*(%)*
(i) Trading Sales			
Steels			
Purchase from the independent third parties	**66.9**	367.9	-81.8
Sale to an independent third party	**75.7**	443.2	-82.9
Coals			
Purchase from the independent third parties	**231.9**	159.2	45.7
Sale to an independent third party	**239.3**	167.5	42.9
Iron ore products			
Purchase from the independent third parties	**–**	116.3	-100
Sale to the independent third parties	**–**	128.6	-100
(ii) Sale of Self-produced Products			
Vanadium-bearing iron concentrates			
Xiushuihe Processing Plant	**275.0**	321.8	-14.5
Hailong Processing Plant	**161.6**	124.0	30.3
Baicao Processing Plant	**168.7**	45.2	273.2
Total production volume	**605.3**	491.0	23.3
Total sales volume	**509.9**	541.0	-5.7
Ordinary iron concentrates			
Maoling Processing Plant	**48.5**	60.9	-20.4
Total production volume	**48.5**	60.9	-20.4
Total sales volume	**48.0**	71.3	-32.7

	Six months ended 30 June		
	2017	2016	Change
	(Kt)	*(Kt)*	*(%)*
Medium-grade titanium concentrates			
Baicao Processing Plant	**–**	16.1	-100
Total production volume	**–**	16.1	-100
Total sales volume	**–**	–	N/A
High-grade titanium concentrates			
Xiushuihe Processing Plant	**–**	15.8	-100
Baicao Processing Plant	**26.2**	–	N/A
Total production volume	**26.2**	15.8	65.8
Total sales volume	**25.9**	19.1	35.6

Exchangeable Notes

During the Reporting Period, the Group continued to follow up closely on the recoverability of the Exchangeable Notes owed by the Issuer to Sure Prime Limited, a wholly-owned subsidiary of the Company in relation to the Group's investment in an Indonesian mine. As at the date of this announcement, no significant progress has been made regarding the redemption of the Exchangeable Notes despite extensive discussions with the Issuer. In view of this, as part of the Group's internal assessment in assigning an accounting fair value at each reporting date, the management has adopted a prudent approach in assessing the recoverable amount of the Exchangeable Notes. Given that, an estimated fair value loss of RMB55.9 million was recognised on the Exchangeable Notes during the Reporting Period with a carrying value for the Exchangeable Notes of approximately RMB53.7 million as at 30 June 2017. The Group will continue to pursue necessary actions, including seeking legal advice and taking legal action, on the redemption of the Exchangeable Notes.

Assets Classified as Held for Sale

As at 30 June 2017, the assets classified as held for sale were approximately RMB280.0 million, representing the property, plant and equipment and land use right of the Heigutian Processing Plant which were recorded at fair value less cost to sell. As explained in the Company's 2015 annual report, the management has permanently ceased the production of the Heigutian Processing Plant under the Group's strategic plans unless subsequent technical and commercial assessment of its feasibility show improvements otherwise. Given that, the management has decided to either (i) dispose of the plant and equipment on a piecemeal basis or (ii) dispose of the Heigutian Processing Plant in its entirety. During the Reporting Period, the Group was still actively seeking suitable potential buyers and strategic partners in relation to the proposed disposal. In addition, the Group has invited foreign mining experts following the acquisition of a significant stake in Mancala Holdings which the Group has also been seeking advice from Mancala Australia, in relation to the technical aspects of mines while reviewing the proposed deals with the potential buyers. As at the date of this announcement, the Group committed in relation to the existing disposal plans on the Heigutian Processing Plant. As at 30 June 2017, the classification of the Heigutian Processing Plant as assets held for sale remained unchanged and continued to be recorded at fair value less cost to sell.

Acquisition of 49% Equity Interest of Mancala Holdings

On 30 December 2016, the Company announced that it has entered into the sale and purchase agreement with Sapphire Corporation, pursuant to which Sapphire Corporation has conditionally agreed to sell and the Company has conditionally agreed to purchase the 2,940,000 shares, representing 49% of the entire issued share capital of Mancala Holdings, a then wholly-owned subsidiary of Sapphire Corporation, at an aggregate consideration of HK$38,200,000, which shall be satisfied by the payment of a cash consideration of HK$3,200,000 (equivalent to approximately RMB2,835,000) and the allotment and issue of the consideration shares in the aggregate value of HK$35,000,000 at the issue price of HK$0.365 per consideration share to Sapphire Corporation. The acquisition was completed on 28 February 2017, and the consideration shares were issued under the general mandate of the Company and ranked *pari passu* in all respects with all the Shares. Please refer to the Company's announcements dated 30 December 2016 and 28 February 2017 for further details. The acquisition forms part of the Group's strategic plans to improve technical skills and diversify business segments.

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group's revenue was approximately RMB715.7 million (six months ended 30 June 2016: RMB1,184.8 million), representing a decrease of 39.6% as compared with the corresponding period in 2016 due mainly to the significant lower trading sales, which was partially offset by the increase in sale of the Group's self-produced products.

Cost of Sales

The cost of sales primarily included contracting fees for mining and stripping as well as materials, labour, power and other utilities, repair and maintenance, depreciation and amortisation, and purchase cost for trading. During the Reporting Period, the Group's cost of sales was approximately RMB645.6 million (six months ended 30 June 2016: RMB1,182.3 million), representing a decrease of 45.4% as compared with the corresponding period in 2016 due primarily to the lower purchases for trading purpose.

Gross Profit and Margin

On the back of higher selling prices of the Group's self-produced products and a much lower trading sales volume (which earned thin margin), the Group recorded a higher gross profit of approximately RMB70.0 million for the Reporting Period (six months ended 30 June 2016: RMB2.5 million), representing a sharp increase as compared with the corresponding period in 2016. As a result, the gross profit margin improved to approximately 9.8% for the Reporting Period (six months ended 30 June 2016: 0.2%).

Other Income

The other income increased by 200.0%, from approximately RMB0.2 million for the six months ended 30 June 2016 to approximately RMB0.6 million for the Reporting Period. The other income primarily comprised sale of raw materials and other miscellaneous income.

Selling and Distribution Expenses

The selling and distribution expenses increased by 8.8%, from approximately RMB32.9 million for the six months ended 30 June 2016 to approximately RMB35.8 million for the Reporting Period. The selling and distribution expenses primarily comprised transportation fees, logistic costs, storage and other administrative fees.

Administrative Expenses

The administrative expenses decreased by 44.8%, from approximately RMB46.4 million for the six months ended 30 June 2016 to approximately RMB25.6 million for the Reporting Period due mainly to the cost control and lower production suspension expense (comprising staff cost and overheads relating to the resumption of certain production facilities) during the Reporting Period.

Other Expenses

The other expenses increased by 75.8%, from approximately RMB3.3 million for the six months ended 30 June 2016 to approximately RMB5.8 million for the Reporting Period due mainly to the additional costs incurred for forest landslide protection in mitigating hazards during the rainy season at the Xiushuihe Mine whereas no such expense was incurred for the corresponding period in 2016.

Impairment Losses

The impairment losses decreased by 8.0%, from approximately RMB31.3 million for the six months ended 30 June 2016 to approximately RMB28.8 million for the Reporting Period, which comprised impairment losses on assets classified as held for sale and trade receivables of approximately RMB20.0 million and RMB8.8 million, respectively.

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

The fair value loss on financial assets was approximately RMB55.9 million for the Reporting Period due to the reduction in fair value for the Exchangeable Notes upon internal assessment. The Exchangeable Notes were recorded at the fair value of approximately RMB53.7 million as at 30 June 2017.

Finance Costs

The finance costs remained relatively unchanged at approximately RMB30.4 million for the Reporting Period as compared with the corresponding period in 2016.

Share of Loss of an Associate

The share of loss of an associate was approximately RMB1.8 million during the Reporting Period (six months ended 30 June 2016: nil), representing the equity loss sharing in Mancala Holdings during the Reporting Period.

Income Tax Credit/(Expense)

The income tax expense was approximately RMB1.6 million for the Reporting Period, which was due to the utilisation of tax losses against profit realised by a PRC-based subsidiary, whereas the income tax credit was approximately RMB5.4 million for the six months ended 30 June 2016.

Loss and Total Comprehensive Loss

Given the above, the loss and total comprehensive loss was approximately RMB115.2 million for the Reporting Period (six months ended 30 June 2016: RMB217.8 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 RMB111.3 million for the Reporting Period (six months ended 30 June 2016: RMB217.5 million).

Interim Dividend

The Board does not recommend the payment of an interim dividend for the Reporting Period (six months ended 30 June 2016: Nil).

LIQUIDITY AND CAPITAL RESOURCES

The following table sets out certain information regarding the Group's consolidated statement of cash flows for the six months ended 30 June 2017 and 2016 respectively:

	Six months ended 30 June			
	2017		2016	
	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 2016/2015		**19,740**		187,840
Net cash flows from/(used in) operating activities	**56,851**		(113,670)	
Net cash flows used in investing activities	**(50,995)**		(29,742)	
Net increase/(decrease) in cash and cash equivalents		**5,856**		(143,412)
Cash and cash equivalents as stated in the interim consolidated statement of cash flows for the six months ended 30 June 2017/2016		**25,596**		44,428

Net Cash Flows from/(Used in) Operating Activities

The Group's net operating cash flows position improved during the Reporting Period, generating approximately RMB56.9 million as compared to the net cash flows used in operating activities of approximately RMB113.7 million for the six months ended 30 June 2016; after accounting for (i) the loss before tax of approximately RMB113.6 million; (ii) the decrease in trade and bills receivables of approximately RMB14.6 million; (iii) the decrease in inventories of approximately RMB26.4 million; and (iv) the increase in prepayments, deposits and other receivables of approximately RMB8.8 million. The loss before tax was partially offset by certain non-cash expenses which primarily included (i) impairment losses of approximately RMB28.8 million; (ii) fair value loss on the Exchangeable Notes of approximately RMB55.9 million; and (iii) depreciation and amortisation of approximately RMB29.8 million.

Net Cash Flows Used in Investing Activities

The Group's net cash flows used in investing activities were approximately RMB29.7 million for the six months ended 30 June 2016 and approximately RMB51.0 million for the Reporting Period, due primarily to the purchase of items of property, plant and equipment of approximately RMB24.9 million for production, and cash consideration paid for the acquisition of an associate and previously acquired subsidiaries of the Group in aggregate of approximately RMB23.0 million.

Analysis of Inventories

The Group's inventories decreased by 9.9%, from approximately RMB266.5 million as at 31 December 2016 to approximately RMB240.2 million as at 30 June 2017, given lower purchases for trading purpose.

Analysis of Trade and Bills Receivables

The Group's trade and bills receivables decreased by 7.3%, from approximately RMB321.7 million as at 31 December 2016 to approximately RMB298.3 million as at 30 June 2017, due mainly to the lower trading sales during the Reporting Period. Trade receivables turnover days were approximately 69 days (year ended 31 December 2016: 54 days). The Group generally grants a three-month credit period to its trading customers and the trading sales, as a percentage of the total revenue during the Reporting Period, fell.

Assets Classified as Held for Sale

The assets classified as held for sale were approximately RMB280.0 million as at 30 June 2017, representing the property, plant and equipment and land use right of the Heigutian Processing Plant, recorded at fair value less cost to sell, after accounting for an impairment loss of approximately RMB20.0 million.

Analysis of Trade and Bills Payables

The Group's trade and bills payables decreased by 3.6%, from approximately RMB179.3 million as at 31 December 2016 to approximately RMB172.9 million as at 30 June 2017, due primarily to the repayment of trade and bills payables relating to purchase of steels.

Analysis of Net Current Liabilities Position

The Group's net current liabilities position increased by 22.1%, from approximately RMB478.8 million as at 31 December 2016 to approximately RMB584.7 million as at 30 June 2017, due primarily to the fair value loss on the Exchangeable Notes and impairment losses in aggregate of approximately RMB84.8 million.

Borrowings

As at 30 June 2017, the Group's borrowings included mainly (i) a bank loan of RMB120.0 million with a fixed interest rate of 5.88% per annum 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 fixed interest rates ranging from 4.35% to 5.32% per annum from CCB Huili Branch to Huili Caitong which was secured by the mining right of the Baicao Mine; (iii) bank loans of RMB84.0 million with fixed interest rates ranging from 5.19% to 5.60% per annum 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 a fixed interest rate of 4.9% per annum from CCB Xichang Branch to Huili Caitong and (v) unsecured bank loans of RMB136.1 million, RMB112.7 million and RMB120.0 million with fixed interest rates ranging from 5.6% to 6.0% per annum, 4.75% per annum and 5.88% per annum from CMB Yingmenkou Branch, ICBC Liangshan Branch and SPDB Chengdu Branch, respectively, to Huili Caitong and Xiushuihe Mining.

Contingent Liabilities

As at 30 June 2017, the Group did not have any material contingent liabilities.

Pledge of Assets

As at 30 June 2017, 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 loans of RMB84.0 million.

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 any foreign currency. The Group has not entered into any hedging transactions to manage the potential fluctuation in foreign currencies. The management monitors the Group's foreign currency exposure and will consider hedging significant foreign currency exposure when the needs arise.

The following table demonstrates the sensitivity to a 5.0% change in RMB against HK$ and US$, respectively. The 5.0% is the rate used when reporting currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in the foreign currency rate. The sensitivity analyses of the Group's exposure to foreign currency risk at the end of each reporting period have been determined based on the adjustment of translation of the monetary assets and liabilities at the end of each reporting period for a 5.0% change in RMB against HK$ and US$, respectively, with all other variables held constant, of the Group's loss before tax for the Reporting Period (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$	2,830
If RMB weakens against HK$ and US$	(2,830)

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 2017, the Group had no contractual obligations (31 December 2016: RMB31.3 million).

Capital Expenditure

The Group's total capital expenditure decreased by RMB14.1 million from approximately RMB35.4 million for the six months ended 30 June 2016 to approximately RMB21.3 million for the Reporting Period. The capital expenditure mainly comprised (i) equipment improvement and storage capacity upgrading of approximately RMB7.4 million; and (ii) construction of miscellaneous projects and machineries acquired from acquisitions of approximately RMB12.3 million.

Financial Instruments

As at 30 June 2017, 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 RMB53.7 million as at 30 June 2017 after accounting for an impairment loss of approximately RMB55.9 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 2017, gearing ratio was 34.8% (31 December 2016: 33.8%).

OUTLOOK

It is much within expectation that China's GDP growth forecast would slow down as it has entered the phase of transformation, switching from an export-driven economy to a more balanced growth model over a longer term. In the Reporting Period, its GDP has somewhat grown by 6.9% leading to general predictions that the growth rate would remain stable for the rest of 2017. These projections have probably relied on continual infrastructure expenditure under the Belt and Road Initiative and moderate fiscal stimulus plans, which may lead to higher demand for steel ahead – as seen in the recent increase in PMI for the steel sector.

From the other perspective, whilst it is encouraged to have increasingly higher budgets for infrastructure investments, the country's debt load and leverage position remain a closely watched indicator of credit risk that may delay the progress of structural reform. Observing along these lines, the elimination and consolidation of smaller scale production facilities are definite under the existing restructuring plans for the domestic steel industry in order to stablise prices and optimise capacity for the local markets. Elsewhere outside China, opportunities for producers to export are however limited given the hefty tariffs and other restrictive market conditions, which thus mark out other export markets for the industry itself. In addition, while the industry is undergoing major restructuring, there have also been rising environmental concerns, which now mean higher capital investments and higher compliance costs, further burdening the steel industry with those stringent requirements to control emission.

In February 2017, the Group completed the acquisition of 49% of the entire issued share capital of Mancala Holdings, which owns Mancala Holdings Pty Ltd.. Mancala Australia is principally engaged in the business of providing specialist mining services, including raised boring, shaft excavation, engineering services and other mining services with significant track records over the last 20 years. This acquisition specifically provides an opportunity for the Group to tap on foreign expertise as well as gain access to the technical knowledge in internationally recognised standards of efficiency, safety, environmental management and innovative training methods in mining operations. Mancala Australia has since carried out technical reviews on certain operations of the Group. During the site visits, Mancala Australia has recommended the Group various incremental changes to existing mining methods, advised on the environmental aspects of mining, discussed the technical facet of mine productivity and safety while exploring and evaluating opportunities for other strategic collaborations and/or joint mine development (Please refer to the Company's announcements dated 30 December 2016 and 28 February 2017). The Group's acquisition of Mancala Holdings came at a time when the Chinese government emphasised on sustainable mining development.

In an attempt to bring new insights into the corporate and business strategies for the Group, Mr. Teh Wing Kwan ("Mr. Teh") was appointed as a non-executive Director on 26 July 2017. Mr. Teh is concurrently the chief executive officer and managing director of Sapphire Corporation, a company listed on the main board of the Singapore Exchange Securities Trading Limited which Mr. Teh has successfully turnaround. Mr. Teh has significant experience in corporate restructuring, corporate finance, business reorganisation as well as mergers and acquisitions. He has been an advisor and served as a director of publicly listed companies in Singapore, Hong Kong and Australia, family-owned enterprises and regional asset owners.

Considering the above and various factors relating to recent industrial development in the midst of market uncertainty, the Group continues to scale back part of its capacity, streamline its operations and keep its operating costs down for better economies of scale while continually expanding revenue stream and cutting down segmental losses. Against this backdrop, the Group also seeks opportunities to diversify its business segments.

Specifically, at this point of time, the Group believes that judicious management in its mining resources, upgrading of skills and expanding revenue stream shall take priority in keeping Shareholders comfortable. In doing so, the Group guards against market risks, keeps up on policy changes and strives to remain adaptive in this dynamic business environment.

EMPLOYEES AND EMOLUMENT POLICIES

As at 30 June 2017, the number of employees of the Group was 1,435 (31 December 2016: 1,486). During the Reporting Period, employee benefit expense (including Directors' remuneration in the form of salaries and other allowances) was approximately RMB31.5 million (six months ended 30 June 2016: RMB29.3 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 to the Listing Rules (the "CG Code") except for code provision A.2.1.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company 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.

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 to 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 to the Listing Rules. The audit committee has discussed risk management and 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"	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
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mancala Australia"	Mancala Holdings Pty Ltd. and its subsidiaries
"Mancala Holdings"	Mancala Holdings Limited, the legal and beneficial owner of the entire issued share capital of Mancala Holdings Pty Ltd.
"Maoling Extended Exploration Area"	formerly an independent exploration region with an area of 2.83 sq.km. covered under the extended exploration permit of the Maoling Mine (covering 1.9 sq.km. of the mining area of the Maoling Mine), has been consolidated with the Yanglongshan Mine since September 2012 to form the Maoling-Yanglongshan Mine
"Maoling Mine"	毛嶺鐵礦, an ordinary magnetite mine located in Wenchuan County, Sichuan, with a mining area of 1.9 sq.km.
"Maoling Processing Plant"	the ore processing plant located near the Maoling-Yanglongshan Mine and operated by Aba Mining
"Maoling-Yanglongshan Mine"	an exploration region with a total area of 11.6 sq.km. covered under the exploration permit of the Maoling-Yanglongshan Mine (the mining area covered is owned by the Maoling Mine), formed from the combination of the Maoling Extended Exploration Area and the Yanglongshan Mine since September 2012 and operated by Aba Mining
"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 2017
"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$0.1 each
"Shareholder(s)"	holder(s) of the Share(s)
"Shigou Gypsum Mine"	Shigou gypsum mine located at Hanyuan County, Ya'an City, Sichuan, with a mining area of 0.1228 sq.km.
"Sichuan"	the Sichuan province of the PRC
"sq.km."	square kilometres
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Oriental Mining and Mineral Resources Co., Ltd., a company incorporated in the Cayman Islands on 8 April 2011 and a third party independent of the Company and its connected persons
"titanium concentrate(s)"	concentrate(s) whose main content (by value) is titanium dioxide
"Trisonic International"	Trisonic International Limited (合創國際有限公司), a company incorporated in Hong Kong on 19 July 2006 and a Controlling Shareholder
"United States" or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US dollars" or "US$"	the lawful currency of the United States
"Xiushuihe Mine"	秀水河鐵礦, the vanadium-bearing titano-magnetite mine located in Huili County, Sichuan and operated by Xiushuihe Mining, with a mining area of 0.52 sq.km.

"Xiushuihe Mining"	Huili County Xiushuihe Mining Co., Ltd.* (會理縣秀水河礦業有限公司), a limited liability company established in the PRC on 26 June 2007, an indirect subsidiary of the Company that owns 95.0% equity interest
"Xiushuihe Processing Plant"	the ore processing plant located 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, 28 August 2017

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; Mr. Teh Wing Kwan as non-executive Director; and Mr. Yu Haizong, Mr. Liu Yi and Mr. Wu Wen as independent non-executive Directors.

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