



CHINA VANADIUM
TITANO-MAGNETITE MINING
COMPANY LIMITED

中國鈮鈦磁鐵礦業有限公司

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

Continued Perseverance to Seek Value Creation

I N T E R I M R E P O R T 2 0 1 5

Our Presence



Mines

Name	Location	Area	Type of Resources	Resources under the JORC Code (2004 or 2012 Edition) as at 1 January 2015 (Mt)	Average Grade	Mining Method
1 Baicao Mine	Huilu County, Sichuan	Mining area: 1.88 sq.km.	Vanadium-bearing titano-magnetite	93.88	25.08% TFe	Open-pit mining
2 Xiushuihe Mine (including expansion)	Huilu County, Sichuan	Exploration area: 1.73 sq.km. (including a mining area of 0.52 sq.km.)	Vanadium-bearing titano-magnetite	84.24	24.44% TFe	Open-pit mining
3 Yangqueqing Mine	Huilu County, Sichuan	Mining area: 0.25 sq.km.	Vanadium-bearing titano-magnetite	21.18	25.09% TFe	Open-pit mining
4 Cizhuqing Mine	Huilu County, Sichuan	Mining area: 1.279 sq.km.	Vanadium-bearing titano-magnetite	25.57	21.41% TFe	Open-pit mining
5 Maoling-Yanglongshan Mine	Wenchuan County, Sichuan	Exploration area: 11.62 sq.km. (including a mining area of 1.9 sq.km.)	Ordinary magnetite	59.80	22.81% TFe	Underground mining

* Haibaodang Mine: Acquisition completed in January 2015 with 107.61 Mt of iron ore resources (Types 332 and 333) with an average TFe grade of 16.50%

** Shigou Gypsum Mine: Acquisition completed in July 2015 with 10.37 Mt of gypsum ore resources (Types 331 and 333) with an average "gypsum + anhydrite" grade of 90.64%

Iron Pelletising Plant

Name	Location	Capacity
6 Iron Pelletising Plant	Near the Xiushuihe Mine	1,000.0 Ktpa

Processing Plants

Name	Location	Capacity (wet basis)
7 Xiushuihe Processing Plant	Near the Xiushuihe Mine	Vanadium-bearing iron concentrates: 800.0 Ktpa; High-grade titanium concentrates: 100.0 Ktpa
8 Baicao Processing Plant	Near the Baicao Mine	Vanadium-bearing iron concentrates: 700.0 Ktpa; High-grade titanium concentrates: 60.0 Ktpa
9 Hailong Processing Plant	Near the Cizhuqing Mine	Vanadium-bearing iron concentrates: 300.0 Ktpa
10 Heigutian Processing Plant	Near the Yangqueqing Mine	Vanadium-bearing iron concentrates: 800.0 Ktpa; High-grade titanium concentrates: 120.0 Ktpa
11 Maoling Processing Plant	Near the Maoling-Yanglongshan Mine	Ordinary iron concentrates: 150.0 Ktpa

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Jiang Zhong Ping (*Chairman*) (*Appointed as acting chief executive officer on 15 May 2015*)

Mr. Zheng Zhiquan
(*Appointed as executive Director and financial controller on 15 May 2015*)

Mr. Tang Wei (*Resigned as executive Director and chief executive officer on 15 May 2015*)

Mr. Roy Kong Chi Mo (*Resigned as executive Director and chief financial officer on 15 May 2015*)

Non-executive Directors

Mr. Yu Xing Yuan
Mr. Teo Cheng Kwee (*Resigned on 15 May 2015*)

Independent Non-executive Directors

Mr. Yu Haizong
Mr. Liu Yi
Mr. Wu Wen

AUDIT COMMITTEE

Mr. Yu Haizong (*Chairman*)
Mr. Liu Yi
Mr. Yu Xing Yuan

REMUNERATION COMMITTEE

Mr. Liu Yi (*Chairman*)
Mr. Jiang Zhong Ping
Mr. Yu Haizong

NOMINATION COMMITTEE

Mr. Jiang Zhong Ping (*Chairman*)
Mr. Liu Yi
Mr. Yu Haizong

COMPANY SECRETARY

Mr. Roy Kong Chi Mo (*FCCA, FCIS, FCS(PE) & MHKIoD*)

AUTHORISED REPRESENTATIVES

Mr. Jiang Zhong Ping
Mr. Roy Kong Chi Mo (*FCCA, FCIS, FCS(PE) & MHKIoD*)

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STOCK CODE

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SHARE INFORMATION

Board lot size: 1,000

Financial Highlights

During the Reporting Period, the Group has downsized its overall production capacity, streamlined operations and initiated plans to rationalise assets due to weak market conditions. As a result, during the Reporting Period:

The Group's revenue amounted to approximately RMB151.5 million, representing a decrease of RMB232.4 million or 60.5% as compared to approximately RMB383.9 million for the six months ended 30 June 2014. Given the significant fall in revenue, the Group reported a gross loss.

The Group's gross loss amounted to approximately RMB17.0 million for the Reporting Period and the Group's gross profit amounted to approximately RMB17.4 million for the six months ended 30 June 2014. The gross loss margin for the Reporting Period was approximately 11.2% and the gross profit margin for the six months ended 30 June 2014 was approximately 4.5%.

The net cash flows used in operating activities improved to approximately RMB29.3 million from approximately RMB621.5 million for the six months ended 30 June 2014 due mainly to the Group's operational streamlining exercise.

The impairment losses (based on preliminary reviews conducted by independent valuers on value in use and/or fair value of certain key operating assets) were approximately RMB438.4 million, representing an increase of RMB271.4 million or 162.6% as compared to approximately RMB166.9 million for the six months ended 30 June 2014.

Given the above, the loss and total comprehensive loss attributable to owners of the Company for the Reporting Period was approximately RMB865.5 million, as compared to approximately RMB129.0 million for the six months ended 30 June 2014.

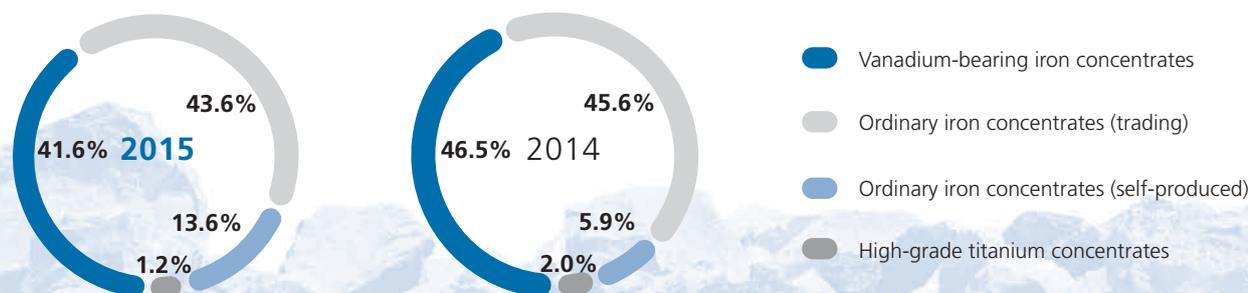
The basic and diluted loss per Share attributable to ordinary equity holders of the Company amounted to approximately RMB42 cents for the Reporting Period, as compared to approximately RMB6 cents for the six months ended 30 June 2014.

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

	Six months ended 30 June	
	2015 RMB' 000 (Unaudited)	2014 RMB' 000 (Unaudited)
Revenue	151,496	383,921
Gross profit/(loss)	(16,980)	17,407
Gross profit/(loss) margin	(11.2%)	4.5%
Other income and gains	2,995	70,293
Selling and distribution expenses	(19,848)	(5,430)
Administrative expenses	(148,397)	(100,087)
Impairment losses	(438,368)	(166,947)
Fair value loss on financial assets at fair value through profit or loss	(59,916)	–
Loss before tax	(777,331)	(222,822)
Income tax credit/(expense)	(91,324)	94,376
Loss and total comprehensive loss attributable to owners of the Company	(865,482)	(128,971)

Revenue Breakdown by Product Categories

for the six months ended 30 June





MARKET REVIEW

During the Reporting Period, the industry environment in China became even more challenging to operate as overcapacity in the steel industry dampened iron ore price. According to statistics from the China Iron and Steel Association (the "CISA"), in the first half of this year, crude steel production declined for the first time in 20 years, with total revenue of large and medium-sized steel enterprises decreasing by 17.9% to RMB1.5 trillion and overall loss of these enterprises expanding to RMB21.68 billion. Chinese steelmakers have been selling their output at a loss, both domestically and abroad, with even more countries putting anti-dumping policies in place to retaliate. The European Commission, The United States International Trade Commission and Department of Commerce and other eight steel associations from Asia have since launched more aggressive anti-dumping measures and reviews against China.

With increasingly lower margins in the steel industry, steel companies tried to transfer, in part or in full, the burden to upstream iron ore suppliers by pressing raw material price. In addition to these economic challenges, certain steel companies were forced to halt operating furnaces due to tightening pollution controls in the country and were required to invest further in facility upgrades (and the capital investments for environmental control are substantial). All of these have further weakened the domestic market and escalated the overcapacity problem in China. Due to this severely unfavourable downstream market conditions, the demand and price for iron ore have suffered adversely.

During the Reporting Period, China's crude steel production decreased by 1.3% year-on-year to 410 Mt. The China Steel Price Index compiled by the CISA declined by 18.6% from early January 2015 to 66.69 at the end of June 2015. Moreover, the China Iron Ore Price Index compiled by the CISA has decreased by 14.4% since early January 2015 to 217.48 at the end of June 2015, and the China Import Iron Ore Index has fallen by 16.3% to 219.14 in the same timeframe. From April to mid June 2015, due to low inventory levels at Chinese ports, imported iron ore price (62% iron content on a dry basis) rebounded by approximately 40% from a decade low in just over two months to US\$64.18/tonne. However, this rally does not seem to be sustainable as steel demand continued to shrink. With the continuous decrease in steel production and the excess supply of iron ore, the overall iron ore market remains weak.

As for the titanium industry, the price of high-grade titanium concentrates (with above 46% titanium) in Panzhihua showed slight increase from RMB475-RMB500/tonne in early January 2015 to RMB560-RMB580/tonne at the end of June 2015. During the Reporting Period, the overall industry showed minor upward movement in price due mainly to temporary stocks replenishment. However, the price of high-grade titanium concentrates has declined since July 2015 because of the weakened market demand. This may cause additional risks of titanium mining companies suspending production due to declining profits.

As previously guided, the Group has intensified efforts to streamline operations given the challenging and volatile business environment in the industry. The severely weak market sentiment caused significant reductions in Sichuan's steel production and thereby demand for iron ore. The Group's processing plants continued to operate at below optimal utilisation levels with no immediate signs of improvement. In the past few years, the Group invested heavily in new facilities and is now in large surplus of production capacity. During the Reporting Period, periodic suspension of the Group's processing plants (which had subsequently been turned into permanent suspension) led to significant drop in capacity utilisation and thus, adversely affected the value in use and/or fair value of these operating assets. As such, the Group recognised impairment losses of approximately RMB438.4 million in aggregate during the Reporting Period.



Management Discussion and Analysis

BUSINESS AND OPERATIONS REVIEW

During the Reporting period, the downstream market conditions of our industry remained unfavourable. The severely weak market sentiment has caused significant reduction in (i) production volume of many steel companies in Sichuan and (ii) demand for iron ore product in the upstream market. As a result, the capacity utilisation of the Group's plants fell sharply which led to a periodic suspension of the Group's vanadium-bearing iron concentrates processing lines and high-grade titanium concentrates processing lines. Based on the Group's operating experience in the industry with the primary objectives to ensure that the Group's processing plants and distribution business could continue to operate in more efficient ways and on a commercially viable basis over a longer term, management has conducted strategic reviews of the mines and processing plants and as such, the Group has intensified efforts to streamline operations and initiated plans to rationalise assets, which is extremely important in the current operating environment. The Group, in addition to the internal assessment, has engaged independent valuers to assess assets impairment which may arise from such operational streamlining exercises and assets rationalisation plans. Please refer to the Company's announcement dated 24 June 2015 for further details. As at 30 June 2015, there were assets classified as held for sale of approximately RMB378.3 million, representing the property, plant and equipment and land use right of the Heigutian Processing Plant being recorded at fair value less cost to sell.

During the Reporting Period, the individually impaired trade receivables related to certain customers that were in financial difficulties, which the Group had stopped supplying goods, initiated discussions on repayment terms and is in the midst of monitoring their repayment schedules. Whilst the Group will continue to follow up closely on the receivable status, the recoverability of part of the receivables has specifically been affected by the weak market condition. As such, part of collections may be delayed by a longer-than-expected period or part of the receivables may not be recoverable. As such, the Group had made an impairment loss of approximately RMB122.9 million during the Reporting Period. Despite such impairment and longer-than-expected repayment periods, the Group will initiate necessary actions to recover these receivables in part or in full.

During the Reporting Period, the Group's revenue decreased significantly by 60.5% to approximately RMB151.5 million as compared to the corresponding period of last year, which resulted in a gross loss for the Reporting Period. The gross loss of the Group was approximately RMB17.0 million and the loss and total comprehensive loss attributable to owners of the Company was approximately RMB865.5 million, including impairment losses.

On 30 December 2014, Sure Prime Limited (the "Investor"), a wholly-owned subsidiary of the Company, subject to the consent of the other noteholders, (i) granted a waiver in favour of the Issuer to waive the event of default; and (ii) entered into the supplemental deed with the Issuer, its ultimate beneficial owner, and the Target Company. Pursuant to the supplemental deed, (a) the final maturity date of 25 November 2014 under the Exchangeable Notes has been extended to 25 June 2015; (b) the yield to maturity for the entire term of the Exchangeable Notes and until the full redemption thereof has been revised from 20% to 25% per annum; and (c) the Investor shall be entitled to exchange all or any part of the Exchangeable Notes at any time prior to the full redemption of the Exchangeable Notes by a single or multiple presentation of exchange notice (the "Supplemental Arrangement"). On 8 January 2015, the Investor received the consent from the other noteholders to give effect to the waiver and the Supplemental Arrangement except that the final maturity date under the Supplemental Arrangement shall be brought forward from 25 June 2015 to 25 March 2015.

On 25 March 2015, which was the final maturity date under the Supplemental Arrangement, the Investor did not receive any part of the redemption amount payable by the Issuer under the Exchangeable Notes. In view of this, on even date, the legal advisor of the Investor, for and on its behalf, issued a notice of potential event of default to the Issuer requesting for the payment of the redemption amount in accordance with the terms of the Exchangeable Notes and reminding the Issuer about the potential occurrence of an event of default if the Investor does not receive the full redemption amount by 1 April 2015.

Management Discussion and Analysis



On 1 April 2015, the Investor did not receive any part of the redemption amount payable by the Issuer under the Exchangeable Notes. In view of this, the Investor's legal advisor had issued a formal notice to the Issuer informing the occurrence of an event of default and preserving the rights of the Investor under the relevant transaction documents. On 28 July 2015, the Investor, with the consent of the other noteholders, granted a waiver in favour of the Issuer to waive the event of default and entered into a supplemental deed, pursuant to which, the final maturity date has been extended from 25 March 2015 to 25 August 2015. Please refer to the section headed "Other significant events" in this report for further details. The Group also wishes to highlight that since the previous extension on default waiver, the Investor does not receive any part of the amount repayable by the Issuer from the redemption of the Exchangeable Notes. The management has been following up with the Issuer since then. As at 30 June 2015, the management recorded the fair value of the Exchangeable Notes amounting to approximately RMB230.3 million.

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

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

	Six months ended 30 June		
	2015 (Kt)	2014 (Kt)	Change (%)
Vanadium-bearing iron concentrates			
Baicao Processing Plant	36.6	39.4	-7.1
Xiushuihe Processing Plant	147.4	177.9	-17.1
Heigutian Processing Plant	–	164.6	-100.0
Hailong Processing Plant	58.3	58.7	-0.7
Total production volume	242.3	440.6	-45.0
Total sales volume	263.5	363.2	-27.5
Ordinary iron concentrates			
Maoling Processing Plant	49.0	40.3	21.6
Total production volume	49.0	40.3	21.6
Total sales volume	26.7	22.6	18.1
Purchased from an independent third party for trading purpose	107.4	227.7	-52.8
Sale to an independent third party for trading purpose	107.4	220.8	-51.4



Management Discussion and Analysis

	Six months ended 30 June		
	2015 (Kt)	2014 (Kt)	Change (%)
Medium-grade titanium concentrates			
Baicao Processing Plant	12.8	–	N/A
Total production volume	12.8	–	N/A
Total sales volume	–	–	N/A
High-grade titanium concentrates			
Baicao Processing Plant	–	1.5	-100.0
Xiushuihe Processing Plant	6.3	11.6	-45.7
Heigutian Processing Plant	–	1.4	-100.0
Total production volume	6.3	14.5	-56.6
Total sales volume	5.1	16.9	-69.8

During the Reporting Period, the operating environment for the Group remained challenging due mainly to overcapacity concerns in the industry and the demand continued to lag behind supply. As a result, the capacity utilisation of the Group's plants fell sharply which led to a periodic suspension of the Group's vanadium-bearing iron concentrates processing lines and high-grade titanium concentrates processing lines. Total production volume and total sales volume of vanadium-bearing iron concentrates decreased by 45.0% and 27.5%, respectively as compared to the corresponding period of last year. Total production volume and total sales volume of high-grade titanium concentrates decreased by 56.6% and 69.8%, respectively as compared to the corresponding period of last year.

Aba Mining resumed production since 2011 and completed reconstruction to achieve the planned production capacity. During the Reporting Period, total production volume and total sales volume of self-produced ordinary iron concentrates increased by 21.6% and 18.1%, respectively as compared to the corresponding period of last year.

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group's revenue was approximately RMB151.5 million (six months ended 30 June 2014: RMB383.9 million), representing a decrease of 60.5% as compared to the corresponding period in 2014. Such decrease was due to the significant decrease in sales volume and average selling prices of the Group's products. The revenue also included the sale of ordinary iron concentrates to an independent third party of approximately RMB66.1 million for trading purpose.



Cost of Sales

The cost of sales primarily included contracting fees for mining and stripping as well as materials, labour, power and other utilities, repair and maintenance, depreciation and amortisation, and the purchase cost of ordinary iron concentrates from an independent third party for trading purpose. During the Reporting Period, the Group's cost of sales was approximately RMB168.5 million (six months ended 30 June 2014: RMB366.5 million), representing a decrease of 54.0% as compared to the corresponding period in 2014. The decrease was primarily due to the significant decrease in sales volume of the Group's products and the decrease in average unit purchase cost of ordinary iron concentrates from an independent third party for trading purpose due to unfavourable market conditions. During the Reporting Period, the unit production costs of vanadium-bearing iron concentrates decreased as compared to the corresponding period in 2014 mainly because of the decrease in stripping costs which was primarily due to the lower ratio of waste to raw iron ore during the extraction.

Gross Profit/(Loss) and Margin

As a result of the foregoing, the gross loss amounted to approximately RMB17.0 million for the Reporting Period and the Group's gross profit amounted to approximately RMB17.4 million for the six months ended 30 June 2014. The gross loss margin for the Reporting Period was approximately 11.2% and the gross profit margin for the six months ended 30 June 2014 was approximately 4.5%. The gross loss margin was primarily because of the significantly decreased selling prices of the Group's products due to unfavourable market conditions.

Other Income and Gains

The other income and gains significantly decreased by 95.7%, from approximately RMB70.3 million for the six months ended 30 June 2014 to approximately RMB3.0 million for the Reporting Period. The decrease in the other income and gains of the Group for the Reporting Period was mainly due to the decrease in bank interest income and no fair value gains on the Exchangeable Notes.

Selling and Distribution Expenses

The selling and distribution expenses increased by 265.5%, from approximately RMB5.4 million for the six months ended 30 June 2014 to approximately RMB19.8 million for the Reporting Period. The selling and distribution expenses primarily consisted of transportation fees, which mainly represented the road transportation costs, goods loading and unloading fees, platform storage and administration fees. The increase was mainly due to (i) higher transportation costs for vanadium-bearing iron concentrates as these costs were borne by the Group for the customers since January 2015 in order to increase sales volume given the unfavourable market conditions and (ii) the transportation costs for ordinary iron concentrates increased due to the longer transportation distance undertaken in order to expand the sales volume.

Administrative Expenses

The administrative expenses increased by 48.3%, from approximately RMB100.1 million for the six months ended 30 June 2014 to approximately RMB148.4 million for the Reporting Period. The increase in administrative expenses was mainly because the remaining balance of approximately RMB39.3 million for prepaid technical service fee to Sichuan Nanjiang Mining Group Co., Ltd. ("Nanjiang") was written off during the Reporting Period as no economic benefits from such technical consultancy services is expected to be realised in the foreseeable future given the continuing weak market conditions and the suspension expenses including staff costs and overheads were recorded in aggregate of approximately RMB71.0 million.



Management Discussion and Analysis

Other Expenses

The other expenses increased by 2,092.1%, from approximately RMB2.8 million for the six months ended 30 June 2014 to approximately RMB60.8 million for the Reporting Period. The significant increase was mainly because (i) Xiushuihe Mining has incurred mine landslide treatment expense of RMB45.0 million at the Xiushuihe Mine for the sake of safety concerns to the villagers nearby arising from landslide problem and (ii) the inventories for vanadium-bearing iron concentrates and medium-grade titanium concentrates in aggregate of approximately RMB7.5 million were written down to net realisable value due to the significant decrease in the market selling price during the Reporting Period.

Impairment Losses

During the Reporting Period, management has conducted strategic reviews of the mines and processing plants and as such, the Group has intensified efforts to streamline operations and initiated plans to rationalise assets. The impairment losses were approximately RMB438.4 million for the Reporting Period (six months ended 30 June 2014: RMB166.9 million), representing the impairment losses on goodwill of approximately RMB15.3 million, property, plant and equipment of approximately RMB102.3 million, intangible assets of approximately RMB137.2 million, assets held for sale of approximately RMB60.6 million and trade receivables of approximately RMB122.9 million.

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

The fair value loss on financial assets at fair value through profit or loss for the Reporting Period was approximately RMB59.9 million, representing the changes in fair value arising from the Exchangeable Notes. The Exchangeable Notes are now recorded at the fair value of approximately RMB230.3 million.

Finance Costs

The finance costs increased by 2.9%, from approximately RMB35.0 million for the six months ended 30 June 2014 to approximately RMB36.0 million for the Reporting Period, primarily due to the increase in interest on bank and other loans.

Income Tax Credit/(Expense)

The income tax expense for the Reporting Period was RMB91.3 million and the income tax credit for the six months ended 30 June 2014 was RMB94.4 million. The income tax expense for the Reporting Period was mainly due to the reversal of deferred tax arising from impairment losses, tax losses and stripping costs.

Loss and Total Comprehensive Loss

As a result of the foregoing, the loss and total comprehensive loss for the Reporting Period was approximately RMB868.7 million (six months ended 30 June 2014: RMB128.4 million).

Loss and Total Comprehensive Loss Attributable to Owners of the Company

The loss and total comprehensive loss attributable to owners of the Company was approximately RMB865.5 million for the Reporting Period (six months ended 30 June 2014: RMB129.0 million).

Interim Dividend

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



LIQUIDITY AND CAPITAL RESOURCES

The following table sets out certain information regarding the Group's consolidated statement of cash flows for each of the six months ended 30 June 2015 and 2014:

	Six months ended 30 June			
	2015		2014	
	RMB' 000	RMB' 000	RMB' 000	RMB' 000
Cash and cash equivalents as stated in the consolidated statement of cash flows for the year ended 31 December 2014/2013		202,811		115,018
Net cash flows used in operating activities	(29,251)		(621,461)	
Net cash flows from investing activities	300,734		844,033	
Net cash flows used in financing activities	(130,375)		(5,641)	
		141,108		216,931
Effect of foreign exchange rate changes, net		(841)		1,172
Cash and cash equivalents as stated in the interim consolidated statement of cash flows for the six months ended 30 June 2015/2014		343,078		333,121

Net Cash Flows Used in Operating Activities

The Group's net cash flows used in operating activities were approximately RMB621.5 million for the six months ended 30 June 2014 and approximately RMB29.3 million for the Reporting Period. It primarily included the loss before tax of approximately RMB777.3 million which was partially offset by (i) impairment losses on goodwill, property, plant and equipment, intangible assets, assets held for sale and trade receivables in aggregate of approximately RMB438.4 million; (ii) prepaid technical service fee written off of approximately RMB39.3 million; (iii) fair value loss on changes in fair value arising from the Exchangeable Notes of approximately RMB59.9 million and (iv) depreciation and amortisation in aggregate of approximately RMB70.9 million.

Net Cash Flows from Investing Activities

The Group's net cash flows from investing activities were approximately RMB844.0 million for the six months ended 30 June 2014 and approximately RMB300.7 million for the Reporting Period. It primarily included the decrease in time deposits with maturity of over three months of RMB327.8 million and the decrease in pledged bank balances of approximately RMB90.0 million for the issuance of bills payable, which were partially offset by the purchase of items of property, plant and equipment and intangible assets in aggregate of approximately RMB114.8 million.

Net Cash Flows Used in Financing Activities

The Group's net cash flows used in financing activities were approximately RMB5.6 million for the six months ended 30 June 2014 and approximately RMB130.4 million for the Reporting Period. It primarily included the repayment of bank loans of approximately RMB190.2 million, which were partially offset by the proceeds from bank loans of approximately RMB59.9 million.

Management Discussion and Analysis

Analysis of Inventories

The Group's inventories increased by 7.1%, from approximately RMB154.9 million as at 31 December 2014 to approximately RMB165.8 million as at 30 June 2015, primarily due to the significant decrease in sales volume of the Group's products.

Analysis of Trade and Bills Receivables

The Group's trade and bills receivables decreased by 30.2%, from approximately RMB533.4 million as at 31 December 2014 to approximately RMB372.3 million as at 30 June 2015. Trade receivables turnover days were approximately 507 days (year ended 31 December 2014: 243 days). The Group recognised impairment loss on trade receivables of approximately RMB122.9 million related to certain customers that were in financial difficulties. Please refer to the section headed "Business and Operations Review" in this report for further details.

Assets Classified as Held for Sale

The assets classified as held for sale were approximately RMB378.3 million as at 30 June 2015, representing the property, plant and equipment and land use right of the Heigutian Processing Plant. The impairment loss of the Heigutian Processing Plant of approximately RMB60.6 million was recognised for the Reporting Period to write down to their fair value less cost to sell.

Analysis of Trade and Bills Payables

The Group's trade and bills payables increased by 19.6%, from approximately RMB302.1 million as at 31 December 2014 to approximately RMB361.2 million as at 30 June 2015, primarily due to more bills issued and the decrease in settlement to major suppliers.

Analysis of Net Current Assets Position

The Group's net current assets position decreased by 49.9%, from approximately RMB231.0 million as at 31 December 2014 to approximately RMB115.7 million as at 30 June 2015, primarily because of the impairment loss on trade receivables and the fair value loss on the Exchangeable Notes.

Borrowings

As at 30 June 2015, the Group's borrowings mainly included (i) a secured bank loan of RMB120.0 million with an annual interest rate of 9.0% from Shanghai Pudong Development Bank ("SPDB") Chengdu branch to Xiushuihe Mining which was pledged by the mining right of the Xiushuihe Mine and 95% equity interest in Xiushuihe Mining; (ii) secured bank loans of RMB225.0 million with annual interest rates ranging from 5.32% to 6.0% from China Construction Bank ("CCB") Huili branch to Huili Caitong which was pledged by the mining right of the Baicao Mine; (iii) secured bank loans of RMB80.0 million with an annual interest rate of 6.0% from Industrial and Commercial Bank of China ("ICBC") Liangshan branch which were secured by time deposits of RMB80.0 million from Huili Caitong and Xiushuihe Mining; (iv) unsecured bank loans of RMB75.0 million with an annual interest rate of 6.55% from CCB Xichang branch to Huili Caitong, of which RMB50.0 million is repayable within one year and (v) unsecured bank loans of RMB136.1 million, RMB112.7 million and RMB120.0 with annual interest rates ranging from 5.35% to 6.0%, 5.6% to 6.0% and 7.2% from China Merchant Bank Yingmenkou branch, ICBC Liangshan branch and SPDB Chengdu branch, respectively, to Huili Caitong and Xiushuihe Mining.

Contingent Liabilities

As at 30 June 2015, the Group did not have any material contingent liabilities.



Pledge of Assets

As at 30 June 2015, the mining right of the Xiushuihe Mine and 95% equity interest in Xiushuihe Mining were pledged to SPDB Chengdu branch for the bank loan of RMB120.0 million. The mining right of the Baicao Mine was pledged to CCB Huili branch for the bank loans of RMB225.0 million. The time deposits of RMB80.0 million were pledged at ICBC Liangshan branch for the bank loans of RMB80.0 million. In addition, the Group's deposits of approximately RMB30.6 million were pledged at banks for the issuance of bills payable.

Foreign Currency Risk

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

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

The following table demonstrates the sensitivity to a 5.0% change in RMB against HK\$ and US\$, respectively. The 5.0% is the rate used when reporting currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in the foreign currency rate. The sensitivity analyses of the Group's exposure to foreign currency risk at the end of the Reporting Period have been determined based on the adjustment of translation of the monetary assets and liabilities at the end of each reporting period for a 5.0% change in RMB against HK\$ and US\$, respectively, with all other variables held constant, of the Group's loss before tax for the six months ended 30 June 2015 (due to changes in the fair value of cash and cash equivalents and financial assets at fair value through profit and loss):

	<i>RMB'000</i>
<i>Increase/(decrease) in loss before tax</i>	
If RMB strengthens against HK\$ and US\$	11,513
If RMB weakens against HK\$ and US\$	(11,513)

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 30 June 2015, the Group's contractual obligations amounted to approximately RMB25.1 million, and decreased by RMB25.9 million as compared to approximately RMB51.0 million as at 31 December 2014, which was primarily due to the completion of the acquisition of Panzhihua Yixingda in January 2015.



Management Discussion and Analysis

Capital Expenditure

The Group's total capital expenditure decreased by RMB13.2 million from approximately RMB136.1 million for the six months ended 30 June 2014 to approximately RMB122.9 million during the Reporting Period. The capital expenditure of approximately RMB122.9 million for the Reporting Period primarily consisted of (i) construction of tailing storage facilities of approximately RMB55.0 million; (ii) technical improvement on the processing line for vanadium-bearing iron concentrates in the Xiushuihe Processing Plant of approximately RMB58.0 million and (iii) stripping activity assets at the Baicao Mine of approximately RMB4.4 million.

Financial Instruments

As at 30 June 2015, the Group had the Exchangeable Notes in the principal amount of US\$30.0 million. The Exchangeable Notes are accounted for as financial assets at fair value through profit or loss.

Gearing Ratio

Gearing ratio is a measure of financial leverage, which is calculated by net debt divided by "total equity plus net debt". Net debt is defined as interest-bearing bank and other loans, net of cash and cash equivalents and it excludes liabilities incurred for working capital purpose. Equity includes equity attributable to owners of the Company and non-controlling interests. As at 30 June 2015, gearing ratio was 18.2% (31 December 2014: 12.7%).

OTHER SIGNIFICANT EVENTS

As disclosed in the announcements of the Company dated 2 May 2011, 9 August 2011, 30 September 2011, 18 November 2011 and 25 November 2011 in relation to the subscription by the Investor of the Exchangeable Notes in the aggregate principal amount of US\$30 million issued by the Issuer, there is a term under the Note Certificate that all of the Exchangeable Notes, which has not been exchanged into shares, shall be redeemed on the final maturity date. The Investor did not receive any part of the redemption amount payable by the Issuer under the Exchangeable Notes and there occurred an event of default on 2 December 2014.

On 30 December 2014, the Investor, subject to the consent of the other noteholders, (i) granted a waiver in favour of the Issuer to waive the event of default; and (ii) entered into the Supplemental Arrangement with the Issuer, its ultimate beneficial owner, and the Target Company. On 8 January 2015, the Investor received the consent from the other noteholders to give effect to the waiver and the Supplemental Arrangement except that the final maturity date under the Supplemental Arrangement shall be brought forward from 25 June 2015 to 25 March 2015. Save for the above, there are no other revisions made to the Supplemental Arrangement.

On 25 March 2015, which was the final maturity date under the Supplemental Arrangement, the Investor did not receive any part of the redemption amount payable by the Issuer under the Exchangeable Notes. In view of this, on even date, the legal advisor of the Investor, for and on its behalf, issued a notice of potential event of default to the Issuer requesting for the payment of the redemption amount in accordance with the terms of the Exchangeable Notes and reminding the Issuer about the potential occurrence of an event of default if the Investor does not receive the full redemption amount by 1 April 2015.

On 1 April 2015, the Investor did not receive any part of the redemption amount payable by the Issuer under the Exchangeable Notes. In view of this, the Investor's legal advisor had issued a formal notice to the Issuer informing the occurrence of an event of default and preserving the rights of the Investor under the relevant transaction documents. On 28 July 2015, the Investor, with the consent of the other noteholders, granted a waiver in favour of the Issuer to waive the event of default and entered into a supplemental deed, pursuant to which, the final maturity date has been extended from 25 March 2015 to 25 August 2015. Please refer to the Company's announcements dated 8 January 2015, 1 April 2015 and 28 July 2015 for further details.



OUTLOOK

In April 2015, the World Steel Association released its outlook for 2015 and 2016, forecasting that global apparent steel use will increase by 0.5% to 1,544 Mt in 2015 and by 1.4% to 1,565 Mt in 2016. The restrained growth outlook for the global steel industry is mainly caused by the deceleration in China. The CISA revealed that the price of steel in June and July recorded an unilaterally sharp downtrend due to the continued weak demand for steel. The CISA forecasts that for the third quarter of 2015, the steel market will enter its off-season, and steel demand is expected to weaken further. Taking this into account, as well as current losses recorded by mills, there will be large reductions in steel production and the market conditions remain pessimistic.

In the near-term, in an effort to curb industry stagnation, the Ministry of Industry and Information Technology of the PRC (“MIIT”) announced that its “Iron and Steel Industry Restructuring and Development Action Plan for 2015-2017” (《鋼鐵工業轉型發展行動計劃(2015-2017)》) has been finalised. The plan aims to ease over-capacity imbalances by reducing iron and steel production capacity by 80 Mt within three years; it also plans to build 2-3 “intelligent” demonstration plants and, within the same timeframe, encourage mergers and acquisitions as well as restructuring within the industry. To promote industry enhancement, the plan will try to control the number of steel companies in China at around 300, maintain steady energy consumption levels, and decrease levels of environmental pollutants.

In the long term, as per the “Steel Industry Adjustment Policy (2015 Revision)” (《鋼鐵產業調整政策(2015年修訂)》) formulated by the MIIT, the goal is to transform and upgrade the domestic steel industry by creating resource-conserving, eco-friendly enterprises with strong innovative capabilities, positive economic benefits, and international competitiveness. Moreover, it locked down the “Thirteenth Five” development goals for the steel industry as being large-scale structural reorganisation to target current industry fragmentation, as well as improve blind competition caused by the industry downturn. It is expected that by 2017, the contradictions of over-capacity in the steel industry should effectively be resolved, and the industry’s profit margins and return on assets should return to reasonable levels. By 2025, the crude steel output of the top ten steel enterprises should account for no less than 60% of the national crude steel output.

Nevertheless, the Group expects the challenging market outlook to remain bleak in the near-term given that rebalancing of the Chinese economy is inevitable as China enters its next stage of development. In view of the muted growth in the industry with demand continuing to lag behind supply and no signs of recovery in sight, the Group has put measures in place so that it will be able to adjust its operations on all levels swiftly in varying market conditions. In regards to its production operations, the lower-than-expected utilisation rate of the Group’s facilities means that management must continuously review the value in use of these facilities, and update its financials accordingly. In the downstream distribution business, the Group plans to reduce overall production capacity according to customer order placement. Management will also vigilantly monitor overall collection cycles to assess the credit risks.

Going forward, the Group will proactively initiate various strategic plans to reduce direct cost per unit, improve efficiency per factory, and minimise loss on operations. These will include recent initiatives to continue suspension on loss-making production, scale back capacity, reduce headcounts, trim operating expenses and reduce investments. The Group will also actively evaluate the necessity to relocate or merge its facilities for better capacity utilisation, or close down part of its processing plants permanently if operating environment remains challenging. Meanwhile, management will conduct portfolio reviews focusing on optimal balance between owning mining right and improving productivity for such mining right.

Management will continue to monitor the market conditions closely, manage working capital prudently and implement good cost control disciplines. The Group is cautious but confident that given its solid foundation and the industry knowledge of its experienced management team, it will be able to mitigate the challenges of this cyclical downturn with continued perseverance and create value for its Shareholders.



DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2015, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, are as follows:

Long positions in share options granted by the Company

Number of share options held by the Directors and chief executives of the Company as at 30 June 2015:

Name	Capacity	Number of share options held	Number of underlying Shares	Percentage of the Company's issued share capital
Mr. Jiang Zhong Ping	Beneficial owner	17,000,000	17,000,000	0.82%
Mr. Yu Xing Yuan	Beneficial owner	28,300,000	28,300,000	1.36%
Mr. Yu Haizong	Beneficial owner	100,000	100,000	0.00%
Mr. Liu Yi	Beneficial owner	100,000	100,000	0.00%

Save as disclosed above, as at 30 June 2015, so far as is known to any Directors and chief executives of the Company, none of the Directors and chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SHARE OPTIONS

The Company adopted a share option scheme (the "Old Option Scheme") on 4 September 2009. At the 2010 AGM, the Shareholders approved the adoption of a new share option scheme (the "New Option Scheme") and the termination of 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 full force and effect).



(i) Old Option Scheme

Details of the share options outstanding as at 30 June 2015 which have been granted under the Old Option Scheme are as follows:

Name or category of participant	Date of grant	Exercise period	Exercise price per share option HK\$	No. of share options held as at 01.01.2015	No. of share options lapsed during the Reporting Period	No. of share options exercised during the Reporting Period	Transfer from other category during the Reporting Period	Transfer to other category during the Reporting Period	No. of share options held as at 30.06.2015
1. Directors/ chief executives									
Mr. Jiang Zhong Ping	29.12.2009	29.06.2012 to 28.12.2019	5.05	1,500,000	-	-	-	-	1,500,000
		29.12.2014 to 28.12.2019	5.05	1,500,000	-	-	-	-	1,500,000
	01.04.2010	01.10.2012 to 31.03.2020	4.99	250,000	-	-	-	-	250,000
		01.04.2015 to 31.03.2020	4.99	250,000	-	-	-	-	250,000
Mr. Tang Wei	29.12.2009	29.06.2012 to 28.12.2019	5.05	200,000	(200,000)	-	-	-	-
		29.12.2014 to 28.12.2019	5.05	200,000	(200,000)	-	-	-	-
Mr. Roy Kong Chi Mo	29.12.2009	29.06.2012 to 28.12.2019	5.05	1,500,000	-	-	-	(1,500,000)	-
		29.12.2014 to 28.12.2019	5.05	1,500,000	-	-	-	(1,500,000)	-
	01.04.2010	01.10.2012 to 31.03.2020	4.99	250,000	-	-	-	(250,000)	-
		01.04.2015 to 31.03.2020	4.99	250,000	-	-	-	(250,000)	-
Mr. Yu Xing Yuan	29.12.2009	29.06.2012 to 28.12.2019	5.05	3,500,000	-	-	-	-	3,500,000
		29.12.2014 to 28.12.2019	5.05	3,500,000	-	-	-	-	3,500,000
	01.04.2010	01.10.2012 to 31.03.2020	4.99	1,250,000	-	-	-	-	1,250,000
		01.04.2015 to 31.03.2020	4.99	1,250,000	-	-	-	-	1,250,000
2. Employees (in aggregate)									
Total	29.12.2009	29.06.2012 to 28.12.2019	5.05	3,400,000	-	-	1,500,000	-	4,900,000
		29.12.2014 to 28.12.2019	5.05	3,400,000	-	-	1,500,000	-	4,900,000
	01.04.2010	01.10.2012 to 31.03.2020	4.99	2,950,000	(500,000)	-	250,000	-	2,700,000
		01.04.2015 to 31.03.2020	4.99	2,950,000	(500,000)	-	250,000	-	2,700,000
				29,600,000	(1,400,000)	-	3,500,000	(3,500,000)	28,200,000

Other Information

(ii) New Option Scheme

Details of the share options outstanding as at 30 June 2015 which have been granted under the New Option Scheme are as follows:

Name or category of participant	Date of grant	Exercise period	Exercise price per share option HK\$	No. of share options held as at 01.01.2015	No. of share options lapsed during the Reporting Period	No. of share options exercised during the Reporting Period	Transfer from other category during the Reporting Period	Transfer to other category during the Reporting Period	No. of share options held as at 30.06.2015
1. Directors/ chief executives									
Mr. Jiang Zhong Ping	23.05.2011	23.05.2013 to 22.05.2021	3.60	5,000,000	-	-	-	-	5,000,000
	15.04.2014	15.10.2014 to 14.04.2024	1.00	4,250,000	-	-	-	-	4,250,000
		15.04.2015 to 14.04.2024	1.00	2,125,000	-	-	-	-	2,125,000
		15.10.2015 to 14.04.2024	1.00	2,125,000	-	-	-	-	2,125,000
Mr. Tang Wei	23.05.2011	23.05.2013 to 22.05.2021	3.60	1,000,000	(1,000,000)	-	-	-	-
	15.04.2014	15.10.2014 to 14.04.2024	1.00	4,000,000	(4,000,000)	-	-	-	-
		15.04.2015 to 14.04.2024	1.00	2,000,000	(2,000,000)	-	-	-	-
		15.10.2015 to 14.04.2024	1.00	2,000,000	(2,000,000)	-	-	-	-
Mr. Roy Kong Chi Mo	23.05.2011	23.05.2013 to 22.05.2021	3.60	4,000,000	-	-	-	(4,000,000)	-
	15.04.2014	15.10.2014 to 14.04.2024	1.00	3,500,000	-	-	-	(3,500,000)	-
		15.04.2015 to 14.04.2024	1.00	1,750,000	-	-	-	(1,750,000)	-
		15.10.2015 to 14.04.2024	1.00	1,750,000	-	-	-	(1,750,000)	-
Mr. Teo Cheng Kwee	15.04.2014	15.10.2014 to 14.04.2024	1.00	100,000	(100,000)	-	-	-	-
		15.04.2015 to 14.04.2024	1.00	50,000	(50,000)	-	-	-	-
		15.10.2015 to 14.04.2024	1.00	50,000	(50,000)	-	-	-	-
Mr. Yu Xing Yuan	23.05.2011	23.05.2013 to 22.05.2021	3.60	5,000,000	-	-	-	-	5,000,000
	15.04.2014	15.10.2014 to 14.04.2024	1.00	6,900,000	-	-	-	-	6,900,000
		15.04.2015 to 14.04.2024	1.00	3,450,000	-	-	-	-	3,450,000
		15.10.2015 to 14.04.2024	1.00	3,450,000	-	-	-	-	3,450,000
Mr. Yu Haizong	15.04.2014	15.10.2014 to 14.04.2024	1.00	50,000	-	-	-	-	50,000
		15.04.2015 to 14.04.2024	1.00	25,000	-	-	-	-	25,000
		15.10.2015 to 14.04.2024	1.00	25,000	-	-	-	-	25,000
Mr. Liu Yi	15.04.2014	15.10.2014 to 14.04.2024	1.00	50,000	-	-	-	-	50,000
		15.04.2015 to 14.04.2024	1.00	25,000	-	-	-	-	25,000
		15.10.2015 to 14.04.2024	1.00	25,000	-	-	-	-	25,000

Name or category of participant	Date of grant	Exercise period	Exercise price per share option HK\$	No. of share options held as at 01.01.2015	No. of share options during the Reporting Period	No. of share options exercised during the Reporting Period	Transfer from other category during the Reporting Period	Transfer to other category during the Reporting Period	No. of share options held as at 30.06.2015
2. Employees (in aggregate)	23.05.2011	23.05.2013 to 22.05.2021	3.60	12,300,000	(1,000,000)	–	4,000,000	–	15,300,000
	15.04.2014	15.10.2014 to 14.04.2024	1.00	1,050,000	(50,000)	–	3,500,000	–	4,500,000
		15.04.2015 to 14.04.2024	1.00	525,000	(25,000)	–	1,750,000	–	2,250,000
		15.10.2015 to 14.04.2024	1.00	525,000	(25,000)	–	1,750,000	–	2,250,000
Total				67,100,000	(10,300,000)	–	11,000,000	(11,000,000)	56,800,000

Save as disclosed above, at no time during the Reporting Period was the Company, its holding companies or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

To the best knowledge of the Directors or chief executives of the Company, as at 30 June 2015, persons (other than the Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company under Section 336 of the SFO are as follows:

Long positions in Shares and underlying Shares under equity derivatives:

Name	Notes	Directly beneficially owned	Through parties acting in concert	Held in the capacity of investment manager	Total	Percentage of the Company's issued share capital
Trisonic International	1,2,6&7	1,006,754,000 (L)	–	–	1,006,754,000 (L)	48.52% (L)
Kingston Grand	1,2,3&6	–	1,006,754,000 (L)	–	1,006,754,000 (L)	48.52% (L)
Mr. Wang Jin	1,2,6&7	–	1,006,754,000 (L)	–	1,006,754,000 (L)	48.52% (L)
Mr. Yang Xianlu	1&6	–	1,006,754,000 (L)	–	1,006,754,000 (L)	48.52% (L)
Mr. Wu Wendong	1&6	–	1,006,754,000 (L)	–	1,006,754,000 (L)	48.52% (L)
Mr. Li Hesheng	1,2&6	–	1,006,754,000 (L)	–	1,006,754,000 (L)	48.52% (L)
Mr. Shi Yinjun	1,2&6	–	1,006,754,000 (L)	–	1,006,754,000 (L)	48.52% (L)
Mr. Zhang Yuanguai	1,2&6	–	1,006,754,000 (L)	–	1,006,754,000 (L)	48.52% (L)
Long Sino International Limited	1,3,4&6	–	1,006,754,000 (L)	–	1,006,754,000 (L)	48.52% (L)
Zou Hua	1,4,5&6	–	1,006,754,000 (L)	–	1,006,754,000 (L)	48.52% (L)
Jiang Hua	1,5&6	–	1,006,754,000 (L)	–	1,006,754,000 (L)	48.52% (L)
Templeton Asset Management Limited	1	–	–	248,920,417 (L)	248,920,417 (L)	12.00% (L)



Other Information

Notes:

1. The letter "L" represents the entity's/individual's long positions in the Shares.
2. The issued share capital of Trisonic International was owned as to 3% by Mr. Li Hesheng, 42.6% by Mr. Wang Jin, 7.2% by Mr. Shi Yinjun, 7.2% by Mr. Zhang Yuangui and 40% by Kingston Grand.
3. The issued share capital of Kingston Grand was owned as to 100% by Long Sino International Limited.
4. The issued share capital of Long Sino International Limited was owned as to 100% by Mr. Zou Hua.
5. Ms. Jiang Hua was the spouse of Mr. Zou Hua.
6. As at 30 June 2015, 1,006,754,000 Shares were held by Trisonic International. Since Trisonic International, Kingston Grand, Messrs. Wang Jin, Yang Xianlu, Wu Wendong, Li Hesheng, Shi Yinjun and Zhang Yuangui, Long Sino International Limited, Mr. Zou Hua and Ms. Jiang Hua were parties acting in concert, each of Kingston Grand, Messrs. Wang Jin, Yang Xianlu, Wu Wendong, Li Hesheng, Shi Yinjun and Zhang Yuangui, Long Sino International Limited, Mr. Zou Hua and Ms. Jiang Hua was deemed to be interested in 1,006,754,000 Shares held by Trisonic International.
7. Mr. Wang Jin was a director of Trisonic International.

Save as disclosed above, as at 30 June 2015, the Company had not been notified by any persons (other than the Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company under Section 336 of the SFO.

EMPLOYEES AND EMOLUMENT POLICIES

As at 30 June 2015, the number of employees of the Group was 1,802 (31 December 2014: 1,864). During the Reporting Period, employee benefit expense (including Directors' remuneration in the form of salaries, equity-settled share option expenses and other allowances) was approximately RMB33.6 million (six months ended 30 June 2014: RMB53.5 million).

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

AUDIT COMMITTEE

The audit committee comprises of two independent non-executive Directors, namely Mr. Yu Haizong (Chairman) and Mr. Liu Yi and one non-executive Director, namely Mr. Yu Xing Yuan.

The audit committee has adopted written terms of reference which are in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules. It is mainly responsible for the matters concerning the internal control and financial reporting, reviewing with the senior management of the accounting principles, accounting standards and methods adopted by the Company.



REVIEW OF INTERIM CONDENSED FINANCIAL INFORMATION

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

COMPLIANCE WITH THE MODEL CODE

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

CORPORATE GOVERNANCE

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

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

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

By order of the Board of

China Vanadium Titano-Magnetite Mining Company Limited

Jiang Zhong Ping

Chairman

Hong Kong, 24 August 2015

Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2015

		For the six months ended 30 June	
		2015	2014
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Notes			
		151,496	383,921
		(168,476)	(366,514)
		(16,980)	17,407
		2,995	70,293
		(19,848)	(5,430)
		(148,397)	(100,087)
		(102,309)	(166,947)
		(137,239)	–
		(15,318)	–
		(122,947)	–
		(60,555)	–
		(59,916)	–
		(60,787)	(2,773)
		(36,030)	(35,001)
		–	(284)
		(777,331)	(222,822)
		(91,324)	94,376
		(868,655)	(128,446)
		(865,482)	(128,971)
		(3,173)	525
		(868,655)	(128,446)
		RMB(0.42)	RMB(0.06)



Interim Consolidated Statement of Financial Position

30 June 2015

	Notes	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	1,039,968	1,525,517
Intangible assets	9	791,153	628,107
Prepaid land lease payments	9	38,195	42,282
Prepayments and deposits	10	6,800	44,046
Payments in advance	10	354,156	633,186
Goodwill	11	–	15,318
Deferred tax assets	12	48,749	143,134
Total non-current assets		2,279,021	3,031,590
CURRENT ASSETS			
Inventories		165,835	154,901
Trade and bills receivables	13	372,323	533,426
Prepayments, deposits and other receivables	10	97,985	122,724
Financial assets at fair value through profit or loss	14	230,255	290,171
Pledged time deposits		110,617	200,618
Cash and cash equivalents		343,078	530,623
Assets classified as held for sale	15	1,320,093 378,333	1,832,463 –
Total current assets		1,698,426	1,832,463
CURRENT LIABILITIES			
Trade and bills payables	16	361,244	302,057
Other payables and accruals		364,304	310,269
Interest-bearing bank and other loans	17	844,667	975,042
Due to related parties		6,663	5,245
Tax payables		4,002	7,063
Dividend payable		1,801	1,801
Total current liabilities		1,582,681	1,601,477
NET CURRENT ASSETS		115,745	230,986
TOTAL ASSETS LESS CURRENT LIABILITIES		2,394,766	3,262,576



Interim Consolidated Statement of Financial Position

30 June 2015

	Notes	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other loans	17	25,000	25,000
Provision for rehabilitation		9,667	9,347
Other payables		1,129	701
Total non-current liabilities		35,796	35,048
Net assets		2,358,970	3,227,528
EQUITY			
Equity attributable to owners of the Company			
Issued capital		182,787	182,787
Reserves		2,147,623	3,013,008
Non-controlling interests		2,330,410	3,195,795
		28,560	31,733
Total equity		2,358,970	3,227,528

Jiang Zhong Ping
Director

Zheng Zhi Quan
Director

Interim Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

	Attributable to owners of the Company												
	Issued capital	Share premium account	Statutory reserves	Safety fund surplus reserve	Contributed surplus	Share option reserve	Difference arising from changes in non-controlling interests	Capital reserve	Retained earnings	Proposed final dividend	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014	182,787	1,840,253	220,176	90,819	87,238	88,820	(852,820)	186,200	1,701,677	36,043	3,581,193	32,774	3,613,967
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	-	-	(128,971)	-	(128,971)	525	(128,446)
Equity-settled share option arrangement	-	-	-	-	-	7,438	-	-	-	-	7,438	-	7,438
Establishment for safety fund surplus reserve	-	-	-	8,882	-	-	-	-	(8,882)	-	-	-	-
Transfer from/(to) reserves	-	-	115	-	-	-	-	-	(115)	-	-	-	-
Final 2013 dividend declared	-	-	-	-	-	-	-	-	-	(36,043)	(36,043)	-	(36,043)
At 30 June 2014 (Unaudited)	182,787	1,840,253	220,291	99,701	87,238	96,258	(852,820)	186,200	1,563,709	-	3,423,617	33,299	3,456,916
At 1 January 2015	182,787	1,840,253*	220,176*	106,095*	87,238*	105,846*	(852,820)*	186,200*	1,320,020*	-	3,195,795	31,733	3,227,528
Total comprehensive loss for the period	-	-	-	-	-	-	-	-	(865,482)	-	(865,482)	(3,173)	(868,655)
Equity-settled share option arrangement	-	-	-	-	-	97	-	-	-	-	97	-	97
Establishment for safety fund surplus reserve	-	-	-	3,630	-	-	-	-	(3,630)	-	-	-	-
At 30 June 2015 (Unaudited)	182,787	1,840,253*	220,176*	109,725*	87,238*	105,943*	(852,820)*	186,200*	450,908*	-	2,330,410	28,560	2,358,970

* These reserve accounts comprise the consolidated reserves of RMB2,147,623,000 (31 December 2014: RMB3,013,008,000) in the consolidated statement of financial position.

Interim Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

For the six months ended 30 June

	Notes	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(777,331)	(222,822)
Adjustments for:			
Finance costs	5	33,690	31,249
Unrealised foreign exchange losses		841	450
Bank interest income	4	(1,656)	(23,003)
Equity-settled share option expense	18	97	7,438
Fair value losses/(gains) on financial assets at fair value through profit or loss	6	59,916	(39,163)
Share of profits and losses of joint ventures		–	284
Loss on disposal of items of property, plant and equipment	6	–	910
Impairment losses recognised	6	438,368	166,947
Prepayment written off		4,890	–
Write-down of inventories to net realisable value	6	7,503	–
Prepaid technical fee released to profit or loss	6	2,067	2,067
Prepaid technical service fee written off	6	39,266	–
Depreciation and amortisation	9	70,943	90,793
		(121,406)	15,150
Decrease/(increase) in trade and bills receivables		38,156	(270,694)
Increase in inventories		(18,437)	(50,767)
Increase in prepayments, deposits and other receivables		(45,745)	(112,893)
Increase/(decrease) in trade and bills payables		59,187	(258,085)
Increase in other payables and accruals		16,139	51,701
Increase in amounts due to related parties		1,418	537
Cash used in operations		(25,688)	(625,051)
Interest paid		(23,203)	(24,829)
Interest received		19,640	30,603
Income tax paid		–	(2,184)
Net cash flows used in operating activities		(29,251)	(621,461)



Interim Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

		For the six months ended 30 June	
	Notes	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		(110,474)	(74,784)
Proceeds from disposal of items of property, plant and equipment		–	269
Decrease in time deposits with maturity of over three months		327,812	1,180,000
Purchase of intangible assets		(4,360)	(76,924)
Prepayment for the acquisition of a subsidiary		–	(354,025)
Acquisition of a subsidiary	23	(2,245)	–
Decrease in pledged bank balances		90,001	169,497
Net cash flows from investing activities		300,734	844,033
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank loans		59,870	550,263
Repayment of bank loans		(190,245)	(519,581)
Dividends paid		–	(36,323)
Net cash flows used in financing activities		(130,375)	(5,641)
NET INCREASE IN CASH AND CASH EQUIVALENTS		141,108	216,931
Cash and cash equivalents at beginning of period		202,811	115,018
Effect of foreign exchange rate changes, net		(841)	1,172
CASH AND CASH EQUIVALENTS AT END OF PERIOD		343,078	333,121
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents balance		343,078	333,121

Notes to Interim Condensed Financial Information

For the six months ended 30 June 2015

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 28 April 2008 under the Companies Law. The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is located at Unit A, 4/F, E168, Nos. 166-168 Des Vouex Road Central, Hong Kong.

During the Reporting Period, the Group was principally engaged in the business of mining, ore processing, sale of vanadium-bearing iron concentrates, ordinary iron concentrates and titanium concentrates, and management of strategic investments. There were no significant changes in the nature of the Group's principal activities during the Reporting Period.

In the opinion of the Directors of the Company, Trisonic International, a company incorporated in Hong Kong, is the parent and ultimate holding company of the Company.

2.1 BASIS OF PREPARATION

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

The unaudited interim condensed financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2014.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of this interim condensed financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014, except for the adoption of amendments to a number of International Financial Reporting Standards issued by the International Accounting Standards Board that are mandatory for the first time for the financial year beginning 1 January 2015. The adoption of these amendments has had no significant financial effect on the financial position or performance of the Group.

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, 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 the purposes of resources allocation and performance assessment. In addition, the principal non-current assets employed by the Group are located in Sichuan, the PRC. Accordingly, no segment analysis is presented other than entity-wide disclosures.



Notes to Interim Condensed Financial Information

For the six months ended 30 June 2015

3. REVENUE AND OPERATING SEGMENT INFORMATION (continued)

Entity-wide disclosures

Information about products

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

	For the six months ended 30 June			
	2015		2014	
	RMB'000	%	RMB'000	%
	(Unaudited)		(Unaudited)	
Self-produced products:				
Vanadium-bearing iron concentrates	63,031	41.6	178,692	46.6
Ordinary iron concentrates	20,545	13.6	22,604	5.9
High-grade titanium concentrates	1,802	1.2	7,462	1.9
Trading of iron ore products	66,118	43.6	175,163	45.6
	151,496	100.0	383,921	100.0

Geographical information

All external revenues of the Group during each of the six months ended 30 June 2015 and 2014 were attributable to customers established in the PRC, the place of domicile of the Group's operating entities. Meanwhile, the Group's principal non-current assets are all located in China.

Information about major customers

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

	For the six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Customer A	*	179,524
Customer B	*	69,944
Customer C	*	66,196
Customer D	66,633	*
Customer E	35,959	*
Customer F	35,158	*
Customer G	25,514	*

* Less than 10%

Notes to Interim Condensed Financial Information

For the six months ended 30 June 2015

4. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Bank interest income	1,656	23,003
Sale of raw materials	396	116
Government grant*	60	7,613
Fair value gains on financial assets at fair value through profit or loss	–	39,163
Miscellaneous	883	398
	2,995	70,293
Total other income and gains	2,995	70,293

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

5. FINANCE COSTS

	For the six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Interest on bank and other loans wholly repayable within five years	30,255	13,698
Interest on short term commercial paper	–	5,919
Interest on discounted bills receivable (note 13)	3,115	11,247
Unwinding of discount on provision	320	385
	33,690	31,249
Foreign exchange losses, net	841	2,071
Others	1,499	1,681
	36,030	35,001
	36,030	35,001

Notes to Interim Condensed Financial Information

For the six months ended 30 June 2015



6. LOSS BEFORE TAX

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

	Notes	For the six months ended 30 June	
		2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Cost of inventories sold		168,476	366,514
Impairment losses recognised on:			
Property, plant and equipment	9	102,309	166,947
Intangible assets	9	137,239	–
Goodwill	11	15,318	–
Trade receivables	13	122,947	–
Assets held for sale	15	60,555	–
Total impairment losses recognised		438,368	166,947
Employee benefit expense (including Directors' and chief executive's remuneration)*		33,594	53,529
Depreciation and amortisation expenses	9	70,943	90,793
Loss on disposal of items of property, plant and equipment		–	910
Write-down of inventories to net realisable value		7,503	–
Minimum office lease payments under operating leases		1,086	869
Auditors' remuneration		1,300	1,300
Foreign exchange losses, net		841	2,071
Amortisation of prepaid technical service fee		2,067	2,067
Technical service fee written off	10(a)	39,266	–
Prepayment written off		4,890	–
Fair value losses/(gains) on financial assets at fair value through profit or loss	14	59,916	(39,163)

* Total employee benefit expense for the Reporting Period includes equity-settled share option expense of RMB97,000 (after netting of with share option expense reversed of RMB1,977,000 for share options granted to certain employees resigned during the Reporting Period) (six months ended 30 June 2014: RMB7,438,000).

Notes to Interim Condensed Financial Information

For the six months ended 30 June 2015

7. INCOME TAX

	For the six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Current – China		
Charged for the period	–	1,953
Over provision in prior years	(3,061)	(64,970)
Deferred		
Charge/(credit) for the period (note 12)	909	(31,359)
Reversal for the period (note 12)	93,476	–
Total tax charge/(credit) for the period	91,324	(94,376)

Except for Aba Mining, Huili Caitong and Xiushuihe Mining, which enjoyed a preferential tax rate of 15% according to the “Western Development Policy” until 31 December 2020, the other subsidiaries of the Group located in China were liable to PRC CIT at a rate of 25% on the assessable profits generated for the Reporting Period.

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

The calculation of loss per Share is based on the loss attributable to owners of the Company for the Reporting Period of RMB865,482,000 (six months ended 30 June 2014: RMB128,971,000), and the number of ordinary Shares of 2,075,000,000 (six months ended 30 June 2014: 2,075,000,000) in issue during the Reporting Period.

No adjustment has been made to the basic earnings per Share amounts presented for each of the six months ended 30 June 2014 and 2015 in respect of a dilution as the exercise prices of the Company's outstanding share options were higher than the average market prices for the Company's Shares during each of the six months ended 30 June 2014 and 2015.



Notes to Interim Condensed Financial Information

For the six months ended 30 June 2015

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

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

	Property, plant and equipment RMB'000 (Unaudited) (note (b))	Intangible assets RMB'000 (Unaudited) (notes (a)&(b))	Prepaid land lease payments RMB'000 (Unaudited)
Carrying amounts at 1 January 2015	1,525,517	628,107	42,282
Additions	118,555	4,360	–
Acquisition of a subsidiary (note 23)	–	299,874	–
Assets classified as held for sale (note 15)	(435,354)	–	(3,534)
Depreciation/amortisation charged for the Reporting Period (note 6)	(66,441)	(3,949)	(553)
Impairment (note 6)	(102,309)	(137,239)	–
Carrying amounts at 30 June 2015	1,039,968	791,153	38,195

Notes:

- (a) As at 30 June 2015, the mining rights of the Baicao Mine and the Xiushuihe Mine with net carrying amounts of RMB1,744,000 (after deducting impairment loss of RMB57,912,000 recognised during the Reporting Period) (31 December 2014: RMB58,621,000) and RMB3,959,000 (after deducting impairment loss of RMB6,930,000 recognised during the Reporting Period) (31 December 2014: RMB12,029,000), respectively, were pledged to secure the Group's bank loans.

Notes to Interim Condensed Financial Information

For the six months ended 30 June 2015

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

Notes: (continued)

(b) Impairment

Given the fact that the carrying amount of the Group's net assets exceeded the Group's market capitalisation as at 30 June 2015, according to IAS 36, Impairment of assets, management has performed impairment assessment on the carrying amount of the Group's property, plant and equipment and intangible assets related to the Baicao Mine and the Xiushuihe Mine. For the purpose of impairment assessment, Baicao cash generate unit ("CGU") (comprising mining right to the Baicao Mine, stripping activity assets of the Baicao Mine and the Baicao Processing Plant) and Xiushuihe CGU (comprising mining right to the Xiushuihe Mine, the Xiushuihe Processing Plant and the Hailong Processing Plant) are treated as two separate CGU. The recoverable amounts of Baicao CGU and Xiushuihe CGU were estimated based on their respective values in use, determined by discounting the future cash flows to be generated from the continuing use of these CGUs. The recoverable amounts were determined based on a value in use calculation using cash flow projections according to financial budgets covering a five-year period approved by senior management with a discount rate of 15.63%. The CGU cash flows beyond the five-year period are extrapolated using a zero growth rate until the end of the respective asset useful lives. Other key assumptions used in the estimation of value in use were as follows:

Recoverable reserves – Economic recoverable reserves represent managements' expectations at the time of completing the impairment testing, which comprise proved and probable reserves based on reserves statements prepared by appropriate competent persons.

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margin achieved in the year immediately before the budget year, increased for expected market development.

Production volumes – Estimated production volumes are based on the detailed life of mine plans and take into account development plans of the mine agreed by management as part of the long-term planning process.

Discount rate – The discount rate used is pre-tax and reflects specific risks relating to the relevant unit.

The values assigned to key assumptions are consistent with external information sources.

Based on the above-mentioned impairment assessment, the recoverable amounts of Baicao CGU and Xiushuihe CGU were RMB266,745,000 and RMB469,024,000, respectively, which were RMB152,399,000 and RMB102,467,000 lower than their respective carrying amounts of RMB419,144,000 and RMB571,491,000 as at 30 June 2015, resulting in impairment on the following assets.

Impairment loss recognised on property, plant and equipment

Based on the preliminary reviews conducted by independent valuers, an impairment loss of RMB102,309,000 was recognised during the Reporting Period to write down the carrying amounts of the Baicao Processing Plant, the Xiushuihe Processing Plant and the Hailong Processing Plant to their recoverable amounts of RMB265,001,000, RMB371,615,000 and RMB93,450,000, respectively as at 30 June 2015.

Impairment loss recognised on intangible assets

Based on the preliminary reviews conducted by independent valuers, an impairment loss of RMB137,239,000 was recognised during the Reporting Period to write down the carrying amounts of mining rights to the Baicao Mine and the Xiushuihe Mine, and stripping activity assets of the Baicao Mine to their recoverable amounts of RMB1,744,000, RMB3,959,000 and nil, respectively as at 30 June 2015.

Impairment loss recognised on goodwill

Based on the preliminary reviews conducted by independent valuers, an impairment loss of RMB15,318,000 (note 11) was recognised during the Reporting Period to fully write down the goodwill arising from the acquisition of Xiushuihe Mining by the Group as at 30 June 2015.

Notes to Interim Condensed Financial Information

For the six months ended 30 June 2015

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

	Notes	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000
Current portion:			
Prepayments consist of:			
Prepaid technical service fee	(a)	–	4,133
Purchase of raw materials and services		3,325	3,171
Purchase of iron concentrates		7,303	7,169
Utilities		5,639	7,923
Prepayment for the use right of a road		45	45
Prepayment for acquisition of an associate		–	4,890
Prepaid stripping and mining fees	(b)	57,951	62,261
Prepaid transportation fees		9,373	3,725
Other prepayments		9,430	4,800
Interest income receivable		–	17,984
Compensation receivable		–	2,452
Other receivables		4,919	4,171
		97,985	122,724
Non-current portion:			
Prepaid technical service fee	(a)	–	37,201
Prepayment for the use right of a road		784	829
Long-term environmental rehabilitation deposits		6,016	6,016
		6,800	44,046
Total prepayments, deposits and other receivables		104,785	166,770
Payments in advance in respect of:			
Purchase of plant and equipment		156	131
Acquisition of subsidiaries	(c)	354,000	633,055
Total payments in advance		354,156	633,186

Notes to Interim Condensed Financial Information

For the six months ended 30 June 2015

10. PAYMENTS IN ADVANCE, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Notes:

- (a) Pursuant to the technical service agreement entered between Xiushuihe Mining and Nanjiang, an independent third party, on 15 January 2010, Xiushuihe Mining made a one-off prepayment to Nanjiang of approximately RMB62.0 million as technical service support fee for a period of 15 years ending on 31 December 2024. As at 30 June 2015, the balance of prepaid technical service of RMB39,266,000 was written off during the Reporting Period the Directors are of the view that, it is not probable that future economic benefits associated with the technical consultancy services provided by Nanjiang will be realised by the Group in the foreseeable future following the overall downsizing plans initiated by the Group, given the unfavorable market condition.
- (b) As at 30 June 2015, the balance represented prepaid stripping and mining fees made to an independent third party contractor for stripping and mining activities at the Xiushuihe Mine for lower stripping and mining rates offered by the said contractor.
- (c) As at 30 June 2015, the balance represented the prepayment of RMB354,000,000 made to Panzhuhua Shuhai Construction Co., Ltd. ("Panzhuhua Shuhai"), an independent third party in respect of the acquisition of 51% equity interests in Sichuan Haoyuan New Materials Co., Ltd. ("Sichuan Haoyuan") for a consideration of RMB370,000,000, pursuant to an equity purchase agreement entered between Huili Caitong and Panzhuhua Shuhai on 22 May 2014.

11. GOODWILL

	RMB'000 (Unaudited)
Carrying amount at 1 January 2015	15,318
Impairment (note 6)	(15,318)
	<hr/>
Carrying amount at 30 June 2015	–
	<hr/> <hr/>

Goodwill, which arose from the acquisition of Xiushuihe Mining by the Group, represented the excess of the cost of the business combination over the Company's interest in the fair value of Xiushuihe Mining's identifiable assets and liabilities as at the date of the acquisition.

Impairment testing of goodwill

Goodwill acquired through business combination is allocated to the Xiushuihe CGU for impairment testing.

The recoverable amount of the Xiushuihe Mining's cash-generating unit as at 30 June 2015 of RMB469,024,000 (31 December 2014: RMB587,366,000) has been determined based on a value in use calculation using cash flow projections based on the key assumptions as disclosed in note 9.

Notes to Interim Condensed Financial Information

For the six months ended 30 June 2015

12. DEFERRED TAX ASSETS

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

	Losses available for offsetting against taxable profits RMB'000	Excess tax depreciation over book value of fixed assets RMB'000	Provision for rehabi- litation RMB'000	Stripping cost RMB'000	Impair- ment RMB'000	Others RMB'000	Total RMB'000
At 1 January 2014	–	14,561	2,064	50,823	–	9,937	77,385
Deferred tax credited/ (charged) to profit or loss during the period	–	(2,920)	(21)	12,051	25,042	(2,793)	31,359
At 30 June 2014 (unaudited)	–	11,641	2,043	62,874	25,042	7,144	108,744
At 1 January 2015	32,193	9,941	2,003	56,136	37,361	5,500	143,134
Deferred tax credited/ (charged) to profit or loss during the period (note 7)	–	(130)	80	–	–	(859)	(909)
Reversal during the period(note 7)	(14,289)	–	–	(56,136)	(23,051)	–	(93,476)
At 30 June 2015 (unaudited)	17,904	9,811	2,083	–	14,310	4,641	48,749

As at 30 June 2015, the Group has tax losses arising from China of RMB212,502,000 that would expire in four to five years and deductible temporary differences of RMB243,813,000 that were available for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses and deductible temporary differences as it is not considered probable that taxable profits will be available against which the tax losses can be utilised. Consequently, deferred tax assets in respect of stripping cost for the Baicao Mine and impairment provision on the Iron Pelletizing Plant and trade receivables recognised in prior years have been reversed during the Reporting Period.

Notes to Interim Condensed Financial Information

For the six months ended 30 June 2015

13. TRADE AND BILLS RECEIVABLES

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000
Trade receivables	576,896	564,515
Bills receivable	499	51,036
	577,395	615,551
Impairment on trade receivables	(205,072)	(82,125)
	372,323	533,426

The Group's trading terms with its customers are mainly on credit. The Group granted a six-month credit term to its existing customers given the unfavourable market conditions. Trade receivables are non-interest-bearing and unsecured.

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

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000
Within 6 months	248,541	223,595
6 to 12 months	7,208	258,795
Over 1 year	116,075	–
	371,824	482,390

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

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000
At 1 January	82,125	–
Impairment losses recognised (note 6)	122,947	82,125
	205,072	82,125

Notes to Interim Condensed Financial Information

For the six months ended 30 June 2015

13. TRADE AND BILLS RECEIVABLES (continued)

The Group had previously warned that the downstream operations (i.e. the distribution business of its customers) have been adversely affected by significantly lower demand and market prices. Impairment of trade receivables recognised during the Reporting Period represented an additional provision of RMB122,947,000 (31 December 2014: RMB82,125,000) with a carrying amount before provision of RMB239,022,000 (31 December 2014: RMB82,125,000). The individually impaired trade receivables related to certain customers that were in financial difficulties, which the Group had stopped supplying goods, initiated discussions on repayment terms and is in the midst of monitoring their repayment schedules. Whilst the Group will continue to follow up closely on the receivable status, the recoverability of part of the receivables has specifically been affected by the weak market condition. As such, part of collections may be delayed by a longer-than-expected period or part of the receivables may not be recoverable. As such, the Group had made a provision for impairment of RMB122,947,000 during the Reporting Period under review. Despite such provisions and longer-than-expected repayment periods, the Group will initiate necessary actions to recover these receivables in part or in full.

The aged analysis of the trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000
Neither past due nor impaired	248,541	223,595
Less than 6 months past due	7,208	258,795
6 to 12 months past due	116,075	–
	371,824	482,390

As of the reporting date, except for the above-mentioned provisions, the Directors are of the opinion that no further provision for impairment is necessary in respect of receivables of RMB123,283,000 (net of impairment) which is past due but not impaired as the balances are still considered fully or partially recoverable based on the recent credit reviews conducted by the management. However, the management had previously warned that the continual weak market condition might lead to increasingly higher credit risk and thus, close monitoring of the collection cycles is required. The Group will continue to review the receivables status regularly.

As at 30 June 2015, the Group endorsed certain bills receivable accepted by banks in the PRC to certain of its suppliers in order to settle the trade payables to these suppliers with a carrying amount in aggregate of RMB26,296,000 (31 December 2014: RMB294,495,000); furthermore, as at 30 June 2015 the Group discounted certain bills receivable accepted by banks in the PRC, with a carrying amount in aggregate of RMB8,500,000 (31 December 2014: RMB39,045,000) (collectively referred to as the "Derecognised Bills"). The Derecognised Bills have a maturity from three to six months at the end of each reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills equals to their carrying amounts. In the opinion of the Directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the Reporting Period, the Group has recognised interest expense of RMB3,115,000 (six months ended 30 June 2014: RMB11,247,000) (note 5) on discounted bills receivable. No gains or losses were recognised from the Continuing Involvement, both during the Reporting Period or cumulatively. The endorsement and discount have been made evenly throughout the Reporting Period.

Notes to Interim Condensed Financial Information

For the six months ended 30 June 2015

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The balance represented Exchangeable Notes acquired by the Group in 2011 and designated by the Group as financial assets at fair value through profit or loss upon initial recognition. The Exchangeable Notes were issued by a non-listed company incorporated in the British Virgin Islands. The original maturity date of the Exchangeable Notes was 25 November 2014.

As at 2 December 2014, the Investor did not receive any part of the redemption amount payable by the Issuer under the Exchangeable Notes, and there occurred an event of default under the Exchangeable Notes. During the Reporting Period, the Investor together with other noteholders gave effect to the waiver in favour of the Issuer to waive the event of default and the maturity date of the Exchangeable Notes was extended from 25 November 2014 to 25 March 2015 and further extended to 25 August 2015 pursuant to two separate default waiver letter. In addition, the yield to maturity for the entire term of the Exchangeable Notes and until the full redemption thereof has been revised from 20% to 25% per annum and the Investor shall be entitled to exchange all or any part of the Exchangeable Notes at any time prior to the full redemption of the Exchangeable Notes by a single or multiple presentation of exchange notice. Since the previous extension on default waiver, the Investor does not receive any part of the amount repayable by the Issuer from the redemption of the Exchangeable Notes. The management has been following up with the Issuer since then. As at 30 June 2015, the management recorded the fair value of the Exchangeable Notes amounting to RMB230,255,000.

The movements in the fair value of the Exchangeable Notes during each of the six months ended 30 June 2014 and 2015 are as follows:

	For the six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Carrying amount at 1 January	290,171	275,310
Fair value losses/(gains) on financial assets at fair value through profit or loss recognised during the period* (note 6)	(59,916)	39,163
Carrying amount at 30 June	230,255	314,473

* The amortisation of day one profit included in the fair value loss of financial assets at fair value through profit or loss recognised during the Reporting Period is nil (six months ended 30 June 2014: RMB1,546,000).



Notes to Interim Condensed Financial Information

For the six months ended 30 June 2015

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

The fair value the Exchangeable Notes as at 30 June 2015 and 31 December 2014 was estimated by an independent professional valuer based on the estimated recoverable amount of the Exchangeable Notes discounted with a risk-free interest rate. The following table lists the key inputs used by the independent professional valuer:

	30 June 2015	31 December 2014
Risk-free interest rate (Indonesia) (% per annum)	0.21	0.32
Recovery rate (%)	50.00%	69.25%

15. ASSETS CLASSIFIED AS HELD FOR SALE

Management has since permanently ceased the production for the Heigutian Processing Plant under the Group's strategic plans as the plant continued to operate at below optimal utilisation level and failed to achieve economies of scale despite various operational streamlining exercises due to challenging operating environment and massive overcapacity concerns for the industry. Management has very limited opportunity to optimise its capacity utilisation with no immediate plans to revive the production for this processing plant. As such, management has decided to either (i) dispose the plant and equipment on piecemeal basis or (ii) the Heigutian Processing plant in its entirety.

Management has been in active discussions with the potential buyers for the proposed sale before 30 June 2015 and from the discussions held, management noted that the potentials proceeds from the sale of the entire plant are likely to be higher than that arising from sale of plant and equipment on a piecemeal basis. Management plans to complete the proposed sale within the next 12 months. As such, the Heigutian Processing Plant was classified as assets held for sale and recorded at fair value less cost to sell.

Non-recurring fair value measurements:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000
Assets held for sale	378,333	–

In accordance with IFRS 5, assets held for sale with a carrying amount of RMB438,888,000 were written down to their fair value less cost to sell of RMB378,333,000, resulting in a loss of RMB60,555,000 (note 6), which was included in profit or loss for the Reporting Period.

Notes to Interim Condensed Financial Information

For the six months ended 30 June 2015

16. TRADE AND BILLS PAYABLES

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000
Trade payables	233,893	243,956
Bills payable	127,351	58,101
	361,244	302,057

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

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000
Within 180 days	200,040	154,385
181 to 365 days	37,228	54,039
1 to 2 years	47,610	56,528
2 to 3 years	44,227	21,325
Over 3 years	32,139	15,780
	361,244	302,057

Trade payables are non-interest-bearing and are normally settled within 180 days and the bills payable were with maturity period of 90 or 180 days.

As at 30 June 2015, the Group's bills payable of RMB118,130,000 (31 December 2014: RMB48,800,000) were secured by pledged time deposits of RMB30,617,000 (31 December 2014: RMB100,618,000).

Notes to Interim Condensed Financial Information

For the six months ended 30 June 2015



17. INTEREST-BEARING BANK AND OTHER LOANS

	Notes	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000
Bank loans:			
Secured	(a)	425,000	439,845
Unsecured	(b)	443,867	556,945
Other loans, unsecured	(c)	800	3,252
		869,667	1,000,042
Bank loans repayable:			
Within one year or on demand		843,867	971,790
In the second year		25,000	25,000
		868,867	996,790
Other loans repayable:			
Within one year or on demand		800	3,252
Total bank and other loans		869,667	1,000,042
Balances classified as current liabilities		(844,667)	(975,042)
Balances classified as non-current liabilities		25,000	25,000

Notes to Interim Condensed Financial Information

For the six months ended 30 June 2015

17. INTEREST-BEARING BANK AND OTHER LOANS (continued)

Notes:

- (a) The balances as at 30 June 2015 consisted of (i) bank loans of RMB120,000,000 granted by SPDB to the Group in September 2014 bearing interest at the rate of 9.0% per annum, which are secured by the mining right of Xiushuihe Mine and 95% equity interests in Xiushuihe Mining; (ii) bank loans aggregated to RMB225,000,000 granted by CCB Huili Branch to the Group in December 2014 bearing interest at fixed rates ranging from 5.32% to 6.0% per annum, which are secured by the mining right of the Baicao Mine; and (iii) bank loans of RMB80,000,000 granted by ICBC to the Group bearing interest at the rate of 6.0% per annum, which are secured by time deposits of RMB80,000,000 of the Group.
- (b) As at 30 June 2015, Huili Caitong had unsecured interest-bearing bank loans of RMB75,000,000 from CCB Xichang Branch at a fixed rate of 6.55% per annum, of which RMB25,000,000 were classified as non-current portion due to repayment in December 2016.

In addition, as at 30 June 2015, Huili Caitong and Xiushuihe Mining had unsecured interest-bearing bank loans of RMB368,867,000 at fixed rates ranging from 5.35% to 7.2% per annum respectively.

The above unsecured interest-bearing bank loans were guaranteed by the Company at nil consideration.

- (c) Other loans represented interest-bearing loans granted by Wenchuan County State Assets Investment Co., Ltd. to Aba Mining for the reconstruction of production plants affected by the earthquake in May 2008. Other loans are unsecured and bear interest at the fixed rate of 5.76% (31 December 2014: 5.76%) per annum, all of which are for repayment in August 2015.

18. SHARE OPTION SCHEMES

On 4 September 2009, the Company adopted a 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 Directors, including non-executive Directors, and other employees of the Group. On 15 April 2010, the Company adopted a New Option Scheme, and simultaneously terminated the operation of the Old Option Scheme (such that, no further options shall thereafter be offered under the Old Option Scheme but in all other respects the provisions of the Old Option Scheme shall remain in force and effect). Eligible participants of the New Option Scheme include Directors, chief executives, substantial Shareholders or employees (whether full time or part time) of any member of the Group and any persons whom the Board considers, in its sole discretion, have contributed or will contribute to the development and growth of the Group. The New Option Scheme will remain in force for 10 years from that date, unless otherwise cancelled or amended. Eligible participants include the Directors, including non-executive Directors, and other employees of the Group. The options will remain in force for 10 years from the date of grant.

Notes to Interim Condensed Financial Information

For the six months ended 30 June 2015

18. SHARE OPTION SCHEMES (continued)

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

	Notes	Weighted average exercise price HK\$ per Share	Number of options '000
As at 1 January 2015			
– Old Option Scheme	(a)	5.03	29,600
– New Option Scheme	(a)	2.06	67,100
Forfeited during the Reporting Period			
– Old Option Scheme	(b)	5.01	(1,400)
– New Option Scheme	(b)	1.50	(10,300)
As at 30 June 2015		3.11	<u>85,000</u>

Notes:

- (a) The share options outstanding as at 1 January 2015 represented share options granted under the Old Option Scheme and the New Option Scheme by the Company on 29 December 2009, 1 April 2010, 23 May 2011 and 15 April 2014 at the exercise prices of HK\$5.05, HK\$4.99, HK\$3.60 and HK\$1.00 per Share, respectively.
- (b) The share options granted to Messrs. Tang Wei and Wang Yunjian under the Old Option Scheme and the New Option Scheme were forfeited following their resignation during the Reporting Period. The share options granted to Messrs. Teo Cheng Kwee and Lin Yumin under the New Option Scheme were forfeited following their resignation during the Reporting Period.

The exercise prices and exercise periods of the share options outstanding as at 30 June 2015 are as follows:

Number of options '000	Exercise price per Share HK\$	Exercise period
9,900	5.05	29 June 2012 to 28 December 2019
9,900	5.05	29 December 2014 to 28 December 2019
4,200	4.99	1 October 2012 to 31 March 2020
4,200	4.99	1 April 2015 to 31 March 2020
25,300	3.60	23 May 2013 to 22 May 2021
15,750	1.00	15 October 2014 to 14 April 2024
7,875	1.00	15 April 2015 to 14 April 2024
7,875	1.00	15 October 2015 to 14 April 2024
<u>85,000</u>		

The Group had 77,125,000 share options exercisable as at 30 June 2015, and the weighted average exercise price was HK\$3.33 per Share.

Notes to Interim Condensed Financial Information

For the six months ended 30 June 2015

18. SHARE OPTION SCHEMES (continued)

The Group recognised a share option expense of HK\$123,000 (equivalent to approximately RMB97,000) (after netting of with share option expense reversed of RMB1,977,000 for share options granted to certain employees resigned during the Reporting Period) during the Reporting Period (six months ended 30 June 2014: HK\$9,367,000, equivalent to approximately RMB7,438,000).

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

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

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

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

As at 30 June 2015, the Company had 28,200,000 share options outstanding under the Old Option Scheme and 56,800,000 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 85,000,000 additional Shares of the Company and additional share capital of HK\$8,500,000 and share premium of HK\$255,986,000 (before issue expenses).

The Company had 24,400,000 Shares available for issue under the Old Option Scheme and 207,500,000 Shares available for issue under the New Option Scheme, which represented approximately 1.18% and 10.00%, respectively, of the Company's Shares in issue as at the date of annual report of the Company for the year ended 31 December 2014.

At the date of approval of this interim condensed financial information, the Company had 85,000,000 share options outstanding, which represented approximately 4.10% of the Company's Shares in issue as at that date.

19. DIVIDENDS

At a meeting of the Directors held on 24 August 2015, the Directors resolved not to pay an interim dividend to Shareholders (six months ended 30 June 2014: Nil).



Notes to Interim Condensed Financial Information

For the six months ended 30 June 2015

20. OPERATING LEASE ARRANGEMENTS

As lessee

The Group entered into commercial leases on certain office buildings based on the reason that it is not in the best interest of the Group to purchase these assets. These leases have an average life of one to five years.

As the end of each reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000
Within one year	704	1,140
In the second to fifth years, inclusive	300	782
	1,004	1,922

21. COMMITMENTS

The Group had the following capital commitments at the end of each reporting period:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000
Contracted, but not provided for:		
– Acquisition of a subsidiary	16,000	40,788
– Plant and machinery	8,178	8,500
– Exploration and evaluation assets	935	1,700
	25,113	50,988
Authorised, but not contracted for:		
– Exploration and evaluation assets	–	78,091
Total capital commitments	25,113	129,079

Notes to Interim Condensed Financial Information

For the six months ended 30 June 2015

22. RELATED PARTY TRANSACTIONS

(a) During the Reporting Period, the Group had the following material transactions with related parties:

Name of related parties	Notes	For the six months ended 30 June	
		2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Non-recurring transactions			
Bank loans jointly guaranteed by related parties			
Chuan Wei and Chengyu Vanadium Titano	(i)	–	16,000
Construction of property, plant and equipment			
Sichuan Huiyuan	(ii)	–	2,770

Notes:

- (i) The bank loans were jointly guaranteed by Chuanwei and Chengyu Vanadium Titano for nil consideration.
- (ii) The Directors consider that the mineral exploration and evaluation services provided for the Group were undertaken on terms similar to those offered to independent third parties in the ordinary course of business.

(b) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Fees	312	414
Basic salaries and other benefits	684	807
Equity-settled share option expense	1,435	3,579
Pension scheme contributions	50	73
Total compensation paid to key management personnel	2,481	4,873



Notes to Interim Condensed Financial Information

For the six months ended 30 June 2015

23. ACQUISITION

The Group entered into an equity transfer agreement on 28 December 2011 with independent third parties (the "Sellers") in respect of the acquisition of 100% equity interest in Panzhihua Yixingda. Panzhihua Yixingda owns an exploration right to the Haibaodang Mine, a vanadium-bearing titano-magnetite mine located in Sichuan with an exploration permit for a validity term until 18 June 2016. On 29 December 2014, the Group entered into a third supplemental agreement with the Sellers, pursuant to which the final consideration was adjusted from the minimum consideration of RMB600 million to approximately RMB301.3 million due to the continuing decreased in market price of iron ore products, of which RMB281.3 million was paid up to 30 June 2015. The acquisition of Panzhihua Yixingda was completed on 4 January 2015 when Panzhihua Yixingda completed its business registration change to reflect the acquisition of 100% equity interest by the Group.

The acquisition of Panzhihua Yixingda has been accounted for as asset acquisition, as Panzhihua Yixingda had no attributions of a business. The identified assets and liabilities as at the date of acquisition were as follows:

	RMB'000
Intangible assets (note 9)	299,874
Other receivables and prepayments	1,478
Other payables	(52)
	<hr/>
Total identifiable net assets at acquisition date	<u>301,300</u>

An analysis of the cash flows in respect of the acquisition of Panzhihua Yixiangda is as follows:

	RMB'000
Cash consideration	301,300
Prepayment paid up to 31 December 2014	(279,055)
Other payables	(20,000)
Cash and bank balances acquired	–
	<hr/>
Net outflow of cash and cash equivalents during the Reporting Period	<u>2,245</u>

Notes to Interim Condensed Financial Information

For the six months ended 30 June 2015

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The fair value measurement hierarchy of the Group's financial assets at fair value through profit or loss have been estimated using a valuation technique based on assumptions that require significant unobservable inputs (Level 3). The valuation requires the Directors to make estimates about the expected future cash flows including expected future proceeds from recoverability of the financial assets and on subsequent disposal of the shares of the underlying assets.

The fair value measurement hierarchy of the Group's assets classified as held for sale requires significant unobservable inputs (Level 3).

The carrying amounts of the Group's long-term interest-bearing bank loans approximate to their fair values based on the prevailing borrowing rates available for loans with similar terms and maturities.

The carrying amounts of the Group's other financial instruments approximate to their fair values due to the short-term maturity of these financial instruments.

The fair value measurement hierarchy of the Group's interest-bearing bank loans requires significant unobservable inputs (Level 3).

25. EVENT AFTER THE REPORTING PERIOD

On 2 July 2015, the acquisition of 51% equity interest in Sichuan Haoyuan from Panzhuhua Shuhai, an independent third party, by Huili Caitong was completed upon the completion of Sichuan Haoyuan's business registration change to reflect the share transfer. Upon completion of the above-mentioned acquisition, Sichuan Haoyuan becomes an indirectly subsidiary of the Company.

26. APPROVAL OF THE INTERIM CONDENSED FINANCIAL INFORMATION

The interim condensed financial information was approved and authorised for issue by the Board on 24 August 2015.

"2010 AGM"	the Shareholders' annual general meeting held on 15 April 2010
"Aba Mining"	Aba Mining Co., Ltd.* (阿壩礦業有限公司), a limited liability company established in the PRC on 27 February 2004 and an indirect wholly-owned subsidiary of the Company
"Aba Prefecture"	阿壩藏族自治州, Aba Tibetan and Qiang Autonomous Prefecture
"Anhydrite"	an anhydrous sulfate mineral with the chemical formula CaSO_4
"Baicao Mine"	白草鐵礦, the vanadium-bearing titano-magnetite mine located in Huili County, Sichuan and operated by Huili Caitong, with a mining area of 1.88 sq.km.
"Baicao Processing Plant"	the ore processing plant located near the Baicao Mine and operated by Huili Caitong
"Board"	the board of Directors
"Chengyu Vanadium Titano"	Chengyu Vanadium Titano Technology Ltd.* (成渝鈦鈹科技有限公司), 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 connect person to the Group
"China" or "PRC"	the People's Republic of China excluding, for the purpose of this report, 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 the Group
"Cizhuqing Mine"	茨竹箐鐵礦, the vanadium-bearing titano-magnetite mine located in Huili County, Sichuan and operated by Huili Caitong, with a mining area of 1.279 sq.km.
"Company", "we" or "us"	China Vanadium Titano-Magnetite Mining Company Limited (中國鈦鈹磁鐵礦業有限公司), a limited liability company incorporated in the Cayman Islands on 28 April 2008
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Controlling Shareholder(s)"	has the meaning ascribed thereto in the Listing Rules



“Director(s)”	director(s) of the Company or any one of them
“Exchangeable Note(s)”	the exchangeable note(s) issued by the Issuer in accordance with the Secured Exchangeable Note Purchase Agreement with its terms and conditions set out in the Note Certificate
“Group”	the Company and its subsidiaries
“Gypsum”	a soft hydrous sulfate mineral with the chemical formula $\text{CaSO}_4 \cdot 2\text{H}_2\text{O}$
“Haibaodang Mine”	海保函鈦鐵礦, the vanadium-bearing titano-magnetite mine located in Renhe District, Panzhihua City, Sichuan, with an exploration area of 20.37 sq.km.
“Hailong Processing Plant”	the ore processing plant located near the Cizhuqing Mine and operated by Huili Caitong
“Heigutian Processing Plant”	the ore processing plant located near the Yangqueqing Mine and operated by Yanbian Caitong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Huili Caitong”	Huili County Caitong Iron and Titanium Co., Ltd.* (會理縣財通鐵鈦有限責任公司), established in the PRC on 7 July 1998 and has been a foreign equity joint venture in the PRC since 29 December 2010, an indirect wholly-owned subsidiary of the Company
“iron”	a silvery-white, lustrous, malleable, ductile, magnetic or magnetisable, metallic element occurring abundantly in combined forms, notably in hematite, limonite, magnetite, and taconite, and alloyed for use in a wide range of important structural materials
“iron concentrate(s)”	concentrate(s) whose main mineral content (by value) is iron
“iron ore”	compounds of iron and oxygen (iron oxides) mixed with impurities (gangue); it is a mineral which when heated in the presence of a reductant will yield metallic iron
“iron pellet(s)”	a round hardened clump of iron-rich material suitable for application in blast furnaces
“Iron Pelletising Plant”	the plant that produces iron pellets and is located in Huili County, Sichuan, which is approximately 5.5 km. from the Xiushuihe Mine and operated by Huili Caitong

"Issuer"	Rui Tong Limited, a private company incorporated in the British Virgin Islands with limited liability, being the issuer of the Exchangeable Note under the Secured Exchangeable Note Purchase Agreement and a third party independent of the Company and its connected persons
"JORC Code (2004 Edition)"	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia in 1989 and revised and updated in 1992, 1996, 1999 and 2004 that sets out minimum standards, recommendations and guidelines for public reporting
"JORC Code (2012 Edition)"	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia in 1989 and revised and updated in 1992, 1996, 1999, 2004 and 2012, that sets out minimum standards, recommendations and guidelines for public reporting
"Kingston Grand"	Kingston Grand Limited, a company incorporated in the British Virgin Islands on 20 February 2007, holder of 40% of the issued share capital of Trisonic International
"km."	kilometre(s), a metric unit measure of distance
"Kt"	thousand tonnes
"Ktpa"	thousand tonnes per annum
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Maoling Extended Exploration Area"	formerly an independent exploration region with an area of 2.83 sq.km. covered under the extended exploration permit of the Maoling Mine (covering 1.9 sq.km. of the mining area of the Maoling Mine), has been consolidated with the Yanglongshan Mine since September 2012 to form the Maoling-Yanglongshan Mine
"Maoling Mine"	毛嶺鐵礦, an ordinary magnetite mine located in Wenchuan County, Sichuan, with a mining area of 1.9 sq.km.
"Maoling Processing Plant"	the ore processing plant located near the Maoling-Yanglongshan Mine and operated by Aba Mining



“Maoling-Yanglongshan Mine”	an exploration region with a total area of 11.62 sq.km. covered under the exploration permit of the Maoling-Yanglongshan Mine (the mining area covered is owned by the Maoling Mine), formed from the combination of the Maoling Extended Exploration Area and the Yanglongshan Mine since September 2012 and operated by Aba Mining
“mining right(s)”	the right(s) to mine mineral resources and obtain mineral products in areas where mining activities are licensed
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
“Mt”	million tonnes
“Note Certificate”	the note certificate of the Exchangeable Notes with the terms and conditions of the Exchangeable Notes set out therein
“ore processing”	the process which in general refers to the extraction of usable portions of ores by using physical and chemical extraction methods
“Panxi Region”	a region in Sichuan located at southwest of Chengdu reaching from Panzhihua to Xichang
“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 established in the PRC on 9 July 2009
“Renminbi” or “RMB”	the lawful currency of the PRC
“Reporting Period”	the six months ended 30 June 2015
“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
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the share capital of the Company, with a nominal value of HK\$0.1 each
“Shareholder(s)”	holder(s) of the Share(s)
“Shigou Gypsum Mine”	Shigou gypsum mine located at Hanyuan County, Ya’an City, Sichuan, with a mining area of 0.1228 sq.km.



“Sichuan”	the Sichuan province of the PRC
“sq.km.”	square kilometres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Oriental Mining and Mineral Resources Co., Ltd., a company incorporated in the Cayman Islands on 8 April 2011 and a third party independent of the Company and its connected persons
“TFe”	the symbol for denoting total iron
“titanium concentrate(s)”	concentrate(s) whose main content (by value) is titanium dioxide
“Trisonic International”	Trisonic International Limited (合創國際有限公司), a company incorporated in Hong Kong on 19 July 2006 and a Controlling Shareholder
“Type 331”	measured intrinsic economic resources (Type 331) as defined in the Classification for Resources/Reserves of Solid Fuels and Mineral Commodities
“Type 332”	indicated intrinsic economic resources (Type 332) as defined in the Classification for Resources/Reserves of Solid Fuels and Mineral Commodities
“Type 333”	inferred intrinsic economic resources (Type 333) as defined in the Classification for Resources/Reserves of Solid Fuels and Mineral Commodities
“United States” or “US”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US dollars” or “US\$”	the lawful currency of the United States
“Xiushuihe Mine”	秀水河鐵礦, the vanadium-bearing titano-magnetite mine located in Huili County, Sichuan and operated by Xiushuihe Mining, with a mining area of 0.52 sq.km.
“Xiushuihe Mining”	Huili County Xiushuihe Mining Co., Ltd.* (會理縣秀水河礦業有限公司), a limited liability company established in the PRC on 26 June 2007, an indirect subsidiary of the Company that owns 95.0% equity interest
“Xiushuihe Processing Plant”	the ore processing plant located at the Xiushuihe Mine and operated by Xiushuihe Mining
“Yanbian Caitong”	Yanbian County Caitong Iron and Titanium Co., Ltd.* (鹽邊縣財通鐵鈦有限責任公司), established in the PRC on 26 January 2010 and an indirect wholly-owned subsidiary of the Company



“Yanglongshan Mine”

羊龍山鐵礦, an ordinary magnetite mine located in Wenchuan County, Sichuan, formerly an independent exploration region with an area of 8.79 sq.km. covered under the exploration permit of the Yanglongshan Mine, and has been consolidated as the Maoling-Yanglongshan Mine with the original Maoling Extended Exploration Area since September 2012

“Yangqueqing Mine”

陽雀箐鐵礦, the vanadium-bearing titano-magnetite mine located in Huili County, Sichuan, with a mining area of 0.25 sq.km.

* For identification purpose only