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

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

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS

- The Board would like to draw the Shareholders' attention that the Company's auditor has included a "Material uncertainty related to going concern" paragraph in the independent auditor's report in respect of the consolidated financial statements of the Group for the year ended 31 December 2016 as set out below:

  "We draw attention to note 2.1 to the financial statements, which indicates the Group incurred a net loss of RMB799,511,000 for the year ended 31 December 2016 and, as at that date, the Group's current liabilities exceed its current assets by RMB478,829,000. As stated in note 2.1, these conditions, along with other matters as set forth in note 2.1, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter."

- The Group's revenue was approximately RMB1,833.3 million for the year ended 31 December 2016, representing an increase of RMB1,316.9 million or 255.0% as compared to approximately RMB516.4 million for the year ended 31 December 2015.

- The Group's gross profit was approximately RMB42.4 million for the year ended 31 December 2016, reversing a gross loss of approximately RMB23.2 million for the year ended 31 December 2015. The gross profit margin of approximately 2.3% for the year remained thin amidst market conditions, despite an improvement over the gross loss margin of approximately 4.5% for the year ended 31 December 2015.

- The administrative expenses were approximately RMB72.0 million for the year ended 31 December 2016, representing a decrease of RMB125.7 million or 63.6% as compared to approximately RMB197.7 million for the year ended 31 December 2015.

- The impairment losses were approximately RMB528.4 million for the year ended 31 December 2016, representing a decrease of RMB23.4 million or 4.2% as compared to approximately RMB551.8 million for the year ended 31 December 2015.

- The fair value losses on financial assets at fair value through profit or loss were approximately RMB111.6 million for the year ended 31 December 2016, representing an increase of RMB42.6 million or 61.7% as compared to approximately RMB69.0 million for the year ended 31 December 2015.

- The loss and total comprehensive loss attributable to the owners of the Company was approximately RMB773.7 million for the year ended 31 December 2016, representing a decrease of RMB331.8 million or 30.0% as compared to approximately RMB1,105.5 million for the year ended 31 December 2015.

- The basic and diluted loss per Share attributable to ordinary equity holders of the Company was approximately RMB0.37 for the year ended 31 December 2016, representing a decrease of RMB0.16 or 30.2% as compared to approximately RMB0.53 for the year ended 31 December 2015.

- The Board does not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: nil).

The Board hereby announces the audited consolidated results of the Group for the year ended 31 December 2016 together with the comparative figures for the year ended 31 December 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2016

	Notes	**2016** **RMB'000**	2015 RMB'000
REVENUE	*3*	**1,833,305**	516,365
Cost of sales		**(1,790,858)**	(539,535)
Gross profit/(loss)		**42,447**	(23,170)
Other income and gains		**1,442**	23,971
Selling and distribution expenses		**(76,295)**	(53,789)
Administrative expenses		**(72,028)**	(197,698)
Other expenses		**(619)**	(74,563)
Impairment loss on goodwill		**–**	(15,318)
Impairment loss on property, plant and equipment	*9*	**(185,195)**	(258,270)
Impairment loss on intangible assets	*10*	**(200,040)**	(35,715)
Impairment loss on trade receivables	*12*	**(64,865)**	(181,916)
Impairment loss on assets held for sale	*14*	**(78,334)**	(60,555)
Fair value losses on financial assets at fair value through profit or loss	*13*	**(111,555)**	(68,999)
Finance costs	*4*	**(57,322)**	(64,465)
LOSS BEFORE TAX	*5*	**(802,364)**	(1,010,487)
Income tax credit/(expense)	*6*	**2,853**	(102,704)
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(799,511)**	(1,113,191)
Attributable to:			
Owners of the Company		**(773,742)**	(1,105,519)
Non-controlling interests		**(25,769)**	(7,672)
		(799,511)	(1,113,191)
Loss per Share attributable to ordinary equity holders of the Company:			
Basic and diluted	*8*	**RMB(0.37)**	RMB(0.53)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	**648,556**	855,644
Intangible assets	10	**1,430,373**	1,651,472
Prepaid land lease payments		**36,535**	37,642
Prepayments and deposits	11	**7,521**	6,670
Payments in advance		**156**	156
Deferred tax assets		**39,567**	36,714
Total non-current assets		**2,162,708**	2,588,298
CURRENT ASSETS			
Inventories		**266,536**	234,529
Trade and bills receivables	12	**321,675**	320,144
Prepayments, deposits and other receivables	11	**100,222**	88,703
Financial assets at fair value through profit or loss	13	**109,617**	221,172
Due from related parties		**658**	6,064
Pledged time deposits		**–**	12,904
Cash and cash equivalents		**19,740**	187,840
		818,448	1,071,356
Assets classified as held for sale	14	**300,000**	378,334
Total current assets		**1,118,448**	1,449,690
CURRENT LIABILITIES			
Trade and bills payables	15	**179,265**	311,601
Other payables and accruals	16	**536,899**	414,946
Interest-bearing bank and other loans	17	**873,458**	818,366
Due to related parties		**2,244**	4,819
Tax payable		**3,610**	3,924
Dividend payable		**1,801**	1,801
Total current liabilities		**1,597,277**	1,555,457
NET CURRENT LIABILITIES		**(478,829)**	(105,767)

	Notes	**2016** **RMB'000**	2015 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,683,879**	2,482,531
NON-CURRENT LIABILITIES			
Interest-bearing bank and other loans	*17*	**653**	–
Provision for rehabilitation		**10,670**	9,987
Other payables	*16*	**601**	1,078
Total non-current liabilities		**11,924**	11,065
Net assets		**1,671,955**	2,471,466
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*18*	**182,787**	182,787
Reserves		**1,135,386**	1,909,128
		1,318,173	2,091,915
Non-controlling interests		**353,782**	379,551
Total equity		**1,671,955**	2,471,466

NOTES TO FINANCIAL STATEMENTS
31 December 2016

1. CORPORATE AND GROUP INFORMATION

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

During the year ended 31 December 2016, the Group was principally engaged in the following principal activities:

- mining and ore processing
- sale of self-produced products
- trading of iron products, coals and steels
- management of strategic investments

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value. Assets held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 14. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Going concern basis

During the year ended 31 December 2016, the Group incurred a consolidated net loss of RMB799,511,000 (2015: RMB1,113,191,000) and had net cash outflows from operating activities of RMB196,970,000 (2015: RMB201,877,000). As at 31 December 2016, the Group had net current liabilities of RMB478,829,000 (2015: RMB105,767,000).

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

(a) As at 31 December 2016, the Group's total borrowings amounted to RMB874,111,000, of which RMB873,458,000 will be due within twelve months from 31 December 2016. Based on the confirmation received by the Company on 23 March 2017, total short term bank loans of approximately RMB872,858,000 granted by four banks in China will be renewed upon their respective expiry dates within the next three years until 22 March 2020. The yearly renewal is subject to the condition there is no late interest payment by the Group.

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

(c) The Group is closely pursuing the recoverability of the Exchangeable Notes and considering other potential course of action, including enforcement actions against the Issuer to fully recover the Exchangeable Notes.

(d) The Group is actively following up with its customers on outstanding trade receivables with an aim of agreeing a repayment schedule with each of them.

(e) The Group will proactively implement various strategic plans to streamline its operations to improve profitability and initiate plans to rationalise assets. These will include initiatives to scale back capacity, reduce headcounts, trim operating expenses and reduce capital expenditure.

The Directors have reviewed the Group's cash flow forecast prepared by management which covers a period of twelve months from the end of the reporting period. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the Directors are of the opinion that it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2016 on a going concern basis.

Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at the amounts other than which they are currently recorded in the consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
IFRS 14	*Regulatory Deferral Accounts*
Amendments to IAS 1	*Disclosure Initiative*
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*
Amendments to IAS 27	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs

The adoption of the above new and revised standards has had no significant financial effect on these financial statements.

3. REVENUE AND OPERATING SEGMENT INFORMATION

Revenue 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 self-produced products and trading activities, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior management for purposes of resource allocation and performance assessment. In addition, the principal non-current assets employed by the Group are located in Sichuan. Accordingly, no segment analysis is presented other than entity-wide disclosures.

Entity-wide disclosures

Information about products

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

	2016		2015	
	RMB'000	*%*	*RMB'000*	*%*
Self-produced products:				
Vanadium-bearing iron concentrates	**293,928**	**16.0%**	174,304	33.8
Ordinary iron concentrates	**100,817**	**5.5%**	85,426	16.5
High-grade titanium concentrates	**38,167**	**2.1%**	14,548	2.8
Trading of iron products	**33,104**	**1.8%**	72,155	14.0
Trading of coals	**240,851**	**13.1%**	–	–
Trading of steels	**1,126,438**	**61.5%**	169,932	32.9
	1,833,305	**100%**	516,365	100.0

Geographical information

All external revenue of the Group during each of the two years ended 31 December 2016 and 2015 was attributable to customers located in the PRC, the place of domicile of the Group's operating entities. The Group's non-current assets are all located in the PRC.

Information about major customers

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

	2016	2015
	RMB'000	*RMB'000*
Customer A	**402,541**	122,971
Customer B	**1,402,462**	77,600
Customer C	**–**	72,278
Customer D	**–**	53,266

4. FINANCE COSTS

	2016	2015
	RMB'000	*RMB'000*
Interest on bank and other loans	**56,405**	58,294
Interest on discounted bills receivable	**67**	3,236
Unwinding of discount on provision	**683**	640
	57,155	62,170
Foreign exchange losses, net	**–**	795
Others	**167**	1,500
	57,322	64,465

5. LOSS BEFORE TAX

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

	Notes	2016 RMB'000	2015 RMB'000
Cost of inventories sold		**1,790,858**	539,535
Employee benefit expenses (including Directors' and chief executive's remuneration):			
Wages and salaries		**41,301**	36,883
Welfare and other benefits		**3,787**	3,580
Equity-settled share option expense		**–**	1,639
Pension scheme contributions			
– Defined contribution fund		**8,266**	9,409
Housing fund			
– Defined contribution fund		**343**	144
Total employee benefit expenses		**53,697**	51,655
Depreciation	*9*	**68,515**	100,598
Amortisation of intangible assets	*10*	**21,059**	7,016
Amortisation of prepaid land lease payments		**1,107**	1,106
Depreciation and amortisation expenses		**90,681**	108,720
Impairment losses recognised on:			
Property, plant and equipment	*9*	**185,195**	258,270
Intangible assets	*10*	**200,040**	35,715
Goodwill		**–**	15,318
Assets classified as held for sale	*14*	**78,334**	60,555
Trade receivables	*12*	**64,865**	181,916
Total impairment losses recognised		**528,434**	551,774
Operating lease rentals		**425**	1,415
Auditor's remuneration		**3,580**	3,350
Amortisation of prepaid technical service fee		**–**	2,068
Technical service fee written off		**–**	39,266
Write-down of inventories to net realisable value		**–**	10,437
Prepayment written off		**–**	4,890
Reversal of accrued interest income on time deposits with maturity of over three months		**–**	10,577
Fair value losses on financial assets at fair value through profit or loss	*13*	**111,555**	68,999

6. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group was not subject to any income tax in the Cayman Islands and the BVI during the two years ended 31 December 2016 and 2015.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the two years ended 31 December 2016 and 2015.

The provision for PRC corporate income tax is based on the respective tax rates applicable to the subsidiaries located in Mainland China as determined in accordance with the relevant income tax rules and regulations of Mainland China for the year. Except for certain subsidiaries domiciled in the PRC that are entitled to a preferential income tax rate, other subsidiaries are subject to the PRC tax rate of 25% during the two years ended 31 December 2016 and 2015.

The major components of income tax expense/(credit) are as follows:

	2016	2015
	RMB'000	*RMB'000*
Current – the PRC		
Overprovision in prior years	**–**	(3,061)
Deferred	**(2,853)**	105,765
Income tax expense/(credit) for the year	**(2,853)**	102,704

7. DIVIDEND

At a meeting of the Directors held on 27 March 2017, the Directors did not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: Nil).

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

The calculation of basic earnings per Share is based on the loss for the year attributable to ordinary equity holders of the Company, and the number of Shares of 2,075,000,000 (2015: 2,075,000,000) in issue during the year ended 31 December 2016.

No adjustment has been made to the basic earnings per Share amounts presented for the years ended 31 December 2016 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 Shares during the current and prior year.

9. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Plant and machinery *RMB'000*	Office equipment *RMB'000*	Motor vehicles *RMB'000*	Mining infrastructure *RMB'000*	Construction in progress ("CIP") *RMB'000*	Total *RMB'000*
31 December 2016							
Cost:							
At 1 January 2016	**1,022,784**	**507,555**	**4,597**	**10,236**	**234,605**	**47,909**	**1,827,686**
Additions	**6,512**	**11,149**	**119**	**74**	**–**	**28,830**	**46,684**
Transferred from CIP	**–**	**1,192**	**–**	**–**	**–**	**(1,192)**	**–**
Disposals	**(34)**	**(256)**	**(18)**	**–**	**(25)**	**–**	**(333)**
At 31 December 2016	**1,029,262**	**519,640**	**4,698**	**10,310**	**234,580**	**75,547**	**1,874,037**
Accumulated depreciation and impairment:							
At 1 January 2016	**474,325**	**391,200**	**4,362**	**8,513**	**93,642**	**–**	**972,042**
Provided for the year	**30,276**	**25,650**	**209**	**589**	**11,791**	**–**	**68,515**
Impairment recognised during the year *(note 10(b))*	**129,362**	**27,391**	**55**	**171**	**28,216**	**–**	**185,195**
Disposals	**(33)**	**(207)**	**(17)**	**–**	**(14)**	**–**	**(271)**
At 31 December 2016	**633,930**	**444,034**	**4,609**	**9,273**	**133,635**	**–**	**1,225,481**
Net carrying amount:							
At 1 January 2016	**548,459**	**116,355**	**235**	**1,723**	**140,963**	**47,909**	**855,644**
At 31 December 2016	**395,332**	**75,606**	**89**	**1,037**	**100,945**	**75,547**	**648,556**
31 December 2015							
Cost:							
At 1 January 2015	1,412,093	617,149	5,154	10,682	234,605	43,144	2,322,827
Additions	126,831	2,912	–	–	–	3,788	133,531
Acquisition of a subsidiary	572	–	64	522	–	1,493	2,651
Transferred from CIP	23	299	–	–	–	(322)	–
Disposal of a subsidiary	(2,438)	(13,681)	(344)	–	–	(194)	(16,657)
Assets classified as held for sale *(note 14)*	(514,297)	(98,271)	(277)	–	–	–	(612,845)
Disposals	–	(853)	–	(968)	–	–	(1,821)
At 31 December 2015	1,022,784	507,555	4,597	10,236	234,605	47,909	1,827,686
Accumulated depreciation and impairment:							
At 1 January 2015	381,331	360,023	4,039	7,824	44,093	–	797,310
Provided for the year	51,691	36,085	759	1,004	11,059	–	100,598
Disposal of a subsidiary	(532)	(5,180)	(290)	–	–	–	(6,002)
Assets classified as held for sale *(note 14)*	(128,224)	(49,003)	(263)	–	–	–	(177,490)
Impairment recognised during the year *(note 10(b))*	170,059	49,498	117	106	38,490	–	258,270
Disposals	–	(223)	–	(421)	–	–	(644)
At 31 December 2015	474,325	391,200	4,362	8,513	93,642	–	972,042
Net carrying amount:							
At 1 January 2015	1,030,762	257,126	1,115	2,858	190,512	43,144	1,525,517
At 31 December 2015	548,459	116,355	235	1,723	140,963	47,909	855,644

10. INTANGIBLE ASSETS

	Mining rights *RMB'000*	Stripping activity assets *RMB'000*	Exploration rights and assets *RMB'000*	Total *RMB'000*
31 December 2016				
Cost:				
At 1 January 2016 and 31 December 2016	**1,281,614**	**148,847**	**437,568**	**1,868,029**
Accumulated amortisation and impairment:				
At 1 January 2016	**122,518**	**88,037**	**6,002**	**216,557**
Impairment recognised for the year	**60,898**	**27,990**	**111,152**	**200,040**
Amortisation provided during the year	**8,164**	**12,895**	**–**	**21,059**
At 31 December 2016	**191,580**	**128,922**	**117,154**	**437,656**
Net carrying amount:				
At 1 January 2016	**1,159,096**	**60,810**	**431,566**	**1,651,472**
At 31 December 2016	**1,090,034**	**19,925**	**320,414**	**1,430,373**
31 December 2015				
Cost:				
At 1 January 2015	397,520	145,512	258,901	801,933
Additions	–	3,335	1,026	4,361
Acquisition of subsidiaries	761,861	–	299,874	1,061,735
Transfer from exploration rights and assets	122,233	–	(122,233)	–
At 31 December 2015	1,281,614	148,847	437,568	1,868,029
Accumulated amortisation and impairment:				
At 1 January 2015	103,204	70,622	–	173,826
Impairment recognised for the year	14,574	15,139	6,002	35,715
Amortisation provided during the year	4,740	2,276	–	7,016
At 31 December 2015	122,518	88,037	6,002	216,557
Net carrying amount:				
At 1 January 2015	294,316	74,890	258,901	628,107
At 31 December 2015	1,159,096	60,810	431,566	1,651,472

(a) As at 31 December 2016, the mining rights of Baicao Mine, Xiushuihe Mine and Maoling Mine with net carrying amounts of RMB32,201,000 (2015: RMB47,260,000), RMB248,000 (2015: RMB6,406,000) and RMB23,543,000 (2015: RMB24,374,000), respectively, were pledged to secure the Group's bank loans.

(b) Impairment

In accordance with the Group's accounting policies, each asset or cash-generating unit ("CGU") is evaluated annually at 31 December to determine whether there are any indications of impairment. If any such indications of impairment exist, a formal estimate of the recoverable amount is performed.

In assessing whether an impairment is required, the carrying value of the asset or CGU is compared with its recoverable amount. The recoverable amount is the higher of the CGU's fair value less costs of disposal and value in use ("VIU"). Management has performed impairment assessment on all of the carrying amounts of the Group's property, plant and equipment and intangible assets. For the purpose of impairment assessment, Baicao CGU (comprising the mining right to Baicao Mine, stripping activity assets of Baicao Mine and Baicao Processing Plant) and Xiushuihe CGU (comprising mining right to Xiushuihe Mine, Xiushuihe Processing Plant and Hailong Processing Plant) are treated as separate CGUs. The recoverable amounts of Baicao CGU, Xiushuihe CGU, the mining right of Shigou Gypsum Mine and the exploration right of Haibaodang Mine were estimated based on their respective VIU determined by discounting the future cash flows to be generated from the continuing use of these assets. The recoverable amounts are determined based on the calculation using cash flow projections according to financial budgets covering a five-year period approved by management with pre-tax discount rates ranging between 14.6% and 17.3% (2015: 14.2% and 14.6%) depending on the nature of the CGU/asset. The 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 are as follows:

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

Commodity prices – Forecast commodity prices are based on management's estimates and are derived from forward price curves and long-term views of domestic supply and demand, building on past experience of the industry and consistent with external sources. These prices were adjusted to arrive at appropriate consistent price assumptions for the different qualities and type of commodities, or, where appropriate, contracted prices were applied. These prices are reviewed at least annually.

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margin achieved in the recent years for Baicao CGU and Xiushuihe CGU and the gross margin stated in the feasibility reports for the mining right of Shigou Gypsum Mine and the exploration right of Haibaodang Mine prepared by independent third party professional teams, adjusted for management's expectations for possible changes in the production costs and estimated market prices.

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, carrying amounts as at 31 December 2016 and impairment provisions for the year ended 31 December 2016 are as follows:

	Recoverable amount *RMB'000*	**Carrying amount** *RMB'000*	**Impairment provision** *RMB'000*
Baicao CGU	153,096	267,258	114,162
Xiushuihe CGU	337,440	477,364	139,924
Mining right of Shigou Gypsum Mine	716,752	764,022	47,270
Exploration right of Haibaodang Mine	195,716	279,595	83,879
			385,235

The above impairment provisions as at 31 December 2016 have been allocated to the following asset classes.

Impairment loss recognised on property, plant and equipment

An impairment loss of RMB185,195,000 *(note 9)* (2015: RMB258,270,000) was recognised during the year to write down the carrying amounts of Baicao Processing Plant, Xiushuihe Processing Plant and Hailong Processing Plant to their respective recoverable amounts of RMB101,064,000, RMB250,082,000 and RMB87,110,000 as at 31 December 2016.

Impairment loss recognised on intangible assets

An impairment loss of RMB200,040,000 (2015: RMB35,715,000) was recognised during the year to write down the carrying amounts of the mining right and stripping activity assets of Baicao Mine, the exploration right and assets of Xiushuihe Mine, the mining right of Shigou Gypsum Mine and the exploration right of Haibaodang Mine to their respective recoverable amounts of RMB52,032,000, RMB248,000, RMB716,752,000 and RMB195,716,000 as at 31 December 2016.

In relation to Baicao CGU, Xiushuihe CGU, the mining right of Shigou Gypsum Mine and the exploration right of Haibaodang Mine that were impaired during the year, any variation in the key assumptions above would either result in further impairment or lead to a reversal of impairment.

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2016 *RMB'000*	2015 *RMB'000*
Current portion:			
Prepayments consisting of:			
Purchase of raw materials		**6,933**	6,177
Utilities		**3,440**	5,947
Prepayment for the use right of a road		**45**	45
Prepaid stripping and mining fees	*(a)*	**56,757**	57,682
Prepaid transportation fees		**3,217**	4,607
Other prepayments		**9,049**	8,691
Deposit	*(b)*	**9,483**	–
Other receivables consisting of:			
Utilities		**6,066**	–
Disposal of a subsidiary		**–**	1,000
Other receivables		**5,232**	4,554
		100,222	88,703
Non-current portion:			
Prepayment for the use right of a road		**739**	784
Long-term environmental rehabilitation deposits		**6,782**	5,886
		7,521	6,670
		107,743	95,373

Notes:

(a) As at 31 December 2016, the balance represented prepaid stripping and mining fees made to an independent third party contractor for stripping and mining activities at Xiushuihe Mine for lower stripping and mining rates offered by the said contractor.

(b) The balance as at 31 December 2016 represented a refundable deposit in respect of an acquisition of 49% equity interest in Mancala Holdings Limited ("Mancala Holdings").

12. TRADE AND BILLS RECEIVABLES

	2016 *RMB'000*	2015 *RMB'000*
Trade receivables	**583,081**	564,118
Impairment	**(328,906)**	(264,041)
Trade receivables, net of impairment	**254,175**	300,077
Bills receivable	**67,500**	20,067
	321,675	320,144

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

	2016 *RMB'000*	2015 *RMB'000*
Within 9 months	**198,765**	155,677
9 to 12 months	**–**	71,126
Over 1 year	**55,410**	73,274
	254,175	300,077

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

	2016 *RMB'000*	2015 *RMB'000*
At 1 January	**264,041**	82,125
Impairment recognised *(note 5)*	**64,865**	181,916
At 31 December	**328,906**	264,041

The ageing analysis of the trade receivables that are not individually impaired and trade receivables that are considered to be partially impaired are as follows:

	2016 *RMB'000*	2015 *RMB'000*
Neither past due nor impaired	**198,765**	155,677
Less than 9 months past due	**–**	71,126
Amounts due and partially impaired, net of provision		
– 9 months to 2 years past due	**55,410**	73,274
	254,175	300,077

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

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The balance represented Exchangeable Notes of USD20,000,000 and USD10,000,000 subscribed by Sure Prime on 2 May 2011 and 18 November 2011, respectively and designated as financial assets at fair value through profit or loss upon initial recognition. The Exchangeable Notes were issued by an Issuer. The original maturity date of the Exchangeable Notes was 25 November 2014.

As at 2 December 2014, Sure Prime did not receive any part of the redemption amount payable by the Issuer under the Exchangeable Notes, and there occurred an event of default under the Exchangeable Notes. During 2015, Sure Prime together with other noteholders waived the event of default and the maturity date of the Exchangeable Notes was extended from 25 November 2014 to 25 March 2015 and further extended to 25 August 2015 pursuant to two separate default waiver letters. In addition, the yield to maturity for the entire term of the Exchangeable Notes and until the full redemption thereof has been revised from 20% to 25% per annum and Sure Prime shall be entitled to exchange all or any part of the Exchangeable Notes at any time to shares in the Target Company prior to the full redemption of the Exchangeable Notes by a single or multiple presentations of exchange notice. Since the previous extension on default waiver, the Group has not received any part of the amount repayable by the Issuer from the redemption of the Exchangeable Notes. As a result, as at 31 December 2016 the Issues is in default.

The movements in the fair value of the Exchangeable Notes are as follows:

	2016 ***RMB'000***	2015 *RMB'000*
Carrying amount at 1 January	**221,172**	290,171
Fair value losses recognised during the year *(note 5)*	**(111,555)**	(68,999)
Carrying amount at 31 December	**109,617**	221,172

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

	2016	2015
Risk-free interest rate (Indonesia) (% per annum)	**0.91**	0.91
Recovery rate (%)	**15.66**	40.00

14. ASSETS CLASSIFIED AS HELD FOR SALE

Management has permanently ceased production at 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 of the plant and equipment on a piecemeal basis or (ii) sell Heigutian Processing Plant in its entirety.

Management has been in active discussions with the potential buyers for the plant sale and from the discussions held, management noted that the potential proceeds from the sale of the entire plant are likely to be higher than that arising from the sale of plant and equipment on a piecemeal basis. The Group remains committed in relation to the existing disposal plans on Heigutian Processing Plant. As such, Heigutian Processing Plant continued to be classified as assets held for sale as at 31 December 2016 and recorded at recoverable amount, being fair value less cost to sell.

Non-recurring fair value measurements:

	2016	2015
	RMB'000	*RMB'000*
Assets held for sale	**300,000**	378,334

In accordance with IFRS 5, assets held for sale including property, plant and equipment and prepaid land lease payments with carrying amounts of RMB435,355,000 and RMB3,534,000 respectively, were written down to the aggregate fair values less cost to sell of RMB300,000,000, resulting in accumulated losses of RMB138,889,000, of which RMB78,334,000 *(note 5)* and RMB60,555,000 were included in profit or loss for the years ended 31 December 2016 and 2015, respectively.

The non-recurring fair value measurement for assets held for sale is considered to be Level 2 for the years ended 31 December 2016 and 2015, as it is derived from quoted prices in markets that are not active.

15. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables of the Group as at the end of the reporting period, based on the invoice date or issuance date, where appropriate, is as follows:

	2016	2015
	RMB'000	*RMB'000*
Within 180 days	**40,969**	195,544
181 to 365 days	**31,367**	22,168
1 to 2 years	**27,971**	40,130
2 to 3 years	**31,708**	29,055
Over 3 years	**47,250**	24,704
	179,265	311,601

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

16. OTHER PAYABLES AND ACCRUALS

	2016	2015
	RMB'000	*RMB'000*
Current portion:		
Advances from customers	**2,217**	19,689
Payables related to:		
CIP	**135,514**	129,400
Taxes other than income tax	**119,878**	72,691
Exploration and evaluation assets	**19,641**	19,912
Payroll and welfare payable	**94,108**	72,162
Transportation expenses	**1,474**	–
Acquisition of subsidiaries		
– Sichuan Xinglian Mining and Technology Construction Co., Ltd.	**2,543**	2,543
– Panzhihua Yixingda Industrial Trading Co., Ltd. ("Panzhihua Yixingda")*	**20,000**	20,000
Consultancy and professional fees	**9,393**	4,852
Deposits received	**2,020**	511
Land occupation compensation payables	**8,818**	7,110
Accrued government surcharges	**36,737**	32,463
Accrued price adjustment fund	**8,003**	8,003
Accrued interest expenses	**69,133**	19,157
Other payables	**7,420**	6,453
	536,899	414,946
Non-current portion:		
Other payables	**601**	1,078
	537,500	416,024

* Balances represented the remaining consideration payable to independent third parties in relation to the acquisition of a 100% equity interest in Panzhihua Yixingda by Huili Caitong.

17. INTEREST-BEARING BANK AND OTHER LOANS

	Notes	2016 RMB'000	2015 RMB'000
Bank loans:			
Secured	(a)	**428,992**	373,700
Unsecured	(b)	**443,866**	443,866
Other loans, unsecured		**1,253**	800
		874,111	818,366

	2016 RMB'000	2015 RMB'000
Bank loans repayable:		
Within one year	**872,858**	817,566
Unsecured other loans repayable:		
Within one year	**600**	800
In the second year	**653**	–
	1,253	800
Total bank and other loans	**874,111**	818,366
Balances classified as current liabilities	**(873,458)**	(818,366)
Balances classified as non-current liabilities	**653**	–

Notes:

(a) The balance as at 31 December 2016 consists of (i) an interest-bearing bank loan of RMB120,000,000 with an annual interest rate of 5.58% granted by Shanghai Pudong Development Bank ("SPDB") Chengdu Branch to Xiushuihe Mining. In accordance with the bank loan agreement entered into between Xiushuihe Mining and SPDB, the mining right of Xiushuihe Mine and 95% equity interest of Xiushuihe Mining were pledged to SPDB; (ii) interest-bearing bank loans of RMB225,000,000 with annual interest rates ranging from 4.35% to 5.32% granted by China Construction Bank ("CCB") Huili Branch to Huili Caitong, which is secured with mining right to Baicao Mine; and (iii) interest-bearing bank loans of RMB83,992,000 with annual interest rates ranging from 5.19% to 5.63% granted by SPDB Chengdu Branch to Aba Mining, which is secured with mining right to Maoling Mine.

(b) As at 31 December 2016, Huili Caitong had an unsecured interest-bearing bank loan of RMB75,000,000 from CCB Xichang Branch at a fixed rate of 4.9% per annum. In accordance with the bank loan agreement entered between Huili Caitong and CCB Xichang Branch, Huili Caitong agreed not to mortgage or pledge the iron concentrates production line with annual production capacity of 500,000 tonnes to any other parties, and CCB Xichang Branch will be entitled to a pre-emption right in the event of such mortgage or pledge.

In addition, as at 31 December 2016, Huili Caitong and Xiushuihe Mining had unsecured interest-bearing bank loans from China Merchants Bank ("CMB") Yingmenkou Branch, Industrial and Commercial Bank of China ("ICBC") Liangshan Branch and SPDB Chengdu Branch of RMB136,166,000, RMB112,700,000 and RMB120,000,000, respectively, with fixed rates ranging from 4.35% to 6.0% per annum. The above unsecured interest-bearing bank loans were guaranteed by the Company at nil consideration.

As at 31 December 2016 and 31 December2015, all bank and other loans were denominated in RMB.

18. SHARE CAPITAL

Shares

	2016	2015
	RMB'000	*RMB'000*
Authorised:		
10,000,000,000 (2015: 10,000,000,000) ordinary shares of HK$0.1 each	**880,890**	880,890
Issued and fully paid:		
2,075,000,000 (2015: 2,075,000,000) ordinary shares of HK$0.1 each	**182,787**	182,787

There was no change in the authorised and issued capital of the Company during the year ended 31 December 2016.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of independent auditor's report issued by the Group's independent auditor:

"**Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirement of the Hong Kong Companies Ordinance.

Material uncertainty related to going concern

We draw attention to note 2.1 to the financial statements, which indicates the Group incurred a net loss of RMB799,511,000 for the year ended 31 December 2016 and, as at that date, the Group's current liabilities exceed its current assets by RMB478,829,000. As stated in note 2.1, these conditions, along with other matters as set forth in note 2.1, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

During the year, the path of recovery in the sluggish global economy remained highly uncertain and meanwhile, China has shifted its growth models towards consumption-focused rather than export-driven, adapting a new normal pace of growth. While China was undergoing a major structural reform and rebalancing its economic recovery, the issues of overcapacity in the steel industry remained a serious concern and there was also limited opportunity to export excess steel when global investments were subdued and anti-dumping measures were already in existence.

Under such circumstances, the Chinese government has initiated various stimulus measures to boost fiscal spending in infrastructure and there have also been recent moves to curb excessive steel production capacity via proposed consolidation as part of the efforts to phase out smaller-scale steel mills which come at a time of surging steel prices. At the same time, there have been numerous discussions about the need to impose stringent environmental control policies particularly on steel producers that compliance costs, operating costs and capital investments are expected to gradually increase, if not immediately. Considering the aforesaid, industrial players remained doubtful about the sustainability of the steel prices rebound and were monitoring the trends closely prior to any significant commitments in facilities upgrade and expansion. Streamlining operations, increasing efficiencies and controlling costs continue to be the keys to improve financial performance, going forward.

Particularly, the State Council of the PRC ("State Council") has put "cut excessive industry capacity" as one of the top priorities of the restructuring reform for the steel industry in China's 13th Five-Year Plan. Carried out in the Central Economic Work Conference in December 2015, the supply-side structural reform has been put into implementation over the year. Arduous efforts were made to tackle overcapacity issue in steel sector. In order to maintain the sustainable development of the industry, the State Council issued the "Opinions on Resolving Overcapacity in the Steel Industry to Revive Development" in early 2016 which targeted to cut between 100 Mt to 150 Mt of annual crude steel capacity by 2020 and encouraged mergers within the industry. In July 2016, the State Council further set an annual target of reducing excessive capacity by 2016 to facilitate the supply-side structural reform.

Amid the nationwide supply-side structural reform, provincial governments have strictly executed their plan to curb excessive capacities. It did not progress smoothly in the first half of 2016, with only 30% of the capacity reduction target having been met. However, the pace for cutting excessive capacities in steel sector speeded up during August and September, which was mainly attributable to the merger of two domestic giant steel makers. In November, the National Development and Reform Commission of the PRC ("NDRC") announced that the annual target of reducing production capacity by 45 Mt for steel industry was completed, ahead of schedule, by the end of October. Owing to the boosted steel price due to the recovering steel industry, domestic steel producers began to breakeven. According to the NDRC, the member enterprises of China Iron and Steel Association ("CISA") resumed profits, with accumulated profits for 2016 reaching approximately RMB35 billion.

To further discipline the industrial development, the Ministry of Industry and Information Technology of the PRC issued the "Adjustment and Enhancement Planning on Steel Industry (2016-2020)"(「鋼鐵工業調整升級規劃(2016-2020年)」) ("Planning") in November 2016, which required the steel industry to increase its efficiency and develop in a balanced manner by enhancing the ability of self-innovation, developing smart manufacturing and promoting the transformation to a more service-focused manufacturing model. The Planning also made it clear that the major task in the foreseeable future was to cut excessive capacity in the steel industry.

With the supply-side structural reform which changed the supply side of the steel industry and the even tightened environmental protection inspection, the supply of steel decreased, leading to price hikes in iron ore and steel. The China Iron Ore Price Index compiled by CISA rose from 156.51 at the end of January to 280.35 at the end of December, the highest point throughout the year. The steel purchasing managers' index ("PMI") reached its highest point of the year at 57.4% in April, driven possibly by the short-term boost in demand, but fell to 45.1% in June. In the second half of 2016, the steel industry showed a sign of recovery as the steel PMI kept an average level of around 50.0% and climbed up to 51.0% in November. However, steel PMI dropped to 47.6% in December, implying the volatility of the steel price. Meanwhile, driven by the rising steel price, some enterprises in which overcapacity has been cut, as well as some shut-down enterprises, might have the impulse to resume production, which was against the reform. Thus, further efforts were needed to facilitate the reform and prevent new capacities from reproducing. As such, the overall reform was not without execution risks.

For the titanium industry, some of the titanium producers with economies of scale have benefited from the price rally in high-grade titanium concentrates (with over 46% titanium) in Panzhihua, which climbed from RMB490-RMB520/tonne in January to RMB1,480-RMB1,600/tonne at the end of December. Due to the stringent environmental protection measures carried out by the Sichuan government, titanium producers that failed to meet certain standards were suspended or closed down, leading to a short supply that pushed up the price of titanium concentrates. However, it was still uncertain that the rising trend would maintain as the oversupply condition in the market did not appear to have been eliminated in a meaningful way.

As such, despite of some relatively favourable market signs and indicators during the year under review, a bleak prospect for steel industry was likely to last due to the continued oversupply in the steel industry. Under such challenging operating environment, whilst the Group's financial performance during the year under review improved against that of year 2015, it remained weak and a loss-making position.

BUSINESS AND OPERATIONS REVIEW

Overview

In 2016, the market conditions of iron ore industry remained volatile. As a result, the capacity utilisation of the Group's plants was still low and below optimal levels. During the year, the Group's revenue increased significantly by 255.0% to approximately RMB1,833.3 million as compared with the corresponding period of last year mainly due to the trading of steels and coals, as part of the Group's diversification plans, despite thin margins amidst market conditions. The gross profit of the Group was approximately RMB42.4 million and the gross profit margin was approximately 2.3% for the year, reversing a gross loss for the corresponding period of last year. The impairment losses were approximately RMB528.4 million for the year mainly due to the lower value-in-use for key operating assets given the less-than optimal utilisation rates as well as under the key assumptions that the Group will not commit any significant capital investments in expanding or upgrading the related operating assets in the near future, unless justifiable otherwise. The estimated fair value loss on the Exchangeable Notes for the year was approximately RMB111.6 million with a carrying value for the Exchangeable Notes of approximately RMB109.6 million as at 31 December 2016. The selling and distribution expenses rose on the back of higher sales volume. The administrative expenses fell mainly due to the decreased suspension costs of loss-making mines operation and the absence of one-time write-off prepaid technical service fee. As a result, the Group recorded a lower loss and total comprehensive loss attributable to owners of the Company for the year of approximately RMB773.7 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.

Operations

Under such unfavourable market conditions, the Group has diversified its business. The trading of steels, coals and iron products, the rendering of processing services and the sale of raw ore were conducted during the year. The total purchases and sales volumes of steels, coals and iron products for trading increased by 350.9% and 414.1%, respectively, as compared with the corresponding period of last year. During the year, the Group sold raw ore to an independent third party and processed vanadium-bearing iron concentrates for an independent third party with the volumes of approximately 3,387.6 Kt and 724.8 Kt, respectively. The capacity utilisation of the Group's plants was still low and below optimal levels. Both total production and sales volumes of the Group's self-produced products (for vanadium-bearing iron concentrates, ordinary iron concentrates, medium-grade titanium concentrates and high-grade titanium concentrates) decreased by 31.5% and 36.5%, respectively, as compared with the corresponding period of last year. Please refer to the table on pages 27 to 28 which summarised the details, including those changes in volumes, presented in terms of percentage in this section for further details.

From accounting perspective, the trading sales and sales of self-produced products (including rendering of processing services and sale of raw ore) contributed 76.4% and 23.6% of the total revenue, respectively, during the year. Loss before interest, tax, depreciation and amortisation decreased from approximately RMB839.6 million for the year ended 31 December 2015 to approximately RMB654.5 million for the year, mainly due to the lower administrative expenses.

Risk and Uncertainties

As explained in the Company's 2015 annual report relating to assets classified as held for sale, the management has permanently ceased the production of 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 amidst challenging operating environment in and massive overcapacity concerns for the industry. As such, the management has decided to dispose either (i) the plant and equipment on a piecemeal basis or (ii) the Heigutian Processing Plant in its entirety. In view of the market uncertainty and commodity prices volatility in the dynamic business environment, the Group is actively seeking suitable potential buyers and strategic partners in relation to the disposal. Given the considerable sum of investment required to revive the production of the Heigutian Processing Plant, the Group and the potential buyers were still under negotiation. More recently, the Group is able to access to foreign mining experts following the acquisition of significant stake in Mancala Holdings which the Group has also been seeking technical advice from Mancala Group, an Australia-based mining services specialist, in reviewing the proposed deals with the potential buyers.

During the year, the Group has been following up closely on the recoverability of the Exchangeable Notes owing by the Issuer in relation to the Group's investment in an Indonesian mine. The Issuer has discussed with several independent third parties in relation to obtaining financing to repay the principals and interests of the Exchangeable Notes. As at the date of this announcement, the Company has not obtained any specific confirmation on its repayment terms and recoverability. Despite the issuance of official letter of demand by the Company, there has been little progress. In addition, the status of recoverability was further burdened by the fact that the commercial production for the Target Iron Mine was not on schedule. Considering these factors and despite strenuous management efforts, the management of the Company has adopted a prudent approach in assessing the recoverable amount of the Exchangeable Notes by taking into account of the estimated fair value loss on the Exchangeable Notes during the year of approximately RMB111.6 million and that the carrying value for the Exchangeable Notes fell to approximately RMB109.6 million as at 31 December 2016.

Given the moderating economic growth in China and soaring debts at the macro level, many banks and financial institutions in China, to a larger extent, have tightened their lending policies and adopted more prudent measures in approving and renewing loans, especially for those businesses, which are perceived to be unfavourable or in higher risk industries while experiencing massive overcapacity and obviously, there is no exception to steel-related business. Such bank loans and bank facilities, if any, are likely to remain callable on demand, subject to short-term reviews more regularly which may be offered in a stringently controlled manner with a much higher cost of fund. As the Group's business falls under the categories which have been extensively affected by these conservative banking approaches, the Group was well aware of the difficulties and uncertainties in obtaining long-term banking facilities and potentially, at higher funding costs. Despite this, the Group still maintained good communications and co-operations with banks and financial institutions. As at 31 December 2016, the bank loans of the Group have not been significantly affected.

Given the market uncertainty and commodity prices volatility in the Group's industry, the Group has been proactively looking for ways to improve production efficiency and assets utilisation, to reduce costs and, potentially, to expand its revenue stream via improving efficiencies. On 30 December 2016, the Company entered into the sale and purchase agreement with Sapphire Corporation Limited ("Sapphire Corporation"), pursuant to which Sapphire Corporation has conditionally agreed to sell and the Company has conditionally agreed to purchase the 2,940,000 shares, representing 49% of the entire issued share capital of Mancala Holdings, a then wholly-owned subsidiary of Sapphire Corporation, at an aggregate consideration of HK$38,200,000, which shall be satisfied by the payment of a cash consideration of HK$3,200,000 and the allotment and issue of the consideration shares in the aggregate value of HK$35,000,000 at the issue price of HK$0.365 per consideration share to Sapphire Corporation. The completion of the sale and purchase took place on 28 February 2017 and the consideration shares were issued under the general mandate of the Company and ranked *pari passu* in all respects with all the Shares.

During the year, the Group selectively impaired trade receivables related to certain customers that were in financial difficulties to which the Group has reviewed the overdue status, stopped supplying goods, initiated discussions on repayment terms and has been monitoring the repayment schedules. Whilst the Group continued to follow up closely on the receivable status, the recoverability of part of the receivables has been adversely affected by the continual weak market conditions. As such, part of the collections may be delayed by a longer-than-expected period or part of the receivables may not be recoverable at all. As such, the Group made an impairment loss on trade receivables of approximately RMB64.9 million during the year. Despite such impairment and longer-than-expected repayment periods, the Group has taken and will continue to take necessary actions to recover these receivables in part or in full.

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

	For the year ended 31 December		
	2016	2015	Change
	(Kt)	*(Kt)*	*(%)*
(i) Trading Sales			
Steels			
Purchase from an independent third party	**543.3**	135.0	302.4
Sale to an independent third party	**553.1**	95.0	482.2
Coals			
Purchase from the independent third parties	**449.1**	–	N/A
Sale to an independent third party	**376.8**	–	N/A
Iron products			
Purchase from the independent third parties	**116.3**	110.9	4.9
Sale to the independent third parties	**128.6**	110.9	16.0
(ii) Sales of Self-produced Products			
Vanadium-bearing iron concentrates			
Baicao Processing Plant	**–**	36.6	-100.0
Xiushuihe Processing Plant	**207.2**	381.9	-45.7
Hailong Processing Plant	**83.7**	140.8	-40.6
Total production volume	**290.9**	559.3	-48.0
Total sales volume	**374.2**	752.6	-50.3

	For the year ended 31 December		
	2016	2015	Change
	(Kt)	*(Kt)*	*(%)*
Ordinary iron concentrates			
Maoling Processing Plant	**144.6**	134.4	7.6
Total production volume	**144.6**	134.4	7.6
Total sales volume	**156.7**	127.6	22.8
Medium-grade titanium concentrates			
Baicao Processing Plant	**22.7**	12.8	77.3
Total production volume	**22.7**	12.8	77.3
Total sales volume	**–**	–	N/A
High-grade titanium concentrates			
Xiushuihe Processing Plant	**48.7**	33.1	47.1
Total production volume	**48.7**	33.1	47.1
Total sales volume	**48.9**	33.1	47.7

(iii) Others

Rendering of processing services for an independent third party#	**724.8**	–	N/A
Sale of raw ore to an independent third party#	**3,387.6**	–	N/A

During the year, the Group sold raw ore to an independent third party and processed vanadium-bearing iron concentrates for an independent third party. For accounting purpose, the sale of raw ore and processing of vanadium-bearing iron concentrates for this same independent third party were treated as "Sale of self-produced products – vanadium-bearing iron concentrates".

FINANCIAL REVIEW

Revenue

During the year, the Group's revenue was approximately RMB1,833.3 million (2015: RMB516.4 million), representing an increase of 255.0% as compared with the corresponding period in 2015. Such increase was mainly due to the significantly higher revenue from trading of steels and coals.

Cost of Sales

The cost of sales primarily included contracting fees for mining and stripping as well as materials, labour, power and other utilities, repair and maintenance, depreciation and amortisation, and purchase cost for trading. During the year, the Group's cost of sales was approximately RMB1,790.9 million (2015: RMB539.5 million), representing an increase of 232.0% as compared with the corresponding period in 2015 primarily due to the purchases of steels and coals from the independent third parties for trading purpose.

Gross Profit/(Loss) and Margin

Due to the higher revenue generated from trading of steels and coals – as part of the Group's business diversification plans to expand revenue – the Group recorded a gross profit of approximately RMB42.4 million for the year, reversing a gross loss of approximately RMB23.2 million for the year ended 31 December 2015. The gross profit margin of approximately 2.3% for the year remained thin amidst market conditions, despite an improvement over the gross loss margin of approximately 4.5% for the year ended 31 December 2015. The thin gross profit margin was primarily due to (i) the high-volume and low-pricing strategy for the trading business and (ii) the continual low selling prices of the Group's iron products due to the excessive downstream crude steel capacity.

Other Income and Gains

The other income and gains decreased by 94.2%, from approximately RMB24.0 million for the year ended 31 December 2015 to approximately RMB1.4 million for the year. The decrease was mainly due to the absence of a gain on disposal of a subsidiary and the lower bank interest income.

Selling and Distribution Expenses

The selling and distribution expenses increased by 41.8%, from approximately RMB53.8 million for the year ended 31 December 2015 to approximately RMB76.3 million for the year on the back of higher sales volume. The selling and distribution expenses primarily comprised of transportation fees, logistic costs, storage and other administrative fees.

Administrative Expenses

The administrative expenses decreased by 63.6%, from approximately RMB197.7 million for the year ended 31 December 2015 to approximately RMB72.0 million for the year mainly due to the lower expenses relating to production suspension as a result of the resumption of production at the Baicao Mine and the Xiushuihe Mine and in the absence of one-time write-off for prepaid technical service fee to Sichuan Nanjiang Mining Group Co., Ltd. during the year.

Other Expenses

The other expenses decreased by 99.2%, from approximately RMB74.6 million for the year ended 31 December 2015 to approximately RMB0.6 million for the year. The decrease was mainly because of (i) a mine landslide treatment expense of RMB45.0 million incurred for the Xiushuihe Mine (on safety concerns to the nearby villagers) in 2015 and there was no such expense incurred for the year and (ii) the lower write-off for inventories of the Group's iron products.

Impairment Losses

The impairment losses decreased by 4.2%, from approximately RMB551.8 million for the year ended 31 December 2015 to approximately RMB528.4 million for the year. The impairment losses, despite lower amounts, arose from year-end assessment of recoverable amounts of those assets as at 31 December 2016 following the Group's efforts in streamlining operations and rationalising assets; and under the key assumptions that the Group will not commit any significant capital investments in expanding or upgrading the related assets in the near future, unless justifiable otherwise given the volatility of resource sectors and continual uncertainty in the market conditions. The impairment losses covered property, plant and equipment of approximately RMB185.2 million, intangible assets of approximately RMB200.0 million, trade receivables of approximately RMB64.9 million and assets held for sale of approximately RMB78.3 million.

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

The fair value loss recorded on financial assets for the year was approximately RMB111.6 million, due to the lower fair value for the Exchangeable Notes. The Exchangeable Notes were recorded at the fair value of approximately RMB109.6 million as at 31 December 2016.

Finance Costs

The finance costs decreased by 11.2%, from approximately RMB64.5 million for the year ended 31 December 2015 to approximately RMB57.3 million for the year, primarily due to the lower interest expenses on discounted bills receivable and bank and other loans.

Income Tax Credit/(Expense)

The income tax credit was approximately RMB2.9 million for the year and the income tax expense was approximately RMB102.7 million for the year ended 31 December 2015. The income tax credit was mainly due to the accounting recognition of deferred tax assets arising from tax losses available for offsetting against future taxable profits.

Loss and Total Comprehensive Loss

As a result of the foregoing, the loss and total comprehensive loss for the year was approximately RMB799.5 million (2015: RMB1,113.2 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 RMB773.7 million for the year (2015: RMB1,105.5 million).

Final Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 15 May 2017 to Thursday, 18 May 2017 (both days inclusive) during which period no transfer of Shares will be effected. In order to determine the entitlement to attend and vote at the 2017 AGM, all share transfers accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, 12 May 2017.

LIQUIDITY AND CAPITAL RESOURCES

The following table sets out certain information regarding the Group's consolidated statement of cash flows for the years ended 31 December 2016 and 2015:

	For the year ended 31 December			
	2016		2015	
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Cash and cash equivalents as stated in the consolidated statement of cash flows at beginning of year		**187,840**		202,811
Net cash flows used in operating activities	**(196,970)**		(201,877)	
Net cash flows from/(used in) investing activities	**(26,875)**		369,377	
Net cash flows from/(used in) financing activities	**55,745**		(181,676)	
Net decrease in cash and cash equivalents		**(168,100)**		(14,176)
Effect of foreign exchange rate changes, net		**–**		(795)
Cash and cash equivalents as stated in the consolidated statement of cash flows at end of year		**19,740**		187,840

Net Cash Flows Used in Operating Activities

The Group's net cash flows used in operating activities were approximately RMB201.9 million for the year ended 31 December 2015 and approximately RMB197.0 million for the year, primarily due to the loss before tax of approximately RMB802.4 million during the year, partially offset by the non-cash losses relating to the fair value loss on the Exchangeable Notes of approximately RMB111.6 million and the impairment losses on property, plant and equipment, intangible assets, trade receivables and assets held for sale in aggregate of approximately RMB528.4 million.

Net Cash Flows from/(Used in) Investing Activities

The Group's net cash flows from investing activities were approximately RMB369.4 million for the year ended 31 December 2015 and the net cash flows used in investing activities were approximately RMB26.9 million for the year, primarily due to the purchase of items of property, plant and equipment of approximately RMB40.6 million mainly for daily production of mines operation and partially offset by the decrease in pledged bank balances of approximately RMB12.9 million.

Net Cash Flows from/(Used in) Financing Activities

The Group's net cash flows used in financing activities were approximately RMB181.7 million for the year ended 31 December 2015 and the net cash flows from financing activities were approximately RMB55.7 million for the year, representing the proceeds from bank loans.

Analysis of Inventories

The Group's inventories increased by 13.6%, from approximately RMB234.5 million as at 31 December 2015 to approximately RMB266.5 million as at 31 December 2016, primarily due to the additional inventories in relation to the trading of steels and coals which have been fully sold out in February 2017.

Analysis of Trade and Bills Receivables

The Group's trade and bills receivables increased by 0.5%, from approximately RMB320.1 million as at 31 December 2015 to approximately RMB321.7 million as at 31 December 2016, mainly due to the higher trading sales during the year, despite an impairment of approximately RMB64.9 million. Trade receivables turnover days were approximately 54 days (year ended 31 December 2015: 277 days). The Group generally has a three-month credit period given to its trading customers and the trading sales accounted for approximately 76.4% of the total revenue during the year.

Assets Classified as Held for Sale

The assets classified as held for sale were approximately RMB300.0 million as at 31 December 2016, representing the property, plant and equipment and land use right of the Heigutian Processing Plant.

Analysis of Trade and Bills Payables

The Group's trade and bills payables decreased by 42.5%, from approximately RMB311.6 million as at 31 December 2015 to approximately RMB179.3 million as at 31 December 2016, primarily due to the settlement of payable relating to purchase of steels.

Analysis of Net Current Liabilities Position

The Group's net current liabilities position increased by 352.6%, from approximately RMB105.8 million as at 31 December 2015 to approximately RMB478.8 million as at 31 December 2016, primarily due to the lower cash and cash equivalents as a result of the operating loss incurred during the year, impairment losses on trade receivables and assets held for sale, and the fair value loss on the Exchangeable Notes.

Borrowings

As at 31 December 2016, the Group's borrowings included mainly (i) a bank loan of RMB120.0 million with an annual interest rate of 5.88% from SPDB Chengdu Branch to Xiushuihe Mining which was secured by the mining right of the Xiushuihe Mine and 95% equity interest of Xiushuihe Mining; (ii) bank loans of RMB225.0 million with annual interest rates ranging from 4.35% to 5.32% from CCB Huili Branch to Huili Caitong which was secured by the mining right of the Baicao Mine; (iii) bank loans of RMB84.0 million with annual interest rates ranging from 5.19% to 5.63% from SPDB Chengdu Branch to Aba Mining which was secured by the mining right of the Maoling Mine; (iv) an unsecured bank loan of RMB75.0 million with an annual interest rate of 4.9% from CCB Xichang Branch to Huili Caitong and (v) unsecured bank loans of RMB136.2 million, RMB112.7 million and RMB120.0 million with annual interest rates ranging from 5.35% to 6.0%, 4.35% to 4.75% and 5.88% from CMB Yingmenkou Branch, ICBC Liangshan Branch and SPDB Chengdu Branch, respectively, to Huili Caitong and Xiushuihe Mining.

Contingent Liabilities

As at 31 December 2016, the Group did not have any material contingent liabilities.

Pledge of Assets

As at 31 December 2016, the mining right of the Xiushuihe Mine and 95% equity interest of Xiushuihe Mining were pledged to SPDB Chengdu Branch for the bank loan of RMB120.0 million. The mining right of the Baicao Mine was pledged to CCB Huili Branch for the bank loans of RMB225.0 million and the mining right of the Maoling Mine was pledged to SPDB Chengdu Branch for the bank loans of RMB84.0 million.

Foreign Currency Risk

The Group's business is located in the PRC and its operating transactions are conducted in Renminbi. Most of its assets and liabilities are denominated in Renminbi, except for certain payables to professional parties and administrative expenses in the 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 currencies. 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$, respectively. The 5.0% is the rate used when reporting currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in the foreign currency rate. The sensitivity analyses of the Group's exposure to foreign currency risk at the end of each reporting period have been determined based on the adjustment of translation of the monetary assets and liabilities at the end of each reporting period for a 5.0% change in RMB against HK$ and US$, respectively, with all other variables held constant, of the Group's loss before tax for the year ended 31 December 2016 (due to changes in the fair value of cash and cash equivalents and financial assets at fair value through profit and loss):

	RMB'000
Increase/(decrease) in loss before tax	
If RMB strengthens against HK$ and US$	5,617
If RMB weakens against HK$ and US$	(5,617)

Interest Rate Risk

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

Contractual Obligations

As at 31 December 2016, the Group's contractual obligations increased by RMB22.2 million to approximately RMB31.3 million as compared with approximately RMB9.1 million as at 31 December 2015. The contractual obligations as at 31 December 2016 represented the remaining consideration for the acquisition of 49% of the issued share capital of Mancala Holdings which shall be satisfied by the allotment and issue of Shares.

Capital Expenditure

The Group's total capital expenditure decreased by RMB107.1 million from approximately RMB153.8 million for the year ended 31 December 2015 to approximately RMB46.7 million for the year. The capital expenditure consisted of (i) technical improvement regarding dewatering innovation, power-saving and pipeline innovation for the processing lines of vanadium-bearing iron concentrates at the Xiushuihe Processing Plant and the Hailong Processing Plant aggregated to approximately RMB17.1 million; (ii) technical improvement regarding flotation processing for the processing line of vanadium-bearing iron concentrates and high-grade titanium concentrates at the Baicao Processing Plant aggregated to approximately RMB10.5 million and (iii) the development of the construction of miscellaneous projects and acquisition of machinery equipment of approximately RMB19.1 million.

Financial Instruments

As at 31 December 2016, the Group had Exchangeable Notes in the principal amount of US$30.0 million. The Exchangeable Notes were accounted for as financial assets at fair value through profit or loss and recorded at the fair value of approximately RMB109.6 million as at 31 December 2016 after accounting for an impairment loss of approximately RMB111.6 million during the year.

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 31 December 2016, gearing ratio was 33.8% (31 December 2015: 20.3%).

EMPLOYEES AND EMOLUMENT POLICIES

As at 31 December 2016, the Group had a total of 1,486 dedicated full time employees (31 December 2015: 1,497 employees), including 48 management and administrative staff, 41 technical staff, 5 sales and marketing staff and 1,392 operational staff. For the year ended 31 December 2016, the employee benefit expenses (including Directors' remuneration in the form of salaries, equity-settled share option expenses and other allowances) were approximately RMB53.7 million (2015: RMB51.7 million).

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

OTHER SIGNIFICANT EVENTS

On 30 December 2016, the Company entered into the sale and purchase agreement with Sapphire Corporation, pursuant to which Sapphire Corporation has conditionally agreed to sell and the Company has conditionally agreed to purchase 2,940,000 shares, representing 49% of the entire issued share capital of Mancala Holdings, a then wholly-owned subsidiary of Sapphire Corporation, at an aggregate consideration of HK$38,200,000, which shall be satisfied by the payment of a cash consideration of HK$3,200,000 and the allotment and issue of the consideration shares in the aggregate value of HK$35,000,000 at the issue price of HK$0.365 per consideration share to Sapphire Corporation. The completion of the sale and purchase took place on 28 February 2017 and the consideration shares were issued under the general mandate of the Company and ranked *pari passu* in all respects with all the Shares.

Mancala Holdings is the legal and beneficial owner of the entire issued share capital of Mancala Holdings Pty Ltd. ("MHPL"). Mancala Group is principally engaged in the business of providing specialist mining services, which include raised boring, shaft excavation, engineering services and other mining services. Please refer to the Company's announcements dated 30 December 2016 and 28 February 2017 for further details.

OUTLOOK

Industry Development and Prospects

While China's economy is transforming from export-driven to a more balanced growth model over a longer term, the supply of certain products seems to have lagged behind consumers' consumption. On one hand, there is overcapacity in traditional sectors, such as steel, due to massive expansion in the past while on the other hand, the supply of higher-end products and services falls short of expectation and consumption. The supply-side structural reform, which aims to address the contradiction, is apparently going towards the right direction in line with China's structual reform in sustaining economic growth and keeping environmental issues in check in the long run. The Central Economic Work Conference held in December 2016 confirmed that the supply-side structural reform would continue unabated in 2017. During the meeting of the 5th Session of 12th National People's Congress, the government work report announced that the steel production capacity would be further reduced by approximately 50 Mt in 2017. The Sichuan government elaborated in its annual government work report that it would stick to the national policies and further implement measures to phase out excessive steel capacities and handle the zombie enterprises properly in 2017. However, the progress and outcomes of such execution remain to be seen.

Concurrently, as part of the Chinese government's stimulus plans to fuel growth, increasingly higher infrastructure spending has been approved under the budget. The NDRC, together with the Ministry of Transport of the PRC, jointly published the "Three-Year Action Plan of Major Construction Projects in Transportation Infrastructure"(「交通基礎設施重大工程建設三年行動計劃」) in May 2016 which provided details in connection with expanding investment in major infrastructure projects. In addition, according to the Planning, China also encourages domestic steel producers to implement the "go-global" strategy and embark on international co-operation in capacity, riding on the opportunities of the Belt and Road Initiative. While industrial players are mindful of the new political scene in the United States, the "go-global" policies and measures are hopeful of boosting domestic steel demand and reducing excessive supply.

Despite the progress in cutting excessive industry capacity in 2016, the absolute surplus in steel capacity remains a great concern for the industrial economy, and it is obvious that execution risks remain for the overcapacity issue to be fully or significantly resolved. Although market recovery during the year under review has helped to improve profitability or reduce losses for some of the steel makers to a certain extent, margins were still relatively low and unstable. More specifically, to keep such margins, optimal production capacity utilisation for steel producers needs to be consistently planned or achieved for sustained economies of scale, which remain questionable for the time being in the midst of volatile market conditions. In the meantime, as the smog pollution in China has worsened, it is likely that the Chinese government will enforce tougher environmental measures to control emission. Such stringent measures, if further implemented, will inevitably increase compliance costs, operating expenses and capital expenditure for domestic steel producers. In view of this, it is likely that the industry will have to continuously manage the supply-and-demand gap for steel-related products while facing limited export opportunities, which have since been pressured by the rising global trade protectionism and the anti-dumping measures on China's steel products.

Business Strategy

Given the market uncertainties and commodity prices volatility, the Group will keep its strategies largerly unchanged and prudent. The Group will continue to scale back part of its capacity, streamline those loss-making operations and keep its cost control discipline to ensure that the business of the Group could operate in efficient ways. The recent acquisition of significant stake in Mancala Holdings will enable the Group to tap on foreign expertise as well as gaining access to the technical knowledge in internationally recognised standards of efficiency, safety, environmental management and innovative training methods in mining operations. The Group and the team at Mancala Group may also jointly explore and evaluate opportunities for strategic collaborations and/or joint mines development.

MHPL is incorporated in Australia in 1990 and Mancala Group is principally engaged in the business of providing specialist mining service including raised boring, shaft excavation, engineering services and other mining services with significant track records in Australia, Botswana, New Zealand, Papua New Guinea, Fiji and Vietnam.

The Group has taken a proactive approach towards operational and financial improvements. In doing so, the Group will continue to initiate and review strategies in diversifying investments, improving operational efficiencies, optimising utilisation and exploring means to restructure its operating assets (possibly via potential merger and/or consolidation of part of its existing facilities). Whilst it appears that there are some indicators or signs suggesting an extended recovery of commodity prices, the overall resource sector is likely to remain volatile. Hence, the Group will continuously be guided by the uncertainty in the steel industry and global economic outlook. Going along with this trend, the management will keep its operations nimble while remains guardedly hopeful about the recovery in both demand and prices for steel over a longer term. In this aspect, the management will work towards enhancing long-term Shareholders' value.

CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules (the "CG Code") as its own code of corporate governance. The Directors consider that for the year ended 31 December 2016, the Company has complied with the code provisions under the CG Code except for code provisions A.2.1 and A.6.7 as described below.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company deviates from this code provision by Mr. Jiang Zhong Ping, being the chairman and acting chief executive officer of the Company concurrently. On 15 May 2015, Mr. Jiang Zhong Ping was appointed as the acting chief executive officer of the Company to assume Mr. Tang Wei's responsibilities who takes charge of the supervision of the execution of the policies determined by the Board prior to the appointment of the new chief executive officer. The nomination committee of the Company will consider and identify a suitable individual and make recommendations to the Board on the appointment of the chief executive officer as soon as possible.

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

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

Throughout the year ended 31 December 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

This announcement is published on the websites of the Company and the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2016 will be dispatched to the Shareholders and available on the above websites in due course.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2016.

GLOSSARY

"2017 AGM"	the Shareholders' annual general meeting to be held on 18 May 2017
"Aba Mining"	Aba Mining Co., Ltd.* (阿壩礦業有限公司), a limited liability company established in the PRC on 27 February 2004 and an indirect wholly-owned subsidiary of the Company
"Aba Prefecture"	阿壩藏族羌族自治州, Aba Tibetan and Qiang Autonomous Prefecture
"Baicao Mine"	白草鐵礦, the vanadium-bearing titano-magnetite mine located in Huili County, Sichuan and operated by Huili Caitong, with a mining area of 1.88 sq.km.
"Baicao Processing Plant"	the ore processing plant located near the Baicao Mine and operated by Huili Caitong
"Board"	the board of Directors
"China" or "PRC"	the People's Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Company"	China Vanadium Titano-Magnetite Mining Company Limited (中國釩鈦磁鐵礦業有限公司), a limited liability company incorporated in the Cayman Islands on 28 April 2008
"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.
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Controlling Shareholder(s)"	has the same meaning as ascribed to it under 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 $CaSO_4 \cdot 2H_2O$
"Haibaodang Mine"	海保凼鈦鐵礦, the vanadium-bearing titano-magnetite mine located in Renhe District, Panzhihua City, Sichuan, with an exploration area of 26.2 sq.km.
"Hailong Processing Plant"	the ore processing plant located near the Cizhuqing Mine and operated by Huili Caitong
"Heigutian Processing Plant"	the ore processing plant located near the Yangqueqing Mine and owned by Huili Caitong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Huili Caitong"	Huili County Caitong Iron and Titanium Co., Ltd.*（會理縣財通鐵鈦有限責任公司）, established in the PRC on 7 July 1998 and has been a foreign equity joint venture in the PRC since 29 December 2010, an indirect wholly-owned subsidiary of the Company
"IFRSs"	International Financial Reporting Standards, which comprise standards and interpretations approved by the International Accounting Standards Board and the International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect
"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
"km"	kilometre(s), a metric unit measure of distance
"Kt"	thousand tonnes
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mancala Group"	Mancala Holdings Pty Ltd. and its subsidiaries
"Maoling Extended Exploration Area"	formerly an independent exploration region with an area of 2.83 sq.km. covered under the extended exploration permit of the Maoling Mine (covering 1.9 sq.km. of the mining area of the Maoling Mine), has been consolidated with the Yanglongshan Mine since September 2012 to form the Maoling-Yanglongshan Mine
"Maoling Mine"	毛嶺鐵礦, an ordinary magnetite mine located in Wenchuan County, Sichuan, with a mining area of 1.9 sq.km.
"Maoling Processing Plant"	the ore processing plant located near the Maoling-Yanglongshan Mine and operated by Aba Mining
"Maoling-Yanglongshan Mine"	an exploration region with a total area of 11.62 sq.km. covered under the exploration permit of the Maoling-Yanglongshan Mine (the mining area covered is owned by the Maoling Mine), formed from the combination of the Maoling Extended Exploration Area and the Yanglongshan Mine since September 2012 and operated by Aba Mining
"mining right(s)"	the right(s) to mine mineral resources and obtain mineral products in areas where mining activities are licensed
"Mt"	million tonnes
"Note Certificate"	the note certificate of the Exchangeable Note with the terms and conditions of the Exchangeable Note set out therein

"ore processing"	the process which in general refers to the extraction of usable portions of ores by using physical and chemical extraction methods
"Panxi Region"	a region in Sichuan located at southwest of Chengdu reaching from Panzhihua to Xichang
"Renminbi" or "RMB"	the lawful currency of the PRC
"Secured Exchangeable Note Purchase Agreement"	the secured exchangeable note purchase agreement dated 2 May 2011 entered into between the Group and the Issuer pursuant to which the Issuer has conditionally agreed to issue and the Group has conditionally agreed to subscribe the Exchangeable Note on the terms and subject to the conditions set out therein
"Share(s)"	ordinary share(s) in the share capital of the Company, with a nominal value of HK$0.1 each
"Shareholder(s)"	holder(s) of the Share(s)
"Shigou Gypsum Mine"	Shigou gypsum mine located at Hanyuan County, Ya'an City, Sichuan, with a mining area of 0.1228 sq.km.
"Sichuan"	the Sichuan Province of the PRC
"sq.km."	square kilometres
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Oriental Mining and Mineral Resources Co., Ltd., a company incorporated in the Cayman Islands on 8 April 2011 and a third party independent of the Company and its connected persons
"Target Iron Mine"	the vanadium-bearing titano-magnetite iron sand ore mine located in Java, Indonesia over which the Target Company and its subsidiaries have the relevant exploration license and mining license
"titanium concentrate(s)"	concentrate(s) whose main content (by value) is titanium dioxide
"Trisonic International"	Trisonic International Limited（合創國際有限公司）, a company incorporated in Hong Kong on 19 July 2006 and a Controlling Shareholder

“United States” or “US”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
”US dollars” or “US$”	the lawful currency of the United States
“Xiushuihe Mine”	秀水河鐵礦, the vanadium-bearing titano-magnetite mine located in Huili County, Sichuan and operated by Xiushuihe Mining, with a mining area of 0.52 sq.km.
“Xiushuihe Mining”	Huili County Xiushuihe Mining Co., Ltd.*（會理縣秀水河礦業有限公司）, a limited liability company established in the PRC on 26 June 2007, an indirect subsidiary of the Company that owns 95.0% equity interest
“Xiushuihe Processing Plant”	the ore processing plant located near the Xiushuihe Mine and operated by Xiushuihe Mining
“Yanglongshan Mine”	羊龍山鐵礦, an ordinary magnetite mine located in Wenchuan County, Sichuan, formerly an independent exploration region with an area of 8.79 sq.km. covered under the exploration permit of the Yanglongshan Mine, and has been consolidated as the Maoling-Yanglongshan Mine with the 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 and operated by Huili Caitong, with a mining area of 0.25 sq.km.

* *For identification purpose only*

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

Hong Kong, 27 March 2017

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

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