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: 893)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

FINANCIAL HIGHLIGHTS

- The Group's turnover amounted to approximately RMB1,083.9 million for the year ended 31 December 2009, representing an increase of approximately RMB292.7 million, or approximately 37.0% as compared to approximately RMB791.2 million in 2008.
- The total comprehensive income attributable to the owners of the Company for the year ended 31 December 2009 was approximately RMB327.9 million, representing an increase of approximately RMB79.2 million, or approximately 31.8% as compared to approximately RMB248.7 million in 2008.
- The basic earnings per Share attributable to ordinary owners of the Company amounted to approximately RMB0.2 for the year ended 31 December 2009.
- The Board does not recommend the payment of a final dividend for the year ended 31 December 2009.

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2009 together with the comparative figures for the year ended 31 December 2008 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2009

	Notes	**2009** **RMB'000**	2008 RMB'000
Revenue	3	**1,083,876**	791,163
Cost of sales		**(582,127)**	(364,122)
Gross profit		**501,749**	427,041
Other income	4	**40,914**	17,277
Selling and distribution costs		**(28,308)**	(22,444)
Administrative expenses		**(35,574)**	(33,002)
Other operating expenses		**(32,912)**	(37,000)
Finance costs	5	**(9,242)**	(3,048)
PROFIT BEFORE TAX	6	**436,627**	348,824
Income tax expense	7	**(69,708)**	(30,067)
Profit for the year		**366,919**	318,757
Other comprehensive income		**–**	–
Total comprehensive income for the year		**366,919**	318,757
Attributable to:			
Owners of the Company		**327,867**	248,675
Minority interests		**39,052**	70,082
		366,919	318,757
Earnings per Share attributable to ordinary owners of the Company:			
Basic	8	**RMB0.20**	RMB0.17

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**495,832**	357,264
Intangible assets		**142,092**	140,829
Prepaid land lease payments		**48,889**	23,177
Prepayments and deposits	9	**30,442**	–
Payments in advance	10	**99,630**	3,217
Goodwill		**15,318**	15,318
Deferred tax assets		**8,006**	5,848
Total non-current assets		**840,209**	545,653
CURRENT ASSETS			
Inventories		**70,904**	65,595
Trade and notes receivables	11	**137,427**	87,632
Prepayments, deposits and other receivables	9	**91,110**	88,854
Due from related parties		**49,810**	30,433
Pledged bank balances		**–**	40
Cash and cash equivalents		**1,884,003**	133,098
Total current assets		**2,233,254**	405,652
CURRENT LIABILITIES			
Trade payables	12	**85,949**	108,030
Other payables and accruals	13	**198,852**	139,756
Interest-bearing bank loans	14	**100,000**	–
Due to related parties		**4,254**	12,466
Tax payables		**70,074**	29,724
Dividends payable		**1,801**	–
Total curent liabilities		**460,930**	289,976
NET CURRENT ASSETS		**1,772,324**	115,676
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,612,533**	661,329

	Notes	2009 RMB'000	2008 RMB'000
NON-CURRENT LIABILITIES			
Other payables	*13*	**–**	51,870
Provision for rehabilitation		**5,707**	5,341
		5,707	57,211
Net assets		**2,606,826**	604,118
EQUITY			
Equity attributable to owners of the Company			
Issued share capital	*15*	**182,787**	1
Reserves	*17*	**2,331,244**	539,349
		2,514,031	539,350
Minority interests		**92,795**	64,768
Total equity		**2,606,826**	604,118

NOTES:

1. BASIS OF PREPARATION

Pursuant to the Reorganization in preparation for the Listing, the Company became the holding company of the subsidiaries now comprising the Group. Details of the Reorganization were set out in the Prospectus. The Company's Shares were listed on the Main Board since 8 October 2009.

These financial statements have been prepared in accordance with International Financial Reporting Standards (the "IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board and the International Accounting Standards ("IAS") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect. These financial statements also comply with the disclosure requirements of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). They have been prepared under the historical cost convention. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2009. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. An acquisition of minority interests is accounted for using the entity concept method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognized as an equity transaction.

2. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

IFRS 1 (Revised)	*First-time Adoption of International Financial Reporting Standard* [1]
IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters* [2]
IFRS 2 Amendments	Amendments to IFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions* [2]
IFRS 3 (Revised)	*Business Combinations* [1]
IFRS 9	*Financial Instruments* [6]
IAS 24 (Revised)	*Related Party Disclosures* [5]
IAS 27 (Revised)	*Consolidated and Separate Financial Statements* [1]
IAS 32 Amendment	Amendment to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* [3]
IAS 39 Amendment	Amendment to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*[1]
IFRIC 14 Amendments	Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement*[5]

IFRIC 17	*Distributions of Non-cash Assets to Owners* [1]
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments* [4]
Amendments to IFRS 5 included in *Improvements to IFRSs issued in October 2008*	Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary* [1]

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2010
3 Effective for annual periods beginning on or after 1 February 2010
4 Effective for annual periods beginning on or after 1 July 2010
5 Effective for annual periods beginning on or after 1 January 2011
6 Effective for annual periods beginning on or after 1 January 2013

Apart from the above, the IASB has issued *Improvements to IFRSs 2009* which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 38 and IAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

IFRS 1 (Revised) was issued with an aim to improve the structure of the standard. The revised version of the standard does not make any changes to the substance of accounting by first-time adopters. As the Group is not a first-time adopter of IFRSs, the amendments will not have any financial impact on the Group.

The IFRS 1 Amendments provide relief from the full retrospective application of IFRSs for the measurement of oil and gas assets and leases. As a result of extending the options for determining deemed cost to oil and gas assets, the existing exemption relating to decommissioning liabilities has also been revised.

The amendments to IFRS 2 clarify how an individual subsidiary in a group should account for certain share-based payment arrangements in its own financial statements. In these arrangements, the subsidiary receives goods or services from employees or suppliers but its parent or another entity in the group must pay those suppliers. The amendments to IFRS 2 also incorporate guidance previously included in IFRIC 8 *Scope of IFRS 2* and IFRIC 11 *IFRS 2 – Group and Treasury Share Transactions*. As a result, the IASB has withdrawn IFRIC 8 and IFRIC 11.

The revised IFRS 3 introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results.

IAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 *Statement of Cash Flows*, IAS 12 *Income Taxes*, IAS 21 *The Effects of Changes in Foreign Exchange Rates*, IAS 28 *Investments in Associates* and IAS 31 *Interests in Joint Ventures*. The changes introduced by the revised IFRS 3 and revised IAS 27 are to be applied prospectively and will affect the accounting for future acquisitions. It will not affect the accounting for transactions with minority interests as the Group's current policy is consistent with revised IAS 27.

The IASB issued IFRS 9 *Financial Instruments* as the first step in its project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces new requirements for classifying and measuring financial assets and uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the many different rules in IAS 39. IFRS 9 also requires a single impairment method to be used, replacing the many different impairment methods in IAS 39. Thus, IFRS 9 improves comparability and makes financial statements easier to understand for investors and other users.

The purpose of the revised IAS 24 is to simplify the identification of related party relationships and re-balance the extent of disclosures of transactions between related parties based on the cost to preparers of financial statement and the benefits to users of financial statement in having this information available in the financial statements. The revised IAS 24 also added explicit disclosure requirements for commitments (including executory contracts) with related parties.

The amendment to IAS 32 alters the definition of a financial liability in IAS 32 to classify rights issues and certain options or warrants (together, here termed rights) as equity instruments. This is applicable if the rights are given pro-rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, in order to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. By changing the definition of a liability, these rights are no longer considered derivative instruments. Their fair value adjustments will no longer impact the profit or loss.

The amendment to IAS 39 addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item.

The IFRIC 14 Amendments remove an unintended consequence arising from the treatment of prepayments of future contributions in certain circumstances when there is a minimum funding requirement. The amendments require an entity to treat the benefit of an early payment as a pension asset. The economic benefit available as a reduction in future contributions is thus equal to the sum of (i) the prepayment of future services and (ii) the estimated future services costs less the estimated minimum funding requirement contributions that would be required as if there were no prepayments.

IFRIC 17 standardizes practice in the accounting for all non-reciprocal distributions of non-cash assets to owners. This new interpretation clarifies that (i) a dividend payable should be recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity; (ii) an entity should measure the dividend payable at the fair value of the net assets to be distributed; and (iii) an entity should recognize the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. Other consequential amendments were made to IAS 10 *Events after the Reporting Period* and IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

IFRIC 19 clarifies that equity instruments issued to a creditor to extinguish a financial liability are considered "consideration paid" in accordance with IAS 39. As a result, the financial liability is derecognized and the equity instruments issued are treated as consideration paid to extinguish that financial liability. IFRIC 19 states that equity instruments issued in a debt for equity swap should be measured at the fair value of the equity instruments issued, if this can be determined reliably. If the fair value of the equity instruments issued is not reliably determinable, the equity instruments should be measured by reference to the fair value of the financial liability extinguished as of the date of extinguishment.

The amendments to IFRS 5 clarify that assets and liabilities of a subsidiary should be classified as held for sale if the parent is committed to a plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest after sale.

3. REVENUE AND SEGMENT INFORMATION

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

Entity-wide disclosures

Information about products

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

	2009		2008	
	RMB'000	***%***	*RMB'000*	*%*
Iron concentrates	**529,748**	**48.9**	495,568	62.6
Iron pellets	**537,113**	**49.6**	252,319	31.9
Medium-grade titanium concentrates	**17,015**	**1.5**	43,276	5.5
	1,083,876	**100.0**	791,163	100.0

Geographical information

All external revenue of the Group during each of the two years ended 31 December 2009 were attributable to customers established in the PRC, the place of domicile of the Group's operating entities. Meanwhile, the Group's non-current assets are all located in the PRC.

Information about major customers

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

	2009	2008
	RMB'000	*RMB'000*
Customer A	**199,657**	167,118
Customer B	**187,663**	131,342
Customer C	**184,872**	145,115
Customer D	**183,739**	–
Customer E	**174,718**	109,546
Customer F	**136,212**	158,056

4. OTHER INCOME

An analysis of other income is as follows:

	2009	2008
	RMB'000	*RMB'000*
Bank interest income	**330**	147
Sale of raw materials	**27,551**	17,004
Government grants*	**13,000**	–
Miscellaneous	**33**	126
Total other income	**40,914**	17,277

* During the year, Huili Caitong, a subsidiary of the Group, received government grants for business development purpose. There were no unfulfilled conditions or contingencies relating to these grants.

5. FINANCE COSTS

	2009 *RMB'000*	2008 *RMB'000*
Interest on bank loans	**4,277**	2,706
Interest on discounted notes receivable	**3,122**	–
Unwinding of discount	**366**	342
Total interest expenses	**7,765**	3,048
Foreign exchange losses, net	**1,477**	–
	9,242	3,048

6. PROFIT BEFORE TAX

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

	2009 *RMB'000*	2008 *RMB'000*
Cost of inventories sold	**582,127**	364,122
Staff costs (including Directors' remuneration):		
Wages and salaries	**22,807**	17,139
Equity-settled share option expense	**106**	–
Retirement costs		
– Defined contribution fund	**2,858**	1,907
Housing fund		
– Defined contribution fund	**163**	67
Total staff costs	**25,934**	19,113
Depreciation	**30,148**	18,720
Amortization of intangible assets	**11,435**	7,774
Amortization of prepaid land lease payments	**925**	119
Depreciation and amortization expenses	**42,508**	26,613
Minimum lease payments under operating leases:		
Land	**211**	74
Office	**465**	150
Auditors' remuneration	**1,292**	80
Loss on disposal of items of property, plant and equipment	**81**	–
Write-down/(reversal of write-down) of inventories to net realizable value	**(943)**	1,805

7. INCOME TAX EXPENSE

Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and British Virgin Islands.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the year.

Pursuant to the relevant tax rules and regulations of the PRC applicable to foreign investment enterprise ("FIE"), a FIE is entitled to a tax holiday whereby it is exempted from PRC corporate income tax ("CIT") for its first two profit making years (after deducting losses incurred in previous years) and is entitled to a 50% tax reduction for the subsequent three years. On 22 September 2006, Huili Caitong was converted from a domestic limited liability company to a FIE. In accordance with the relevant tax rules and regulations applicable to FIE, Huili Caitong had the option not to choose 2006 as its first profitable year as Huili Caitong became a FIE in September 2006. As such, for income tax purpose, Huili Caitong was approved to enjoy its tax holiday from 2007 and hence, was not liable to PRC CIT in 2007 and 2008 and is entitled to a 50% tax reduction for the subsequent three years (2009 to 2011).

On 16 March 2007, the National People's Congress approved the PRC Corporate Income Tax Law (the "New CIT Law"), which became effective from 1 January 2008. The New CIT Law introduced a wide range of changes which included, but were not limited to, the unification of the income tax rates for domestic-invested and foreign-invested enterprises at 25%. Pursuant to the grandfathering arrangement under the New CIT Law, Huili Caitong will continue to enjoy the existing tax holiday till the end of 2011. Thereafter, it will be subject to the new CIT of 25%.

The major components of income tax expenses for the year were as follows:

	2009	2008
	RMB'000	*RMB'000*
Current – Mainland China		
Current income tax payable for the year	**71,866**	29,115
Adjustments in respect of current income tax of previous year	**–**	2,614
Deferred	**(2,158)**	(1,662)
Total tax charge for the year	**69,708**	30,067

8. EARNINGS PER SHARE

The basic earnings per Share attributable to ordinary owners of the Company were as follows:

	2009	2008
	RMB'000	*RMB'000*
Profit attributable to ordinary owners of the Company	**327,867**	248,675

	Number of Shares	
	2009	2008
	'000	*'000*
Weighted average number of Shares in issue during the year	**1,630,000**	1,500,000

The weighted average number of Shares used to calculate the basic earnings per Share for the year ended 31 December 2008 is the pro forma number of issued Shares of the Company of 1,500,000,000 Shares, comprising: (i) number of issued Shares as at 31 December 2008 of 10,000 Shares; and (ii) the capitalization issue of 1,499,990,000 Shares as referred to in note 15(f).

The weighted average number of Shares used to calculate the basic earnings per Share for the year ended 31 December 2009 includes the weighted average number of Shares of 130,000,000 Shares issued upon the Listing on 8 October 2009 and the Over-Allotment as referred to in notes 15(g) and 15(h) below, respectively, in addition to the aforementioned 1,500,000,000 Shares.

No diluted earnings per Share amount was presented as there were no potential Shares outstanding during the year ended 31 December 2008 and the exercise price of the Company's outstanding share options was higher than the average market price for the Company's Shares during the year ended 31 December 2009.

9. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	**2009** *RMB'000*	2008 *RMB'000*
Current portion:			
Prepayments consisted of:			
Prepayments for construction in progress and purchase of machinery		**154**	8,999
Purchase of raw materials		**67**	15
Utilities		**550**	780
Fees paid to the processing contractor	*(a)*	**–**	29,603
Prepaid stripping fees	*(b)*	**87,216**	39,978
Deferred listing fees		**–**	7,139
Other receivables		**3,123**	2,340
		91,110	88,854
Non-current portion:			
Prepaid stripping fees	*(b)*	**29,165**	–
Long-term deposits	*(c)*	**1,277**	–
		30,442	–
		121,552	88,854

(a) The balance represented fees prepaid to the contractor for processing of iron concentrates and medium-grade titanium concentrates in the forthcoming year.

(b) The balances represented deferred stripping costs capitalized for contracting fees paid by the Group to an independent third party mining contractor for the stripping activities of Baicao Mine and Xiushuihe Mine, which will be recognized as part of the production costs once the raw iron ore is put into use.

(c) Long-term deposits represented environmental deposits made to the government in respect of the Group's rehabilitation obligations for the closure of Baicao Mine and Xiushuihe Mine and are not expected to be refunded within the next 12 months.

The carrying amounts of prepayments, deposits and other receivables approximate closely to their respective fair values.

None of the above assets is either past due or impaired. The financial assets included in the "Other receivables" above related to receivables for which there was no recent history of default.

10. PAYMENTS IN ADVANCE

	Notes	**2009** *RMB'000*	2008 *RMB'000*
Advance payments in respect of:			
Purchase of land use rights	*(a)*	**–**	3,217
Purchase of property, land and equipment		**99,630**	–
Carrying amount at 31 December		**99,630**	3,217

(a) As at 31 December 2008, the balance represented advance payment made to Huili County Land and Resources Bureau for the acquisition of state-owned land use rights of certain land located at Baicao Mine. The payment in advance was accounted for as part of the cost of land use rights when they were obtained by the Group in February 2009.

11. TRADE AND NOTES RECEIVABLES

	2009	2008
	RMB'000	*RMB'000*
Trade receivables	**88,927**	82,432
Notes receivables	**48,500**	5,200
	137,427	87,632

Trade receivables of the Group represented proceeds receivable from the sale of goods. As disclosed in Note 3, the Group sells most of the products to a small number of customers. As a result, it faces a high level of concentration of credit risk. The Group manages this risk by offering standardized credit term given to its customers of iron ore products for an approved credit term of 30 days. For the sales of medium-grade titanium products, the Group generally requires full payment prior to delivery. The Group seeks to maintain strict control over its outstanding receivables and senior management regularly reviews the overdue balances. Trade and notes receivables are non-interest-bearing.

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

	2009	2008
	RMB'000	*RMB'000*
Within 1 month	**79,911**	82,417
1 to 2 months	**9,016**	15
	88,927	82,432

Receivables that were past due but not impaired relate to an independent customer that has a good track record with the Group. Based on past experience, The Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

The carrying amounts of trade and notes receivables approximate to their fair values.

12. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2009	2008
	RMB'000	*RMB'000*
Within 180 days	**81,075**	107,512
181 to 365 days	**3,140**	191
1 to 2 years	**1,471**	141
2 to 3 years	**78**	18
Over 3 years	**185**	168
	85,949	108,030

Trade payables are non-interest-bearing and are normally settled in 60 to 180 days. The carrying amounts of trade payables approximate to their fair values.

13. OTHER PAYABLES AND ACCRUALS

	Notes	2009 RMB'000	2008 RMB'000
Current portion:			
Advances from customers		**4,325**	2,783
Payables related to:			
Construction in progress		**63,234**	26,067
Taxes other than income tax		**31,081**	20,538
Payroll and welfare payable		**5,715**	4,416
Mining rights		**771**	39,446
Nanjiang			
– Nanjiang Project Consideration	*(a)*	**52,338**	15,468
– Technical service fee	*(a)*	**7,700**	2,721
Consulting fee		**343**	493
Listing fees		**25,952**	11,164
Land use rights		**–**	14,301
Deposits received		**382**	397
Other payables		**7,011**	1,962
		198,852	139,756
Non-current portion:			
Nanjiang Project Consideration	*(a)*	**–**	51,870
		–	51,870
		198,852	191,626

(a) Pursuant to series of co-operation agreements entered into between the Group and Sichuan Nanjiang Mining Group Co., Ltd. ("Nanjiang") for a period from June 2008 to November 2023 (the "Nanjiang Agreement"), whereby Nanjiang is required to construct two production lines and update one production line at Xiushuihe Mining (collectively referred to as "Nanjiang Project") and provide technical support service to Xiushuihe Mining. The consideration for the Nanjiang Project (the "Nanjiang Project Consideration") was determined at RMB67,338,000 based on the audited construction costs incurred by Nanjiang, and is repayable starting from the completion of the Nanjiang Project. The principal annual repayment is determined based on the following formula: 85% x {9% of the profit generated from the Nanjiang Project on sales volume within 150 Kt + 50% of the profit generated from the Nanjiang Project above sales volume of 150 Kt (referred to as "Sum of Profits")}. The remaining 15% of the Sum of Profits will be paid to Nanjiang as a technical support service fee for its provision of technical support services to Xiushuihe Mining. Upon full settlement of the Nanjiang Project Consideration, the entire Sum of Profits for each financial year will be paid to Nanjiang as a technical service fee until the expiry of the Nanjiang Agreement.

Please refer to the note 19(a) for the amendment of certain provisions under the Nanjiang Agreement subsequent to the end of the reporting year.

Except as disclosed in note (a) above, the other payables and accruals are non-interest-bearing and have average terms of one to three months. The carrying amounts of other payables and accruals approximate to their fair values.

14. INTEREST-BEARING BANK LOANS

	2009 RMB'000	2008 RMB'000
Repayable within one year		
Unsecured	**100,000**	–

In accordance with the loan agreement entered into between Huili Caitong and China Construction Bank, Xichang Branch (the "Lender"), Huili Caitong agreed not to mortgage or pledge any of Huili Caitong's land use rights or mining rights to any parties, and the Lender will be entitled to a pre-emption right in the event of such mortgage or pledge.

As at 31 December 2009, the unsecured bank loan bore interest at a fixed rate of 5.31% per annum and was denominated in RMB.

The carrying amount of the Group's bank loan approximates to its fair value.

15. SHARE CAPITAL

Shares

	2009 ***RMB'000***	2008 *RMB'000*
Authorized:		
10,000,000,000 (2008: 3,800,000) shares of HK$0.1 each	**880,890**	335
Issued and fully paid:		
2,075,000,000 (2008: 10,000) shares of HK$0.1 each	**182,787**	1

The following changes in the Company's authorized and issued share capital took place during the period from the date of incorporation to 31 December 2009:

	Notes	**Number of Shares**	**Nominal value of Shares** *RMB'000*
Authorized:			
At the date of incorporation and 31 December 2008 (3,800,000 shares of HK$0.1 each)	*(a)*	3,800,000	335
Increase in authorized capital	*(b)*	9,996,200,000	880,555
As at 31 December 2009		10,000,000,000	880,890
Issued and fully paid:			
At the date of incorporation (1 share of HK$0.1)	*(c)*	1	–
Issue of new Shares	*(d)*	7,955	1
Issue of new Shares	*(e)*	2,044	–
As at 31 December 2008 and 1 January 2009		10,000	1
Capitalization of share premium account	*(f)*	1,499,990,000	132,133
Issue of new shares	*(g)*	500,000,000	44,045
Issue of new shares	*(h)*	75,000,000	6,608
As at 31 December 2009		2,075,000,000	182,787

(a) On the date of incorporation of the Company, the authorized share capital of the Company was HK$380,000 divided into 3,800,000 shares of HK$0.10 each.

(b) On 4 September 2009, pursuant to the written resolutions of the Company's shareholders, the Company's authorized share capital was increased from HK$380,000 to HK$1,000,000,000 by the creation of an additional of 9,996,200,000 shares of HK$0.10 each.

(c) On the date of incorporation of the Company, one share of HK$0.10 was allotted and issued for cash.

(d) On 22 May 2008, the Company acquired the entire share capital of Powerside Holdings Limited from Trisonic International by issuing an additional 7,955 Shares, which were credited as fully paid share capital, to Trisonic International.

(e) On 21 July 2008, the Company acquired the entire share capital of First China Limited ("First China") by issuing an additional 2,044 Shares, which were credited as fully paid share capital, to the former shareholder of First China.

(f) On 4 September 2009, pursuant to the written resolutions of the Company's shareholders, an aggregate of 1,499,990,000 shares of HK$0.10 each of the Company were allotted and issued, credited as fully paid at par, by way of capitalization of a sum of HK$149,999,000 from the share premium account, to the Company's shareholders at that date. Such allotments were paid in full by applying an amount of conditional on the share premium account being credited as a result of the issue of new Shares to the public in connection with the Listing as detailed in (g) below.

(g) In connection with the Listing, 500,000,000 shares of HK$0.10 each were issued at a price of HK$3.50 per Share for a total cash consideration, before listing expenses, of HK$1,750,000,000.

The proceeds of HK$50,000,000, representing the par value, have been credited to the Company's share capital and the remaining proceeds of HK$1,700,000,000 have been credited to the share premium account.

(h) In connection with the Listing, the Company granted an over-allotment option to the international underwriters, whereby the Company was required to allot and issue up to an aggregate of 75,000,000 additional Shares to cover any over-allocation in the international offering.

On 27 October 2009, the over-allotment option was exercised and accordingly 75,000,000 new Shares were issued by the Company at a price of HK$3.5 per Share for a total cash consideration, before expenses, of approximately HK$262,500,000.

The proceeds of HK$7,500,000, representing the par value, have been credited to the Company's share capital and the remaining proceeds of HK$255,000,000 have been credited to the share premium account.

16. SHARE OPTION SCHEME

The Company operates the Share Option Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Share Option Scheme include the Directors, including non-executive Directors, and other employees of the Group. The Share Option Scheme became effective on 4 September 2009 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme shall not, in aggregate, exceed 200,000,000 Shares, being 10% of the Shares of the Company in issue at any time. The maximum number of Shares issuable under the Share Option Scheme to each eligible participant in the Share Option Scheme within any 12-month period is limited to 1% of the Shares of the Company in issue as at the date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

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

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the Directors, and commences after a vesting period of 2.5 to 5 years and ends on a date which is a period of 10 years from the date of grant.

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

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

The exercise prices and exercise periods of the share options outstanding as at 31 December 2009 (2008: Not applicable) are as follows:

Number of options *'000*	**Exercise price per Share** *HK$*	**Exercise period**
13,600	5.05	From 29 June 2012 to 28 December 2019
13,600	5.05	From 29 December 2014 to 28 December 2019

The fair value of the share options granted during the year was HK$75,009,000 (approximately RMB66,075,000) or HK$2.76 each (approximately RMB2.43 each) of which the Group recognized a share option expense of HK$120,000 (approximately RMB106,000) during the year ended 31 December 2009 (2008: Not applicable).

The fair value of equity-settled share options granted during the year 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:

Dividend yield (%)	1.41
Expected volatility (%)	68.56
Risk-free interest rate (%)	2.652

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

At the end of the reporting period, the Company had 27,200,000 share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 27,200,000 additional Shares of the Company and additional share capital of HK$2,720,000 and share premium of HK$134,640,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 27,200,000 share options outstanding under the Share Option Scheme, which represented approximately 1.31% of the Company's Shares in issue as at that date.

17. RESERVES

(a) Share premium

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

(b) Statutory surplus reserve and statutory reserve fund

In accordance with the Company Law of the PRC and the respective articles of associations of subsidiaries domiciled in Mainland China (the "PRC Subsidiaries"), each of the PRC Subsidiaries is required to allocate 10% of its profits after tax, as determined in accordance with PRC Generally Accepted Accounting Principles ("PRC GAAP"), to the statutory surplus reserve (the "SSR") until such reserve reaches 50% of its registered capital.

As Huili Caitong was converted from a domestic limited company to a FIE on 22 September 2006, allocation to SSR is not required. According to Huili Caitong's articles of association, Huili Caitong is required to allocate 10% of its profit after tax in accordance with PRC GAAP to the statutory reserve fund (the "SRF").

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

(c) Contributed surplus

The contributed surplus represented the difference between nominal value of the Company's Shares issued in exchange for the subsidiaries acquired as part of the Reorganization and the aggregate amount of the nominal value of the paid-up capital of these subsidiaries attributable to the owners of the Company.

18. DIVIDENDS

On 24 February 2009, the Company declared an one-off and non-recurring special dividends of RMB2,000 per Share amounting to RMB20,000,000 to all members registered in the Register of Members of the Company. As such special dividends were derived from the distributable reserves of Huili Caitong prior to 1 January 2008, such dividends were not subject to PRC withholding tax.

19. EVENTS AFTER THE REPORTING PERIOD

(a) On 15 January 2010, Xiushuihe Mining and Nanjiang executed a Termination Agreement (the "Termination Agreement"), pursuant to which parties to the Termination Agreement agreed to amend or terminate certain provisions under the Nanjiang Agreement dated 18 March 2009. The reason for the amendment or termination is to reduce the amount of technical support service fee payable to Nanjiang under the Nanjiang Agreement. Key provisions under the Termination Agreement are as follows:

- *Change of repayment terms of the Nanjiang Project Consideration*

  Within 90 days from the date of the Termination Agreement, Xiushuihe Mining shall pay to Nanjiang approximately RMB85.0 million as part repayment of the outstanding construction costs under the Nanjiang Agreement. The outstanding construction costs of RMB85.0 million include the costs of the upgrade and construction of iron and titanium concentrates production lines. As a result of the Termination Agreement, the balance of the Nanjiang Project Consideration as at 31 December 2009 of RMB52.4 million, would be settled in full in 2010.

- *Settlement of technical support service fee under the Nanjiang Agreement*

  Within 90 days from the date of the Termination Agreement, Xiushuihe Mining shall pay to Nanjiang approximately RMB7.7 million as the technical support service fee for the period of 1 July 2008 to 31 December 2009 under the Nanjiang Agreement.

- *Continuous technical support to be provided by Nanjiang*

  Nanjiang will continue to provide technical service support to Xiushuihe Mining in relation to the Nanjiang Project until 31 December 2024. Within 180 days from the date of the Termination Agreement, Xiushuihe Mining shall make an one-off prepayment to Nanjiang of RMB62.0 million as technical service support fee for a period of 15 years ending on 31 December 2024. As such, the prepaid technical support fee will be amortized according to straight line method based on the terms of technical service to be provided by Nanjiang with yearly technical fee of approximately RMB4.1 million.

Particulars of the Termination Agreement are set out in the Company's announcement dated 15 January 2010.

(b) On 22 December 2009, Huili Caitong, Huilixian Yangqueqing Iron Mine and its sole proprietor entered into a non-binding framework agreement relating to the transfer of the mining right of Yangqueqing Iron Mine (the "Framework Agreement 1"). On 11 January 2010, Huili Caitong paid RMB61.0 million as a deposit under the Framework Agreement 1. Such deposit could be applied as part of the repayment of the purchase consideration when parties in the Framework Agreement 1 enter into a definitive agreement. On 16 January 2010, parties to the Framework Agreement 1 entered into the definitive agreement to obtain the mining right of Yangqueqing Iron Mine at a purchase consideration of RMB200 million. The purchase consideration is determined by reference to the valuation conducted by an independent PRC assets valuer. After applying the deposits as part of the payment of the purchase consideration, the balance of the remaining purchase consideration is payable by five separate installments.

Particulars of the agreement for the transfer of the mining right of Yangqueqing Iron Mine are set out in the Company's announcement dated 18 January 2010.

(c) On 3 February 2010, Huili Caitong and Yanbian County Caitong Iron and Titanium Co., Ltd. (the "Lessee"), a wholly-owned subsidiary of Huili Caitong have entered into a lease agreement (the "Lease Agreement") with Yanbian County Hongyuan Mining Co., Ltd. (the "Lessor"). Pursuant to the Lease Agreement, the Lessee has agreed to rent the iron and high-grade titanium concentrates production line and other assets related to the production line (the "Leased Assets") for a term of approximately 6 months commencing from 3 February 2010 to 31 July 2010 for a rental of RMB2.5 million per month. During the term of the Lease Agreement, Huili Caitong has the option to acquire the Leased Assets which is subject to the results of due diligence against the Leased Assets and at its sole discretion (the "Option"). In the event that Huili Caitong decides to exercise the Option by serving written notice to the Lessor, the Lessor shall diligently conduct negotiation with Huili Caitong to procure the signing of a definitive assets transfer agreement.

Particulars of the Lease Agreement are set out in the Company's announcement dated 4 February 2010.

(d) On 24 December 2009, Huili Caitong and Huili County Hailong Mining Development Co., Ltd. ("Huili Hailong") entered into a non-binding framework agreement (the "Framework Agreement 2") relating to the acquisition of the exploration right of Cizhuqing Mine ("Exploration Right") together with certain assets ("Target Assets") at an iron concentrates production facility located at Xiaoheiqing Town, Huili County, Sichuan. On 11 January 2010, Huili Caitong paid RMB120.0 million as a deposit under the Framework Agreement 2. Such deposit could be applied as part of the payment of the purchase consideration when parties to the Framework Agreement 2 enter into a definitive agreement. On 3 February 2010, Huili Caitong, Huili Hailong and the majority shareholder of Huili Hailong entered into an assets transfer agreement to acquire the Exploration Right and the Target Assets at consideration of RMB120.0 million and RMB190.0 million, respectively. The part of the consideration relating to the Target Assets is based on the valuation conducted by an independent PRC assets valuer. The part of the consideration relating to the Exploration Right is based on arm's length negotiation with reference to the market price of per tonne of iron ore resources. After applying the deposits as part of the payment of the purchase consideration, the balance of the remaining purchase consideration is payable by three separate installments.

Particulars of the agreement for the acquisition of the Exploration Right and Target Assets are set out in the Company's announcement dated 4 February 2010.

The Group is the second largest operator and the largest non state-owned operator of iron ore mines in Sichuan in terms of actual output volume of iron ore in 2009, according to the Sichuan Metallurgy Economic Association (四川省冶金經濟協會).

Listed on the Main Board on 8 October 2009, the Company is the first Hong Kong listed PRC producer focused primarily on iron ore and iron-ore related products. The Group is primarily engaged in mining, ore processing, iron pelletizing and the sale of iron concentrates, iron pellets and titanium concentrates to steel producers and downstream users of titanium-related products.

MARKET REVIEW

In 2008, the Chinese government announced a RMB4 trillion economic stimulus package. This resulted in an astonishing economic growth in 2009. Given this market surge, together with the post-earthquake construction and Chengdu-Chongqing Economic Zone development, all of these have stimulated strong demand of steel in Sichuan during the year and thus boosting that of iron ore.

Nevertheless, local iron ore output has been insufficient to meet the rising trend. This implicated that the acute iron ore need in the PRC has remained reliant on imported ore. Therefore, not surprisingly imports of iron ore in the PRC attained record heights in 2009, hitting approximately 627.8 Mt and up by approximately 41.6% as compared to the previous year according to the General Administration of Customs of the PRC (中國海關總署). With the broadening gap between supply and demand in the PRC's iron ore market, the PRC apparently became the largest global net importer of the product regardless of the adverse effects of the global economic crunch.

Iron ore price in the PRC has stabilized since the second quarter of 2009. It is believed that the iron ore price in the PRC will stay strong in the mid-to long-term.

BUSINESS REVIEW

OPERATIONS

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

	Year ended 31 December	
	2009	2008
	(Kt)	*(Kt)*
Iron concentrates		
Baicao Processing Plant	**479.1**	342.7
Xiushuihe Processing Plant	**531.4**	360.3
First Independent Third Party Processing Contractor's plant	**617.2**	460.8
Second Independent Third Party Processing Contractor's plant	**3.6**	–
Total production volume	**1,631.3**	1,163.8
Total sales volume	**949.9**	796.9
Iron pellets		
Iron Pelletizing Plant	**201.5**	312.5
First Independent Third Party Pelletizing Contractor's plant	**255.5**	12.8
Second Independent Third Party Pelletizing Contractor's plant	**230.6**	–
Total production volume	**687.6**	325.3
Total sales volume	**693.3**	305.4
Medium-grade titanium concentrates		
Baicao Processing Plant	**52.9**	70.0
Xiushuihe Processing Plant	**9.8**	16.8
First Independent Third Party Processing Contractor's plant	**89.7**	80.8
Total production volume	**152.4**	167.6
Total sales volume	**167.3**	216.7

Iron Concentrates

The total production volume of iron concentrates (which included the production volume produced by the First Independent Third Party Processing Contractor and Second Independent Third Party Processing Contractor) increased from approximately 1,163.8 Kt in 2008 to approximately 1,631.3 Kt in 2009, representing an increase of 40.2%. The sales volume of iron concentrates increased from approximately 796.9 Kt in 2008 to approximately 949.9 Kt in 2009, representing an increase of 19.2%.

Iron Pellets

The total production volume of iron pellets (which included the production volume produced by the First Independent Third Party Pelletizing Contractor and Second Independent Third Party Pelletizing Contractor) increased from approximately 325.3 Kt in 2008 to approximately 687.6 Kt in 2009, representing an increase of 111.4%. The sales volume of iron pellets increased from approximately 305.4 Kt in 2008 to approximately 693.3 Kt in 2009, representing an increase of 127.0%.

Medium-grade Titanium Concentrates

The total production volume of medium-grade titanium concentrates (which included the production volume produced by the First Independent Third Party Processing Contractor) decreased from approximately 167.6 Kt in 2008 to approximately 152.4 Kt in 2009, representing a decrease of 9.1%. The sales volume of medium-grade titanium concentrates decreased from approximately 216.7 Kt in 2008 to approximately 167.3 Kt in 2009, representing a decrease of 22.8%.

PRODUCTION FACILITIES EXPANSION

Iron Ore Products

For the iron ore products, the Group has increased the iron concentrates production capacity from 1,550.0 Kt in 2008 to 1,900.0 Kt in 2009 (including the 550.0 Kt and 700.0 Kt production capacity allocated to the Group by the First Independent Third Party Processing Contractor and Second Independent Third Party Processing Contractor in 2008 and 2009, respectively) and iron pellets production capacity from 380.0 Kt in 2008 to 760.0 Kt in 2009 (including the 20.0 Kt and 400.0 Kt production capacity allocated to the Group by the First Independent Third Party Pelletizing Contractor and Second Independent Third Party Pelletizing Contractor in 2008 and 2009, respectively).

Titanium Concentrates Products

The total production capacity of medium-grade and high-grade titanium concentrates were 240.0 Kt and 6.0 Kt respectively as at 31 December 2009.

During the year, the Group has completed the main part of a new high-grade titanium concentrates production line in Baicao Processing Plant with a planned annual production capacity of 60.0 Kt. The new high-grade titanium concentrates production line was planned to commence production in early 2010.

Furthermore, the Group has commenced a new high-grade titanium concentrates production line with annual production capacity of 50.0 Kt in Xiushuihe Processing Plant.

MINERALS EXPLORATION

Expansion of the Existing Boundaries of Xiushuihe Mine

In relation to the Group's strategy to extend the current mining right to adjacent mining areas, the Group obtained a two-year exploration permit in July 2009 to conduct exploration activities in the adjacent areas to the west of the current Xiushuihe mining right area. The exploration permit covers the entire 1.7 sq.km. of the Xiushuihe deposit and includes an area of 1.2 sq.km. previously unexplored by the Group. Excluding the resources covered by the current Xiushuihe mining right, the approximately 1.2 sq.km. area previously unexplored by the Group is estimated to contain total iron ore resources of approximately 78.2 Mt, including 51.8 Mt of higher-grade resource and 26.4 Mt of lower-grade resource.

Option Agreements in respect of Five Iron Ore Mines in Sichuan and Yunnan

During the year, the Group has entered into option agreements with the respective owners of five iron ore mines that allow the Group, within a specific time period and at the Group's sole discretion, to purchase the mining rights and related assets of the mines on terms to be negotiated. Together, the five mines are estimated to have total iron ore resources of approximately 126.2 Mt.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2009, the Group's revenue was approximately RMB1,083.9 million (2008: RMB791.2 million), representing an increase of 37.0% as compared to the previous year. Such increase was primarily attributable to the increase in the sales volume of iron ore products given to the rising demand for steel and iron products stimulated by rapid infrastructural development in Sichuan Province.

Cost of Sales

For the year ended 31 December 2009, the Group's cost of sales was approximately RMB582.1 million (2008: RMB364.1 million), representing an increase of 59.9% as compared to the previous year. Such increase was primarily attributable to the increase in sales volume and the increase in average cost of raw iron ore used and the repair & maintenance fee for the production plant.

Gross Profit and Margin

As a result of the foregoing, the gross profit for the year ended 31 December 2009 increased by 17.5%, from approximately RMB427.0 million to approximately RMB501.7 million. The gross profit margin decreased from 54.0% for the year ended 31 December 2008 to 46.3% for the year ended 31 December 2009. The decrease in gross profit margin was primarily due to the decrease in the average selling price of iron ore products coupled with the increase in the average unit cost.

Other Income

The other income increased by 136.4%, from approximately RMB17.3 million for the year ended 31 December 2008 to approximately RMB40.9 million for the year ended 31 December 2009. The other income of the Group mainly included income from sales of raw materials and government grants received from the local government of Huili County.

Selling and Distribution Costs

The selling and distribution costs increased by 26.3%, from approximately RMB22.4 million for the year ended 31 December 2008 to approximately RMB28.3 million for the year ended 31 December 2009 and the increase was in line with the increase in sales volume during the year. Transportation fees mainly represented the road transportation cost, the goods loading and unloading fee, platform storage and platform administration fee.

Administrative Expenses

The administrative expenses increased by 7.9%, from approximately RMB33.0 million for the year ended 31 December 2008 to approximately RMB35.6 million for the year ended 31 December 2009, mainly due to the business expansion of the Group.

Other Operating Expenses

The other operating expenses decreased by 11.1%, from approximately RMB37.0 million for the year ended 31 December 2008 to approximately RMB32.9 million for the year ended 31 December 2009. The other operating expenses mainly included cost of raw materials sold and listing fees, etc.

Finance Costs

The finance costs increased by 206.7%, from approximately RMB3.0 million for the year ended 31 December 2008 to approximately RMB9.2 million for the year ended 31 December 2009, primarily due to the increase in average bank loan balance and discounted bills.

Income Tax Expense

The income tax expense increased by 131.6%, from approximately RMB30.1 million for the year ended 31 December 2008 to approximately RMB69.7 million for the year ended 31 December 2009, primarily due to the increase in profit before tax as a result of the Group's production capacity expansion during the year, and the increase in effective income tax rate for the group during the year as compared to the previous year.

Total Comprehensive Income for the Year

As a result of the foregoing, the total comprehensive income increased by 15.1%, from approximately RMB318.8 million for the year ended 31 December 2008 to approximately RMB366.9 million for the year ended 31 December 2009. The net profit margin decreased from 40.3% for the year ended 31 December 2008 to 33.8% for the year ended 31 December 2009.

Total Comprehensive Income Attributable to Owners of the Company

Total comprehensive income attributable to owners of the Company increased by 31.8%, from approximately RMB248.7 million for the year ended 31 December 2008 to approximately RMB327.9 million for the year ended 31 December 2009.

Final Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 December 2009.

LIQUIDITY AND CAPITAL RESOURCES

The following table sets out certain information regarding the Group's consolidated statement of cash flows for the years ended 31 December 2008 and 2009:

	Year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Net cash inflow from operating activities	**342,061**	423,033
Net cash outflow from investing activities	**(327,746)**	(267,063)
Net cash inflow/(outflow) from financing activities	**1,737,484**	(30,458)
Increase in cash and cash equivalents	**1,751,799**	125,512

Net Cash Inflow from Operating Activities

The Group's net cash inflow from operating activities decreased by 19.1%, from approximately RMB423.0 million for the year ended 31 December 2008 to approximately RMB342.1 million for the year ended 31 December 2009. In 2009, it primarily included profit before tax of RMB436.6 million, and increase in other payables & accruals of RMB38.0 million that partially offset by increase in inventories and trade and other receivables due to the business expansion.

Net Cash Outflow from Investing Activities

The Group's net cash outflow from investing activities increased by 22.7%, from approximately RMB267.1 million for the year ended 31 December 2008 to approximately RMB327.7 million for the year ended 31 December 2009. In 2009, it primarily included the purchase of property, plant and equipment of RMB238.7 million, an increase in the prepaid land lease payments of RMB37.7 million and the purchase of intangible assets of RMB51.3 million.

Net Cash Inflow/(Outflow) from Financing Activities

The Group's net cash outflow from financing activities for the year ended 31 December 2008 was approximately RMB30.5 million and the net cash inflow for the year ended 31 December 2009 was approximately RMB1,737.5 million. In 2009, it primarily included the net proceeds from issue of Shares of RMB1,661.7 million and the proceeds from bank borrowings of RMB100.0 million that partially offset by the dividend payment.

Analysis of inventories

The Group's inventories increased by 8.1%, from approximately RMB65.6 million as at 31 December 2008 to approximately RMB70.9 million as at 31 December 2009, primarily due to the increase in the production volume.

Analysis of trade and note receivables

The Group's trade and note receivables increased by 56.8%, from approximately RMB87.6 million as at 31 December 2008 to approximately RMB137.4 million as at 31 December 2009, primarily due to the increase in sales in December 2009 as compared to December 2008 in accordance with the Group's standardized credit terms of 30 days given to the customers.

Analysis of trade and other payables

The Group's trade and other payables as at 31 December 2008 was approximately RMB299.7 million, trade and other payables as at 31 December 2009 was approximately RMB284.8 million. There was no significant change in trade and other payables.

Analysis of net current assets position

The Group's net current assets position increased by 1,431.8%, from approximately RMB115.7 million as at 31 December 2008 to approximately RMB1,772.3 million as at 31 December 2009, primarily due to the net proceeds of RMB1,661.7 million from the IPO and the Over-Allotment and the proceeds from bank borrowings.

Borrowings

As at 31 December 2009, the unsecured interest-bearing bank loan from China Construction Bank (the "Lender") with maturity within three months amounted to RMB100.0 million, which was obtained by Huili Caitong in March 2009 and with an annual interest rate of 5.31%. In accordance with the loan agreement entered into between Huili Caitong and the Lender, Huili Caitong agreed not to mortgage or pledges any of Huili Caitong's land use rights or mining rights to any parties, and the Lender will be entitled to pre-emption right in the event of such mortgage or pledge. The Group has no borrowings as at 31 December 2008.

Contingent liabilities

As at 31 December 2009, the Group did not have any material contingent liabilities or guarantees.

Pledge of Assets

As at 31 December 2009, the Group did not have any pledge or charge on assets.

Foreign Currency Risk

The Group's businesses are located in the PRC and its operating transactions are conducted in Renminbi. Most of its assets and liabilities are denominated in Renminbi, except for net proceeds and certain payables to professional parties that are denominated in Hong Kong dollars and US dollars that arise from the listing during the year.

The Renminbi is not freely convertible, there is a risk that the PRC government may take actions affecting exchange rates which may have a material adverse effect on its net assets, earnings and any dividends it declare if such dividends are to be exchanged or converted into foreign exchange. Moreover, the Group has not hedged its foreign exchange rate risk.

Interest Rate Risk

The Group's income and operating cash flow are not substantially affected by changes in market interest rates. We have no significant interest-bearing assets, except for cash and cash equivalents, nor any interest-bearing liabilities. We have not used any interest rate swaps to hedge against interest rate risk.

Contractual Obligations

As at 31 December 2009, the Group's contractual obligations was amounted to RMB342.8 million, and increased by RMB334.9 million as compared to approximately RMB7.9 million as at 31 December 2008, which was primarily due to the various construction contracts entered for Group's production facilities expansion in 2009.

Capital Expenditure

The Group's total capital expenditure decreased by 29.0% from RMB257.5 million in 2008 to approximately RMB182.7 million in 2009. The capital expenditure in 2009 was primarily consisted of (a) the construction of new iron concentrates production line and new high-grade titanium concentrates production line in Baicao Processing Plant amounting to RMB99.4 million; (b) the construction of reservoir amounting to RMB33.0 million; (c) the construction projects related to tailing pool amounting to RMB13.4 million; (d) the construction of two titanium slag production lines in Baicao Processing Plant amounting to RMB2.7 million; (e) the construction of mine road, purchase of production equipment and mining infrastructure in Baicao Processing Plant amounting to RMB16.8 million and (f) approximately RMB10.0 million of exploration costs incurred for the expansion of mining boundaries in Xiushuihe Mining in 2009.

Financial Instruments

The Group did not have any hedging contracts or financial derivatives outstanding for the years ended 31 December 2008 and 2009.

Gearing Ratio

The Group's gearing ratio is net debt divided by total capital plus net debt. Net debt is defined as interest-bearing bank loans, net of cash and bank balance and it excludes liabilities incurred for working capital purpose. Capital includes equity attributable to the owners of the Company and minority interests.

As at 31 December 2009, the Group's cash and cash equivalents exceeded the interest-bearing bank loan. As such, the Group was at a net cash position and no gearing ratio as at 31 December 2009.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

During the year, the Group did not have any significant investments or acquisitions or disposal of subsidiaries.

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING AND EXERCISE OF OVER-ALLOTMENT OPTION

The Shares of the Company were listed on the Main Board on 8 October 2009 with net proceeds from the global offering of approximately HK$1,634.0 million (approximately RMB1,438.7 million) after deducting underwriting commissions and all related expenses. In addition, the net proceeds received by the Company upon exercise of Over-Allotment option on 27 October 2009 was approximately HK$253.3 million (approximately RMB223.0 million). The total net proceeds from the global offering and exercise of over-allotment option were approximately HK$1,887.3 (approximately RMB1,661.7 million).

	Net proceeds from the global offering	
Use of proceeds	**Available to utilize** ***(RMB million)***	Utilized (up to 31 December 2009) *(RMB million)*
Acquisition or consolidation of other mines and expansion of the existing mining boundaries	**1,230.1**	10.0
Construction of titanium slag production lines	**115.1**	34.7
Construction of 300.0 Kt iron concentrates production line at Xiushuihe Processing Plant	**143.9**	52.2
Upgrade of medium-grade titanium concentrates production lines	**57.5**	8.7
Working capital	**115.1**	74.5
Total	**1,661.7**	180.1

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2009, the Group had a total of 1,012 dedicated full time employees (31 December 2008: 926 employees), including 55 management and administrative staff, 930 production staff and 27 operation supporting staff. For the year ended 31 December 2009, the staff costs (including Directors' remuneration in the form of salaries and other benefits) were approximately RMB25.9 million (2008: RMB19.1 million).

In line with the Group and individual performance, a competitive remuneration package is offered to retain elite employees including salaries, medical insurance, discretionary bonuses, other benefits as well as mandatory provident fund scheme for employees in Hong Kong and state-managed retirement benefit scheme for employees in the PRC. The Group has also adopted a share option scheme for its employees, providing incentives and rewards to eligible participants with reference to their contribution.

STRATEGIES AND PLANS

Given the enormous iron ore market in Sichuan and China driven by the robust demand, the Group will maintain a dynamic approach towards the market growth in the coming year. The PRC's RMB4 trillion economic stimulus package has facilitated an increase in infrastructure, which in turn has supported the rising demand of the Group's products. With this in mind, the iron ore industry in the PRC is expected to record mighty growth with stabilizing price in 2010.

Supported by the extensive reserves and enhancing production scale, together with the favorable industry dynamics, the Group poised to achieve excellence while remaining in an enviable position in the PRC's iron ore industry capitalizing on the following three core strategies:

Expansion of mineral resources

The Group plans to expand the mineral reserves through the acquisition of other mining sites and the expansion of the boundary of our current mining concessions. The Group has already obtained a two-year exploration permit to conduct exploration activities in the adjacent areas to the west of the current Xiushuihe mining right area and the mining permit is expected to be obtained in mid 2011 after the completion of exploration activities. Furthermore, the Group has also entered into option agreements with the respective owners of five iron ore mines that allow the Group, within a specific time period and at the Group's sole discretion, to purchase the mining rights and related assets of the mines on terms to be negotiated.

Expansion of processing facilities

The Group intends to upgrade the existing medium-grade titanium concentrates production lines in Xiushuihe Processing Plant and Baicao Processing Plant to two high-grade titanium concentrates production lines with a planned annual production capacity of 50.0 Kt and 40.0 Kt, respectively and expect to complete the upgrade process by early and late 2010, respectively.

Construction of new processing facilities

The Group intends to complete construction of a new iron concentrates production line with a planned annual production capacity of 300.0 Kt and a new high-grade titanium concentrates production line with a planned annual capacity of 60.0 Kt in Xiushuihe Processing Plant by July 2010. Furthermore, the Group has intended to capitalize on the cost benefits associated with the high titanium content of the ore by expanding the business into the production of downstream products such as titanium slag. Two new titanium slag production lines with a planned annual aggregate production capacity of 120.0 Kt are intended to construct in Luchang Vanadium Titanomagnetite Industrial Park in early 2010 at Baicao Processing Plant.

CORPORATE GOVERNANCE

The Company has adopted the CG Code as its own code of corporate governance. The Company has complied with the code provisions of the CG Code throughout the period from the Listing Date to 31 December 2009 (the "Review Period") and up to the date of the publication of this announcement.

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

Throughout the Review Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

MODEL CODE SET OUT IN APPENDIX 10 OF THE LISTING RULES

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry to all the Directors of the Company, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code.

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE WEBSITE

This announcement is published on the websites of the Company (www.chinavtmmining.com) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2009 will be dispatched to shareholders of the Company and available on the above websites in due course.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company has reviewed the audited financial statements of the Group for the year ended 31 December 2009.

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

Hong Kong, 22 February 2010

Glossary of Terms

"Baicao Mine"	the Baicao vanadium-bearing titanomagnetite mine located in Xiaoheiqing Townlet, Huili County, Sichuan, the PRC and operated by Huili Caitong
"Baicao Processing Plant"	the ore processing plant located at our Baicao Mine
"Board"	the board of Directors of the Company
"CG Code"	the Code on Corporate Governance Practice as set out in Appendix 14 to the Listing Rules
"Cizhuqing Mine"	the vanadium-bearing titanomagnetite mine located at Huili County, Liangshanzhou, Sichuan, PRC whose permitted exploration area is approximately 2.30 sq.km.

"Company" or "our Company", 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
"concentrates"	the product of ore processing plants that contain higher concentrations of the minerals and are suitable for smelting
"Director(s)"	director(s) of the Company or any one of them
"First Independent Third Party Pelletizing Contractor"	Panzhihua Henghong Iron Pellets Co., Ltd. (攀枝花恒弘球團有限公司), a limited liability company (non-state owned) and an Independent Third Party contractor which entered into a pelletizing contract with us with effect from December 2008
"First Independent Third Party Processing Contractor"	Yanbian County Hongyuan Mining Co., Ltd. (鹽邊縣宏緣礦業有限責任公司), established on 25 April 2001, a limited liability company (non-state owned) and an Independent Third Party contractor which entered into a processing contract with us with effect from August 2006. It commenced the production of iron concentrates and medium-grade titanium concentrates from our ore in January 2007
"grade"	the concentration, commonly expressed as percentage or grams per tonne, of useful elements, minerals or their components in any ore or concentrate
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"Huili County"	a county in Sichuan
"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 and is a Sino-foreign equity joint venture enterprise in the PRC
"IPO"	the initial public offering and listing of Shares of the Company on the Main Board on 8 October 2009
"iron"	a silvery-white, lustrous, malleable, ductile, magnetic or magnetizable, 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 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 concentrates"	concentrates whose main mineral content (by value) is iron

“iron pellets”	a round hardened clump of iron-rich material suitable for application in blast furnaces
“Kt”	thousand tonnes
“Listing”	listing of the Shares on the Stock Exchange pursuant to the IPO
“Listing Date”	8 October 2009
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the Main Board of the Stock Exchange
“mining rights”	the rights to mine mineral resources and obtain mineral products in areas where mining activities are licensed
“Mt”	million tonnes
“Nanjiang”	Sichuan Nanjiang Mining Group Co., Ltd. (四川南江礦業集團有限公司), a limited liability company (non-state owned) and an independent third party which entered into a new co-operation agreement with us with effect from 18 March 2009
“ore processing”	the process which in general refers to the extraction of usable portions of ores by using physical and chemical extraction methods
“Over-Allotment”	the exercise of the over-allotment option, pursuant to the announcement published by the Company on 28 October 2009
“pelletizing”	a process to compress the iron ore into the shape of a pellet
“PRC”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of China and Taiwan
“Prospectus”	the prospectus of the Company dated 24 September 2009 issued in connection with IPO
“Renminbi” or “RMB”	the lawful currency of the PRC
“Reorganization”	the corporate reorganization of our Group effected for the preparation for the Listing, details of which are set out in the “History, Reorganization and Group Structure” section in the Prospectus
“Second Independent Third Party Pelletizing Contractor”	Panzhihua City Guangchuan Metallurgy Co. Ltd. (攀枝花市廣川冶金有限公司), a limited liability company (non-state owned) and an independent third party contractor which entered into a pelletizing contract with us with effect from February 2009

"Second Independent Third Party Processing Contractor"	Panzhihua City Aolei Gongmao Co., Ltd. (攀枝花市奧磊工貿有限責任公司), established on March 12, 2004, a limited liability company (non-state owned) and an independent third party contractor which entered into a processing contract with us with effect from April 2009
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on 4 September 2009
"Sichuan"	the Sichuan province of the PRC
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Share(s)"	ordinary shares in the share capital of the Company, with a nominal value of HK$0.10 each
"sq.km."	square kilometres
"titanium"	a light, strong, lustrous, corrosion-resistant transition metal with a white-silvery-metallic color
"titanium concentrates"	concentrates whose main content (by value) is titanium dioxide
"tonne"	metric tonne
"trading day"	the day on which the Stock Exchange is open
"Xiushuihe Mine"	the Xiushuihe vanadium-bearing titanomagnetite mine located in Ailang Townlet, Huili County, Sichuan, the PRC and operated by Xiushuihe Mining
"Xiushuihe Mining"	Huili County Xiushuihe Mining Co. Ltd. (會理縣秀水河礦業有限公司), a limited liability company established in the PRC on 26 June 2007 and a member of our Group
"Xiushuihe Processing Plant"	the ore processing plant located at our Xiushuihe Mine and operated by us
"Yangqueqing Iron Mine"	Yangqueqing Iron Mine (陽雀箐鐵礦), located in Huili County, Liangshanzhou, Sichuan, in connection to which a definitive agreement has been entered on 16 January 2010 for Huili Caitong to obtain the mining rights of Yangqueqing Iron Mine

As at the date of this announcement, the Board comprises Mr. Jiang Zhong Ping, Mr. Liu Feng, Mr. Wang Yun Jian and Mr. Yu Xing Yuan as Executive Directors; Mr. Wang Jin, Mr. Zhu Xiao Lin, Mr. Teo Cheng Kwee and Mr. Devlin Paul Jason as Non-executive Directors; and Mr. Yu Haizong, Mr. Gu Peidong, Mr. Liu Yi and Mr. Wu Wei as Independent Non-executive Directors.