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 2012

FINANCIAL HIGHLIGHTS

- The Group's revenue amounted to approximately RMB1,533.7 million for the year ended 31 December 2012, representing a decrease of RMB179.3 million or 10.5% as compared to approximately RMB1,713.0 million in 2011.

- Profit and total comprehensive income attributable to owners of the Company for the year ended 31 December 2012 was approximately RMB403.0 million, representing a decrease of RMB202.9 million or 33.5% as compared to approximately RMB605.9 million in 2011.

- The basic and diluted earnings per Share attributable to ordinary equity holders of the Company amounted to approximately RMB0.19 for the year ended 31 December 2012, representing a decrease of RMB0.10 or 34.5% as compared to approximately RMB0.29 in 2011.

- The Board does not recommend the payment of a final dividend for the year ended 31 December 2012 (2011: HK$0.073 per Share).

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2012 together with the comparative figures for the year ended 31 December 2011 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2012

	Notes	**2012** **RMB'000**	2011 RMB'000
REVENUE	3	**1,533,732**	1,712,978
Cost of sales		**(840,550)**	(886,407)
Gross profit		**693,182**	826,571
Other income and gains	4	**64,360**	109,742
Selling and distribution expenses		**(45,921)**	(46,473)
Administrative expenses		**(118,138)**	(102,219)
Other expenses		**(20,576)**	(19,035)
Finance costs	5	**(42,599)**	(21,120)
Share of profits and losses of jointly-controlled entities		**517**	34
PROFIT BEFORE TAX	6	**530,825**	747,500
Income tax expense	7	**(120,223)**	(134,775)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**410,602**	612,725
Attributable to:			
Owners of the Company		**403,042**	605,892
Non-controlling interests		**7,560**	6,833
		410,602	612,725
Earnings per Share attributable to ordinary equity holders of the Company:			
Basic and diluted	8	**RMB0.19**	RMB0.29

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,778,789**	1,726,804
Intangible assets		**566,302**	576,901
Prepaid land lease payments		**49,451**	50,678
Investments in jointly-controlled entities		**12,031**	584
Financial assets at fair value through profit or loss		**239,272**	207,942
Prepayments and deposits	9	**203,585**	231,180
Payments in advance	10	**202,095**	165,712
Goodwill		**15,318**	15,318
Deferred tax assets		**18,597**	3,986
Total non-current assets		**3,085,440**	2,979,105
CURRENT ASSETS			
Inventories		**180,024**	137,333
Trade and bills receivables	11	**109,053**	134,418
Prepayments, deposits and other receivables	9	**122,788**	148,139
Due from related parties		**733**	600
Pledged time deposits		**268,783**	111,993
Cash and cash equivalents		**1,649,146**	946,830
Total current assets		**2,330,527**	1,479,313
CURRENT LIABILITIES			
Trade and bills payables	12	**816,558**	341,192
Other payables and accruals	13	**345,754**	278,779
Commercial paper liabilities	14	**150,000**	–
Interest-bearing bank and other loans	15	**317,283**	321,514
Due to related parties		**33,735**	85,681
Tax payable		**112,425**	89,655
Dividend payable		**1,801**	1,801
Total current liabilities		**1,777,556**	1,118,622
NET CURRENT ASSETS		**552,971**	360,691
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,638,411**	3,339,796

	Notes	2012 RMB'000	2011 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other loans	15	**79,000**	101,200
Provision for rehabilitation		**8,188**	7,664
Deferred income		**4,000**	9,574
Other payables	13	**750**	500
Total non-current liabilities		**91,938**	118,938
Net assets		**3,546,473**	3,220,858
EQUITY			
Equity attributable to owners of the Company			
Issued capital	16	**182,787**	182,787
Reserves	18	**3,334,249**	2,893,769
Proposed final dividend	19	**–**	122,425
		3,517,036	3,198,981
Non-controlling interests		**29,437**	21,877
Total equity		**3,546,473**	3,220,858

NOTES TO FINANCIAL STATEMENTS

31 December 2012

1. CORPORATE INFORMATION

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

During the year ended 31 December 2012, the Group were principally engaged in the business of mining, ore processing, iron pelletising, sale of vanadium-bearing iron concentrates, ordinary iron concentrates, iron pellets and titanium concentrates and management of strategic investments. There were no significant changes in the nature of the Group's principal activities during the year.

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

2.1 BASIS OF PRESENTATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by International Accounting Standards Board (the "IASB") and International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect. These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss, which have been measured at fair value. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2012. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

The proportionate share of total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

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

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

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
IFRS 7 Amendments	*Amendments to IFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets*
IAS 12 Amendments	Amendments to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

The adoption of the revised IFRSs has had no significant financial effect on these financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

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

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Government Loans*[2]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[2]
IFRS 9	*Financial Instruments*[4]
IFRS 10	*Consolidated Financial Statements*[2]
IFRS 11	*Joint Arrangements*[2]
IFRS 12	*Disclosure of Interests in Other Entities*[2]
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12 – *Transition Guidance*[2]
IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised) – *Investment entities*[3]
IFRS 13	*Fair Value Measurement*[2]
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[1]
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits*[2]
IAS 27 (Revised)	*Separate Financial Statements*[2]
IAS 28 (Revised)	*Investments in Associates and Joint Ventures*[2]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[3]
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
Annual Improvements 2009-2011 Cycle	Amendments to a number of IFRSs issued in May 2012[2]

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

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

The IFRS 7 Amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. The Group expects to adopt the amendments from 1 January 2013.

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

IAS 39 is aimed to be replaced by IFRS 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt IFRS 9 from 1 January 2015. The Group will quantify the effect in conjunction with other phases, when the final standards including all phases is issued.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by IFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in IAS 27 and SIC 12 *Consolidation – Special Purpose Entities*. IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC 12. Based on the preliminary analyses performed, IFRS 10 is not expected to have any impact on the currently held investments of the Group.

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

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

In June 2012, the IASB issued amendments to IFRS 10, IFRS 11 and IFRS 12 which clarify the transition guidance in IFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between IFRS 10 and IAS 27 or SIC 12 at the beginning of the annual period in which IFRS 10 is applied for the first time. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied.

The amendments to IFRS 10 issued in October 2012 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 rather than consolidate them. Consequential amendments were made to IFRS 12 and IAS 27 (Revised). The amendments to IFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in IFRS 10.

Consequential amendments were made to IAS 27 and IAS 28 as a result of the issuance of IFRS 10, IFRS 11 and IFRS 12. The Group expects to adopt IFRS 10, IFRS 11, IFRS 12, IAS 27 (Revised), IAS 28 (Revised), and the subsequent amendments to these standards issued in June and October 2012 from 1 January 2013.

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

The IAS 1 Amendments change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified. The amendments will affect presentation only and have no impact on the financial position or performance. The Group expects to adopt the amendments from 1 January 2013.

The IAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in IAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

IFRIC 20 addresses the recognition of waste removal costs that are incurred in surface mining activity during the production phase of a mine as an asset, as well as the initial measurement and subsequent measurement of the stripping activity asset. To the extent that the benefit from the stripping activity is realised in the form of inventory produced, the costs incurred are accounted for in accordance with IAS 2 *Inventories*. To the extent that the benefit is improved access to ore and when criteria set out in the interpretation are met, the waste removal costs are recognised as a stripping activity asset under non-current assets. The Group expects to adopt the interpretation from 1 January 2013. The management has not yet been able to estimate the impact of the IFRIC 20.

The *Annual Improvements to IFRSs 2009-2011 Cycle* issued in May 2012 sets out amendments to a number of IFRSs. The Group expects to adopt the amendments from 1 January 2013. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

- IAS 1 *Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

  In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

3. REVENUE AND OPERATING SEGMENT INFORMATION

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

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

Entity-wide disclosures

Information about products

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

	2012		2011	
	RMB'000	*%*	*RMB'000*	*%*
Vanadium-bearing iron concentrates	**872,719**	**56.9**	960,203	56.1
Ordinary iron concentrates	**69,535**	**4.5**	32,556	1.9
Iron pellets	**417,307**	**27.2**	593,496	34.6
Medium-grade titanium concentrates	**476**	**0.1**	12,478	0.7
High-grade titanium concentrates	**173,695**	**11.3**	114,245	6.7
	1,533,732	**100.0**	1,712,978	100.0

Geographical information

All external revenue of the Group during each of the two years ended 31 December 2012 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:

	2012	2011
	RMB'000	*RMB'000*
Customer A	**329,597**	*
Customer B	**255,163**	229,492
Customer C	**234,717**	298,284
Customer D	**233,035**	278,782
Customer E	**182,223**	257,867
Customer F	*****	271,685

* Less than 10% of total revenue

4. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	2012	2011
	RMB'000	*RMB'000*
Bank interest income	**28,910**	12,221
Sale of raw materials	**3,885**	18,134
Government grants*	**6**	55,000
Compensation from a local government	**–**	9,320
Fair value gains on financial assets at fair value through profit or loss	**31,330**	14,423
Miscellaneous	**229**	644
Total other income and gains	**64,360**	109,742

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

5. FINANCE COSTS

	2012	2011
	RMB'000	*RMB'000*
Interest on bank and other loans wholly repayable within five years	**25,104**	22,941
Interest on short term commercial paper	**290**	–
Interest on discounted bills receivable	**15,195**	–
Unwinding of discount on provision	**524**	491
	41,113	23,432
Less: interest capitalised to property, plant and equipment	**(674)**	(1,537)
	40,439	21,895
Transaction fee on issuance of commercial paper	**706**	–
Foreign exchange loss/(gain), net	**694**	(775)
Others	**760**	–
	42,599	21,120
Capitalisation rate of borrowing costs	**7.04% to 7.59%**	5.4% to 7.59%

6. PROFIT BEFORE TAX

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

	Notes	2012 RMB'000	2011 RMB'000
Cost of inventories sold		**840,550**	886,407
Staff costs (including Directors' remuneration):			
Wages and salaries		**71,805**	58,739
Welfare and other benefits		**18,540**	13,890
Equity-settled share option expense	17	**28,307**	28,647
Pension scheme contributions			
– Defined contribution fund		**10,150**	8,303
Housing fund			
– Defined contribution fund		**526**	465
Total staff costs		**129,328**	105,145
Depreciation		**117,773**	100,936
Amortisation of intangible assets		**16,382**	20,930
Amortisation of prepaid land lease payments		**1,227**	1,113
Depreciation and amortisation expenses		**135,382**	122,979
Minimum lease payments under operating leases:			
– Land		**108**	108
– Office		**1,298**	1,057
Auditors' remuneration		**3,500**	4,000
Prepaid technical fee released to profit or loss	9(b)	**4,133**	4,133
Loss on disposal of items of property, plant and equipment		**–**	5
Impairment of property, plant and equipment		**11,253**	–
Reversal of write-down of inventories to net realisable value		**(24)**	(2,547)

7. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (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 2012.

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 2012.

The provision for PRC CIT is based on the respective PRC CIT 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 PRC subsidiaries (see below) that are entitled to a preferential income tax rate, PRC subsidiaries are subject to the PRC CIT rate of 25% during the two years ended 31 December 2012.

The major components of income tax expense are as follows:

	2012	2011
	RMB'000	*RMB'000*
Current – the PRC		
Charge for the year	**134,834**	122,260
Deferred	**(14,611)**	12,515
Income tax expenses for the year	**120,223**	134,775

Pursuant to the respective approval documents issued by the Tax Bureau of Wenchuan County on 6 August 2012 and the Tax Bureau of Huili County on 4 September 2012, Aba Mining and Xiushuihe Mining are entitled to a preferential tax rate of 15% (2011: 25%) according to the "Western Development Policy" as they are engaged in the encouraged industries listed in the catalogue of encouraged industries in the western China and revenue from such activities during the year accounted for over 70% of their respective total revenue.

Pursuant to the relevant tax rules and regulations of the PRC applicable to foreign investment enterprises ("FIEs"), Huili Caitong was approved to enjoy its tax holiday from 2007 and hence, was not liable to PRC CIT in 2007 and 2008 and was entitled to a 50% tax reduction for the subsequent three years (2009 to 2011). The applicable tax rate for Huili Caitong during the year was 25% (2011: 12.5%).

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

The calculation of basic earnings per Share is based on the profit for the year attributable to ordinary equity holders of the Company, and the number of Shares of 2,075,000,000 (2011: 2,075,000,000) in issue during the year ended 31 December 2012.

No adjustment has been made to the basic earnings per Share amounts presented for the years ended 31 December 2012 and 2011 in respect of a dilution as the exercise prices of the Company's outstanding share options were higher than the average market price for the Company's Shares during the current and prior years.

9. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		Group	
		2012	**2011**
	Notes	***RMB'000***	*RMB'000*
Current portion:			
Prepayments consisting of:			
Advanced stripping fees	(a)	**53,987**	64,708
Prepaid technical service fee	(b)	**4,133**	4,133
Purchase of raw materials		**3,016**	1,669
Utilities		**6,764**	1,300
Prepayment for the use right of a road	(c)	**35**	35
Other prepayments		**2,286**	2,176
Bidding deposit		**27,000**	30,000
Government grant receivable		**–**	30,000
Interest income receivable		**10,039**	9,365
Other receivables from third party independent processing contractors		**9,467**	–
Compensation receivable		**2,452**	2,452
Other receivables		**3,609**	2,301
		122,788	148,139
Non-current portion:			
Advanced stripping fees	(a)	**152,750**	176,709
Prepaid technical service fee	(b)	**45,467**	49,600
Prepayment for the use right of a road	(c)	**919**	954
Long-term environmental rehabilitation deposits	(d)	**4,449**	3,917
		203,585	231,180
		326,373	379,319

Notes:

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

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

During the year, the prepaid technical service fee released to profit or loss amounted to RMB4,133,000 (2011: RMB4,133,000).

(c) The balance represented payment made to Xinqiao Mining Co., Ltd. for the right to use a pavement road connecting to Maoling Mine for 30 years ending 22 August 2040 at a consideration of approximately RMB1,035,000. The prepayment for the right of using the road recorded as the current portion represented the amount to be released to profit or loss in the next 12 months from 31 December 2012.

(d) The long-term deposits represented environmental deposits made to the government in respect of the Group's rehabilitation obligations for the closure of mines and are not expected to be refunded within 12 months from 31 December 2012.

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

10. PAYMENTS IN ADVANCE

	Group	
	2012	2011
	RMB'000	*RMB'000*
In respect of:		
Purchase of machinery and equipment	**2,095**	15,712
Acquisition of a subsidiary	**200,000**	150,000
	202,095	165,712

11. TRADE AND BILLS RECEIVABLES

	Group	
	2012	2011
	RMB'000	*RMB'000*
Trade receivables	**109,053**	99,348
Bills receivable	**–**	35,070
	109,053	134,418

The Group's trading terms with its customers are mainly on credit, except for customers of titanium products, where full payment in advance of delivery is required. The credit period is generally 30 days. In view of the fact that the Group sells most of its products to a small number of customers, there is a high level of concentration of credit risk. The Group maintains strict control over the settlements of its outstanding receivables to minimise credit risk. Overdue balances are regularly reviewed by senior management. The Group does not hold any collateral or other credit enhancements over trade receivables. Trade receivables are non-interest-bearing and unsecured.

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

As at 31 December 2012, the Group endorsed certain bills receivable accepted by banks in the PRC to certain of its suppliers in order to settle the trade payables to these suppliers with a carrying amount in aggregate of RMB346,797,000; furthermore, as at 31 December 2012 the Group discounted certain bills receivable accepted by banks in the PRC, with a carrying amount in aggregate of RMB245,666,000 (collectively referred to as the "Derecognised Bills"). The Derecognised Bills have a maturity from three to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills equal to their carrying amounts. In the opinion of the Directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the year, the Group has recognised interest expense of RMB15,195,000 (note 5) on discounted bills receivable. No gains or losses were recognised from the continuing involvement, both during the year or cumulatively. The endorsement and discount have been made evenly throughout the year.

12. TRADE AND BILLS PAYABLES

	Group	
	2012	2011
	RMB'000	*RMB'000*
Trade payables	**423,283**	318,753
Bills payable	**393,275**	22,439
	816,558	341,192

An aged 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:

	Group	
	2012	2011
	RMB'000	*RMB'000*
Within 180 days	**666,244**	284,673
181 to 365 days	**76,114**	41,173
1 to 2 years	**64,616**	14,235
2 to 3 years	**9,059**	665
Over 3 years	**525**	446
	816,558	341,192

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

As at 31 December 2012, the Group's bills payable of RMB393,275,000 (2011: RMB22,439,000) were secured by pledged bank balances.

13. OTHER PAYABLES AND ACCRUALS

	Group	
	2012	2011
	RMB'000	*RMB'000*
Current portion:		
Advances from customers	**62,926**	6,883
Payables related to:		
Construction in progress	**140,515**	117,915
Taxes other than income tax	**14,898**	58,297
Payroll and welfare payable	**34,563**	14,338
Mining cost and exploration right and assets	**4,034**	26,357
Huili County Hailong Mining Development Co., Ltd.	**27,000**	27,000
Yanbian County Hongyuan Mining Co., Ltd.	**26,977**	14,500
Consultancy and professional fees	**5,020**	3,681
Deposits received	**1,649**	1,586
Land occupation compensation payables	**9,396**	2,370
Accrued government surcharges	**12,091**	–
Accrued price adjustment fund	**3,502**	3,502
Other payables	**3,183**	2,350
	345,754	278,779
Non-current portion:		
Other payables	**750**	500
	346,504	279,279

14. COMMERCIAL PAPER LIABILITIES

On 7 December 2012, Huili Caitong obtained the approval from the National Association of Financial Market Institutional Investors for the issuance of short-term commercial paper. The registered cap for issuance by Huili Caitong is RMB700 million over a two year period from the date of approval. On 19 December 2012, Huili Caitong issued the first tranche of one-year commercial paper for a total of RMB150 million, maturing on 19 December 2013. The commercial paper bears interest at the rate of 5.8% per annum, repayable at the maturity date. Particulars are included in the Company's announcement dated 27 December 2012.

15. INTEREST-BEARING BANK AND OTHER LOANS

		Group	
		2012	2011
	Notes	***RMB'000***	*RMB'000*
Bank loans:			
Secured	(a)	**94,283**	94,514
Unsecured	(b)	**250,000**	275,000
Guaranteed	(c)	**48,000**	50,000
Other loans, unsecured	(d)	**4,000**	3,200
		396,283	422,714
Bank loans repayable:			
Within one year or on demand		**317,283**	319,514
In the second year		**25,000**	25,000
In the third to fifth years, inclusive		**50,000**	75,000
		392,283	419,514
Unsecured other loans repayable:			
Within one year or on demand		**–**	2,000
In the second year		**3,200**	–
In the third to fifth years, inclusive		**800**	1,200
		4,000	3,200
Total bank and other loans		**396,283**	422,714
Balances classified as current liabilities		**(317,283)**	(321,514)
Balances classified as non-current liabilities		**79,000**	101,200

Notes:

(a) As at 31 December 2012, the bank loan of the Group and the Company was secured by the pledge of time deposits of RMB100,000,000 (2011: RMB100,000,000) by Huili Caitong and bore interest at the rate of 2% per annum over the prevailing LIBOR (2011: 3% per annum over the LIBOR).

(b) As at 31 December 2012, Huili Caitong had unsecured interest-bearing bank loans from China Construction Bank ("CCB") Xichang branch bearing interest at fixed rates ranging from 5.81% to 7.05% (2011: 5.81% to 7.59%) per annum. In accordance with the bank loan agreements entered into between Huili Caitong and CCB Xichang branch, Huili Caitong agreed not to mortgage or pledge Huili Caitong's mining rights of Baicao Mine and the vanadium-bearing iron concentrates production line with an annual production capacity of 500 Kt to any other parties, and CCB Xichang branch will be entitled to a pre-emption right in the event of such mortgage or pledge.

(c) As at 31 December 2012, Aba Mining had long-term interest-bearing bank loans from CCB Aba branch of RMB48,000,000 (2011: RMB50,000,000), bearing interest at the fixed rates ranging from 5.76% to 7.59% (2011: 5.4% to 6.64%) per annum which were due for repayment within one year. These long-term bank loans from CCB Aba branch were jointly guaranteed by Chengyu Vanadium Titano and Chuan Wei for nil consideration.

(d) Other loans represented interest-bearing loans granted by Wenchuan County State Assets Investment Co., Ltd. to Aba Mining for the reconstruction of production plants affected by the earthquake in May 2008. Other loans are unsecured and bear interest at the fixed interest rate of 5.76% (2011: 5.76%) per annum, of which RMB3,200,000 and RMB800,000 are due for repayment in 2014 and 2015, respectively.

16. SHARE CAPITAL

Shares

	2012	2011
	RMB'000	*RMB'000*
Authorised:		
10,000,000,000 (2011: 10,000,000,000) ordinary shares of HK$0.1 each	**880,890**	880,890
Issued and fully paid:		
2,075,000,000 (2010: 2,075,000,000) ordinary shares of HK$0.1 each	**182,787**	182,787

There was no change in the authorised and issued capital of the Company during the two years ended 31 December 2012.

17. SHARE OPTION SCHEMES

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

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

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

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

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

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

The exercise price and exercise period of the share options outstanding as at 31 December 2012 and 31 December 2011 are as follows:

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

The Group has 14,800,000 share options exercisable as at 31 December 2012 (2011: Nil), and the weighted average exercise price was HK$5.03 per Share (2011: Not applicable).

The Group recognised a share option expense of HK$32,953,000 (equivalent to approximately RMB28,307,000) during the year ended 31 December 2012 (2011: HK$33,023,000, equivalent to approximately RMB28,647,000).

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

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

At 31 December 2012, the Company had 29,600,000 share options outstanding under the Old Option Scheme and 27,300,000 share options outstanding under the New Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 56,900,000 additional Shares of the Company and additional share capital of HK$5,690,000 and share premium of HK$241,506,000 (before issue expenses).

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

18. RESERVES

(a) Share premium account

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

(b) Statutory reserve funds

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

As Huili Caitong is a FIE, allocation to SSR is not required. According to Huili Caitong's articles of association, Huili Caitong is required to allocate 10% of its profit after tax in accordance with the PRC GAAP to the statutory reserve fund (the "SRF").

As Lingyu is a wholly-foreign-owned enterprise, allocation to SSR is not required. According to the Rules for the Implementation of Foreign-funded Enterprise Law of the PRC and articles of association of Lingyu, Lingyu is required to allocate 10% of its profit after tax in accordance with PRC GAAP to the SRF until such reserve reaches 50% of its registered capital.

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

(c) Contributed surplus

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

(d) Safety fund surplus reserve

Pursuant to a Notice regarding Safety Production Expenditure jointly issued by the Ministry of Finance and the State Administration of Work Safety of the PRC in February 2012, the Group is required to establish a safety fund surplus reserve based on volume of mineral ore extracted. The safety fund can only be transferred to retained earnings to offset safety related expenses as and when they are incurred, including expenses related to safety protection facilities and equipment improvement and maintenance as well as safety production inspection, appraisal, consultation and training.

(e) Share option reserve

The share option reserve comprises the fair value of share options granted which are yet to be exercised. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained earnings should the related options expire or be forfeited.

19. DIVIDENDS

(a) Dividends attributable to the year

At a meeting of the Directors held on 28 March 2013, the Directors do not recommend a final dividend for the year ended 31 December 2012.

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

	RMB'000
Final dividend in respect of the financial year ended 31 December 2011 of RMB0.059 per Share	
Declared during the year	122,425
Paid during the year	(122,425)
	–

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

During 2012, the complex global economy experienced a great deal of volatility. Despite of the United States launching another round of economic stimulus measures and the Eurozone putting forth great efforts to strengthen its fiscal situation, the global economic outlook remained uncertain and growth rates hovered at low levels. International market demand has been shrinking, which has had a significant impact on China's foreign trade. Meanwhile, economic growth across the mainland has also undergone adjustments with slowing growth rates.

In view of the challenging economic conditions, the Chinese government has fast-tracked domestic development plans to stimulate the economy, particularly with respect to the nation's great western development strategy, which is entering its 13th year. According to the "China Western Development: Review for 2011 and the 2012 Work Plan"(《西部大開發2011年進展情況和2012年工作安排》)("Work Plan") issued by the National Development and Reform Commission of the PRC, infrastructure construction is currently the key focus for driving growth. In 2012, 22 major western development projects were launched, with a total investment of RMB577.8 billion. These favourable policies will not only improve people's living standards in China's western region, but they will also boost local demand for steel throughout the entire area.

Due to inadequate demand from downstream industries, overproduction and the drop in steel prices, steel enterprises experienced a difficult period in 2012. According to the China Iron and Steel Association(中國鋼鐵工業協會), its affiliated enterprises recorded an aggregate loss of RMB28.9 billion in 2012. However, after recording overall industry losses for most months during the first three quarters of 2012, steel prices started to rebound in late September. The overall business environment continued to improve in the fourth quarter of 2012, resulting in profitability for various enterprises. By the end of 2012, steel demand gradually stabilised and steel enterprises are cautiously optimistic about the industry's outlook.

During the year, market price for iron ore in China was generally under pressure, dropping to the lowest level in September 2012. Nonetheless, after a continuous paring down of excess supply during the first half of the year, inventories dropped to a healthier level and the price of iron ore recovered to a relatively stable range of USD120-130 by the end of 2012.

During the first half of 2012, domestic demand for titanium concentrates and titanium dioxide continued to be strong while supply remained tight. Over the second half of 2012, industry demand for titanium dioxide grew weaker as downstream enterprises slacked off their purchases, resulting in an overall reduction of production volume. This was mainly a consequence of a national policy aimed at suppressing the real estate industry. Since about 60% to 70% of all titanium dioxide is used in the paint industry, the demand for paint dropped and subsequently caused a significant decrease in orders for titanium dioxide.

BUSINESS AND OPERATIONS REVIEW

During the year, the Group's revenue decreased by 10.5% to approximately RMB1,533.7 million as compared to last year. Gross profit of the Group also decreased by 16.1% to approximately RMB693.2 million as compared to last year. 2012 saw the end of the tax holiday for foreign investment enterprise of the PRC and therefore the corporate income tax rate of the Group's major subsidiary – Huili Caitong, increased from 12.5% to 25.0% for the year. Despite this, Xiushuihe Mining and Aba Mining each started to enjoy a tax holiday. Benefiting from the great western development strategy, their corporation tax rates were dropped from 25% to 15% since 2012. Profit and total comprehensive income attributable to owners of the Company decreased by 33.5% to approximately RMB403.0 million as compared to last year.

As at 31 December 2012, the Group owned the Baicao Mine, the Xiushuihe Mine, the Yangqueqing Mine, the Cizhuqing Mine and the Maoling-Yanglongshan Mine. Apart from these mines, in August 2011 the Group also entered into an agreement to develop the Dashanshu Section of the Pingchuan Mine through a joint venture arrangement. The exploration of the Dashanshu Section of the Pingchuan Mine was completed in April 2012 and the preliminary exploration report was concluded. Moreover, in December 2011 the Group entered into an agreement to acquire Panzhihua Yixingda, which owns the exploration right of the Haibaodang Mine.

On 21 May 2012, the Company announced that pursuant to the Aba Mining Acquisition Agreement, the warranties and guarantees given by Chuan Wei, a connected person to the Group, with respect to the volume of resources and reserves of the Maoling Extended Exploration Area and the Yanglongshan Mine, the average iron content of the ore at the Maoling Extended Exploration Area as well as Aba Mining's profit for the year 2011 have all been met. With respect to the geological exploration report on the Yanglongshan Mine received by Lingyu, an indirect wholly-owned subsidiary of the Company, the average iron content of the ore at the site is 21.6%, which is above the minimum acceptable average iron content level of 20%. Nevertheless, since the average iron content is below 23% as warranted by Chuan Wei, Chuan Wei is obliged to compensate Lingyu in the amount of RMB9.13 million in accordance with the Aba Mining Acquisition Agreement. Moreover, on 19 May 2012, Lingyu and Chuan Wei entered into a supplemental agreement to the Aba Mining Acquisition Agreement with the total consideration being adjusted by the compensatory amount from RMB150.0 million to RMB140.87 million. Please refer to the Company's announcement dated 21 May 2012 for further details.

As at 31 December 2012, the Group owned the Baicao Processing Plant, the Xiushuihe Processing Plant, the Hailong Processing Plant, the Heigutian Processing Plant and two iron pelletising plants in the Panxi Region. Furthermore, the Group also owned the Maoling Processing Plant in the Aba Prefecture. As at 31 December 2012, the Group's annual self-production capacity (on a wet basis) of vanadium-bearing iron concentrates, ordinary iron concentrates, iron pellets and high-grade titanium concentrates amounted to 2,600.0 Ktpa, 150.0 Ktpa, 1,360.0 Ktpa and 280.0 Ktpa, respectively.

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

	For the year ended 31 December		
	2012	2011	Change
	(Kt)	*(Kt)*	*(%)*
Vanadium-bearing iron concentrates			
Baicao Processing Plant	**549.3**	532.8	3.1
Xiushuihe Processing Plant	**679.5**	797.6	-14.8
Heigutian Processing Plant	**709.2**	648.9	9.3
Hailong Processing Plant	**215.6**	240.5	-10.4
Independent third party processing contractors	**–**	1.3	-100.0
Total production volume	**2,153.6**	2,221.1	-3.0
Total sales volume	**1,453.9**	1,452.6	0.1
Ordinary iron concentrates			
Maoling Processing Plant	**60.4**	27.8	117.3
Total production volume	**60.4**	27.8	117.3
Total sales volume	**63.3**	26.6	138.0

	For the year ended 31 December		
	2012	2011	Change
	(Kt)	*(Kt)*	*(%)*
Iron pellets			
Old Iron Pelletising Plant	**86.4**	266.3	-67.6
New Iron Pelletising Plant	**329.9**	118.2	179.1
Independent third party pelletising contractors	**82.2**	228.9	-64.1
Total production volume	**498.5**	613.4	-18.7
Total sales volume	**494.2**	666.2	-25.8
Medium-grade titanium concentrates			
Baicao Processing Plant	**5.1**	66.3	-92.3
Xiushuihe Processing Plant	**–**	32.2	-100.0
Hailong Processing Plant	**–**	4.5	-100.0
Total production volume	**5.1**	103.0	-95.0
Total sales volume	**5.3**	81.2	-93.5
High-grade titanium concentrates			
Baicao Processing Plant	**35.6**	28.4	25.4
Xiushuihe Processing Plant	**49.6**	21.8	127.5
Heigutian Processing Plant	**61.5**	57.5	7.0
Total production volume	**146.7**	107.7	36.2
Total sales volume	**147.8**	105.4	40.2

During the year, total production volume and total sales volume of vanadium-bearing iron concentrates remained relatively stable, despite the fact that the production was adversely affected by the occasional power suspension and power supply restriction measures adopted for upgrading of the power grid during the first half of 2012 in the Panxi Region, the region where the Group's major processing plants are located.

During the year, total production volume and total sales volume of iron pellets decreased by 18.7% and 25.8%, respectively as compared to the previous year. This is mainly due to the decrease in customers' demand. As such, the production of iron pellets at the Old Iron Pelletising Plant has been suspended temporarily since August 2012.

During the year, total production volume and total sales volume of high-grade titanium concentrates increased by 36.2% and 40.2%, respectively. As high-grade titanium concentrates were in short supply and enjoyed higher profitability, such product has become a key growth driver for the Group. During the year, high-grade titanium concentrates contributed approximately 11.3% (2011: 6.7%) of the total revenue.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2012, the Group's revenue was approximately RMB1,533.7 million (2011: RMB1,713.0 million), representing a decrease of 10.5% as compared to the previous year. Such decrease was primarily due to the decrease in sales volume of iron pellets and the decrease in the average selling prices of iron ore products. Thanks to increased sales volume and selling price of high-grade titanium concentrates, the adverse effect of iron pellets and the decreased average selling prices of iron ore products were partially offset.

Cost of Sales

Cost of sales primarily included mining and stripping contracting fees, processing contracting fees, pelletising contracting fees, materials, labour, power and other utilities, repair and maintenance, as well as depreciation and amortisation. For the year ended 31 December 2012, the Group's cost of sales was approximately RMB840.6 million (2011: RMB886.4 million), representing a decrease of 5.2% as compared to the previous year. Such decrease was primarily due to the decrease in sales volume of iron pellets.

Gross Profit and Margin

As a result of the foregoing, the gross profit for the year ended 31 December 2012 decreased by 16.1%, from approximately RMB826.6 million for the year ended 31 December 2011 to approximately RMB693.2 million. The gross profit margin decreased from 48.3% for the year ended 31 December 2011 to 45.2% for the year ended 31 December 2012. The decrease in gross profit margin was primarily because of the decreased selling prices of iron ore products due to unfavorable market conditions, coupled with the impact of increased unit production costs such as increased stripping costs, levied resource tax, depreciation and other miscellaneous expenses.

Other Income and Gains

The other income and gains decreased by 41.3%, from approximately RMB109.7 million for the year ended 31 December 2011 to approximately RMB64.4 million for the year ended 31 December 2012. The other income and gains of the Group mainly included bank interest income and fair value gains on the Exchangeable Notes.

Selling and Distribution Expenses

The selling and distribution expenses slightly decreased by 1.3%, from approximately RMB46.5 million for the year ended 31 December 2011 to approximately RMB45.9 million for the year ended 31 December 2012. The selling and distribution expenses primarily consisted of transportation fees, which mainly represented the road transportation costs, the goods loading and unloading fees, platform storage and administration fees.

Administrative Expenses

The administrative expenses increased by 15.6%, from approximately RMB102.2 million for the year ended 31 December 2011 to approximately RMB118.1 million for the year ended 31 December 2012. The increase in administrative expenses was mainly due to the increase in staff costs as a result of the increased number of management and administrative staff as well as increased staff welfare expenditure during the year.

The equity-settled share option expenses of approximately RMB28.3 million for the year ended 31 December 2012 (2011: RMB28.6 million) were incurred because three batches of share options were granted to certain Directors, senior management and employees of the Group on 29 December 2009, 1 April 2010 and 23 May 2011, respectively.

Other Expenses

The other expenses increased by 8.4%, from approximately RMB19.0 million for the year ended 31 December 2011 to approximately RMB20.6 million for the year ended 31 December 2012. The other expenses mainly included impairment provision related to property, plant and equipment at the Old Iron Pelletising Plant, bank charges and other miscellaneous operating expenses.

Finance Costs

The finance costs significantly increased by 101.9%, from approximately RMB21.1 million for the year ended 31 December 2011 to approximately RMB42.6 million for the year ended 31 December 2012, primarily due to the increase in interest on bank loans and discounted bills receivable.

Income Tax Expense

The income tax expense decreased by 10.8%, from approximately RMB134.8 million for the year ended 31 December 2011 to approximately RMB120.2 million for the year ended 31 December 2012. Such decrease was primarily because of the decrease in profit before tax for the year which was partially offset by the increased corporate income tax rate, as Huili Caitong ceased enjoying the tax holiday for foreign investment enterprise of the PRC since 1 January 2012, and its corporate income tax rate was therefore increased from 12.5% to 25.0%.

Profit and Total Comprehensive Income for the Year

As a result of the foregoing, profit and total comprehensive income for the year decreased by 33.0%, from approximately RMB612.7 million for the year ended 31 December 2011 to approximately RMB410.6 million for the year ended 31 December 2012.

Profit and Total Comprehensive Income Attributable to Owners of the Company

Profit and total comprehensive income attributable to owners of the Company decreased by 33.5%, from approximately RMB605.9 million for the year ended 31 December 2011 to approximately RMB403.0 million for the year ended 31 December 2012. The Net Profit Margin decreased from 35.4% for the year ended 31 December 2011 to 26.3% for the year ended 31 December 2012.

Final Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 December 2012 (2011: HK$0.073 per Share).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 10 May 2013 to Tuesday, 14 May 2013 (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 2013 AGM, all share transfers accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 9 May 2013.

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 2012 and 2011:

	For the year ended 31 December			
	2012		2011	
	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		**196,830**		671,843
Net cash flows from operating activities	**1,090,413**		688,217	
Net cash flows used in investing activities	**(901,698)**		(1,046,020)	
Net cash flows used in financing activities	**(10,200)**		(117,446)	
Net increase/(decrease) in cash and cash equivalents		**178,515**		(475,249)
Effect of foreign exchange rate changes, net		**1**		236
Cash and cash equivalents as stated in the consolidated statement of cash flows at end of year		**375,346**		196,830

Net Cash Flows from Operating Activities

The Group's net cash flows from operating activities increased by 58.4%, from approximately RMB688.2 million for the year ended 31 December 2011 to approximately RMB1,090.4 million for the year ended 31 December 2012. It primarily included the profit before tax of RMB530.8 million and the increase in trade and bills payables.

Net Cash Flows used in Investing Activities

The Group's net cash flows used in investing activities decreased by 13.8%, from approximately RMB1,046.0 million for the year ended 31 December 2011 to approximately RMB901.7 million for the year ended 31 December 2012. It primarily included the increase in time deposits with maturity of over three months of approximately RMB523.8 million; (ii) the purchase of items of property, plant and equipment and intangible assets of approximately RMB161.7 million; (iii) the increase in pledged bank balance for issuance of bills payable of approximately RMB156.8 million and (iv) the deposit for acquisition of Panzhihua Yixingda and the paid-up capital to establish Weichuan Mining of RMB50.0 million and RMB10.5 million, respectively.

Net Cash Flows used in Financing Activities

The Group's net cash flows used in financing activities significantly decreased by 91.3%, from approximately RMB117.4 million for the year ended 31 December 2011 to approximately RMB10.2 million for the year ended 31 December 2012. It primarily included the payment of the acquisition of Aba Mining of approximately RMB10.9 million, the payment of 2011 final dividend of approximately RMB122.4 million and the net repayment of borrowings of approximately RMB26.2 million, which were partially offset by the net proceeds from the issuance of commercial papers of RMB149.3 million by Huili Caitong.

Analysis of Inventories

The Group's inventories increased by 31.1%, from approximately RMB137.3 million as at 31 December 2011 to approximately RMB180.0 million as at 31 December 2012. It is primarily because of increased production in the last quarter since the Group forecasted an increase in selling prices of iron ore products after the year end.

Analysis of Trade and Bills Receivables

The Group's trade and bills receivables decreased by 18.8%, from approximately RMB134.4 million as at 31 December 2011 to approximately RMB109.1 million as at 31 December 2012. Trade receivable turnover days were approximately 25 days (2011: 26 days) and the Group generally has the one-month credit period given to the customers.

Analysis of Trade and Bills Payables

The Group's trade and bills payables significantly increased by 139.3%, from approximately RMB341.2 million as at 31 December 2011 to approximately RMB816.6 million as at 31 December 2012, primarily due to the significant increase of settlement to suppliers through the usage of bills during the year.

Analysis of Net Current Assets Position

The Group's net current assets position increased by 53.3%, from approximately RMB360.7 million as at 31 December 2011 to approximately RMB553.0 million as at 31 December 2012, primarily attributable to profits realised during the year, which outweighed the capital expenditure incurred as well as the payment of 2011 final dividend.

Borrowings

As at 31 December 2012, the Group's borrowings mainly included: (i) an unsecured short-term bank loan of RMB150.0 million with an annual interest rate of 6.56% from CCB Xichang branch to Huili Caitong in February 2012 and the unsecured long-term bank loans of RMB100.0 million with annual interest rates ranging from 6.4% to 7.05% from CCB Xichang branch to Huili Caitong in February 2010, of which RMB25.0 million is repayable within one year. In accordance with the loan agreements entered into between Huili Caitong and CCB Xichang branch, Huili Caitong agreed not to mortgage or pledge Huili Caitong's mining right of the Baicao Mine and its vanadium-bearing iron concentrate production line with an annual production capacity of 500.0 Ktpa to any parties and CCB Xichang branch will be entitled to a pre-emption right in the event of such mortgage or pledge; (ii) a secured short-term bank loan of US$15.0 million (approximately RMB94.3 million) with an annual interest rate of prevailing LIBOR plus 2% from OCBC to the Company in May 2011 which was renewed in April 2012 and secured by a deposit of RMB100.0 million pledged by Huili Caitong at OCBC Chengdu branch; and (iii) two short-term bank loans of RMB48.0 million with annual interest rates ranging from 5.76% to 7.59% from CCB Aba branch to Aba Mining in 2011 and 2012, respectively, which were jointly guaranteed by Chuan Wei and Chengyu Vanadium Titano.

Commercial Papers

Huili Caitong issued the first tranche of one-year commercial papers of RMB150.0 million with an annual interest rate of 5.8% valid on 19 December 2012.

Contingent Liabilities

As at 31 December 2012, the Group did not have any material contingent liabilities.

Pledge of Assets

As at 31 December 2012, Huili Caitong pledged its deposit of RMB100.0 million at OCBC Chengdu branch for the bank loan of US$15.0 million (equivalent to approximately RMB94.3 million) obtained by the Company from OCBC and deposits of RMB168.8 million at banks for the issuance of bills payable.

Foreign Currency Risk

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

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

Interest Rate Risk

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

Contractual Obligations

As at 31 December 2012, the Group's contractual obligations amounted to approximately RMB470.8 million, and decreased by RMB35.6 million as compared to approximately RMB506.4 million as at 31 December 2011, which was primarily due to the progressive completion of major construction works at the Baicao Mine and the Xiushuihe Mine and further payment in respect of the deposit paid for the acquisition of Panzhihua Yixingda during the year.

Capital Expenditure

The Group's total capital expenditure decreased by RMB161.6 million from approximately RMB347.6 million in 2011 to approximately RMB186.0 million in 2012. The capital expenditure consisted of (i) construction and improvement of tailing storage facilities to cope with expanded production capacity at the Xiushuihe Processing Plant, the Heigutian Processing Plant and the Baicao Processing Plant aggregate to approximately RMB69.8 million; (ii) the tunnel construction at the Maoling Mine of approximately RMB25.8 million; (iii) further improvement to enlarge the storage capacity of waste piles at the Baicao Mine and the Yangqueqing Mine aggregate to RMB20.2 million; (iv) further improvement to the Xiushuihe Processing Plant and the Hailong Processing Plant aggregate to RMB15.1 million; (v) further improvement to the first phase of the New Iron Pelletising Plant with an annual production capacity of 1,000.0 Kt of approximately RMB14.3 million; (vi) exploration and evaluation costs in respect of the Maoling-Yanglongshan Mine and obtaining mining right of the Xiushuihe Mine (including expansion) aggregate to RMB5.8 million; and (vii) development of the construction of miscellaneous projects and acquisition of machinery equipment aggregate to approximately RMB35.0 million.

Financial Instruments

As at 31 December 2012, the Group had the Exchangeable Notes in the principal amount of US$30.0 million. The Exchangeable Notes are accounted for as financial assets at fair value through profit or loss.

Gearing Ratio

Gearing ratio is a measure of financial leverage, which is calculated by net debt divided by "total equity plus net debt". Net debt is defined as interest-bearing bank loans, net of cash and cash equivalents and excludes liabilities incurred for working capital purposes. Total equity includes equity attributable to owners of the Company and non-controlling interests. As at 31 December 2012, the Group's cash and cash equivalents exceeded the interest-bearing bank loans. As such, no gearing ratio as at 31 December 2012 is presented.

RESOURCE AND RESERVES OF MINES UNDER THE JORC CODE AS AT 1 JANUARY 2013

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

(a) JORC Mineral Resource Category

	Tonnage		Grades			Contained Metals	
	(Mt)	TFe (%)	TiO_2 (%)	V_2O_5 (%)	TFe (Kt)	*TiO_2 (Kt)	V_2O_5 (Kt)
Baicao Mine							
Measured	30.46	25.14	10.75	0.20	7,657.64	3,274.45	60.92
Indicated	43.92	24.15	10.03	0.21	10,606.68	4,405.18	92.23
Total (M+I)	**74.38**	**24.56**	**10.32**	**0.21**	**18,264.32**	**7,679.63**	**153.15**
Inferred	28.16	26.63	10.98	0.23	7,499.01	3,091.97	64.77
Xiushuihe Mine including expansion							
Measured	50.76	25.31	6.23	0.23	12,849.44	3,160.18	116.35
Indicated	32.44	23.87	5.69	0.19	7,745.01	1,844.28	62.69
Total (M+I)	**83.20**	**24.75**	**6.01**	**0.22**	**20,594.45**	**5,004.46**	**179.04**
Inferred	7.23	22.43	7.40	0.17	1,621.69	535.02	12.29

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

(b) JORC Ore Reserve Category

	Tonnage		Grades			Contained Metals	
	(Mt)	TFe (%)	TiO_2 (%)	V_2O_5 (%)	TFe (Kt)	*TiO_2 (Kt)	V_2O_5 (Kt)
Baicao Mine							
Proved	14.85	25.00	10.50	0.22	3,712.50	1,559.25	32.67
Probable	26.40	25.90	10.20	0.22	6,837.60	2,692.80	58.08
Total	**41.25**	**25.58**	**10.31**	**0.22**	**10,550.10**	**4,252.05**	**90.75**
Xiushuihe Mine including expansion							
Proved	37.14	24.60	9.50	0.22	9,136.44	2,172.50	81.71
Probable	23.23	23.80	8.60	0.20	5,528.74	1,325.50	46.46
Total	**60.38**	**24.29**	**9.15**	**0.21**	**14,665.18**	**3,498.00**	**128.17**

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

Resource Summary of the Maoling-Yanglongshan Mine

JORC Mineral Resource Category

	Tonnage (Mt)	Grades TFe (%)	Contained Metals TFe (Kt)
Maoling-Yanglongshan Mine			
Measured	–	–	–
Indicated	13.19	22.67	2,989.94
Total (M+I)	**13.19**	**22.67**	**2,989.94**
Inferred	47.24	22.86	10,801.10

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

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

EMPLOYEES AND EMOLUMENT POLICIES

As at 31 December 2012, the Group had a total of 2,051 dedicated full time employees (31 December 2011: 2,030 employees), including 185 management and administrative staff, 100 technical staff, 11 sales and marketing staff and 1,755 operational staff. For the year ended 31 December 2012, the employee benefit expense (including Directors' remuneration in the form of salaries, equity-settled share option expenses and other allowances) was approximately RMB129.3 million (2011: RMB105.1 million).

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

OTHER SIGNIFICANT EVENTS

(i) On 21 May 2012, the Group announced that the below warranties and guarantees given by Chuan Wei, a connected person to the Group, had been met:

(a) the volume of resources and reserves of the Maoling Extended Exploration Area and the Yanglongshan Mine;

(b) the average iron content of the ore at the Maoling Extended Exploration Area; and

(c) Aba Mining's profit for the year 2011 pursuant to the Aba Mining Acquisition Agreement.

The Group further announced that the average iron content of the ore at the Yanglongshan Mine was above the minimum acceptable average iron content level but below the warranted average iron content level provided by Chuan Wei and Chuan Wei was obligated to compensate Lingyu for an amount of RMB9.13 million (the "Compensation Amount") in accordance with the Aba Mining Acquisition Agreement. The Directors expected that there would be no material impact in terms of the mining and beneficiation process and production cost in respect of the Yanglongshan Mine as a result of the minor difference between the actual and warranted average iron content. On 19 May 2012, Lingyu and Chuan Wei entered into a supplemental agreement to the Aba Mining Acquisition Agreement (the "Supplemental Agreement"), pursuant to which, the RMB20 million, being part of the total consideration for the acquisition of the entire equity interest in Aba Mining (the "Aba Mining Acquisition"), payable by Lingyu to Chuan Wei (the "RMB20 million Payment") has been adjusted by the Compensation Amount to RMB10.87 million. Accordingly, the total consideration for the Aba Mining Acquisition of RMB150 million has been adjusted by the Compensation Amount to RMB140.87 million. Upon the payment by Lingyu to Chuan Wei of RMB10.87 million, Chuan Wei would be deemed to have paid the Compensation Amount and fulfilled its obligation under the relevant warranty on the average iron content of the ore at the Yanglongshan Mine under the Aba Mining Acquisition Agreement. Please refer to the Company's announcement dated 21 May 2012 for further details.

Based on the terms of the Supplemental Agreement, the independent non-executive Directors are of the opinion that by agreeing to the terms of the Supplemental Agreement whereby the RMB20 million Payment had been adjusted by the Compensation Amount to RMB10.87 million, Chuan Wei has fulfilled its obligations under the relevant warranty on the average iron content of the ore at the Yanglongshan Mine in the Aba Mining Acquisition Agreement.

(ii) As announced on 5 November 2012, the Board confirmed that it had received a letter from Trisonic International, in which Trisonic International informed the Board that it was interested in pursuing a proposal for the privatisation of the Company by Keen Talent. Trisonic International had indicated in the letter that it expected to implement the proposal by way of a Scheme. Please refer to the Company's announcement dated 5 November 2012 for further details.

On 21 December 2012, Keen Talent requested the Board to put forward the privatisation proposal to the Scheme Shareholders which, if approved and implemented, would result in the Company becoming wholly-owned by Keen Talent and Trisonic International and the withdrawal of the listing of the Shares on the Stock Exchange in accordance with Rule 6.15 of the Listing Rules. If the Scheme becomes effective, the Scheme Shareholders will receive from Keen Talent the consideration of HK$1.93 in cash for every Scheme Share cancelled. Pursuant to Rule 13 of the Takeovers Code, Keen Talent will make an appropriate cash offer to the optionholders to cancel their share options, and the option offer will be conditional upon the Scheme becoming effective. Keen Talent will finance the aggregate consideration and option amount payable under the privatisation proposal by a combination of external debt financing provided by the bank facility and the internal cash resources of Trisonic International and its subsidiaries (other than the Group). The Directors (other than members of the IBC) believed that, in view of the relatively thin trading liquidity and persistently weak performance of the Shares since the IPO, the Scheme provides an opportunity for the Scheme Shareholders to realise their Shares in return for cash. The IBC would advise and make a recommendation to the Independent Shareholders as to whether the privatisation proposal is, or is not, fair and reasonable and as to what action they should take in respect of the privatisation proposal and to the optionholders as to whether the option offer is, or is not, fair and reasonable and as what action they should take in respect of the option offer. Please refer to the joint announcement of the Company, Trisonic International and Keen Talent dated 21 December 2012.

(iii) On 19 December 2012, Huili Caitong, an indirect wholly-owned subsidiary of the Company, completed the issue of the short-term commercial papers in the PRC for a total registered principal amount of up to RMB700 million. The short-term commercial papers have a term of 365 days at the fixed interest rate of 5.8% per annum and the interest has accrued since 19 December 2012. As at 19 December 2012, the total amount raised was RMB150 million which will be used to fund the mining operations of Huili Caitong. Please refer to the Company's announcement dated 27 December 2012 for further details.

OUTLOOK

Benefiting from Favourable Government Policies

According to the 18th National Congress of The Communist Party of China (中國共產黨第十八次全國代表大會), rapid reform of the western development is considered a top priority. To this end, the Chinese government is actively encouraging urban development, promoting the construction of highways, railway transport, gas pipelines and other infrastructure projects. 22 key projects of the western development have already begun, including a number of railway ventures, such as the Chongqing-Wanzhou (重慶至萬州) railway, the additional line of the west railway from Xi'an to Hefei (西安至合肥), and several airport development projects, including the construction of a branch airport in the western region.

Regarding gas pipeline projects, construction of the 7,378 km West-East Gas Pipeline (西氣東輸) has already begun. It is estimated that the total national investment amount for this project is over RMB120 billion, which requires large volumes of steel pipe. These gas line projects are also expected to set a precedent in terms of domestic equipment and materials usage, which will, in turn, drive the development of the steel, machinery, metallurgy and other related industries in China.

All of the above policies will spur industry demand and further benefit domestic Chinese upstream mining companies, especially those located in the western region. In addition, the China Metallurgical Industry Planning and Research Institute (中國冶金工業規劃研究院), expects that in 2013 the demand for iron ore products will reach 1.1 billion tonnes, representing a year-on-year growth of 4%.

Business Strategy

To cope with future demand, the Group will strive to actively develop its own valuable mineral resources. With respect to the Maoling-Yanglongshan Mine, because its resource volumes, reserve warranties and guarantees have all been met, the Group will start developing it with expected commercial production beginning by the end of 2014. The exploration of the Dashanshu Section of the Pingchuan Mine was completed in April 2012 and the preliminary exploration report has been completed. The Haibaodang Mine, though, is still under exploration. Upon various conditions such as level of resources and grading of these two mines meet the terms and conditions the Company which have been agreed upon with the sellers or partners, the Group will proceed and complete the acquisition and commence its capacity expansion plan. Following the gradual completion of all the plans, the Group's mining resources will be significantly enhanced.

Furthermore, the Group will adopt the following strategies:

– To increase resources and reserves in sustainable ways, including boundary extensions of existing mines as well as acquisitions of new mines;

– To enhance production processing capacity by further expanding production volume through the use of innovative technologies; and

– To maintain cost competitiveness strengths in order to leverage all opportunities, and carry out prudent overseas investments to maximise profits.

Going forward, as the industry's leader and prime integrator, the Group will continue to consolidate its economic advantages and proactively seek out all viable market opportunities. The Group will fully leverage its leading position in the iron ore mining industry and strive for satisfactory business performance.

CORPORATE GOVERNANCE

The Company has adopted the Former CG Code (up to 31 March 2012) and the New CG Code (since 1 April 2012) as its own code of corporate governance. The Directors consider that the Company has complied with all applicable code provisions in the Former CG Code during the period from 1 January 2012 to 31 March 2012 and the New CG Code during the period from 1 April 2012 to 31 December 2012 except for code provision A.6.7 as described below.

Code provision A.6.7 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. Wang Jin and Teo Cheng Kwee did not attend the annual general meeting held on 8 May 2012 due to other business commitment.

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

Throughout the year ended 31 December 2012, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry to all the Directors of the Company, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the year ended 31 December 2012.

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE WEBSITE

This announcement is published on the websites of the Company and the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2012 will be dispatched to Shareholders of the Company and available on the above websites in due course.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2012.

GLOSSARY

"2013 AGM"	the Shareholders' annual general meeting to be held on 14 May 2013
"Aba Mining"	Aba Mining Co., Ltd.* (阿壩礦業有限公司), a limited liability company established in the PRC on 27 February 2004 and an indirect wholly-owned subsidiary of the Company
"Aba Mining Acquisition Agreement"	the equity interest transfer agreement dated 15 November 2010 entered into between Lingyu (as transferee) and Chuan Wei (as transferor) under which the entire interest in Aba Mining is being transferred
"Aba Prefecture"	阿壩藏族羌族自治州, Aba Tibetan and Qiang Autonomous Prefecture
"associates"	has the meaning ascribed thereto in the Listing Rules
"Baicao Mine"	白草鐵礦, the vanadium-bearing titano-magnetite mine located in Xiaoheiqing Townlet, 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 at the Baicao Mine and operated by Huili Caitong
"beneficiation"	a process to upgrade the mineralised content of an ore or of ore concentrates typically through flotation, gravity or magnetic separation
"Board"	the board of Directors
"Chengyu Vanadium Titano"	Chengyu Vanadium Titano Technology Ltd.* (成渝釩鈦科技有限公司), formerly known as Weiyuan Steel Co., Ltd.* (威遠鋼鐵有限公司), a sino-foreign equity joint venture established in the PRC on 3 April 2001 and a connected person to the Group

"China" or "PRC"	the People's Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"China VTM Mining", "Company", "our Company", "we" or "us"	China Vanadium Titano-Magnetite Mining Company Limited (中國釩鈦磁鐵礦業有限公司), a limited liability company incorporated in the Cayman Islands on 28 April 2008
"Chongqing"	a major city in Southwest China
"Chuan Wei"	Sichuan Chuanwei Group Co., Ltd.*（四川省川威集團有限公司）, a limited liability company established in the PRC on 29 March 1998 and a connected person to the Group
"Cizhuqing Mine"	茨竹箐鐵礦, the vanadium-bearing titano-magnetite mine located in Xiaoheiqing Townlet, Huili County, Sichuan, with an exploration area of 2.30 sq.km.
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"concentrate(s)"	the product(s) of ore processing plants that contain higher concentrations of the minerals and are suitable for smelting
"connected person(s)"	has the meaning ascribed thereto in the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed thereto in the Listing Rules and in the context of this announcement, refers to Trisonic International, Kingston Grand, Messrs. Wang Jin, Shi Yinjun, Yang Xianlu, Wu Wendong, Zhang Yuangui and Li Hesheng
"Dashanshu Section"	the Dashanshu section* (大杉樹礦段) of the Pingchuan Mine which has an exploration area of approximately 5 sq.km. within the exploration area set out in the exploration permit of the Pingchuan Mine
"Director(s)"	director(s) of the Company or any one of them
"Eurozone"	a geographic and economic region that comprises all of the European Union countries that have fully incorporated the euro as their national currency

"Exchangeable Note(s)"	the exchangeable note(s) in the principal amount due in 2014 issued by the Issuer in accordance with the Secured Exchangeable Note Purchase Agreement with its terms and conditions set out in the Note Certificate
"Former CG Code"	the Code on Corporate Governance Practice as set out in Appendix 14 to the Listing Rules (effective until 31 March 2012)
"grade"	the concentration, commonly expressed as percentage or grams per tonne, of useful elements, minerals or their components in any ore or concentrate
"Group"	the Company and its subsidiaries
"Haibaodang Mine"	海保凼鈦鐵礦, the vanadium-bearing titano-magnetite mine located in Renhe District, Panzhihua City, Sichuan, currently under exploration with an exploration area of 20.37 sq.km.
"Hailong Processing Plant"	the ore processing plant located at Huili County and operated by Huili Caitong
"Heigutian Processing Plant"	the ore processing plant located at Yanbian County and operated by Yanbian Caitong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Huili Caitong"	Huili County Caitong Iron and Titanium Co., Ltd.* (會理縣財通鐵鈦有限責任公司), established in the PRC on 7 July 1998 and is a foreign equity joint venture in the PRC since 29 December 2010, an indirect wholly-owned subsidiary of the Company
"IBC"	the independent committee of the Board formed for the purpose of advising the Independent Shareholders as to what action they should take in relation to the privatisation proposal and it comprises all the independent non-executive Directors

"Independent Shareholders"	the Shareholders (other than Mr. Wang Jin, Trisonic International, Sapphire and any other persons acting in concert with Keen Talent)
"Indicated Resources"	part of the iron ore resources for which tonnage, densities, shape, physical characteristics, quality and mineral content can be estimated with a reasonable level of confidence as defined by the JORC Code
"Inferred Resources"	part of the iron ore resources for which tonnage, quality and mineral content can be estimated with a low level of confidence as defined by the JORC Code
"IPO"	the initial public offering and listing of Shares of the Company on the Main Board on 8 October 2009
"iron"	a silvery-white, lustrous, malleable, ductile, magnetic or magnetisable, metallic element occurring abundantly in combined forms, notably in hematite, limonite, magnetite, and taconite, and alloyed for use in a wide range of important structural materials
"iron concentrate(s)"	concentrate(s) whose main mineral content (by value) is iron
"iron ore"	compounds of iron and oxygen (iron oxides) mixed with impurities (gangue); it is a mineral which when heated in the presence of a reductant will yield metallic iron
"iron pellet(s)"	a round hardened clump of iron-rich material suitable for application in blast furnaces
"Issuer"	Rui Tong Limited, a private company incorporated in the British Virgin Islands with limited liability, being the issuer of the Exchangeable Note under the Secured Exchangeable Note Purchase Agreement and a third party independent of the Company and its connected persons
"JORC Code"	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004 edition), as published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy and used to determine resources and reserves, as amended from time to time

"Keen Talent"	Keen Talent Holdings Limited (創鑫控股有限公司), a company incorporated in Hong Kong on 20 August 2012, a wholly-owned subsidiary of Trisonic International
"Kingston Grand"	Kingston Grand Limited, a company incorporated in the British Virgin Islands on 20 February 2007, holder of 40% of the issued share capital of Trisonic International
"km"	kilometre(s), a metric unit measure of distance
"Kt"	thousand tonnes
"Ktpa"	thousand tonnes per annum
"LIBOR"	The London Inter Bank Offered Rate, as determined by the bank for interest periods of up to 12 months or such other interest periods at may be agreed by the bank
"Lingyu"	Sichuan Lingyu Investment Co., Ltd.* (四川省凌御投資有限公司), a limited liability company established in the PRC on 9 June 2010 and an indirect wholly-owned subsidiary of the Company
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	the Main Board of the Stock Exchange
"Maoling Extended Exploration Area"	formerly an independent exploration region with an area of 2.83 sq.km. covered under the extended exploration permit of the Maoling Mine (covering 1.9 sq.km. of the mining area of the Maoling Mine), has been consolidated with the Yanglongshan Mine since September 2012 to form the Maoling-Yanglongshan Mine
"Maoling Mine"	毛嶺鐵礦, an ordinary magnetite mine owned by Aba Mining and located in Wenchuan County, Sichuan, with a mining area of 1.9 sq.km.
"Maoling Processing Plant"	the ore processing plant located at the Maoling Mine and operated by Aba Mining

"Maoling-Yanglongshan Mine"	an exploration region with an area of 11.6 sq.km. covered under the exploration permit of the Maoling-Yanglongshan Mine (the mining area covered is owned by the Maoling Mine), formed from the combination of the original Maoling Extended Exploration Area and the Yanglongshan Mine since September 2012
"Measured Resources"	mineral resources that have been intersected and tested by drill holes or sampling procedures at locations close enough to confirm continuity
"mining right(s)"	the right(s) to mine mineral resources and obtain mineral products in areas where mining activities are licensed
"Model Code"	Model Code for Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 of the Listing Rules
"Mt"	million tonnes
"Net Profit Margin"	a ratio of profitability calculated as the profit and total comprehensive income attributable to owners of the Company divided by revenue
"New CG Code"	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules (effective since 1 April 2012)
"New Iron Pelletising Plant"	the plant that produces iron pellets and is located in Ailang Townlet, Huili County, Sichuan, which is approximately 5.5 km from the Xiushuihe Mine
"Note Certificate"	the note certificate of the Exchangeable Note with the terms and conditions of the Exchangeable Note set out therein
"OCBC"	Oversea-Chinese Banking Corporation Limited
"Old Iron Pelletising Plant"	the plant that produces iron pellets and is located approximately 36 km from the Xiushuihe Mine
"ore processing"	the process which in general refers to the extraction of usable portions of ores by using physical and chemical extraction methods

"Panxi Region"	a region in Sichuan located at southwest of Chengdu reaching from Panzhihua to Xichang
"Panzhihua Yixingda"	Panzhihua Yixingda Industrial Trading Co., Ltd.* (攀枝花易興達工貿有限責任公司), a limited liability company registered in the PRC on 9 July 2009
"pelletising"	a process to compress the iron ore into the shape of a pellet
"Pingchuan Mine"	the Pingchuan iron mine which is located in Yanyuan County, Liangshan Prefecture, Sichuan, which has an exploration area of 69.09 sq.km. as set out in the exploration permit
"Proved and probable reserves"	reserves that have been based after application of mining recovery and dilution facts, on an in-situ identified resources which have been categorised as "indicated" and "measured" under the JORC Code
"Renminbi" or "RMB"	the lawful currency of the PRC
"reserve(s)"	the part of a measured and/or indicated resource(s) which could be mined and from which valuable or useful minerals could be recovered economically under conditions reasonably assumed at the time of estimation
"resource(s)"	a concentration or occurrence of iron ore of intrinsic economic interest in or on the earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction
"Scheme"	a scheme of arrangement under Section 86 of the Companies Law for the implementation of the privatisation proposal
"Scheme Share"	the Share held by the Scheme Shareholder
"Scheme Shareholder(s)"	the Shareholder(s) other than Trisonic International

"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$0.1 each
"Shareholder(s)"	holder(s) of the Share(s)
"Sichuan"	the Sichuan Province of the PRC
"sq.km."	square kilometres
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"TFe"	the symbol for denoting total iron
"TiO_2"	the chemical symbol for titanium dioxide
"titanium"	a light, strong, lustrous, corrosion-resistant transition metal with a white-silvery-metallic colour
"titanium concentrate(s)"	concentrate(s) whose main content (by value) is titanium dioxide
"Trisonic International"	Trisonic International Limited (合創國際有限公司), a company incorporated in Hong Kong on 19 July 2006 and a Controlling Shareholder
"United States" or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US dollars" or "US$"	the lawful currency of the United States
"V_2O_5"	the chemical symbol for vanadium pentoxide
"Weichuan Mining"	Liangshan Prefecture Weichuan Mining Co., Ltd.* (涼山州威川礦業有限公司), a limited liability company established on 2 May 2012 and is a sino-foreign equity joint venture enterprise in the PRC that Lingyu owns its 51% equity interest

"Xiushuihe Mine"	秀水河鐵礦, the vanadium-bearing titano-magnetite mine located in Ailang Townlet, Huili County, Sichuan and operated by Xiushuihe Mining, with a mining area of 0.52 sq.km.
"Xiushuihe Mining"	Huili County Xiushuihe Mining Co., Ltd.* (會理縣秀水河礦業有限公司), a limited liability company established in the PRC on 26 June 2007, an indirect subsidiary of the Company that owns 95.0% equity interest
"Xiushuihe Processing Plant"	the ore processing plant located at the Xiushuihe Mine and operated by Xiushuihe Mining
"Yanglongshan Mine"	羊龍山鐵礦, the iron mine located at Yanglongshan in Wenchuan County, Sichuan, formerly an independent exploration region with an area of 8.79 sq.km. covered under the exploration permit of the Yanglongshan Mine, and has been consolidated as the Maoling-Yanglongshan Mine with the original Maoling Extended Exploration Area since September 2012
"Yangqueqing Mine"	陽雀箐鐵礦, the vanadium-bearing titano-magnetite mine located in Huili County, Sichuan, with a mining area of 0.25 sq.km.
"Yangqueqing Mine's Expansion"	the area between the Yangqueqing Mine and the Baicao Mine

* *For identification purpose only*

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

Hong Kong, 28 March 2013

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

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