China Vanadium Titano-Magnetite Mining Company Limited
中國釩鈦磁鐵礦業有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 00893)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

FINANCIAL HIGHLIGHTS

- The Group's revenue amounted to approximately RMB1,713.0 million for the year ended 31 December 2011, representing an increase of RMB136.6 million or 8.7% as compared to approximately RMB1,576.4 million in 2010.
- Profit and total comprehensive income attributable to owners of the Company for the year ended 31 December 2011 was approximately RMB605.9 million, representing an increase of RMB64.1 million or 11.8% as compared to approximately RMB541.8 million in 2010.
- The basic and diluted earnings per Share attributable to ordinary equity holders of the Company amounted to approximately RMB0.29 for the year ended 31 December 2011, representing an increase of RMB0.03 or 11.5% as compared to approximately RMB0.26 in 2010.
- The Board recommended the payment of a final dividend of HK$0.073 per Share (equivalent to approximately RMB0.059 per Share) for the year ended 31 December 2011 (2010: HK$0.062 per Share).

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2011 together with the restated comparative figures for the year ended 31 December 2010 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000 (Restated)
REVENUE	3	**1,712,978**	1,576,428
Cost of sales		**(886,407)**	(735,982)
Gross profit		**826,571**	840,446
Other income and gains	4	**109,742**	69,868
Selling and distribution costs		**(46,473)**	(47,283)
Administrative expenses		**(102,219)**	(88,678)
Other expenses		**(19,035)**	(38,802)
Finance costs	5	**(21,120)**	(17,968)
Share of profit of a jointly controlled entity		**34**	–
Share of loss of an associate		**–**	(4,477)
PROFIT BEFORE TAX	6	**747,500**	713,106
Income tax expense	7	**(134,775)**	(117,316)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**612,725**	595,790
Attributable to:			
Owners of the Company		**605,892**	541,816
Non-controlling interests		**6,833**	53,974
		612,725	595,790
Earnings per Share attributable to ordinary equity holders of the Company *(RMB)*:			
Basic and diluted	8	**0.29**	0.26

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	**31 December 2011** **RMB'000**	31 December 2010 *RMB'000* (Restated)	1 January 2010 *RMB'000* (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment		**1,726,804**	1,539,809	510,541
Intangible assets		**576,901**	548,441	177,416
Prepaid land lease payments		**50,678**	51,791	48,889
Investment in an associate		**–**	–	77,109
Investment in a jointly controlled entity		**584**	–	–
Financial assets at fair value through profit or loss		**207,942**	–	–
Prepayments and deposits	*9*	**231,180**	158,943	30,842
Payments in advance	*10*	**165,712**	68,295	101,910
Goodwill		**15,318**	15,318	23,258
Deferred tax assets		**3,986**	16,501	12,745
Total non-current assets		**2,979,105**	2,399,098	982,710
CURRENT ASSETS				
Inventories		**137,333**	70,531	74,014
Trade and bills receivables	*11*	**134,418**	207,598	152,157
Prepayments, deposits and other receivables	*9*	**148,139**	100,154	102,816
Due from related parties		**600**	600	90,814
Pledged time deposits		**111,993**	–	121,800
Cash and cash equivalents		**946,830**	1,101,843	1,890,025
Total current assets		**1,479,313**	1,480,726	2,431,626
CURRENT LIABILITIES				
Trade and bills payables	*12*	**341,192**	260,887	220,828
Other payables and accruals	*13*	**278,779**	286,965	246,736
Interest-bearing bank and other loans	*14*	**321,514**	175,000	100,000
Due to related parties		**85,681**	55,276	84,150
Tax payable		**89,655**	91,380	70,900
Dividends payable		**1,801**	1,801	1,801
Total current liabilities		**1,118,622**	871,309	724,415
NET CURRENT ASSETS		**360,691**	609,417	1,707,211
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,339,796**	3,008,515	2,689,921

	Notes	**31 December 2011** *RMB'000*	31 December 2010 *RMB'000* (Restated)	1 January 2010 *RMB'000* (Restated)
NON-CURRENT LIABILITIES				
Interest-bearing bank and other loans	*14*	**101,200**	157,000	32,000
Provision for rehabilitation		**7,664**	7,173	6,717
Deferred income		**9,574**	6,600	4,600
Other payable		**500**	500	500
Total non-current liabilities		**118,938**	171,273	43,817
Net assets		**3,220,858**	2,837,242	2,646,104
EQUITY				
Equity attributable to owners of the Company				
Issued capital	*15*	**182,787**	182,787	182,787
Reserves	*17*	**2,893,769**	2,516,463	2,350,857
Proposed final dividend	*18*	**122,425**	107,756	–
		3,198,981	2,807,006	2,533,644
Non-controlling interests		**21,877**	30,236	112,460
Total equity		**3,220,858**	2,837,242	2,646,104

NOTES:

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 28 April 2008 under the Companies Law. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located at Room 2201, 22/F, Wheelock House, 20 Pedder Street, Central, Hong Kong.

During the year ended 31 December 2011, the Group was principally engaged in the business of mining, ore processing, iron pelletising, sale of vanadium-bearing iron concentrates, ordinary iron concentrates, iron pellets and titanium concentrates and management of strategic investments. Other than the acquisition of Aba Mining as further disclosed in note 2.1, there were no significant changes in the nature of the Group's principal activities during the year.

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 PRESENTATION

On 31 May 2011, the Group completed the acquisition of the entire equity interests in Aba Mining from Chuan Wei. Upon completion of the acquisition, Aba Mining became an indirectly wholly-owned subsidiary of the Company. Chuan Wei and Trisonic International are ultimately controlled by the same beneficial owners and Trisonic International is a Controlling Shareholder of the Company and, the Company and Aba Mining are ultimately under common control of the Controlling Shareholders before and after the acquisition and that control is not transitory. Hence, the acquisition has been accounted for as a business combination of entities under common control.

Accordingly, the consolidated financial statements have been prepared by applying the principles of merger accounting as if the current group structure had been in existence throughout each of the two years ended 31 December 2010 and 2011, or since their respective dates of establishment, whichever is shorter. The consolidated statements of financial position of the Group as of 1 January and 31 December 2010 have been prepared to present the assets and liabilities of Aba Mining and its subsidiaries before the acquisition using the existing book values from the Controlling Shareholders' perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the acquisition.

Equity interests in Aba Mining held by parties other than the Controlling Shareholders and changes therein, prior to the acquisition were presented as non-controlling interests in equity in applying the principles of merger accounting. Immediately prior to the acquisition, Aba Mining was collectively owned by the Controlling Shareholders with effective interests of 67.17%. On 31 May 2011, the Group acquired 67.17% and 32.83% of the equity interests in Aba Mining from Chuan Wei and parties other than the Controlling Shareholders, respectively. Upon Completion of the Acquisition, the Company owned effective interests of 100% in Aba Mining. The difference between the purchase consideration of RMB49,200,000 (apportioned on a pro rata according to a purchase consideration of RMB150,000,000) and the book value of the share of net assets acquired of RMB15,192,000 on the acquisition date has been recognised in equity amounted to RMB34,008,000.

Accordingly, the comparative figures of the consolidated financial statements have been restated.

2.2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with IFRSs, which comprise standards and interpretations approved by International Accounting Standards Board (the "IASB") and International Accounting Standards ("IASs") 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 Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss, which have been measured at fair value. 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 Group for the year ended 31 December 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Other than the results of Aba Mining, 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 intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

2.3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

IFRS 1 Amendment	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Limited Exemptions from Comparative IFRS 7 Disclosures for First-time Adopters*
IAS 24 (Revised)	*Related Party Disclosures*
IAS 32 Amendment	Amendment to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
IFRIC 14 Amendments	Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement*
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to IFRSs 2010	*Amendments to a number of IFRSs issued in May 2010*

Other than as further explained below regarding the impact of IAS 24 (Revised), and amendments to IFRS 3, IAS 1 and IAS 27 included in Improvements to IFRSs 2010, the adoption of the new and revised IFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised IFRSs are as follows:

(a) IAS 24 (Revised) Related Party Disclosures

IAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group.

(b) *Improvements to IFRSs 2010* issued in May 2010 sets out amendments to a number of IFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- IFRS 3 *Business Combinations*: The amendment clarifies that the amendments to IFRS 7, IAS 32 and IAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008).

  In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another IFRS.

  The amendment also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- IAS 1 *Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

- IAS 27 *Consolidated and Separate Financial Statements*: The amendment clarifies that the consequential amendments from IAS 27 (as revised in 2008) made to IAS 21, IAS 28 and IAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if IAS 27 is applied earlier.

2.4 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 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[1]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[1]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[4]
IFRS 9	*Financial Instruments*[6]
IFRS 10	*Consolidated Financial Statements*[4]
IFRS 11	*Joint Arrangements*[4]
IFRS 12	*Disclosure of Interests in Other Entities*[4]
IFRS 13	*Fair Value Measurement*[4]
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*[4]
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[3]
IAS 12 Amendments	Amendments to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*[2]
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits*[4]
IAS 27 (Revised)	*Separate Financial Statements*[4]
IAS 28 (Revised)	*Investments in Associates and Joint Ventures*[4]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[5]

[1] *Effective for annual periods beginning on or after 1 July 2011*
[2] *Effective for annual periods beginning on or after 1 January 2012*
[3] *Effective for annual periods beginning on or after 1 July 2012*
[4] *Effective for annual periods beginning on or after 1 January 2013*
[5] *Effective for annual periods beginning on or after 1 January 2014*
[6] *Effective for annual periods beginning on or after 1 January 2015*

Further information about those changes that are expected to significantly affect the Group is as follows:

IFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of IAS 39.

In October 2010, the IASB issued additions to IFRS 9 to address financial liabilities (the "Additions") and incorporated in IFRS 9 the current derecognition principles of financial instruments of IAS 39. Most of the Additions were carried forward unchanged from IAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

IAS 39 is aimed to be replaced by IFRS 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt IFRS 9 from 1 January 2015.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by IFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in IAS 27 and SIC 12 *Consolidation – Special Purpose Entities*. IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12.

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

IFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in IAS 27 *Consolidated and Separate Financial Statements*, IAS 31 *Interests in Joint Ventures* and IAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

Consequential amendments were made to IAS 27 and IAS 28 as a result of the issuance of IFRS 10, IFRS 11 and IFRS 12. The Group expects to adopt IFRS 10, IFRS 11, IFRS 12, and the consequential amendments to IAS 27 and IAS 28 from 1 January 2013.

IFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other IFRSs. The Group expects to adopt IFRS 13 prospectively from 1 January 2013.

Amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1 January 2013.

IFRIC 20 describes the accounting for waste removal costs incurred during the production phase of a surface mine. To the extent that the benefit from the stripping activity is realised in the form of inventory produced, the costs incurred must be accounted for in accordance with the principles of IAS 2 *Inventories*. To the extent that the benefit is improved access to ore to be mined in future periods and if criteria set out in the interpretation are met, the waste removal costs must be recognised as a stripping activity asset under non-current asset. The Group expects to adopt the interpretation from 1 January 2013.

3. REVENUE AND OPERATING SEGMENT INFORMATION

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

The Group's revenue and contribution to profit are mainly derived from its sale of vanadium-bearing iron concentrates, ordinary iron concentrates, iron pellets, medium-grade titanium concentrates and high-grade 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 non-current assets employed by the Group are located in Sichuan Province, the PRC. Accordingly, no segment analysis is presented other than entity-wide disclosures.

Entity-wide disclosures

Information about products

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

	2011		2010	
	RMB'000	*%*	*RMB'000*	*%*
			(Restated)	
Vanadium-bearing iron concentrates	**960,203**	**56.1**	875,784	55.6
Ordinary iron concentrates	**32,556**	**1.9**	22,298	1.4
Iron pellets	**593,496**	**34.6**	637,172	40.4
Medium-grade titanium concentrates	**12,478**	**0.7**	8,239	0.5
High-grade titanium concentrates	**114,245**	**6.7**	32,935	2.1
	1,712,978	**100.0**	1,576,428	100.0

Geographical information

All external revenue of the Group during each of the two years ended 31 December 2011 was attributable to customers located in the PRC, the place of domicile of the Group's operating entities. The Group's non-current assets are all located in the PRC.

Information about major customers

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

	2011	2010
	RMB'000	*RMB'000*
		(Restated)
Customer A	**298,284**	195,365
Customer B	**278,782**	279,947
Customer C	**271,685**	298,192
Customer D	**257,867**	209,339
Customer E	**229,492**	287,431
Customer F	*****	242,783

* *Less than 10% of total revenue*

4. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	Notes	2011 RMB'000	2010 RMB'000 (Restated)
Bank interest income		**12,221**	3,891
Sale of raw materials		**18,134**	43,667
Government grants*	*9(e)*	**55,000**	2,500
Compensation from a local government	*9(f)*	**9,320**	–
Fair value gains on financial assets at fair value through profit or loss		**14,423**	–
Gain on disposal of an associate		**–**	19,368
Miscellaneous		**644**	442
Total other income and gains		**109,742**	69,868

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

5. FINANCE COSTS

	2011 RMB'000	2010 RMB'000 (Restated)
Interest on bank loans and other loans wholly repayable within five years	**22,941**	16,634
Interest on discounted bills receivable	**–**	2,363
Unwinding of discount on provision	**491**	456
	23,432	19,453
Less: interest capitalised to property, plant and equipment	**(1,537)**	(8,874)
	21,895	10,579
Foreign exchange loss/(gain), net	**(775)**	7,389
	21,120	17,968
Capitalisation rate of borrowing costs	**5.4% to 7.59%**	5.4% to 5.94%

6. PROFIT BEFORE TAX

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

	Notes	**2011** **RMB'000**	2010 *RMB'000* (Restated)
Cost of inventories sold		**886,407**	735,982
Staff costs (including directors' remuneration):			
Wages and salaries		**58,739**	44,730
Welfare and other benefits		**8,991**	5,537
Equity-settled share option expense	*16*	**28,647**	19,030
Pension scheme contributions			
– Defined contribution fund		**8,303**	5,072
Housing fund			
– Defined contribution fund		**465**	265
Total staff costs		**105,145**	74,634
Depreciation		**100,936**	72,727
Amortisation of intangible assets		**20,930**	16,673
Amortisation of prepaid land lease payments		**1,113**	1,069
Depreciation and amortisation expenses		**122,979**	90,469
Minimum lease payments under operating leases:			
Land		**108**	157
Office		**1,057**	864
Auditors' remuneration		**4,000**	3,543
Prepaid technical fee released to profit or loss	*9(b)*	**4,133**	4,133
Loss on disposal of items of property, plant and equipment		**5**	426
Loss on disposal of subsidiaries		**–**	1,378
Write-down/(reversal of write-down) of inventories to net realisable value		**(2,547)**	1,708

7. INCOME TAX EXPENSE

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI during the two years ended 31 December 2011.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the two years ended 31 December 2011.

The provision for PRC CIT is based on the respective PRC CIT rates applicable to the subsidiaries located in China as determined in accordance with the relevant income tax rules and regulations of China for the year. The Group's PRC subsidiaries other than Huili Caitong are subject to the PRC CIT rate of 25% during the two years ended 31 December 2011.

The major components of income tax expense are as follows:

	2011 RMB'000	2010 RMB'000 (Restated)
Current – the PRC		
Charge for the years	**122,260**	121,072
Deferred	**12,515**	(3,756)
Income tax expenses for the years	**134,775**	117,316

Pursuant to the relevant tax rules and regulations of the PRC applicable to foreign investment enterprises ("FIEs"), Huili Caitong was approved to enjoy its tax holiday from 2007 and hence, was not liable to PRC CIT in 2007 and 2008 and was entitled to a 50% tax reduction for the subsequent three years (2009 to 2011).

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

The calculation of earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company, and the number of ordinary shares of 2,075,000,000 (2010: 2,075,000,000) in issue during the year ended 31 December 2011.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2011 and 2010 in respect of a dilution as the exercise prices of the Company's outstanding share options were higher than the average market prices for the Company's shares during the current and prior years.

9. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		Group	
	Notes	**2011** ***RMB'000***	2010 *RMB'000* (Restated)
Current portion:			
Prepayments consisting of:			
Advanced stripping fees	*(a)*	**64,708**	88,762
Prepaid technical service fee	*(b)*	**4,133**	4,133
Purchase of raw materials		**1,669**	578
Utilities		**1,300**	551
Prepayment for the using right of a road	*(c)*	**35**	35
Other prepayments		**2,176**	4,594
Bidding deposit	*(d)*	**30,000**	–
Government grant receivable	*(e)*	**30,000**	–
Interest receivable for time deposits with original maturity of over three months		**9,365**	–
Compensation receivable	*(f)*	**2,452**	–
Other receivables		**2,301**	1,501
		148,139	100,154
Non-current portion:			
Advanced stripping fees	*(a)*	**176,709**	101,875
Prepaid technical service fee	*(b)*	**49,600**	53,733
Prepayment for the using right of a road	*(c)*	**954**	989
Long-term environmental rehabilitation deposits	*(g)*	**3,917**	2,346
		231,180	158,943
		379,319	259,097

Notes:

(a) The balances represented advanced stripping fees paid by the Group to an independent third party mining contractor for stripping activities of the Baicao Mine and the Xiushuihe Mine, which would be recognised as part of the production costs once the raw iron ore is extracted.

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

During the year, the prepaid technical service fee released to profit or loss amounted to RMB4,133,000 (2010: RMB4,133,000).

(c) The balance represented payment made to Xinqiao Mining Co., Ltd. for the right to use a pavement road connecting to the Maoling Mine for 30 years ending 22 August 2040 at a consideration of approximately RMB1,035,000. The prepayment for the right of using the road recorded as the current portion represented the amount to be released to profit or loss in the next 12 months from 31 December 2011.

(d) The bidding deposit represented the deposit paid for the bidding of an exploration right for a nickel and cobalt mine. As the Group did not succeed in the bidding, such deposit was refunded to the Group in February 2012.

(e) During the year ended 31 December 2011, the Group obtained an unconditional government grant of RMB55,000,000 from the local government authorities, of which RMB25,000,000 and RMB30,000,000 were received by the Group in December 2011 and January 2012, respectively.

(f) Aba Mining and Wenchuan County Weizhou Town Government ("Weizhou Government") entered into two separate agreements in April 2009 and May 2011, respectively, pursuant to which Aba Mining agreed to relocate its processing plants located in Xingqiao Village and surrender the land use rights where the processing plants were erected to Weizhou Government. During the year ended 31 December 2011, Aba Mining has surrendered the said land use rights for a compensation of RMB9,320,000, of which RMB6,868,000 was received in September 2011.

(g) The long-term deposits represented environmental deposits made to the government in respect of the Group's rehabilitation obligations for the closure of mines and are not expected to be refunded within 12 months from 31 December 2011.

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

		Group	
		2011	2010
	Note	***RMB'000***	*RMB'000*
			(Restated)
In respect of:			
Purchase of machinery and equipment		**15,712**	68,295
Acquisition of a subsidiary	*(a)*	**150,000**	–
		165,712	68,295

Note:

(a) On 28 December 2011, Sichuan Lingyu Investment Limited ("Lingyu Investment"), an indirect subsidiary of the Company entered into an equity purchase agreement to acquire the entire equity interests in Panzhihua Yixingda from the independent third parties at a consideration of at least RMB600,000,000 (subject to increase depending on the volume of mineral resources and reserves of iron ore), of which RMB150,000,000 has been paid as at 31 December 2011.

Panzhihua Yixingda currently holds an exploration permit in respect of the Haibaodang Mine with a legal exploration term runs from 14 November 2011 to 31 December 2013.

11. TRADE AND BILLS RECEIVABLES

	Group	
	2011	2010
	RMB'000	*RMB'000*
		(Restated)
Trade receivables	**99,348**	147,096
Bills receivable	**35,070**	60,502
	134,418	207,598

The Group's trading terms with its customers are mainly on credit, except for customers of titanium products, where full payment in advance of delivery is required. The credit period is generally one month. In view of the fact that the Group sells most of its products to a small number of customers, there is a high level of concentration of credit risk. The Group maintains strict control over the settlements of its outstanding receivables to minimise credit risk. Overdue balances are regularly reviewed by senior management. Trade receivables are non-interest-bearing and unsecured.

Based on the invoice date, all trade receivables of the Group at the end of the reporting period were aged within one month and were neither past due nor impaired.

The Group does not hold any collateral or other credit enhancements over trade receivables.

12. TRADE AND BILLS PAYABLES

	Group 2011 RMB'000	2010 RMB'000 (Restated)
Trade payables	**318,753**	260,887
Bills payable	**22,439**	–
	341,192	260,887

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

	Group 2011 RMB'000	2010 RMB'000 (Restated)
Within 180 days	**284,673**	248,181
181 to 365 days	**41,173**	5,918
1 to 2 years	**14,235**	1,043
2 to 3 years	**665**	1,628
Over 3 years	**446**	4,117
	341,192	260,887

Trade payables of the Group are non-interest-bearing and are normally settled within 180 days and the bills payable were with a maturity period of 180 days. The carrying amounts of trade and bills payables approximated to their fair values at the end of the reporting period.

As at 31 December 2011, the Group's bills payable of RMB22,439,000 (2010: Nil) were secured by pledged bank balances of RMB11,993,000.

13. OTHER PAYABLES AND ACCRUALS

	Group 2011 RMB'000	2010 RMB'000 (Restated)
Current portion:		
Advances from customers	**6,883**	6,190
Payables related to:		
Construction in progress	**117,915**	92,653
Taxes other than income tax	**58,297**	82,010
Payroll and welfare payable	**14,338**	12,922
Mining cost and exploration right and assets	**26,357**	2,194
Previous owner of the Yangqueqing Mine	**–**	10,840
Huili County Hailong Mining Development Co., Ltd. ("Huili Hailong")	**27,000**	41,500
Yanbian County Hongyuan Mining Co., Ltd.	**14,500**	26,740
Consultancy and professional fees	**3,681**	5,231
Deposits received	**1,586**	416
Other payables	**8,222**	6,269
	278,779	286,965
Non-current portion:		
Other payables	**500**	500
	279,279	287,465

14. INTEREST-BEARING BANK AND OTHER LOANS

		Group	
		2011	2010
	Notes	***RMB'000***	*RMB'000*
			(Restated)
Bank loans:			
Secured	*(a)*	**94,514**	–
Unsecured	*(b)*	**275,000**	300,000
Guaranteed	*(c)*	**50,000**	30,000
Other loans, unsecured	*(d)*	**3,200**	2,000
		422,714	332,000
Bank loans repayable:			
Within one year or on demand		**319,514**	175,000
In the second year		**25,000**	55,000
In the third to fifth years, inclusive		**75,000**	75,000
Beyond five years		**–**	25,000
		419,514	330,000
Unsecured other loans repayable:			
Within one year or on demand		**2,000**	–
In the second year		**–**	2,000
In the third to fifth years, inclusive		**1,200**	–
		3,200	2,000
Total bank and other loans		**422,714**	332,000
Balances classified as current liabilities		**(321,514)**	(175,000)
Balances classified as non-current liabilities		**101,200**	157,000

Notes:

(a) During the year ended 31 December 2011, OCBC has granted the Company banking facilities of US$31,000,000 (equivalent to approximately RMB200,620,000), of which US$15,000,000 (equivalent to approximately RMB94,514,000) was utilised through a short-term bank loans borrowed by the Company as at 31 December 2011. This short-term bank loan bears interest at the rate of 3% over the prevailing LIBOR as determined by OCBC for interest periods of up to 12 months or such other interest periods at may be agreed by OCBC. The short-term bank loan was secured by the pledge of a time deposit of RMB100,000,000 at OCBC Chengdu branch by Huili Caitong.

(b) As at 31 December 2011, Huili Caitong had unsecured interest-bearing bank loans from the China Construction Bank ("CCB") Xichang branch bearing interest at fixed rates ranging from 5.81% to 7.59% (2010: 5.31% to 5.94%) per annum. In accordance with the bank loan agreements entered into between Huili Caitong and CCB Xichang branch, Huili Caitong agreed not to mortgage or pledge Huili Caitong's mining rights of Baicao Mine and the vanadium-bearing iron concentrate production line with an annual production capacity of 500.0 Ktpa to any other parties, and CCB Xichang branch will be entitled to a pre-emption right in the event of such mortgage or pledge.

(c) As at 31 December 2011, Aba Mining had long-term interest-bearing bank loans from CCB Aba branch of RMB50,000,000 (2010: RMB30,000,000) bearing interest at the fixed rates ranging from 5.4% to 6.64% (2010: 5.4%) per annum. These long-term bank loans from CCB Aba branch were jointly guaranteed by Chuan Wei and Chengyu Vanadium Titano for nil consideration.

(d) Other loans represented interest-bearing loans granted by Wenchuan County State Assets Investment Co., Ltd. to Aba Mining for the reconstruction of production plants affected by the earthquake in May 2008. Other loans are unsecured and bear interest at the fixed interest rate of 5.76% (2010: 5.76%) per annum, of which RMB2,000,000 and RMB1,200,000 are due for repayment in July 2012 and January 2014, respectively.

The carrying amounts of the Group's bank loans approximate to their fair values.

15. SHARE CAPITAL

Share

	2011	2010
	RMB'000	*RMB'000*
Authorised:		
10,000,000,000 (2010: 10,000,000,000) ordinary Shares of HK$0.1 each	**880,890**	880,890
Issued and fully paid:		
2,075,000,000 (2010: 2,075,000,000) ordinary Shares of HK$0.1 each	**182,787**	182,787

There was no change in the authorised and issued capital of the Company during the two years ended 31 December 2011.

16. SHARE OPTION SCHEMES

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

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

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

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

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

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

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

The following share options were outstanding during the year:

	Notes	**Weighted average exercise price** *HK$ per Share*	**Number of options** *'000*
As at 1 January 2011	*(a)*	5.03	29,600
Granted during the year	*(b)*	3.60	27,300
As at 31 December 2011		4.34	56,900

Notes:

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

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

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

31 December 2011

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

31 December 2010

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

The fair value of the share options granted during the year was HK$31,595,000 (equivalent to approximately RMB26,415,000) (2010: HK$24,349,000, equivalent to approximately RMB21,406,000) or HK$1.16 each, equivalent to approximately RMB0.97 each (2010: HK$2.59 each, equivalent to approximately RMB2.28 each), of which the Group recognised a share option expense of HK$9,608,000 (equivalent to approximately RMB8,033,000) during the year ended 31 December 2011 (2010: HK$5,333,000, equivalent to approximately RMB4,680,000).

The fair values of equity-settled share options granted were estimated and valued by independent professional valuers as at the dates of grant, using the Binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the major inputs to the model used:

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

At 31 December 2011, the Company had 29,600,000 share options outstanding under the Old Option Scheme and 27,300,000 share options outstanding under the New Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 56,900,000 additional shares of the Company and additional share capital of HK$5,690,000 and share premium of HK$241,506,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 56,900,000 share options outstanding, which represented approximately 2.74% of the Company's shares in issue as at that date.

17. RESERVES

(a) Share premium account

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 association of subsidiaries domiciled in the PRC (the "PRC Subsidiaries"), each of the PRC Subsidiaries other than Huili Caitong is required to allocate 10% of its profits after tax, as determined in accordance with the PRC Generally Accepted Accounting Principles (the "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 an 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 the 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 capitalised as paid-up capital.

(c) Contributed surplus

The contributed surplus represented the difference between the nominal value of the Company's shares issued in exchange of or consideration paid for subsidiaries acquired and the aggregate amount of the nominal value of the paid-up capital of these subsidiaries attributable to the owners of the Company for business combinations under common control.

18. FINAL DIVIDENDS

(a) Dividends attributable to the year

At a meeting of the Directors held on 19 March 2012, the Directors proposed a final dividend of HK$0.073 per Share (equivalent to approximately RMB0.059 per Share) for the year ended 31 December 2011 (2010: HK$0.062 per Share).

The proposed final dividend for the year ended 31 December 2011 is subject to the approval of the Shareholders at 2012 AGM and is included in the proposed final dividend within equity of the statement of financial position.

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

	RMB'000
Final dividend in respect of the financial year ended 31 December 2010 of RMB0.052 per share (2009: Nil)	
Declared during the year	107,756
Paid during the year	(107,756)
	–

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

2011 marked the beginning of China's 12th Five-Year Plan. According to the 12th Five-Year Plan, China will accelerate its efforts to eliminate outdated capacity and promote steelmakers to improve their technology and facilities to reduce pollution. The PRC government will also encourage steelmakers to set up factories and participate in acquisitions abroad to increase their international competitiveness. The PRC government has along been focusing on the development of infrastructure and manufacturing industries, and notwithstanding the level of export being affected by the unstable global economy, however, domestic demand has been growing robustly. The accelerated pace of industrialisation, modernisation and implementation of government housing schemes in China have created stable demand for steel and also for iron ore.

Moreover, the great western development strategy in China has also brought tremendous development opportunities for the enterprises in that region. The strategy targets to implement 23 new infrastructural facility projects with total investment of over RMB600.0 billion across China's western region, and the projects have already commenced in 2011. Thus, this will further stimulate the demand for steel and iron ore within the region. According to the National Bureau of Statistics of the PRC, the PRC's gross domestic products in 2011 grew by 9.2% on a year-on-year basis, reaching RMB47.2 trillion, while Sichuan enjoyed a year-on-year growth of 15.0%, reaching RMB2.1 trillion, well ahead of the country's average. At the same time, the Regional Planning of Chengdu-Chongqing Economic Zone (《成渝經濟區區域規劃》) had been formally promulgated at the National Development and Reform Commission of the PRC in May 2011. It is expected that Chengdu-Chongqing Economic Zone will become an important economic centre in western China by 2015. During the year, the market price of iron ore in China was facing pressure overall. However, with its geographical advantage, the impact of downward price pressure in Sichuan was moderate and, on the contrary, the demand for iron ore in the province remained strong, and the price decline was much less than that in eastern China.

In order to implement the deployment of energy saving and emission reduction works, the Ministry of Housing and Urban-Rural Development and the Ministry of Industry and Information of Technology jointly issued the Guidance Opinion Regarding Accelerating High Tensile Steel Application (《關於加快應用高強鋼筋的指導意見》) in January 2012, in which it provides that steel with 335.0 MPa in construction engineering shall be eliminated by the end of 2013. By the end of 2015, the output of high tensile steel shall represent 80.0% of the total output of deformed steel and its utilisation volume in construction projects shall reach more than 65.0% of the construction consumption of total steel. As vanadium is the only widely used addictive to improve steel strength, therefore, it is expected that demand for vanadium-bearing titano-magnetite iron ore will increase in pace with the demand for steel.

Besides, titanium market in China has witnessed robust growth in recent years, both production capacity and volume of titanium dioxide has been boosting, leading China to be one of the key drives within the industry globally. Along with the ongoing development in China, demand of titanium dioxide is expected to reach approximately 2.9 Mt and will continue to rise in the next few years. To cope with the rising demand, abundant of titanium concentrates would be needed. While Vietnam has ceased its export of titanium concentrates to China in 2011, this will further worsen the supply shortfall and lead to the continuous rise in titanium concentrate price.

BUSINESS AND OPERATIONS REVIEW

During the year, the Group has achieved a stable growth and recorded an impressive performance results. For the year ended 31 December 2011, revenue of the Group increased by 8.7% as compared to the last year to approximately RMB1,713.0 million. Profit and total comprehensive income attributable to owners of the Company increased by 11.8% as compared to the last year to approximately RMB605.9 million.

Enhancing Mineral Resources and Developing the Businesses

The terms of Aba Mining Acquisition Agreement has been fulfilled and the acquisition has been completed on 31 May 2011 (Please refer to the Company's announcements dated 15 November 2010, 28 January 2011, 29 April 2011 and 31 May 2011 for further details). This acquisition was in line with the Group's strategic objective of increasing reserves and resources of iron ore. After the completion of the acquisition, Aba Mining becomes an indirect wholly-owned subsidiary of the Company, enabling the Group to obtain the Maoling Mine and the Yanglongshan Mine. Together with the Maoling Mine's extended exploration area, this acquisition has added approximately 60.8 Mt ordinary iron ore resources to the Group's portfolio.

On 30 August 2011, the Group has entered into a cooperative agreement with Pingchuan Iron Mining Company and Nanyu in relation to the development of the Dashanshu Section, which is part of the Pingchuan Mine and has an area of approximately 5.0 sq.km. with an estimated resources of approximately 50.0 Mt of iron ore (Please refer to the Company's announcement dated 30 August 2011 for further details).

On 28 December 2011, the Group entered into an acquisition agreement with the Sellers, pursuant to which the Sellers have conditionally agreed to sell the entire equity interests of Panzhihua Yixingda which has the exploration right of the Haibaodang Mine to the Group for a consideration of at least RMB600.0 million (subject to increase depending on the volume of mineral resources with minimum average iron content (Type 333 or above) of 15.0% or above in the Haibaodang Mine). The Haibaodang Mine covers an exploration area of 20.37 sq.km. with an estimated minimum of 100.0 Mt of resources with minimum average iron content (Type 333 or above) of 15.0% or above (Please refer to the Company's announcement dated 29 December 2011 for further details). This will adequately support the Group's construction of new iron concentrate production line, which in turn will enable the Group to increase its production capacity substantially in the next three years. Such acquisition is in line with the Group's key expansion strategies to further develop its current business by increasing its iron ore resources and reserves and iron concentrate production capacity.

Upgrade Facilities and Maintain Capacity Expansion

The Group determined to enhance its production capacity in order to meet with the surging demand arising from the climbing economy of the western region. In view of this, the Group has upgraded its existing processing facilities as well as further expanding the production capacity and output to achieve sustainable development. The construction of a high-grade titanium concentrate production line with an annual production capacity of 40.0 Ktpa at the Baicao Processing Plant, and the construction of a vanadium-bearing iron concentrate production line and a high-grade titanium concentrate production line with an annual production capacity of 300.0 Ktpa and 60.0 Ktpa, respectively at the Xiushuihe Processing Plant were completed in early 2011. In addition, the first phase construction of the New Iron Pelletising Plant with an annual production capacity of 1,000.0 Ktpa was completed on 6 May 2011. Upon the completion of the first phase construction, the Group's annual iron pellet self-production capacity has increased from 360.0 Ktpa to 1,360.0 Ktpa. Furthermore, the completion of the Aba Mining Acquisition Agreement has also enabled the Group to obtain an iron concentrate production line with an annual production capacity of 150.0 Ktpa.

As at 31 December 2011, the Group owned the Baicao Processing Plant, the Xiushuihe Processing Plant, the Hailong Processing Plant, the Heigutian Processing Plant and two iron pelletising plants in the Panxi Region. The Group also owned the Maoling Processing Plant in the Aba region. As at 31 December 2011, the Group's annual self-production capacity (on a wet basis) of vanadium-bearing iron concentrates, ordinary iron concentrates, iron pellets and high-grade titanium concentrates amounted to 2,600.0 Ktpa, 150.0 Ktpa, 1,360.0 Ktpa and 280.0 Ktpa, respectively. The Group has achieved satisfactory growth in the output volume of the three products, leveraging the expanding production scales and more favourable market conditions.

Exploring Offshore Strategic Resources

The Group believes that there are many opportunities overseas and it is beneficial to explore mineral-related business investment opportunities and strategic resources outside the PRC. In 2011, the Group entered into the Secured Exchangeable Note Purchase Agreement with the Issuer, pursuant to which, the Issuer has conditionally agreed to issue and the Group has conditionally agreed to subscribe for the Exchangeable Note in the total principal amount of US$30.0 million (equivalent to approximately RMB193.5 million).

The Group has also entered into an iron concentrate sale and purchase agreement with the Target Company in connection with the purchase of a quantity equivalent to 20.0% of the annual production volume of iron concentrates for the period from 1 June 2012 to 31 December 2013 and 2.0 Mt wet basis of iron concentrates commencing from 2014, from the Target Iron Mine (Please refer to the Company's announcement dated 2 May 2011 for further details). The agreement helps the Group to secure a stable and substantial source of iron concentrates from a large scale high quality iron sand mine at a favourable price. Such an iron concentrate source of supply can help the Group to extend the business to eastern coastal area of the PRC. This action will further enhance the progress of the Group to expand the domestic iron ore market.

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

	For the year ended 31 December		
	2011	2010	Change
	(Kt)	*(Kt)*	*(%)*
Vanadium-bearing iron concentrates			
Baicao Processing Plant	**532.8**	503.3	5.9
Xiushuihe Processing Plant	**797.6**	572.8	39.2
Heigutian Processing Plant	**648.9**	679.4	-4.5
Hailong Processing Plant	**240.5**	136.2	76.6
Independent Third Party Processing Contractors	**1.3**	116.2	-98.9
Total production volume	**2,221.1**	2,007.9	10.6
Total sales volume	**1,452.6**	1,316.8	10.3
Ordinary iron concentrates			
Maoling Processing Plant	**27.8**	–	N/A
Yanyuan Xiwei	**–**	34.9	N/A
Total production volume	**27.8**	34.9	-20.3
Total sales volume	**26.6**	33.1	-19.6

	For the year ended 31 December		
	2011	2010	Change
	(Kt)	*(Kt)*	*(%)*
Iron pellets			
Old Iron Pelletising Plant	**266.3**	305.6	-12.9
New Iron Pelletising Plant	**118.2**	–	N/A
Independent Third Party Pelletising Contractors	**228.9**	407.6	-43.8
Total production volume	**613.4**	713.2	-14.0
Total sales volume	**666.2**	727.8	-8.5
Medium-grade titanium concentrates			
Baicao Processing Plant	**66.3**	53.5	23.9
Xiushuihe Processing Plant	**32.2**	32.9	-2.1
Heigutian Processing Plant	**–**	6.7	N/A
Hailong Processing Plant	**4.5**	5.6	-19.6
Independent Third Party Processing Contractors	**–**	2.3	N/A
Total production volume	**103.0**	101.0	2.0
Total sales volume	**81.2**	83.4	-2.6
High-grade titanium concentrates			
Baicao Processing Plant	**28.4**	2.6	992.3
Xiushuihe Processing Plant	**21.8**	–	N/A
Heigutian Processing Plant	**57.5**	57.6	-0.2
Independent Third Party Processing Contractors	**–**	6.3	N/A
Total production volume	**107.7**	66.5	62.0
Total sales volume	**105.4**	61.7	70.8

During the year, total production volume of vanadium-bearing iron concentrates, medium-grade titanium concentrates and high-grade titanium concentrates increased by 11.8% from 2,175.4 Kt to 2,431.8 Kt, while the production volume of vanadium-bearing iron concentrates from the Independent Third Party Processing Contractors was significantly decreased by 98.9% from 116.2 Kt to 1.3 Kt. The Group was able to reduce the reliance on the Independent Third Party Processing Contractors primarily due to the increase in annual self-production capacity as a result of a series of acquisitions of the Group in last year.

During the year, total production volume of iron pellets was decreased by 14.0% as compared to the previous year. This was primarily due to the higher outsourcing costs in 2011 and then significantly decrease in the outputs from the Independent Third Party Pelletising Contractors. During the year, total production volume of ordinary iron concentrates decreased by 20.3% as compared to the previous year. This was primarily due to the disposal of Yanyuan Xiwei that was a wholly-owned subsidiary of Aba Mining in September 2010. Meanwhile, the Maoling Processing Plant started to produce ordinary iron concentrates.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2011, the Group's revenue was approximately RMB1,713.0 million (2010: RMB1,576.4 million), representing an increase of 8.7% as compared to the previous year. Such increase was primarily due to the increase in total sales volume of our vanadium-bearing iron concentrates and high-grade titanium concentrates and the increase in average selling prices of high-grade titanium concentrates.

Cost of Sales

Cost of sales primarily included mining and stripping contracting fees, processing contracting fees, pelletising contracting fees, materials, labour, power and other utilities, repair and maintenance, and depreciation and amortisation. For the year ended 31 December 2011, the Group's cost of sales was approximately RMB886.4 million (2010: RMB736.0 million), representing an increase of 20.4% as compared to the previous year. Such increase was primarily due to (i) the increase in sales volume of vanadium-bearing iron concentrates; (ii) the increase in unit stripping and mining costs that affected by inflation and (iii) the increase in additional depreciation and amortisation expenses as a result of the completion of the New Iron Pelletising Plant in May 2011.

Gross Profit and Margin

As a result of the foregoing, the gross profit for the year ended 31 December 2011 decreased by 1.6%, from approximately RMB840.4 million for the year ended 31 December 2010 to approximately RMB826.6 million. The gross profit margin decreased from 53.3% for the year ended 31 December 2010 to 48.3% for the year ended 31 December 2011. The decrease in gross profit margin was primarily because of the increase in average unit cost of sales of various products outweighted the increase in their average unit selling prices.

Other Income and Gains

The other income and gains increased by 56.9%, from approximately RMB69.9 million for the year ended 31 December 2010 to approximately RMB109.7 million for the year ended 31 December 2011. The other income and gains of the Group mainly included bank interest income, government grants, government compensation and the change in fair value of financial assets.

The change in fair value of financial assets was approximately RMB14.4 million for the year ended 31 December 2011. This represented the change in fair value of the Exchangeable Note subscribed by the Group.

Selling and Distribution Costs

The selling and distribution costs slightly decreased by 1.7%, from approximately RMB47.3 million for the year ended 31 December 2010 to approximately RMB46.5 million for the year ended 31 December 2011. The selling and distribution costs primarily consisted of transportation fees, which mainly represented the road transportation costs, the goods loading and unloading fees, platform storage and administration fees.

Administrative Expenses

The administrative expenses increased by 15.2%, from approximately RMB88.7 million for the year ended 31 December 2010 to approximately RMB102.2 million for the year ended 31 December 2011. The increase in administrative expenses was mainly due to the increase in staff costs and the increase in equity-settled share option expenses during the year.

The equity-settled share option expenses of approximately RMB28.6 million for the year ended 31 December 2011 (2010: RMB19.0 million) were incurred because three batches of share options were granted to certain Directors, senior management and employees of the Group on 29 December 2009, 1 April 2010 and 23 May 2011, respectively.

Other Expenses

The other expenses decreased by 51.0%, from approximately RMB38.8 million for the year ended 31 December 2010 to approximately RMB19.0 million for the year ended 31 December 2011, mainly due to the decrease in cost of ancillary materials sold, which was in line with the decrease in sale of ancillary materials.

Finance Costs

The finance costs increased by 17.2%, from approximately RMB18.0 million for the year ended 31 December 2010 to approximately RMB21.1 million for the year ended 31 December 2011, primarily due to the increase in interest-bearing bank loans.

Income Tax Expense

The income tax expense increased by 14.9%, from approximately RMB117.3 million for the year ended 31 December 2010 to approximately RMB134.8 million for the year ended 31 December 2011, and the increase was in line with the increase of the Group's profit before tax.

Profit and Total Comprehensive Income for the Year

As a result of the foregoing, profit and total comprehensive income for the year increased by 2.8%, from approximately RMB595.8 million for the year ended 31 December 2010 to approximately RMB612.7 million for the year ended 31 December 2011.

Profit and Total Comprehensive Income Attributable to Owners of the Company

Profit and total comprehensive income attributable to owners of the Company increased by 11.8%, from approximately RMB541.8 million for the year ended 31 December 2010 to approximately RMB605.9 million for the year ended 31 December 2011. The Net Profit Margin increased from 34.4% for the year ended 31 December 2010 to 35.4% for the year ended 31 December 2011.

Final Dividend

The Board recommended the payment of a final dividend of HK$0.073 per Share (equivalent to approximately RMB0.059 per Share) for the year ended 31 December 2011 (2010: HK$0.062 per Share), representing 20.2% of the profit and total comprehensive income attributable to owners of the Company, payable to the Shareholders whose names appear on the register of members of the Company on 16 May 2012. Based on the number of issued Shares as at 31 December 2011, this represents a total distribution of approximately HK$151.5 million. Subject to the approval of the payment of the final dividend by the Shareholders at the 2012 AGM, it is expected that the proposed final dividend will be paid on or before 31 May 2012.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 4 May 2012 to Tuesday, 8 May 2012 (both days inclusive) during which period no transfer of Shares will be effected. In order to determine the entitlement to attend and vote at the 2012 AGM, all share transfers accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 3 May 2012.

The register of members of the Company will be closed from Monday, 14 May 2012 to Wednesday, 16 May 2012 (both days inclusive) in order to determine the Shareholders' entitlements to the final dividend, during which period the registration of transfer of Shares will be suspended. Shareholders whose names appear on the register of members of the Company on Wednesday, 16 May 2012 will be entitled to the final dividend. To qualify for the final dividend, all transfer forms of Shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 11 May 2012.

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 2011 and 2010:

	For the year ended 31 December			
	2011		2010	
	RMB'000	***RMB'000***	*RMB'000* (Restated)	*RMB'000* (Restated)
Cash and cash equivalents as stated in the consolidated statement of cash flows at beginning of year		**671,843**		1,890,025
Net cash flows from operating activities	**688,217**		605,549	
Net cash flows used in investing activities	**(1,046,020)**		(1,591,356)	
Net cash flows used in financing activities	**(117,446)**		(229,779)	
Net decrease in cash and cash equivalents		**(475,249)**		(1,215,586)
Effect of foreign exchange rate changes, net		**236**		(2,596)
Cash and cash equivalents as stated in the consolidated statement of cash flows at end of year		**196,830**		671,843

Net Cash Flows from Operating Activities

The Group's net cash flows from operating activities increased by 13.7%, from approximately RMB605.5 million for the year ended 31 December 2010 to approximately RMB688.2 million for the year ended 31 December 2011. It primarily included the profit before tax of RMB747.5 million, the decrease in trade and bills receivables and the increase in trade and bills payables, which were partially offset by the increase in inventories.

Net Cash Flows used in Investing Activities

The Group's net cash flows used in investing activities decreased by 34.3%, from approximately RMB1,591.4 million for the year ended 31 December 2010 to approximately RMB1,046.0 million for the year ended 31 December 2011. The decrease in net cash flows used in investing activities was because of the significantly decrease in purchase of items of property, plant and equipment during the year as compared to a series of acquisition of mines and processing plants in last year. It primarily included (i) the purchase of items of property, plant and equipment and intangible assets of approximately RMB279.7 million; (ii) the investment in the Exchangeable Note of approximately RMB193.5 million; (iii) the prepayment for acquisition of Panzhihua Yixingda of RMB150.0 million and (iv) the increase in long-term time deposits of approximately RMB320.0 million.

Net Cash Flows used in Financing Activities

The Group's net cash flows used in financing activities decreased by 48.9%, from approximately RMB229.8 million for the year ended 31 December 2010 to approximately RMB117.4 million for the year ended 31 December 2011. The net cash flows used in financing activities were primarily included the payment of 2010 final dividend of approximately RMB107.8 million and the partial payment for the acquisition of Aba Mining of RMB100.0 million, which were partially offset by the net bank loan proceeds.

Analysis of Inventories

The Group's inventories increased by 94.8%, from approximately RMB70.5 million as at 31 December 2010 to approximately RMB137.3 million as at 31 December 2011, and the inventory turnover days was approximately 42 days (2010: 35 days). It is primarily due to the increase in raw materials balance to ensure the production of the New Iron Pelletising Plant and the expanded high-grade titanium concentrate production lines.

Analysis of Trade and Bills Receivables

The Group's trade and bills receivables decreased by 35.3%, from approximately RMB207.6 million as at 31 December 2010 to approximately RMB134.4 million as at 31 December 2011, and the trade receivable turnover days was approximately 26 days (2010: 29 days), which was in line with the one-month credit policy given to the customers.

Analysis of Trade and Other Payables

The Group's trade and other payables increased by 13.2%, from approximately RMB547.9 million as at 31 December 2010 to approximately RMB620.0 million as at 31 December 2011, and the trade payable turnover days was remained stable, approximately 122 days (2010: 118 days).

Analysis of Net Current Assets Position

The Group's net current assets position decreased by 40.8%, from approximately RMB609.4 million as at 31 December 2010 to approximately RMB360.7 million as at 31 December 2011, primarily due to the payments for the construction of the New Iron Pelletising Plant and other production lines, the acquisition of Aba Mining, 2010 final dividend and the subscription of the Exchangeable Note, which were partially offset by the additional bank and other borrowings obtained during the year.

Borrowings

As at 31 December 2011, the Group's borrowings mainly included: (i) an unsecured short-term bank loan of RMB150.0 million with an annual interest rate of 5.94% from CCB Xichang branch by Huili Caitong in February 2011 and an unsecured long-term bank loan of RMB125.0 million with an annual interest rate ranging from 5.81% to 7.59% from CCB Xichang branch by Huili Caitong in February 2010. In accordance with the loan agreements entered into between Huili Caitong and CCB Xichang branch, Huili Caitong agreed not to mortgage or pledge Huili Caitong's mining right of the Baicao Mine and its vanadium-bearing iron concentrate production line with an annual production capacity of 500.0 Ktpa to any parties and CCB Xichang branch will be entitled to a pre-emption right in the event of such mortgage or pledge; (ii) a secured short-term bank loan of US$15.0 million (approximately RMB94.5 million) with an annual interest rate of prevailing LIBOR plus 3% from OCBC by the Company in May 2011, which was secured by a deposit of RMB100.0 million pledged by Huili Caitong at OCBC Chengdu branch; and (iii) a short-term bank loan of RMB30.0 million with an annual interest rate ranging from 5.4% to 6.64% from CCB Aba branch by Aba Mining in May 2009 and a long-term bank loan of RMB20.0 million with an annual interest rate of 7.6% from CCB Aba branch by Aba Mining in November 2011, which were jointly guaranteed by Chuan Wei and Chengyu Vanadium Titano.

Contingent Liabilities

As at 31 December 2011, the Group did not have any material contingent liabilities or guarantees to external parties.

Pledge of Assets

As at 31 December 2011, Huili Caitong pledged its deposit of RMB100.0 million at OCBC Chengdu branch and RMB12.0 million at China Merchants Bank Chengdu branch for the bank loan of US$15.0 million obtained by the Company from OCBC and the issuance of bills payable of RMB22.4 million, respectively.

Foreign Currency Risk

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

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

Interest Rate Risk

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

Contractual Obligations

As at 31 December 2011, the Group's contractual obligations amounted to approximately RMB506.4 million, and increased by RMB348.4 million as compared to approximately RMB158.0 million as at 31 December 2010, which was primarily due to the contract of acquisition of Panzhihua Yixingda entered by the Group during the year.

Capital Expenditure

The Group's total capital expenditure decreased by RMB1,150.8 million from approximately RMB1,498.4 million in 2010 to approximately RMB347.6 million in 2011. The capital expenditure consisted of:

	2011 *RMB' million*	2010 *RMB' million*	Change *%*
Acquisition of mining rights, exploration rights and processing plants	**–**	1,073.7	N/A
Construction of the New Iron Pelletising Plant	**60.2**	108.4	-44.5
Exploration and evaluation costs of the expansion of mines	**40.3**	55.5	-27.4
Post-earthquake reconstruction costs of the Maoling Mine	**56.8**	56.1	1.2
Miscellaneous capital expenditure including the upgraded production capacity	**190.3**	204.7	-7.0
Total	**347.6**	1,498.4	-76.8

Financial Instruments

During the year, the Group subscribed for the Exchangeable Note in the principal amount of US$30.0 million. The Exchangeable Note is accounted for as financial assets at fair value through profit or loss. Please refer to Other Significant Events of this announcement for further details.

Gearing Ratio

As at 31 December 2011, the Group's cash and cash equivalents exceeded the interest-bearing bank loans. As such, the Group was at a net cash position and no gearing ratio as at 31 December 2011.

RESOURCE AND RESERVE OF MINES UNDER THE JORC CODE AS AT 1 JANUARY 2012

Resource and Reserve Summary of the Baicao Mine and the Xiushuihe Mine

(a) JORC Mineral Resource Category

	Tonnage		Grades			Contained Metals	
	(Mt)	TFe (%)	TiO_2 (%)	V_2O_5 (%)	TFe (Kt)	*TiO_2 (Kt)	V_2O_5 (Kt)
Baicao Mine							
Measured	30.46	25.14	10.75	0.20	7,656.49	3,272.58	62.40
Indicated	46.28	24.15	10.03	0.21	11,177.67	4,640.00	94.88
Total (M+I)	**76.74**	**24.54**	**10.31**	**0.20**	**18,834.16**	**7,912.58**	**157.29**
Inferred	31.32	26.63	10.98	0.23	8,340.60	3,437.62	70.58
Xiushuihe Mine including the extension area							
Measured	50.76	25.32	6.22	0.23	12,850.10	3,158.82	114.67
Indicated	35.48	23.93	5.98	0.20	8,489.76	2,121.49	69.47
Total (M+I)	**86.23**	**24.75**	**6.12**	**0.21**	**21,339.85**	**5,280.31**	**184.14**
Inferred	7.34	22.43	7.40	0.17	1,646.10	543.30	12.80

* *Only 50% of the Xiushuihe Mine's extension mineralisation is expected to produce TiO_2 – contained metals have been adjusted.*

(b) JORC Ore Reserve Category

	Tonnage		Grades			Contained Metals	
	(Mt)	TFe (%)	TiO_2 (%)	V_2O_5 (%)	TFe (Kt)	*TiO_2 (Kt)	V_2O_5 (Kt)
Baicao Mine							
Proved	16.89	25.00	10.50	0.22	4,221.48	1,773.02	37.15
Probable	29.49	25.90	10.20	0.22	7,637.81	3,007.94	64.88
Total	**46.38**	**25.57**	**10.31**	**0.22**	**11,859.29**	**4,780.96**	**102.03**
Xiushuihe Mine including the extension area							
Proved	38.59	24.60	9.50	0.22	9,492.72	2,309.73	83.80
Probable	24.91	23.80	8.60	0.20	5,928.83	1,469.68	48.94
Total	**63.50**	**24.29**	**9.15**	**0.21**	**15,421.55**	**3,779.42**	**132.74**

* *Only 50% of the Xiushuihe Mine's extension mineralisation is expected to produce TiO_2 – contained metals have been adjusted.*

Resource Summary of the Maoling Mine and the Yanglongshan Mine

JORC Mineral Resource Category

	Tonnage (Mt)	Grades TFe (%)	Contained Metals TFe (Kt)
Maoling Mine including the extension area			
Measured	–	–	–
Indicated	9.15	23.69	2,167.75
Total (M+I)	**9.15**	**23.69**	**2,167.75**
Inferred	31.45	23.72	7,458.90
Yanglongshan Mine			
Measured	–	–	–
Indicated	4.39	20.62	905.90
Total (M+I)	**4.39**	**20.62**	**905.90**
Inferred	15.79	21.16	3,340.91

Resource Summary of the Yangqueqing Mine, the Cizhuqing Mine and the Yangqueqing Mine's Expansion

The resources of the Yangqueqing Mine, the Cizhuqing Mine and the Yangqueqing Mine's extension area under the JORC Code have not been changed since the disclosure in our 2011 interim report.

EMPLOYEES AND EMOLUMENT POLICIES

As at 31 December 2011, the Group had a total of 2,030 dedicated full time employees (31 December 2010: 1,638 employees), including 171 management and administrative staff, 62 technical staff, 9 sales and marketing staff and 1,788 operational staff. For the year ended 31 December 2011, the employee benefit expense (including Directors' remuneration in the form of salaries, equity-settled share option expenses and other allowances) was approximately RMB105.1 million (2010: RMB74.6 million).

The emolument policies of the Group are based on performance, experience, competence and market comparables. Remuneration package generally comprises salary, housing allowance, contribution to pension scheme and discretionary bonus relating to the performance of the Group. The Group has also adopted share option schemes for its employees, providing incentives and rewards to eligible participants with reference to their contributions.

OTHER SIGNIFICANT EVENTS

(i) On 2 May 2011, the Group entered into the agreement with the Issuer to subscribe for the Exchangeable Note in the principal amount of US$20.0 million which is exchangeable for a minority stake in the Target Company in accordance with the terms of the Exchangeable Note. The final maturity date of the Exchangeable Note is 3 years after the Issue Date or such other later date agreed by the Group and the Issuer. If the Exchangeable Note is redeemed on the final maturity date, the yield to maturity shall be 20% per annum, but if the Exchangeable Note is redeemed upon an event of default, the yield to maturity shall be 25% per annum. The Target Group is principally engaged in the exploration and development of the Target Iron Mine. Meanwhile, the Group entered into the agreement with the Target Company in connection with the purchase by the Group of iron concentrates of the Project for a period up to the expiry of the mining service period of the Project. The subscription of the Exchangeable Note in the principal amount of US$20.0 million was completed on 12 May 2011. On 17 November 2011, the Group made a further subscription of the Exchangeable Note by payment of a further US$10.0 million, and the aggregate principal amount of the Exchangeable Note subscribed by the Group amounted to US$30.0 million. On 25 November 2011, the final maturity date of the Exchangeable Note extended from 11 May 2014 to 25 November 2014. At the Board meeting held on 16 December 2011, it was decided that the Group will not make a further payment of US$20.0 million for the further subscription of the Exchangeable Note. Therefore, the total aggregate principal amount of the Exchangeable Note subscribed by the Group remains as US$30.0 million. Please refer to the Company's announcements dated 2 May 2011, 9 August 2011, 30 September 2011, 18 November 2011, 25 November 2011 and 16 December 2011 for further details.

(ii) On 31 May 2011, the conditions precedent to the completion of the Aba Mining Acquisition Agreement have been fulfilled and took place. Please refer to the Company's announcements dated 15 November 2010, 28 January 2011, 29 April 2011 and 31 May 2011 for further details.

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

(iv) On 30 August 2011, the Group entered into a cooperative agreement with Pingchuan Iron Mining Company and Nanyu in relation to the development of the Dashanshu Section, which is part of the Pingchuan Mine and has an area of approximately 5 sq.km. with an estimated resources of approximately 50.0 Mt of iron ore of types 331, 332 and 333. The Parties will establish a joint venture with the initial registered capital of RMB100.0 million for the purpose of development of the Dashanshu Section. Please refer to the Company's announcement dated 30 August 2011 for further details.

(v) On 28 December 2011, the Group entered into an acquisition agreement with the Sellers, pursuant to which the Sellers have conditionally agreed to sell the entire paid-up registered capital of Panzhihua Yixingda to the Group for a consideration of at least RMB600.0 million (subject to increase depending on the volume of mineral resources with minimum average iron content (Type 333 or above) of 15% or above in the Haibaodang Mine). The Haibaodang Mine covers an exploration area of 20.37 sq.km. with a minimum of 100.0 Mt of resources with minimum average iron content (Type 333 or above) of 15% or above. The Directors expect that the iron content of the vanadium-bearing iron concentrates from the Haibaodang Mine could reach 55% or more through magnetic beneficiation, and will increase the Group's growth potential. Please refer to the Company's announcement dated 29 December 2011 for further details.

OUTLOOK

Benefited from Chinese government's policy, it is expected that demand of iron ore will remain strong. The 12th Five-Year Plan encourages urbanisation and infrastructure construction, and facilitates the domestic demand within China. According to the forecast in the 12th Five-Year Development Plan for Iron and Steel Industry（《鋼鐵工業「十二五」發展規劃》）, the indicative annual consumption of crude steel will reach 750.0 Mt by 2015, and during the period from 2015 to 2020, the annual demand of crude steel will reach a high position of ranging from 770.0 Mt to 820.0 Mt. Therefore, the Group remains positive and optimistic towards the iron ore prices in the future. At the same time, an independent research institute expects that the major steel plants having a total new steel capacity of about 12.5 Mt in southwest area of the PRC gradually commence their production by the end of 2012 and it is expected to push up the future demand of iron concentrates in the region. Looking ahead, by leveraging the favourable policies promulgated by the PRC government and the promising industry development, the Group will strive to consolidate our position as an industry leader with the following measures:

Strategic Acquisitions and Cooperations

As an industry leader and integrator, the Group will take full advantage of the benefits that brought by the 12th Five-Year Plan. The Group is gearing up through strategic acquisition and cooperation activities. By the end of 2014, it is expected that the Dashanshu Section will commence commercial production. Furthermore, the exploration stage of the Haibaodang Mine is expected to be completed by the end of 2012 and the mining stage will commence by the end of 2014. These will help to further develop our current business and allow the Group to generate income from cooperations and acquisitions.

Production Capacity Enhancement

In order to cope with the increasing demand, the Group will devote every effort to upgrade the existing facilities to further boost the production capacity and output. Moreover, we will continue to improve production processes and technologies to further release the capacity of existing production facilities and enhance the production output. Furthermore, the Group will construct new processing plants to meet the development of our newly added resources.

With the favourable policies introduced by the PRC government, the Group will endeavor to take full advantage of every market opportunity to enhance business performance. Looking ahead, the Group will proactively put the above strategies into practice in order to meet the rising demand. Being the key integrator in the mining industry within Sichuan, the Group will continue to seek for opportunities, both local and overseas, in order to further extent the geographical span for the Group's products as well as to increase mining resources for the Group. In the future, the Group will continue to strengthen its advantages while striving to maintain its position as a leading iron ore mining group in the PRC.

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 during the year ended 31 December 2011.

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

During the year ended 31 December 2011, 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 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 throughout the year ended 31 December 2011.

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE WEBSITE

This announcement is published on the websites of the Company and the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2011 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 consolidated financial statements of the Group for the year ended 31 December 2011.

GLOSSARY

"12th Five-Year Plan"	the Twelfth Five-Year Plan for the National Economic and Social Development
"2012 AGM"	the Shareholders' annual general meeting to be held on 8 May 2012
"Aba Mining"	Aba Mining Co., Ltd.*（阿壩礦業有限公司）, a limited liability company established in the PRC on 27 February 2004 and an indirect wholly-owned subsidiary of the Company

”Aba Mining Acquisition Agreement”	the equity interest transfer agreement dated 15 November 2010 entered into between Sichuan Lingyu Investment Co., Ltd.*（四川省淩御投資有限公司）(as transferee) and Chuan Wei (as transferor) under which the entire interest in Aba Mining is being transferred
“Baicao Mine”	白草鐵礦, the vanadium-bearing titano-magnetite mine located in Xiaoheiqing Townlet, Huili County, Sichuan and operated by Huili Caitong
“Baicao Processing Plant”	the ore processing plant located at our Baicao Mine and operated by Huili Caitong
“Board” or “Board of Directors”	our board of Directors
“CG Code”	the Code on Corporate Governance Practice as set out in Appendix 14 to the Listing Rules
“Chengdu-Chongqing Economic Zone”	an economic zone incorporates 15 cities of Sichuan and 31 districts and counties of Chongqing for the purpose of urban-rural comprehensive reform in Sichuan and Chongqing
“Chengyu Vanadium Titano”	Chengyu Vanadium Titano Technology Ltd.*（成渝釩鈦科技有限公司）, formerly known as Weiyuan Steel Co., Ltd.*（威遠鋼鐵有限公司）, a sino-foreign equity joint venture established in the PRC on 3 April 2001 and a connected person to our Group
“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
“Chuan Wei”	Sichuan Chuanwei Group Co., Ltd.*（四川省川威集團有限公司）, a limited liability company established in the PRC on 29 March 1998 and a connected person to our Group
“Cizhuqing Mine”	茨竹箐鐵礦, the vanadium-bearing titano-magnetite mine located in Xiaoheiqing Townlet, Huili County, Sichuan, with an exploration area of 2.30 sq.km.
“Company” or “our Company”, ”we” or “us”	China Vanadium Titano-Magnetite Mining Company Limited（中國釩鈦磁鐵礦業有限公司）, a limited liability company incorporated in the Cayman Islands on 28 April 2008

"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"concentrate(s)"	the product(s) of ore processing plants that contain higher concentrations of the minerals and are suitable for smelting
"connected person(s)"	has the meaning ascribed thereto in the Listing Rules
"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
"Dashanshu Section"	the Dashanshu section*（大杉樹礦段）of the Pingchuan Mine which has an exploration area of approximately 5 sq.km. within the exploration area set out in the exploration permit
"Director(s)"	director(s) of our Company or any one of them
"Exchangeable Note(s)"	the exchangeable note(s) in the principal amount due 2014 issued by the Issuer in accordance with the Secured Exchangeable Note Purchase Agreement with its terms and conditions set out in the Note Certificate
"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
"Haibaodang Mine"	海保凼鈦鐵礦, the Haibaodang vanadium-bearing titano-magnetite mine located at Renhe District, Panzhihua City, Sichuan, currently under exploration with an exploration area of 20.37 sq.km.
"Haihuitian"	Sichuan Haihuitian Trading Co., Ltd.*（四川省海匯天貿易有限公司）, a limited liability company established in the PRC on 9 January 2010
"Hailong Processing Plant"	the ore processing plant located at the Cizhuqing Mine, including an iron and titanium concentrate production line with a total annual capacity of 300.0 Ktpa iron concentrates, together with a tailing storage facility, certain buildings and machinery and equipment located at Xiaoheiqing Townlet, Huili County, Sichuan

"Haokun"	Sichuan Haokun Trading Co., Ltd.*(四川省昊坤貿易有限公司), a limited liability company established in the PRC on 21 April 2010
"Heigutian Processing Plant"	the ore processing plant located at Heigutianshe, Xinjiu Town, Yanbian County, Sichuan
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Huangcaoping Mine"	黃草坪鐵礦, an iron ore mine owned by Yanyuan Xiwei located at Huangcaoping near Pingchuan Town of Yanyuan County, Sichuan
"Huangcaoping Option"	an option to acquire the Huangcaoping Mine, such option has expired on 16 June 2011
"Huili Caitong"	Huili County Caitong Iron and Titanium Co., Ltd.*(會理縣財通鐵鈦有限責任公司), established in the PRC on 7 July 1998 and is a foreign equity joint venture in the PRC since 29 December 2010, an indirect wholly-owned subsidiary of the Company
"Huili County"	a county in Sichuan
"IFRSs"	International Financial Reporting Standards, which comprise standards and interpretations approved by the International Accounting Standards Board and the International Accounting Standards and Standing Interpretations Committee Interpretations approved by the International Accounting Standards Committee that remain in effect
"Independent Third Party Pelletising Contractors"	the independent third party contractors which entered into the pelletising contracts with us, including Panzhihua Henglong Iron Pellets Co., Ltd.*(攀枝花恒弘球團有限公司), Panzhihua City Guangchuan Metallurgy Co., Ltd.*(攀枝花廣川冶金有限公司) and Yanbian County Tianshili Mining Co., Ltd.*(鹽邊縣天時利礦業有限公司)
"Independent Third Party Processing Contractor(s)"	the independent third party contractor(s) which entered into the processing contract(s) with us, including Yanbian County Hongyuan Mining Co., Ltd.*(鹽邊縣宏緣礦業有限公司) and Panzhihua City Aolei Gongmao Co., Ltd.*(攀枝花市奧磊工貿有限責任公司)

“Indicated Resources”	part of the iron ore resources for which tonnage, densities, shape, physical characteristics, quality and mineral content can be estimated with a reasonable level of confidence as defined by the JORC Code
“Inferred Resources”	part of the iron ore resources for which tonnage, quality and mineral content can be estimated with a low level of confidence as defined by the JORC Code
“IPO”	the initial public offering and listing of Shares of the Company on the Main Board on 8 October 2009
“iron”	a silvery-white, lustrous, malleable, ductile, magnetic or magnetisable, metallic element occurring abundantly in combined forms, notably in hematite, limonite, magnetite, and taconite, and alloyed for use in a wide range of important structural materials
“iron concentrate(s)”	concentrate(s) whose main mineral content (by value) is iron
“iron ore”	compounds of iron and oxygen (iron oxides) mixed with impurities (gangue); it is a mineral which when heated in the presence of a reductant will yield metallic iron
“iron pellet(s)”	a round hardened clump of iron-rich material suitable for application in blast furnaces
“Issue Date”	the date on which the Exchangeable Note is issued
“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
“Jiashide”	Chengdu Jiashide Trading Co., Ltd.*（成都佳仕德貿易有限公司）, a limited liability company established in the PRC on 21 June 2011
“JORC Code”	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004 edition), as published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy and used to determine resources and reserves, as amended from time to time

"Kingston Grand"	Kingston Grand Limited, a company incorporated in the British Virgin Islands on 20 February 2007, holder of 40% of the issued share capital of Trisonic International
"km"	kilometre(s), a metric unit measure of distance
"Kt"	thousand tonnes
"Ktpa"	thousand tonnes per annum
"Lagaluo Mine"	拉嘎洛鐵礦, an iron ore mine owned by Weixi Guangfa located at Zhanglu Village, Weixi County, Yunnan
"Lagaluo Option"	an option to acquire the Lagaluo Mine, such option has expired on 27 July 2011
"LIBOR"	The London Inter Bank Offered Rate, as determined by the bank for interest periods of up to 12 months or such other interest periods at may be agreed by the bank
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	the Main Board of the Stock Exchange
"Maoling Mine"	毛嶺鐵礦, an ordinary magnetite mine owned by Aba Mining and located in Wenchuan County, Sichuan
"Maoling Processing Plant"	the ore processing plant located at our Maoling Mine and operated by Aba Mining
"Measured Resources"	mineral resources that have been intersected and tested by drill holes or sampling procedures at locations close enough to confirm continuity
"mining right(s)"	the right(s) to mine mineral resources and obtain mineral products in areas where mining activities are licensed
"Model Code"	Model Code for Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 of the Listing Rules
"MPa"	Megapascal
"Mt"	million tones
"Mtpa"	million tonnes per annum

"Nanyu"	Sichuan Nanyu Information Technology Company Ltd.*（四川南譽信息技術有限公司）, a company established in the PRC
"Net Profit Margin"	a ratio of profitability calculated as the profit and total comprehensive income attributable to owners of the Company divided by revenue
"New Iron Pelletising Plant"	the plant that produces iron pellets and is located in Ailang Townlet, Huili County, which is approximately 5.5 km from our Xiushuihe Mine
"New Option Scheme"	the share option scheme adopted by the Shareholders at the annual general meeting held on 15 April 2010
"Note Certificate"	the note certificate of the Exchangeable Note with the terms and conditions of the Exchangeable Note set out therein
"OCBC"	Oversea-Chinese Banking Corporation Limited
"Old Iron Pelletising Plant"	the plant that produces iron pellets and is located approximately 36 km from our Xiushuihe Mine
"ore processing"	the process which in general refers to the extraction of usable portions of ores by using physical and chemical extraction methods
"Over-Allotment"	the exercise of the over-allotment option, pursuant to the announcement published by the Company on 28 October 2009
"Panxi Region"	a region in Sichuan located at southwest of Chengdu reaching from Panzhihua to Xichang
"Panzhihua Jingzhi"	Panzhihua Jingzhi Mining Co., Ltd.*（攀枝花市經質礦產有限責任公司）, a limited liability company established in the PRC on 2 August 2000
"Panzhihua Yixingda"	Panzhihua Yixingda Industrial Trading Co., Ltd.*（攀枝花易興達工貿有限責任公司）, a limited liability company registered in the PRC on 9 July 2009
"Parties"	the Company, Pingchuan Iron Mining Company and Nanyu
"pelletising"	a process to compress the iron ore into the shape of a pellet

"Pingchuan Mine"	the Pingchuan iron mine which is located in Yanyuan County, Liangshan Prefecture, Sichuan, which has an exploration area of 69.09 sq.km. as set out in the exploration permit
"Pingchuan Iron Mining Company"	Sichuan Province Yanyuan County Pingchuan Iron Mine* (四川省鹽源縣平川鐵礦) a state-owned enterprise under the authority of the People's Government of Yanyuan County
"Project"	the exploration and mining operation to be conducted by the Target Group in the Target Iron Mine in Java, Indonesia
"Proved and probable reserves"	reserves that have been based after application of mining recovery and dilution facts, on an in-situ identified resources which have been categorised as "indicated" and "measured" under the JORC Code
"Renminbi" or "RMB"	the lawful currency of the PRC
"reserve(s)"	the part of a measured and/or indicated resource(s) which could be mined and from which valuable or useful minerals could be recovered economically under conditions reasonably assumed at the time of estimation
"resource(s)"	a concentration or occurrence of iron ore of intrinsic economic interest in or on the earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction
"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
"Sellers"	Collectively, Haokun, Haihuitian, Jiashide and Xinzhou
"Share(s)"	ordinary share(s) in the share capital of the Company, with a nominal value of HK$0.1 each
"Shareholder(s)"	holder(s) of the Share(s)
"Sichuan"	the Sichuan province of the PRC
"sq.km."	square kilometre

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	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
"Target Group"	the Target Company and its subsidiaries
"Target Iron Mine"	the vanadium-bearing titano-magnetite iron sand ore mine located in Java, Indonesia over which the Target Group has the relevant mining license
"TFe"	the symbol for denoting total iron
"TiO_2"	the chemical symbol for titanium dioxide
"titanium"	a light, strong, lustrous, corrosion-resistant transition metal with a white-silvery-metallic colour
"titanium 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
"Type 331"	measured intrinsic economic resources (探明的內蘊經濟資源量) (Type 331) as defined in the Classification of Solid Mineral Resources and Reserves
"Type 332"	indicated intrinsic economic resources (控制的內蘊經濟資源量) (Type 332) as defined in the Classification of Solid Mineral Resources and Reserves
"Type 333"	inferred intrinsic economic resources (推斷的內蘊經濟資源量) (Type 333) as defined in the Classification of Solid Mineral Resources and Reserves
"United States" or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US dollars" or "US$"	the lawful currency of the United States
"V_2O_5"	the chemical symbol for vanadium pentoxide

"Weixi Guangfa"	Weixi Guangfa Iron Ore Development Company Limited*（維西廣發鐵礦開發有限公司）, a limited liability company established in the PRC on 10 June 2005
"Xiaoheiqing Jingzhi Mine"	小黑箐經質鐵礦, the vanadium-bearing titano-magnetite mine owned by Panzhihua Jingzhi located at Huili County, Sichuan
"Xiaoheiqing Option"	an option to acquire the Xiaoheiqing Jingzhi Mine, such option has expired on 11 May 2011
"Xinzhou"	Chongqing Xinzhou Metallic Material Co., Ltd.*（重慶市鑫宙金屬材料有限公司）, a limited liability company established in the PRC on 24 February 2004
"Xiushuihe Mine"	秀水河鐵礦, the vanadium-bearing titano-magnetite mine located in Ailang Townlet, Huili County, Sichuan and operated by Xiushuihe Mining
"Xiushuihe Mining"	Huili County Xiushuihe Mining Co., Ltd.*（會理縣秀水河礦業有限公司）, a limited liability company established in the PRC on 26 June 2007 and a member of our Group
"Xiushuihe Processing Plant"	the ore processing plant located at our Xiushuihe Mine and operated by Xiushuihe Mining
"Yanglongshan Mine"	羊龍山鐵礦, the iron mine located at Yanglongshan in Wenchuan County, Sichuan, currently under exploration with an exploration area of 8.79 sq.km.
"Yangqueqing Mine"	陽雀箐鐵礦, the vanadium-bearing titano-magnetite mine located in Huili County, Sichuan, with a mining area of 0.25 sq.km.
"Yanyuan Xiwei"	Yanyuan County Xiwei Mining Company Limited*（鹽源縣西威礦業有限責任公司）, a limited liability company established in the PRC on 7 December 2007

* *For identification purpose only*

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

Hong Kong, 19 March 2012

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

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