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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

FINANCIAL HIGHLIGHTS

The shift in demand to high-grade or high Fe iron ore from low-grade or low Fe iron ore has fragmented the iron ore market and driven up the prices for iron ore with higher iron content, which is less pollutive during steel production, while the Chinese government has stepped up efforts in anti-smog policies to control emission and protect the environment. This market trend has largely affected the Group's interim financial performance for its production of low-grade iron concentrates but conversely, has resulted in improvement of operating cash flows for its production of high-grade iron concentrates during the Reporting Period.

For the Reporting Period:

- the Group's revenue fell by RMB166.9 million or 23.3% to RMB548.8 million for 1H2018 compared to 1H2017 as a result of the significantly lower selling price for both low-grade iron concentrates and titanium concentrates and lower trading volume, offset by higher selling price of high-grade iron concentrates;

- the Group's gross profit fell by RMB22.3 million or 31.8% to RMB47.7 million for 1H2018 compared to 1H2017. The gross profit margin fell by 1.1 percentage points to 8.7% for the same period. Both gross profit and margin fell on the back of lower revenue;

- administrative expenses rose by RMB43.3 million or 168.9% to RMB68.9 million due mainly to one-off retrenchment and redundancy compensation as a result of the Group's strategies to streamline operations and reduce production capacity for its low-grade iron concentrates at the Low Fe Mines in the southern region of Sichuan (the "Southern Region") given the major industrial reform initiated by the Chinese government. These one-off expenses were more than the cost control savings during the Reporting Period. The Group also received government grants subsidising part of the compensation costs incurred for its discretionary redundancy plans for its Low Fe Mines given the supportive initiatives in cutting down excess capacity;

- impairment losses of RMB381.6 million were recorded mainly for the Low Fe and Inactive Mines given (i) falling value-in-use due to the fall in the selling price and the lower-than-expected utilisation rates and (ii) inactive status of the existing suspended mines which the Group has no commercial grounds to expand or resume production; and

- given the above, the loss attributable to owners of the Company ("Net Loss") was approximately RMB400.4 million for 1H2018, compared to RMB111.3 million for 1H2017 due mainly to weak financial performance and impairment losses for the Low Fe and Inactive Mines in the Southern Region. Excluding the impairment losses and write-down of inventories to net realisable value mainly for the Low Fe and Inactive Mines, the Group's Net Loss would have been narrowed to just RMB12.6 million, as mainly attributed to an improvement in financial performance for the Group's High Fe Mines in the northern region of Sichuan (the "Northern Region").

The Board hereby announces the unaudited interim condensed financial information of the Group for the Reporting Period together with the comparative information for the corresponding period as follows:

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

		For the six months ended 30 June	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**548,764**	715,668
Cost of sales		**(501,028)**	(645,645)
Gross profit		**47,736**	70,023
Other income and gains	*5*	**108,056**	618
Selling and distribution expenses		**(43,116)**	(35,817)
Administrative expenses		**(68,913)**	(25,626)
Impairment loss on trade receivables	*13*	**–**	(8,843)
Write-down of inventories to net realisable value	*7*	**(6,149)**	–
Impairment loss on assets classified as held for sale	*15*	**–**	(20,000)
Fair value loss on financial assets at fair value through profit or loss	*14*	**–**	(55,907)
Impairment loss on property, plant and equipment	*10*	**(87,776)**	–
Impairment loss on intangible assets	*10*	**(292,794)**	–
Impairment loss on prepaid land lease payments	*10*	**(1,042)**	–
Other expenses		**(14,429)**	(5,786)
Finance costs	*6*	**(29,827)**	(30,412)
Share of loss of an associate		**–**	(1,830)
Loss before tax	*7*	**(388,254)**	(113,580)
Income tax expense	*8*	**(15,087)**	(1,601)
LOSS FOR THE PERIOD		**(403,341)**	(115,181)

	Notes	For the six months ended 30 June **2018** ***RMB'000*** **(Unaudited)**	2017 *RMB'000* (Unaudited)
Other comprehensive loss:			
Other comprehensive loss to be reclassified to profit or loss in subsequent years:			
Exchange differences on translation of foreign operations		**(340)**	–
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(403,681)**	(115,181)
Loss attributable to:			
Owners of the Company		**(400,373)**	(111,327)
Non-controlling interests		**(2,968)**	(3,854)
		(403,341)	(115,181)
Total comprehensive loss attributable to:			
Owners of the Company		**(400,648)**	(111,327)
Non-controlling interests		**(3,033)**	(3,854)
		(403,681)	(115,181)
Loss per Share attributable to ordinary equity holders of the Company:			
– Basic and diluted	*9*	**RMB(0.18)**	RMB(0.05)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	**30 June 2018 RMB'000 (Unaudited)**	31 December 2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**559,551**	630,898
Intangible assets	*10*	**1,054,198**	1,349,971
Other intangible asset	*10*	**8,440**	8,440
Prepaid land lease payments	*10*	**31,419**	33,015
Prepayments and deposits	*11*	**7,837**	7,347
Payments in advance		**156**	156
Deferred tax assets	*12*	**54,937**	70,269
Total non-current assets		**1,716,538**	2,100,096
CURRENT ASSETS			
Inventories		**116,840**	174,637
Trade and bills receivables	*13*	**310,661**	373,707
Prepayments, deposits and other receivables	*11*	**70,689**	71,387
Financial assets at fair value through profit or loss	*14*	**–**	–
Due from related parties		**1,121**	637
Cash and cash equivalents		**13,589**	13,286
		512,900	633,654
Assets classified as held for sale	*15*	**301,021**	302,125
Total current assets		**813,921**	935,779
CURRENT LIABILITIES			
Trade and bills payables	*16*	**170,345**	175,871
Contract liabilities	*17*	**2,971**	–
Other payables and accruals		**474,567**	554,906
Interest-bearing bank and other loans	*18*	**590,682**	596,205
Due to related parties		**10,975**	11,220
Tax payables		**2,288**	3,254
Dividend payable		**1,801**	1,801
Total current liabilities		**1,253,629**	1,343,257

	Notes	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000
NET CURRENT LIABILITIES		**(439,708)**	(407,478)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,276,830**	1,692,618
NON-CURRENT LIABILITIES			
Interest-bearing bank and other loans	*18*	**305,900**	311,106
Provision for rehabilitation		**11,790**	11,400
Other payables		**17,716**	25,007
Total non-current liabilities		**335,406**	347,513
Net assets		**941,424**	1,345,105
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*19*	**197,889**	197,889
Reserves		**422,369**	823,018
		620,258	1,020,907
Non-controlling interests		**321,166**	324,198
Total equity		**941,424**	1,345,105

NOTES TO INTERIM CONDENSED FINANCIAL INFORMATION

For the six months ended 30 June 2018

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 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 in Hong Kong is located at Unit A, 4th Floor, E168, Nos. 166-168 Des Voeux Road Central, Hong Kong.

During the Reporting Period, the Group was principally engaged in the following principal activities:

- mining and ore processing
- sale of self-produced products
- trading of coals and steels
- management of strategic investments
- rendering of specialised mining services

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 PREPARATION

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

The unaudited interim condensed financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2017.

Going concern basis

During the Reporting Period, the Group incurred a consolidated net loss of RMB403,341,000 (six months ended 30 June 2017: RMB115,181,000). As at 30 June 2018, the Group had net current liabilities of RMB439,708,000 (31 December 2017: RMB407,478,000).

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

(a) As at 30 June 2018, the Group's total borrowings amounted to RMB896,582,000, of which RMB590,682,000 will be due within twelve months from 30 June 2018. The Group has not experienced any significant difficulties in renewing its short-term bank loans upon their maturities and there is no indication that the banks will not renew the existing bank loans if the Group applies for renewal. The Group will actively negotiate with the banks for the renewal of its borrowings when they fall due to secure necessary facilities to meet the Group's working capital and financial requirements next year. The Directors have evaluated all the relevant facts available to them and are of the opinion that they have a good track record or relationship with the banks so that the bank loans will be renewed upon maturity. During 2017, the Group had successfully renewed certain short-term bank loans into three-year long-term loans of approximately RMB320,000,000.

(b) The Group is taking the necessary measures to expedite the disposal of the Heigutian Processing Plant at indicative disposal prices under a framework agreement signed with the potential buyers, which is expected to be completed before December 2018. The success of the disposal will generate much cash inflows.

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

(d) The Group will proactively implement various strategic plans to streamline its operations to improve profitability and initiate plans to rationalise assets. These will include initiatives to continue suspension on loss-making production, scale back capacity, reduce headcounts, trim operating expenses and reduce capital expenditure.

Taking into account the Group's cash flow forecasts prepared by the management which covers a period of twelve months from the end of the Reporting Period; and considering the above-mentioned factors, plans, initiatives and measures, the Directors have reasonable grounds to believe that the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future, barring unforeseen circumstances. Accordingly, the preparation of the interim condensed financial information of the Group for the Reporting Period on a going concern basis remains acceptable and appropriate to the Directors.

Should the going concern assumption, for whatever reasons or as a result of changing circumstances, becomes inappropriate, necessary accounting adjustments may have to be made to reflect the situation that assets may need to be realised at the amounts other than which they are currently recorded in the consolidated statement of financial position. In addition, the Group may have to accrue or make provisions for additional liabilities, including contingent liabilities that may arise under such circumstances, and accordingly, may have to reclassify non-current assets and non-current liabilities as current assets and current liabilities at realisable values, as the case may be.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of this interim condensed financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017, except for the adoption of the following new standards, interpretations and amendments to a number of International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board for the first time for the financial year beginning 1 January 2018.

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers*
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*
Amendments to IAS 40	*Transfers of Investment Property*
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to IFRS 1 and IAS 28

The adoption of these amendments to IFRSs has had no significant financial effect on the financial position or performance of the Group except IFRS 15 and IFRS 9.

The Group has applied, for the first time, IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments using the modified retrospective method for adoption. For the adoption of IFRS 9, the Group has not restated comparative information and has not recognised any transition adjustments against the opening balance of equity at 1 January 2018. For the adoption of IFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated interim statement of financial position that has been impacted by IFRS 15:

	As at 31 December 2017	Impact on initial application of IFRS 15	As at 1 January 2018
Other payables and accruals	554,906	(1,955)	552,951
Contract liabilities	–	1,955	1,955

IFRS 15 Revenue from Contracts with Customers

After performing comprehensive internal assessment in 2017, management concluded that the adoption of IFRS15 has no significant impact on current accounting treatment based on existing contracts. Therefore, no adjustment to the opening balance of equity at 1 January 2018 was recognised. However, as the presentation and disclosure requirements in IFRS 15 are more detailed than those under IAS 18, as required for the condensed interim financial statements, the Group has disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Refer to note 4 for the disclosure of disaggregated revenue. In addition, upon the adoption of IFRS 15, the Group recognised revenue-related contracts liabilities for the unsatisfied performance obligation which were previously recognised as "Advanced from customers" under "Other payables and accruals", but no comparative information was restated.

IFRS 9 Financial Instruments

The Group has performed an assessment and concluded that no material financial impact exists, and therefore no adjustment to the opening balance of equity at 1 January 2018 was recognised.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and products and has two (six months ended 30 June 2017: one; year ended 2017: two) reportable operating segments as follows:

(a) the products sales segment comprises the operation of sale of self-produced products and traded products;

(b) the specialised mining services segment comprises the rendering of specialised mining services, which include raised boring, shaft excavation, engineering services, and other mining services.

In previous years, the Board concluded that there was no separate reporting segment apart from the products sales segment. In 2017, following the acquisition of Mancala Holdings, which principally engages in the business of rendering of specialised mining services, the Board monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Following a change in the composition of the Group's reportable segments, the Group has restated the corresponding items of segment information for the six months ended 30 June 2017.

Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax from continuing operations. The adjusted profit/loss before tax is measured consistently with the Group's loss before tax except that finance costs and fair value losses on financial assets at fair value through profit or loss are excluded from such measurement.

Segment assets exclude deferred tax assets and cash and cash equivalents as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, tax payable and dividend payables as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Six months ended 30 June 2018

	Products sales *RMB'000*	Specialised mining services *RMB'000*	Total *RMB'000*
Segment revenue	**500,275**	**48,489**	**548,764**
Segment results	**(360,749)**	**2,322**	**(358,427)**
Reconciliation:			
Finance costs			**(29,827)**
Loss before tax			**(388,254)**
Segment assets	**2,339,589**	**122,344**	**2,461,933**
Reconciliation:			
Deferred tax assets			**54,937**
Cash and cash equivalents			**13,589**
Total assets			**2,530,459**
Segment liabilities	**585,872**	**102,492**	**688,364**
Reconciliation:			
Tax payable			**2,288**
Interest-bearing bank and other loans			**896,582**
Dividend payable			**1,801**
Total liabilities			**1,589,035**
Other segment information			
Impairment loss	**381,612**	**–**	**381,612**
Write-down of inventories to net realisable value	**6,149**	**–**	**6,149**
Depreciation and amortisation	**28,358**	**3,015**	**31,373**
Capital expenditure*	**47,734**	**–**	**47,734**

* *Capital expenditure consists of additions to property, plant and equipment and intangible assets.*

Six months ended 30 June 2017

	Products sales *RMB'000*
Segment revenue	715,668
Segment results	(27,261)
Reconciliation:	
Finance costs	(30,412)
Fair value losses on financial assets at fair value through profit and loss	(55,907)
Loss before tax	(113,580)
Other segment information	
Impairment loss	28,843
Depreciation and amortisation	29,756
Capital expenditure	21,346

	Products sales *RMB'000*	Specialised mining services *RMB'000*	Total *RMB'000*
Segment assets	2,833,868	118,452	2,952,320
Reconciliation:			
Deferred tax assets			70,269
Cash and cash equivalents			13,286
Total assets			3,035,875
Segment liabilities	733,082	45,322	778,404
Reconciliation:			
Tax payable			3,254
Interest-bearing bank and other loans			907,311
Dividend payable			1,801
Total liabilities			1,690,770

4. REVENUE

Revenue, which is the Group's turnover, represents the net invoiced value of goods sold, net of various types of government surcharges. An analysis of revenue from external customers by product and service is as follows:

	For the six months ended 30 June			
	2018		2017	
	RMB'000	*%*	*RMB'000*	*%*
	(Unaudited)		(Unaudited)	
Low-grade vanadium-bearing iron concentrates	**168,572**	**30.7**	189,515	26.5
High-grade iron concentrates	**40,059**	**7.3**	35,433	5.0
Titanium concentrates	**27,646**	**5.0**	30,475	4.2
Trading of coals	**159,161**	**29.0**	228,858	32.0
Trading of steels	**104,837**	**19.1**	231,387	32.3
Rendering of specialised mining services	**48,489**	**8.9**	–	–
	548,764	**100.0**	715,668	100.0

5. OTHER INCOME AND GAINS

An analysis of other income and gains was as follows:

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Bank interest income	**29**	7
Sale of raw materials	**3,209**	262
Government grants*	**99,540**	10
Gain on disposal of items of property, plant and equipment	**126**	–
Gain on debt restructuring	**4,017**	–
Miscellaneous	**1,135**	339
	108,056	618

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

6. FINANCE COSTS

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank and other loans	**29,262**	30,018
Interest on hire purchase arrangement	**162**	–
Interest on discounted bills receivable *(note 13)*	**13**	5
Unwinding of discount on provision	**390**	365
	29,827	30,388
Others	**–**	24
	29,827	30,412

7. LOSS BEFORE TAX

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

		For the six months ended 30 June	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Cost of inventories sold		**461,396**	645,645
Cost of services rendered		**39,632**	–
Impairment losses recognised on:			
Trade receivables	*13*	**–**	8,843
Assets classified as held for sale	*15*	**–**	20,000
Property, plant and equipment	*10*	**87,776**	–
Intangible assets	*10*	**292,794**	–
Prepaid land lease payments	*10*	**1,042**	–
Total impairment losses recognised		**381,612**	28,843
Employee benefit expense (including Directors' remuneration and chief executive's remuneration)		**54,873**	31,450
Depreciation and amortisation expenses	*10*	**31,373**	29,756
Write-down of inventories to net realisable value		**6,149**	–
Operating lease rentals		**792**	555
Auditor's remuneration		**950**	950
Fair value losses on financial assets at fair value through profit or loss	*14*	**–**	55,907

8. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Deferred		
Charge for the period *(note 12)*	**15,087**	1,601

All subsidiaries domiciled in the PRC are subject to the PRC corporate income tax rate of 25% during the Reporting Period. Pursuant to the income tax rules and regulations in Australia, the Group's subsidiaries located in Australia are liable to Australia corporate income tax at a rate of 25% on the assessable profits generated for the Reporting Period.

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

The calculation of loss per share is based on the loss attributable to owners of the Company for the Reporting Period of RMB400,373,000 (six months ended 30 June 2017: RMB111,327,000), and the weighted average number of Shares of 2,249,015,410 (six months ended 30 June 2017: 2,138,927,000) in issue for the Reporting Period.

No adjustment has been made to the basic earnings per share amounts presented for each of the six months ended 30 June 2017 and 2018 in respect of a dilution as the exercise prices of the Company's outstanding share options were higher than the average market prices for the Company's Shares during each of the six months ended 30 June 2017 and 2018.

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

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

	Property, plant and equipment	**Intangible assets**	**Prepaid land lease payments**	**Other intangible assets**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	(note (a))	*(note (b))*		*(note (c))*
Carrying amounts at 1 January 2018	630,898	1,349,971	33,015	8,440
Additions	47,265	469	–	–
Depreciation/amortisation charged for the period *(note 7)*	(27,371)	(3,448)	(554)	–
Impairment recognised during the period *(note 7)*	(87,776)	(292,794)	(1,042)	–
Disposals	(1,325)	–	–	–
Exchange realignment	(2,140)	–	–	–
Carrying amounts at 30 June 2018	559,551	1,054,198	31,419	8,440

Notes:

(a) As at 30 June 2018, payables relating to the hire purchase arrangements were secured by the corresponding machineries with an aggregate carrying amount of RMB12,870,000 (31 December 2017:RMB13,994,000) *(note 18(c))*.

(b) As at 30 June 2018, the mining rights of the Baicao Mine, Xiushuihe Mine and Maoling Mine with net carrying amounts of RMB7,112,000 (31 December 2017: RMB22,667,000), RMB1 (31 December 2017: RMB1) and RMB22,326,000 (31 December 2017: RMB22,771,000), respectively, were pledged to secure the Group's bank loans.

(c) Other intangible assets represented trademark of RMB8,440,000 recognised due to the acquisition of Mancala Australia.

(d) In accordance with the Group's accounting policies, each asset or cash-generating unit ("CGU") is evaluated annually at 31 December or biannually at 30 June to determine whether there are any indications of impairment. If any such indications of impairment exist, a formal estimate of the recoverable amount is performed.

In assessing whether an impairment is required, the carrying value of the asset or CGU is compared with its recoverable amount. The recoverable amount is the higher of the CGU's fair value less costs of disposal and value in use ("VIU"). Management has performed impairment assessment on all of the carrying amounts of the Group's property, plant and equipment, intangible assets and prepaid land lease payments. For the purpose of impairment assessment, Baicao CGU (comprising the mining right to Baicao Mine, stripping activity assets of Baicao Mine and Baicao Processing Plant) and Xiushuihe CGU (comprising the mining right to Xiushuihe Mine, land use right of Xiushuihe Mining, Xiushuihe Processing Plant and Hailong Processing Plant) are treated as separate CGUs. The recoverable amounts of Baicao CGU, Xiushuihe CGU, the exploration right of Haibaodang Mine and the mining right of Cizhuqing Mine were estimated based on their respective VIU determined by discounting the future cash flows to be generated from the continuing use of these assets. The recoverable amounts are determined based on the calculation using cash flow projections according to financial budgets covering a ten-year period approved by management with pre-tax discount rates ranging between 12.00% and 16.31% (31 December 2017: 13.18% and 16.67%) depending on the nature of the CGU/asset. The cash flows beyond the ten-year period are extrapolated using a zero growth rate until the end of the respective asset useful lives.

Other key assumptions used in the estimation of VIU are as follows:

Resources/reserves – These represent one of the key factors the management has considered during the impairment testing, which comprise resources (measured, indicated and inferred) estimated, and/or reserves (proved and probable) where appropriate, on the basis of appropriate geological evidence and sampling, with reference to the resources and reserves statements prepared by appropriate competent persons.

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

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margin achieved in the recent years for Baicao CGU and Xiushuihe CGU, adjusted for management's expectations for possible changes in the production costs and estimated market prices.

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

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

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

Based on the above-mentioned impairment assessment, the recoverable amounts, carrying amounts as at 30 June 2018 and impairment provisions for the Reporting Period are as follows:

	Recoverable amount *RMB'000* (Unaudited)	**Carrying amount** *RMB'000* (Unaudited)	**Impairment provision** *RMB'000* (Unaudited)
Baicao CGU	44,621	134,982	90,361
Xiushiuhe CGU	265,727	286,734	21,007
Exploration right of Haibaodang Mine	–	215,995	215,995
Mining right of Cizhuqing Mine	67,984	122,233	54,249
			381,612

The above impairment provisions as at 30 June 2018 have been allocated to the following asset classes.

Impairment loss recognised on property, plant and equipment

An impairment loss of RMB87,776,000 (year ended on 31 December 2017: RMB72,776,000) was recognised during the Reporting Period to write down the carrying amounts of Baicao Processing Plant, Xiushuihe Processing Plant and Hailong Processing Plant to their respective recoverable amounts of RMB33,487,000, RMB194,669,000 and RMB57,860,000 as at 30 June 2018.

Impairment loss recognised on prepaid land lease payments

An impairment loss of RMB1,042,000 (year ended on 31 December 2017: RMB2,413,000) was recognised during the Reporting Period to write down the carrying amounts of prepaid land lease payments to Xiushuihe Mine to their respective recoverable amounts of RMB13,198,000 as at 30 June 2018.

Impairment loss recognised on intangible assets

An impairment loss of RMB292,794,000 (year ended on 31 December 2017: RMB76,129,000) was recognised during the Reporting Period to write down the carrying amounts of the mining right of Baicao Mine, stripping activity assets of Baicao Mine, the exploration right of Haibaodang Mine and the mining right of Cizhuqing Mine to their respective recoverable amounts of RMB7,112,000, RMB4,022,000, Nil and RMB67,984,000 as at 30 June 2018.

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

The impairment losses recognised for Baicao CGU, Xiushuihe CGU, the exploration right of Haibaodang Mine and the mining right of Cizhuqing Mine were primarily due to the following reasons:

Baicao CGU, Xiushuihe CGU and the mining right of Cizhuqing Mine – they were impaired as a result of weaker commodity price and stringent environmental regulations in recent years. The Group's mining plan was adjusted correspondingly with the increase of inevitable compliance cost due to increasing regulations.

The exploration right of Haibaodang Mine – it was impaired as a result of forecast higher production costs including regulatory and environmental compliance costs, lower recovery rate and lower commodity price. The production costs were thus adjusted correspondingly, based on the updated ore processing experiment report prepared by the professionals (an independent third party).

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Note	**30 June 2018 *RMB'000* (Unaudited)**	31 December 2017 *RMB'000*
Current portion:			
Prepayments consisting of:			
Purchase of raw materials and services		**2,997**	4,826
Utilities		**507**	496
Prepayment for the use right of a road		**45**	45
Prepaid stripping and mining fees	*(a)*	**36,146**	40,227
Prepaid transportation fees		**2,732**	2,732
Other prepayments		**12,834**	12,087
Other receivables consisting of:			
Utilities		**8,112**	5,269
Other receivables		**7,316**	5,705
		70,689	71,387
Non-current portion:			
Prepayment for the use right of a road		**677**	694
Environmental rehabilitation deposits		**7,160**	6,653
		7,837	7,347
Total prepayments, deposits and other receivables		**78,526**	78,734

Note:

(a) As at 30 June 2018, the balance consisted of prepaid stripping and mining fees made to an independent third party contractor for stripping and mining activities at the Xiushuihe Mine and Baicao Mine for lower stripping and mining rates offered by the said contractor.

12. DEFERRED TAX ASSETS

The movements in deferred tax assets for the six months ended 30 June 2017 and 2018 are as follows:

	Losses available for offsetting against taxable profits *RMB'000*	**Excess tax depreciation over book value of fixed assets** *RMB'000*	**Provision for rehabi-litation** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
At 1 January 2017	28,918	1,876	2,451	6,322	39,567
Deferred tax credited/(charged) to profit or loss during the period *(note 8)*	(1,489)	88	55	(255)	(1,601)
At 30 June 2017 (unaudited)	27,429	1,964	2,506	6,067	37,966
At 1 January 2018	**53,598**	**4,110**	**2,722**	**9,839**	**70,269**
Deferred tax credited/(charged) to profit or loss during the period *(note 8)*	**(16,128)**	**120**	**98**	**823**	**(15,087)**
Exchange differences	**(245)**	**–**	**–**	**–**	**(245)**
At 30 June 2018 (unaudited)	**37,225**	**4,230**	**2,820**	**10,662**	**54,937**

As at 30 June 2018, the Group has tax losses arising from Mainland China of RMB1,259,165,000 (31 December 2017: RMB887,978,000) that would expire in three to five years and deductible temporary differences of RMB2,060,934,000 (31 December 2017: RMB1,683,365,000) that were available for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses and deductible temporary differences as it is not considered probable that taxable profits will be available against which the tax losses and deductible temporary differences can be utilised.

13. TRADE AND BILLS RECEIVABLES

	30 June 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000*
Trade receivables	**648,410**	580,171
Impairment	**(337,749)**	(340,748)
Trade receivables, net of impairment	**310,661**	239,423
Bills receivable	**–**	134,284
	310,661	373,707

The Group's trading terms with its customers are mainly on credit. During the Reporting Period, the Group granted a nine-month credit term to its customers for sale of self-produced products given the unfavourable market conditions, a six-month credit term to its trading customers and a three-month credit term for customers of rendering of specialised mining service. Trade receivables are non-interest-bearing and unsecured.

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

	30 June 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000*
Within 3 months	**263,379**	226,646
3 to 9 months	**36,588**	5,321
9 to 12 months	**843**	217
Over 1 year	**9,851**	7,239
	310,661	239,423

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

	30 June 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000*
At 1 January	**340,748**	328,906
Impairment losses recognised *(note 7)*	**–**	10,521
Acquisition of a subsidiary	**–**	1,321
Write-off	**(2,999)**	–
	337,749	340,748

No impairment of trade receivables was recognised during the Reporting Period (six months ended 30 June 2017: RMB8,843,000). The carrying amount of trade receivables on 30 June 2018 before provision was RMB648,410,000 (31 December 2017: RMB580,171,000). The Group has initiated necessary actions to recover these receivables in part or in full.

The aged analysis of the trade receivables that are not individually impaired and trade receivables that are considered impaired are as follows:

	30 June 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000*
Neither past due nor impaired	**304,720**	231,967
Amounts due and impaired, net of provision		
– 9 months to 3 years past due	**5,941**	7,456
	310,661	239,423

The Directors are of the opinion that no further provision for impairment is necessary in respect of the above balances as there has not been significant changes in key factors, which may further affect the credit quality and the balances are thus considered fully recoverable at the point of assessment.

As at 30 June 2018, 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 RMB212,176,000 (31 December 2017: RMB259,954,000); furthermore, as at 30 June 2018 the Group discounted certain bills receivable accepted by banks in the PRC, with a carrying amount in aggregate of RMB500,000 (31 December 2017: RMB200,000) (collectively referred to as the "Derecognised Bills"). The Derecognised Bills had 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 advances on discounting and trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills equals to their carrying amounts. In the opinion of the Directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the Reporting Period, the Group has recognised interest expense of RMB13,000 (six months ended 30 June 2017: RMB5,000) *(note 6)* on discounted bills receivable. No gains or losses were recognised from the Continuing Involvement, both during the Reporting Period or cumulatively. The endorsement and discount have been made evenly throughout the Reporting Period.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The balance represented the Exchangeable Notes with an aggregate amount of US$30,000,000 subscribed by the Group in 2011 and designated as financial assets at fair value through profit or loss upon initial recognition. The Exchangeable Notes were issued by the Issuer. The original maturity date of the Exchangeable Notes was 25 November 2014.

As at 2 December 2014, Sure Prime Limited did not receive any part of the redemption amount payable by the Issuer under the Exchangeable Notes, and there occurred an event of default under the Exchangeable Notes. During 2015, Sure Prime Limited together with other noteholders waived the event of default and the maturity date of the Exchangeable Notes was extended from 25 November 2014 to 25 March 2015 and further extended to 25 August 2015 pursuant to two separate default waiver letters. In addition, the yield to maturity for the entire term of the Exchangeable Notes and until the full redemption thereof has been revised from 20% to 25% per annum and Sure Prime Limited shall be entitled to exchange all or any part of the Exchangeable Notes at any time to shares in the Target Company owned by the Issuer prior to the full redemption of the Exchangeable Notes by a single or multiple presentations of exchange notice. Since the previous extension on default waiver, the Group has not received any part of the amount repayable by the Issuer from the redemption of the Exchangeable Notes. As a result, as at 30 June 2018, the Issuer had been in default.

The movements in the fair values of the Exchangeable Notes during each of the six months ended 30 June 2018 and 2017 are as follows:

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Carrying amount at 1 January	**–**	109,617
Fair value losses on financial assets at fair value through profit or loss recognised during the period *(note 7)*	**–**	(55,907)
Carrying amount at 30 June	**–**	53,710

The fair values of the Exchangeable Notes as at 30 June 2018 and 31 December 2017 were estimated by management based on the estimated recoverable amount of the Exchangeable Notes discounted with a risk-free interest rate. As at 31 December 2017, the Exchangeable Notes had been fully impaired. The following table lists the key inputs:

	30 June 2018	31 December 2017
Risk-free interest rate (Indonesia) *(% per annum)*	**0.91**	0.91
Recovery rate *(%)*	**0.00**	0.00

15. ASSETS CLASSIFIED AS HELD FOR SALE

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

Management has been in active discussions with the potential buyers for the plant and from the discussions held, and has noted that the potential proceeds from the sale of the entire plant are likely to be higher than that arising from the sale of plant and equipment on a piecemeal basis. The Group is committed to the existing disposal plans on the Heigutian Processing Plant. As such, the Heigutian Processing Plant continued to be classified as assets held for sale as at 30 June 2018 and recorded at fair value less cost to sell.

Non-recurring fair value measurements:

	Notes	**30 June 2018** ***RMB'000*** **(Unaudited)**	31 December 2017 *RMB'000*
Heigutian Processing Plant	*(a)*	**260,000**	260,000
Unutilised fixed assets for mining service	*(b)*	**41,021**	42,125
		301,021	302,125

(a) In accordance with IFRS 5, assets classified as held for sale including property, plant and equipment and prepaid land lease payments with carrying amounts of RMB435,355,000 and RMB3,534,000, respectively, were written down to the aggregate fair values less cost to sell of RMB260,000,000, resulting in accumulated losses of RMB178,889,000, of which RMB40,000,000, RMB78,334,000 and RMB60,555,000 were included in profit or loss for the years ended 31 December 2017, 2016 and 2015, respectively.

(b) The balance as at 30 June 2018 represented the fair value less cost to sell of assets held for sale, which comprised part of plant and equipment of Mancala Holdings Pty Ltd which would not be utilised in current operation. Those assets were classified as assets held for sale with a carrying amount of RMB41,021,000, with a decrease of RMB1,104,000 due to the appreciation of RMB against AU$ during the Reporting Period.

The non-recurring fair value measurement for assets classified as held for sale was considered to be Level 2 as at 30 June 2018 (31 December 2017: Level 2), as it was derived from quoted prices in markets that were not active.

16. TRADE AND BILLS PAYABLES

	30 June 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000*
Trade payables	**170,345**	175,273
Bills payable	**–**	598
	170,345	175,871

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

	30 June 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000*
Within 180 days	**60,244**	65,813
181 to 365 days	**14,393**	10,314
1 to 2 years	**18,609**	15,876
2 to 3 years	**23,720**	21,584
Over 3 years	**53,379**	62,284
	170,345	175,871

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

17. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities, which represented the unsatisfied performance obligation as at 31 December 2017 and 30 June 2018. The balance of contract liabilities are expected to be recovered/settled within one year.

Movement in the contract liabilities balances during the six months ended 30 June 2018 is as follows:

	RMB'000
Carrying amount at 31 December 2017	–
Reclassification from other payables and accruals	1,955
Carrying amount at 1 January 2018	1,955
Revenue recognised during the period	(1,955)
Consideration received from customers, excluding amounts recognised as revenue during the period	2,971
Carrying amount at 30 June 2018	2,971

18. INTEREST-BEARING BANK AND OTHER LOANS

	Notes	**30 June 2018** ***RMB'000*** **(Unaudited)**	31 December 2017 *RMB'000*
Bank loans:			
Secured	*(a)*	**520,898**	523,400
Unsecured	*(b)*	**232,725**	232,725
Hire purchase arrangements – secured	*(c)*	**1,631**	9,558
Other loans, unsecured	*(d)*	**141,328**	141,628
		896,582	907,311
Bank loans repayable:			
Within one year or on demand		**447,723**	445,125
In the second year		**80,899**	9,000
In the third to fifth years, inclusive		**225,001**	302,000
		753,623	756,125
Hire purchase arrangements repayable:			
Within one year		**1,631**	9,452
In the second year		**–**	106
		1,631	9,558
Unsecured other loans repayable:			
Within one year or on demand		**141,328**	141,628
		896,582	907,311
Balances classified as current liabilities		**(590,682)**	(596,205)
Balances classified as non-current liabilities		**305,900**	311,106

Notes:

(a) The Group's bank loans are secured by:

	30 June 2018 *RMB'000* **(Amount of bank loans)**	31 December 2017 *RMB'000*
Mining rights of Xiushuihe Mine and 95% equity interest in Xiushuihe Mining	**119,998**	120,000
Mining rights of Baicao Mine	**316,900**	319,400
Mining rights of Maoling Mine	**84,000**	84,000
	520,898	523,400

(b) As at 30 June 2018, the unsecured bank loans totalling RMB232,725,000 were guaranteed by the Company at nil consideration.

(c) The Group acquired certain of its machinery and other fixed assets through hire purchase arrangements, which were classified as finance leases and have remaining lease terms ranging within one year. As at 30 June 2018, payable relating to the hire purchase arrangements were secured by the corresponding assets with an aggregate carrying amount of RMB12,870,000 (31 December 2017: RMB13,994,000) *(note 10(a))*.

As at 30 June 2018, the total future minimum lease payments under hire purchase arrangements and their present values were as follows:

	Minimum lease Payments 2018 *RMB'000*	**Present value of minimum lease payments 2018** *RMB'000*
Amounts payable:		
Within one year	1,649	1,631
In the second year	–	–
Total minimum hire purchase payments	1,649	1,631
Future finance charges	(18)	
Total net hire purchase payables	1,631	
Portion classified as current liabilities	1,631	
Non-current portion	–	

(d) As at 30 June 2018, unsecured other loans consisted of (i) interest-bearing loans totalling RMB140,975,000 payable to an asset management company, which were due for repayment on demand; and (ii) interest-free loans of RMB353,000 granted by Wenchuan County State Assets Investment Co., Ltd., which were due for repayment within one year.

As at 30 June 2018 and 31 December 2017, except for the hire purchase arrangements which were denominated in AU$, all bank and other loans were denominated in RMB.

19. ISSUED CAPITAL

Shares

	30 June 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000*
Authorised:		
10,000,000,000 Shares of HK$0.1 each	**880,890**	880,890
Issued and fully paid:		
2,249,015,410 (31 December 2017: 2,249,015,410) Shares of HK$0.1 each	**197,889**	197,889

A summary of movement in the Company's share capital is as follows:

	Number of Shares in issue	**Issued capital** *RMB'000*
At 1 January 2018 and at 30 June 2018	2,249,015,410	197,889

20. DIVIDENDS

At a meeting of the Board held on 28 August 2018, the Directors resolved not to pay an interim dividend for the Reporting Period (six months ended 30 June 2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

During the Reporting Period, the Group observed certain industrial development and market statistics that:

- according to the National Bureau of Statistics of the PRC, China's economy maintained a steady growth momentum in the first half of 2018 with gross domestic product growth of 6.8%, keeping at the similar level with the same period in 2017. In the first half of 2018, the investments in real estate development and fixed assets rose by 9.7% and 6.0%, respectively, but the latter marked the slowest growth rate since such data became available in 1998;

- at the 19th National Congress of the Communist Party of China held in October 2017, the central committee work report pledged to adhere to the implementation of nationwide supply-side reform as the main task and to step up its efforts in cutting excessive steel capacity in 2018;

- to strengthen the efforts in eliminating excessive steel capacity and deepen the nationwide supply-side reform, the National Development and Reform Commission of the PRC ("NDRC") issued "Notice Concerning Properly Undertaking Work for the Dissolution of Excessive Capacity in Key Sectors in 2018" in April 2018, which set explicitly the target to further cut the steel capacity by 30 Mt in 2018. It also called for the firm clearance of "zombie enterprises" and maintenance of balanced steel capacity;

- despite the achievement in eliminating around 140 Mt of substandard steel in 2017, it was noted that the illegal steel producers have resumed producing steel of poor quality in certain regions in China, which captured the attention of the government at all levels. The NDRC, China Iron and Steel Industry Association ("CISA") and other relevant authorities have sent investigation teams in May and June 2018 to review the work and to prevent the revival of production of substandard steel;

- in May 2018, the Ministry of Ecology and Environment of the PRC issued a consultation paper on the "Ultra-low Emission Renovation Plan for Steel Enterprises" which required 480 Mt of steel capacity in China to meet the ultra-low emission standards by 2020. The emission target would rise to 580 Mt and 900 Mt by 2022 and 2025, respectively, with a view to promoting healthy and sustainable development of the steel industry;

- China has been increasingly emphasising its focus on environmental protection. To achieve the green mine construction in China, the Ministry of Natural Resources of the PRC announced the "Non-metal Mining Industry Green Mine Construction Code" and nine other guidelines in June 2018. It was the first national green mine construction industry standard released to promote the green development of China's mining industry;

- the China Iron Ore Price Index compiled by the CISA rose to 273.65 at the end of February 2018 as the market expected a hike in steel demand after the Chinese New Year holidays, but it fell to 235.02 in March 2018 and continued to remain relatively stable to reach 238.01 at the end of June 2018. The price stagnation was mainly due to the relatively high level of iron ore supply which continued to prevent the iron ore price from going upward;

- China has seen a surge in demand for high-grade iron ore as the government stepped up its efforts to curb the smog pollution and clean up its steel industry by implementing strict restrictions on emission. The shift in demand has fragmented the iron ore market and driven up the prices for iron ore with higher iron content which is less pollutive during steel production;

- the spot price of 62% TFe iron ore in China (assessed as at 21 March 2018) was US$67.25 per tonne. The assessment for the 58% TFe iron ore was US$39.06 per tonne. This made the price for the low-grade iron ore more than 40% lower and this has widened from a 29% gap that prevailed at the end of 2016. Some market observers believe that this pricing trend is likely to continue with albeit possibly a moderate price gap;

- according to the General Administration of Customs of the PRC, steel exports fell by 13.2% to 35.43 Mt year-on-year as of June 2018 which was attributable to the rising domestic steel consumption and increasing international trade frictions; and

- the price of titanium concentrates (with over 46% titanium contents) in the Panzhihua region dropped from RMB1,250-1,300 per tonne at the end of January 2018 to RMB1,050-1,100 per tonne at the end of June 2018. The price was kept under pressure due to the weak demand as a result of rigorous environmental protection measures implemented on downstream titanium dioxide producers by the Sichuan government.

BUSINESS AND OPERATIONS REVIEW

Market and Strategy Overview

During the Reporting Period, the Group observed an obvious fast-changing trend that there has been a shift in demand for higher-grade iron ore (above 62% TFe) from lower-grade iron ore (below 62% TFe) arising mainly from those stringent requirements imposed by the Chinese government in relation to environmental protection and emission control emphasising on sustainable mining practices. Many miners are thus revamping their strategies to adapt to these new fragmented markets which have seen an increasingly higher demand and significant price premium for high-grade iron ore, whereas a sharp fall in both demand and prices for low-grade iron ore. It is highly likely that these market trends will continue under the existing government policies.

As a result of these drastic changes which have fragmented the iron ore markets, for 1H2018, the Group

(i) recorded a loss for its operating mines of low-grade iron concentrates as a result of (i) significantly lower selling prices (which fell by 16% to 22% on average as compared to 1H2017) due to falling demand and aggressive de-stocking; and (ii) impairment losses due to lower value-in-use given the fall in selling price and lower-than-expected utilisation rates and inactive status of the existing suspended mines which the Group has no commercial grounds to expand or resume production at the Low Fe and Inactive Mines; and in contrary,

(ii) recorded significantly higher gross profit margin, a cash profit and positive operating cash flows for its operating mines of high-grade iron concentrates as a result of higher demand, higher selling prices and focused strategies to improve efficiencies for production of high-grade iron concentrates at the High Fe Mines.

The Group further noted that the Low Fe and Inactive Mines are located mainly in the Southern Region whereas the High Fe Mines are located in the Northern Region.

In line with the fragmented market segments and given the locations for the Group's mine operations of specific grades, the Group has now segregated its mines operations by (i) grades and (ii) geographic locations to facilitate strategic reviews, resources allocation and operational management with a key objective to potentially expand production capacity for the mines in the Northern Region as its core mining assets while minimise future impairment losses for those mines located mainly in the Southern Region.

The Group however noted that despite improving demand and prices for the high-grade iron ore, the current market conditions remain highly volatile and the Group will monitor closely and observe any potential changes in government policies, which may have a material impact on the Group's existing strategies.

Operation and Financial Overview

During the Reporting Period, the Group reported lower revenue, which fell by 23.3% to approximately RMB548.8 million for 1H2018. The fall in the Group's revenue for low-grade iron concentrates and trading outpaced those of high-grade iron concentrates resulting in a fall in total revenue for the Group for 1H2018. Specifically,

- selling price for low-grade vanadium-bearing iron concentrates (within the Southern Region, Panzhihua and Panxi region in particular) fell sharply by approximately 16% to 22% on average due to falling demand for cheap low-grade iron ore under the China's anti-smog policies;

- selling price for high-grade iron concentrates rose by approximately 7% – given the Group's focused strategies in improving efficiencies for its High Fe Mines, the mine operations located mainly in the Northern Region had been able to constantly produce high-grade iron concentrates within an average range of 65% TFe (with an encouraging but small volume of 72% TFe during 1H2018); and

- lower-margin trading sales continued to fall given the Group's business direction to progressively reduce its exposure in this segment which required higher working capital requirements – total purchase and sales volumes of trading activities were approximately 130.3 Kt and 176.9 Kt, respectively, representing a fall of 56.4% and 43.8%, respectively compared to 1H2017.

The production and sales volumes for 1H2018 were as follows:

- low-grade vanadium-bearing iron concentrates were approximately 593.0 Kt and 555.5 Kt, respectively;

- high-grade iron concentrates were approximately 48.3 Kt and 50.9 Kt, respectively; and

- titanium concentrates were approximately 36.5 Kt and 33.6 Kt, respectively.

The Group also recorded lower gross profit of approximately RMB47.7 million and gross profit margin of approximately 8.7% for 1H2018 compared to 1H2017. Administrative expenses rose by 168.9% to RMB68.9 million due mainly to one-off retrenchment and redundancy compensation as a result of the Group's strategies to reduce production capacity for its Low Fe Mines in the Southern Region.

The Group's downsizing exercise and operations streamlining decisions (particularly for its Low Fe Mines in the Southern Region) were in line with the Chinese government policy to reduce excess capacity as part of the structural reform on supply chain and environmental protection measures under the anti-smog policies which had particularly affected the Group's production for its low-grade iron concentrates. Given so, the Group obviously did not and will not have commercial grounds to resume or start production for those suspended mines and/or inactive mines, which produce mostly low-grade iron concentrates.

The downsizing exercise and discretionary redundancies for the Low Fe Mines and the continual production suspension of those inactive mines under the existing operating environment and circumstances continued to trigger re-assessment of assets impairment under the Group's accounting policies for 1H2018, which also indicated clearly the risk of falling value-in-use for the affected operations of the Low Fe and Inactive Mines, which form part of the Group's CGU.

As a result and given the above, the Group recorded higher Net Loss for 1H2018 compared to 1H2017, despite cash profits and positive cash flows generated from its operations of High Fe Mines. Excluding impairment losses and write-down of inventories to net realisable value, the Group would have recorded a significantly lower Net Loss for 1H2018.

Overview of Mines

Please refer to below tables for the status of the Group's mine operations for (i) the Low Fe and Inactive Mines which are located in the Southern Region and (ii) the High Fe Mines which are located in the Northern Region.

The Southern Region – Low Fe and Inactive Mines

Mine	Processing Plant	Status as at 30 June 2018
Baicao Mine	Baicao Processing Plant	Producing vanadium-bearing iron concentrates of low Fe contents *(within the range of 53% TFe to 55% TFe)*
	Heigutian Processing Plant	Suspended since 2015 and has no intention to resume production
Xiushuihe Mine (including expansion)	Xiushuihe Processing Plant	Producing vanadium-bearing iron concentrates of low Fe contents *(within the range of 53% TFe to 55% TFe)*
	Hailong Processing Plant	Producing vanadium-bearing iron concentrates of low Fe contents *(within the range of 53% TFe to 55% TFe)*
	Iron Pelletising Plant	Suspended since 2013 and has no intention to resume production
Yangqueqing Mine	N/A	Inactive; vanadium-bearing titano-magnetite of low Fe contents *(average grade of 25.09% TFe)*
Cizhuqing Mine	N/A	Inactive; vanadium-bearing titano-magnetite of low Fe contents *(average grade of 21.41% TFe)*
Haibaodang Mine	N/A	Inactive; vanadium-bearing titano-magnetite of low Fe contents *(average grade of 16.50% TFe)*

The Northern Region – High Fe Mines and Gypsum Mine

Mine	Processing Plant	Status as at 30 June 2018
Maoling-Yanglongshan Mine	Maoling Processing Plant	Producing iron concentrates of high Fe contents *(within the range of 65% TFe to 72% TFe)*
Shigou Gypsum Mine	N/A	Conducted feasibility studies and started trial production in small quantity; to observe and monitor consistency of trial production results if they are satisfactory

The following table summarised the transacted volumes for (i) trading sales and (ii) sale of self-produced products of the Group:

	Purchase from independent third parties			Sale to an independent third party		
	1H2018	1H2017	Change	**1H2018**	1H2017	Change
	(Kt)	*(Kt)*	*%*	***(Kt)***	*(Kt)*	*%*
(i) Trading Sales						
Steels	**16.8**	66.9	(74.9)	**29.4**	75.7	(61.2)
Coals	**113.5**	231.9	(51.1)	**147.5**	239.3	(38.4)
	130.3	298.8	(56.4)	**176.9**	315.0	(43.8)

	Production volume (Dry basis)			Sales volume (Dry basis)		
	1H2018	1H2017	Change	**1H2018**	1H2017	Change
	(Kt)	*(Kt)*	*%*	***(Kt)***	*(Kt)*	*%*
(ii) Sale of Self-produced Products						
(a) Southern Region						
Low-grade vanadium-bearing iron concentrates						
Xiushuihe Processing Plant	**286.9**	275.0	4.3	**250.3**	213.5	17.2
Hailong Processing Plant	**161.3**	161.6	(0.2)	**–**	–	–
Baicao Processing Plant	**144.8**	168.7	(14.2)	**305.2**	296.4	3.0
	306.1	330.3	(7.3)	**305.2**	296.4	3.0
Total production volume	**593.0**	605.3	(2.0)	**555.5**	509.9	8.9
Titanium concentrates						
Baicao Processing Plant	**36.5**	26.2	39.3	**33.6**	25.9	29.7
(b) Northern Region						
High-grade iron concentrates						
Maoling Processing Plant	**48.3**	48.5	(0.4)	**50.9**	48.0	6.0

FINANCIAL REVIEW

Revenue

Revenue fell to RMB548.8 million for 1H2018 (1H2017: RMB715.7 million) as a result of lower selling prices for both low-grade iron concentrates and titanium concentrates and lower trading volume. These were partially offset mainly by (i) the increase in sales of high-grade iron concentrates; and (ii) maiden consolidation of revenue from mining services business for 1H2018.

Cost of Sales

Cost of sales primarily comprised contracting fees for mining and stripping as well as materials, labour, power and other utilities, repair and maintenance, depreciation and amortisation, and purchase cost for trading. Cost of sales fell to RMB501.0 million for 1H2018 (1H2017: RMB645.6 million), due primarily to lower purchases for trading purpose.

Gross Profit and Margin

Gross profit fell to approximately RMB47.7 million for 1H2018 (1H2017: RMB70.0 million) while gross profit margin fell to approximately 8.7% for 1H2018 (1H2017: 9.8%). Both gross profit and gross profit margin fell on the back of lower selling price for low-grade iron concentrates and titanium concentrates which were offset mainly by higher selling price for high-grade iron concentrates and gross profit for mining services.

Other Income and Gains

Other income and gains increased to RMB108.1 million for 1H2018 (1H2017: RMB0.6 million) due mainly to government grants subsidising the Group's compensation costs relating to its initiated redundancy plans for its Low Fe Mines given the supportive initiatives to cut down excess capacity.

Selling and Distribution Expenses

Selling and distribution expenses increased to RMB43.1 million for 1H2018 (1H2017: RMB35.8 million) as a result of higher transportation fees per tonnage. The selling and distribution expenses primarily comprised transportation fees, logistic costs, storage and other administrative fees.

Administrative Expenses

Administrative expenses increased to RMB68.9 million for 1H2018 (1H2017: RMB25.6 million) due mainly to (i) the increase in the one-off retrenchment and redundancy costs under the Group's strategies to streamline operations and reduce production capacity for its Low Fe Mines given the major industrial reform initiated by the Chinese government; and (ii) maiden consolidation of expenses of RMB10.2 million relating to mining services business; and the increases were more than the cost savings arising from the operational streamlining during the Reporting Period.

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

There were no fair value loss on financial assets for 1H2018 (1H2017: RMB55.9 million for the Exchangeable Notes).

Impairment Losses

Impairment losses and write-down of inventories to net realisable value increased to RMB387.8 million for 1H2018 (1H2017: RMB28.8 million) due mainly to lower value-in-use as a result of the fall in selling price and lower-than-expected utilisation rates and inactive status of the existing suspended mines which the Group has no commercial grounds to expand or resume production, taking into consideration of the high capital expenditure requirements, higher production costs including regulatory and environmental compliance costs, lower recovery rates and lower commodity prices.

Other Expenses

Other expenses increased to RMB14.4 million for 1H2018 (1H2017: RMB5.8 million) due mainly to the cost recognition of raw materials arose from non-core business.

Finance Costs

Finance costs remained relatively unchanged at approximately RMB29.8 million for 1H2018 (1H2017: RMB30.4 million).

Share of Loss of an Associate

There were no share of loss of an associate for 1H2018 (1H2017: RMB1.8 million related to the share of equity loss of the mining services business).

Income Tax Expense

Income tax expense increased to RMB15.1 million for 1H2018 (1H2017: RMB1.6 million), as a result of reversal of deferred tax assets arising from re-assessment of future taxable profits.

Loss Attributable to Owners of the Company

Given the above, the Net Loss was RMB400.4 million for 1H2018 (1H2017: RMB111.3 million). Excluding impairment losses and write-down of inventories to net realisable value arose from the Low Fe and Inactive Mines amounting to RMB387.8 million, the Group's Net Loss would have been narrowed to just RMB12.6 million.

Interim Dividend

The Board does not recommend the payment of an interim dividend for 1H2018 (1H2017: Nil).

LIQUIDITY AND CAPITAL RESOURCES

The following table sets out certain information regarding the Group's interim consolidated statement of cash flows for the six months ended 30 June 2018 and 2017 respectively:

	1H2018		1H2017	
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Cash and cash equivalents as stated in the interim consolidated statement of cash flows at beginning of the period		**13,286**		19,740
Net cash generated from operating activities	**74,242**		56,851	
Net cash used in investing activities	**(55,580)**		(50,995)	
Net cash used in financing activities	**(20,404)**		–	
Net increase/(decrease) in cash and cash equivalents		**(1,742)**		5,856
Effect of foreign exchange rate changes, net		**2,045**		–
Cash and cash equivalents as stated in the interim consolidated statement of cash flows at end of the period		**13,589**		25,596

Net Cash Generated From Operating Activities

The Group's net operating cash flows position improved during 1H2018, generating approximately RMB74.2 million for 1H2018 (1H2017: RMB56.9 million) after accounting for operating profit before working capital changes of RMB56.7 million, net working capital investments of RMB27.8 million, net interest payments of RMB9.3 million and income tax payments of RMB1.0 million.

Net Cash Used In Investing Activities

The Group's net cash flows used in investing activities were RMB55.6 million for 1H2018 (1H2017: RMB51.0 million), the increase was due primarily to the investment in and upgrade of plant and equipment of RMB54.9 million for production.

Net Cash Used In Financing Activities

The Group's net cash flows used in financing activities were RMB20.4 million for 1H2018 (1H2017: Nil), due primarily to the repayment of bank and other loans during the Reporting Period.

Analysis of Inventories

The Group's inventories fell to RMB116.8 million as at 30 June 2018 (FY2017: RMB174.6 million), due mainly to the lower purchases for trading purpose.

Analysis of Trade and Bills Receivables

The Group's trade and bills receivables fell to RMB310.7 million as at 30 June 2018 (FY2017: RMB373.7 million) on the back of lower revenue. Trade receivables turnover days for 1H2018 however increased to 90 days (FY2017: 69 days) due to extension of the credit terms from three months to six months for its trading customers.

Assets Classified as Held for Sale

The assets classified as held for sale were RMB301.0 million as at 30 June 2018 (FY2017: RMB302.1 million), including the property, plant and equipment and land use right of the Heigutian Processing Plant, recorded at fair value less cost to sell amounting to RMB260.0 million and held for sale equipment for mining services business of RMB41.0 million.

Analysis of Trade and Bills Payables

The Group's trade and bills payables fell to RMB170.3 million as at 30 June 2018 (FY2017: RMB175.9 million), due primarily to the lower purchases for trading.

Analysis of Net Current Liabilities Position

The Group's net current liabilities position increased to RMB439.7 million as at 30 June 2018 (FY2017: RMB407.5 million). The current ratio remained relatively unchanged at 0.65 as at 30 June 2018 (FY2017: 0.70).

Borrowings

Total borrowings of the Group fell to RMB896.6 million as at 30 June 2018 (FY2017: RMB907.3 million) due mainly to the repayment during the Reporting Period.

Contingent Liabilities

As at 30 June 2018, the Group did not have any material contingent liabilities.

Pledge of Assets

Pledge of assets as at 30 June 2018 mainly consisted of (i) an one-year interest-bearing bank loan of RMB120.0 million granted by Shanghai Pudong Development Bank ("SPDB") Chengdu Branch to Xiushuihe Mining. In accordance with the bank loan agreements entered into between Xiushuihe Mining and the lender, the mining right of Xiushuihe Mine and 95% equity interest of Xiushuihe Mining were pledged to the SPDB; (ii) one-year interest-bearing bank loans of RMB316.9 million granted by China Construction Bank Huili Branch to Huili Caitong, which was secured by the mining right of Baicao Mine; (iii) one-year interest-bearing bank loans of RMB50.0 million granted by SPDB Chengdu Branch to Aba Mining, which was secured by the mining right of Maoling Mine; and (iv) one-year interest-bearing bank loans of RMB34.0 million granted by SPDB Chengdu Branch to Akuang Trading, which was secured by the mining right of Maoling Mine owned by Aba Mining.

Foreign Currency Risk

The Group's businesses are mainly located in the PRC and most of the transactions are conducted in Renminbi. Most of its assets and liabilities are denominated in Renminbi, except for certain items of cash and cash equivalents and financial assets at fair value through profit or loss that are denominated in Hong Kong dollars, US dollars, Australian dollars and Singapore dollars.

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

The following table demonstrates the sensitivity to a 5.0% change in RMB against HK$, US$, AU$ and S$, respectively. The 5.0% is the rate used when reporting currency risk internally to key management personnel of the Group and represents management's assessment of the reasonably possible change in the foreign currency rate. The sensitivity analyses of the Group's exposure to foreign currency risk at the end of each reporting period have been determined based on the adjustment of translation of the monetary assets and liabilities at the end of each reporting period for a 5.0% change in RMB against HK$, US$, AU$ and S$, respectively, with all other variables held constant, of the Group's loss before tax for 1H2018 (due to changes in the fair value of cash and cash equivalents denominated in HK$, US$, AU$ and S$):

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

Interest Rate Risk

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

Contractual Obligations

The Group had no contractual obligations as at 30 June 2018 and 31 December 2017.

Capital Expenditure

The Group's total capital expenditure increased by RMB26.4 million to RMB47.7 million for 1H2018 (1H2017: RMB21.3 million). The capital expenditure comprised mainly (i) additions in machinery and building aggregated to RMB39.0 million for the technical improvement with a view to potentially increasing the grade of vanadium-bearing iron concentrates; and (ii) additions in mining infrastructure aggregated to RMB8.0 million for Aba Mining.

Gearing Ratio

Gearing ratio is a measure of financial leverage, which is calculated by net debt divided by "total equity plus net debt". Net debt is defined as interest-bearing bank and other loans, net of cash and cash equivalents and it excludes liabilities incurred for working capital purpose. Equity includes equity attributable to owners of the Company and non-controlling interests. As at 30 June 2018, gearing ratio was 48.4% (FY2017: 39.9%).

Management Analysis in Business Segments

	1H2018	1H2017	Variance
	RMB'000	*RMB'000*	*%*
Revenue	**548,764**	715,668	(23.3)
Cost of sales	**(501,028)**	(645,645)	(22.4)
Gross profit	**47,736**	70,023	(31.8)
Other income and gains	**108,056**	618	NM
Selling and distribution expenses	**(43,116)**	(35,817)	20.4
Administrative expenses	**(68,913)**	(25,626)	168.9
Other expenses:			
Impairment losses and write-down of inventories to net realisable value	**(387,761)**	(28,843)	NM
Other	**(14,429)**	(5,786)	149.4
Fair value loss on financial assets at fair value through profit or loss	**–**	(55,907)	NM
Finance costs	**(29,827)**	(30,412)	(1.9)
Share of loss of an associate	**–**	(1,830)	NM
Loss before tax	**(388,254)**	(113,580)	241.8
Income tax expenses	**(15,087)**	(1,601)	842.3
Loss for the period	**(403,341)**	(115,181)	250.2

	1H2018	1H2017	Variance
	RMB'000	*RMB'000*	*%*
Loss attributable to:			
Owners of the Company	**(400,373)**	(111,327)	259.6
Non-controlling interests	**(2,968)**	(3,854)	(23.0)
	(403,341)	(115,181)	250.2
Less: Impairment losses and write-down of inventories to net realisable value for Low Fe and Inactive Mines	**(387,761)**	(20,000)	NM
Net Loss excluding impairment losses and write-down of inventories to net realisable value for Low Fe and Inactive Mines	**(12,612)**	(91,327)	(86.2)
Summarised financial performance for Low Fe and Inactive Mines:			
Revenue	**198,258**	227,151	(12.7)
Gross profit	**22,075**	68,786	(67.9)
Impairment losses and write-down of inventories to net realisable value	**(387,761)**	(20,000)	NM
Net Loss for Low Fe and Inactive Mines	**(402,193)**	(32,495)	NM

OUTLOOK

It is widely known that since 2017, China has reinforced its efforts in deepening nationwide supply-side reform to pursue a sustainable and healthy economic development for the community. The steel sector was the first industry targeted in such reform and the goal of cutting excessive steel capacity by 150 Mt has been met before the deadline of 2020. As China's economy seems to have accustomed to its new normal pace of growth, the growth of fixed assets investment within the country will inevitably slowdown.

On the other hand, the determination of China's commitment to environmental protection and pollution control (as further indicated by the establishment of the Ministry of Ecology and Environment of the PRC in March 2018) is expected to usher in more stringent enforcement of environmental regulations. Some of the country's biggest steelmakers have been warned for their failure to comply with anti-pollution laws, and others have been placed on a rectification list following their breaches of environmental and safety regulations. There is immediate pressure for steelmakers to step up their exertions on compliance with environmental policies without further delay. As reiterated, these anti-smog policies and related environmental protection measures have resulted in a drastic shift in demand for higher-grade iron ore and thus, price premium for the high-grade iron ore may increase further whereas the demand and prices for low-grade iron ore have fallen and may continue to fall.

The escalating trade war between China and the US poses major concerns for and critical impacts on the steel industry. As such, export opportunities for the Chinese steel industry are extremely limited and there appears no alternative solutions for export, which could offer an immediate reprieve for the industry. Some major industry players are however, evaluating and monitoring the market conditions in other emerging countries, which could potentially tap into China's Belt-and-Road initiative as one of the probable means to utilise the overcapacity in the steel industry.

The Group's focused strategies in improving efficiencies for the production of higher-grade iron concentrates work well particularly in the current fragmented iron ore industry. This business segment is expected to continually generate positive operating cash flows for the Group, barring unforeseen circumstances, and the Group will remain steadfast in this aspect. On the other hand, there is an immediate need to address existing and impending issues given the lower-than-optimal utilisation for the Low Fe Mines while the suspended Low Fe Mines are also expected to remain inactive for ample commercial reasons.

The Group has downsized, streamlined, shut down parts of the operations for its Low Fe Mines in the Southern Region under its discretionary redundancy plans, which the local government encouraged and supported. The Group is also well aware that whilst the operational downsizing for these segments has saved the Group from incurring higher operating losses, future impairment risk for the Low Fe and Inactive Mines remains. Meanwhile, the Group has halted major capital investments for Low Fe Mines and is evaluating various options to further reduce its exposure in these segments.

There is an urgent need to formulate viable strategies and implement definitive plans which may include potential expansion of the Group's High Fe Mines, exit plans for its Low Fe and Inactive Mines and/or possible business diversification strategies towards generating operating cash flows, reducing impairment risk, improving future financial performance and enhancing Shareholders' value. The Group will update Shareholders in due course if there is a material development in these strategies.

EMPLOYEES AND EMOLUMENT POLICIES

As at 30 June 2018, the number of employees of the Group was 877 (31 December 2017: 1,434). During the Reporting Period, employee benefit expense (including Directors' remuneration in the form of salaries and other allowances) was approximately RMB54.9 million (six months ended 30 June 2017: RMB31.5 million).

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

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

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

CORPORATE GOVERNANCE

The Board is of the view that during the Reporting Period, the Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report as contained in Appendix 14 to the Listing Rules (the "CG Code") except for code provision A.4.1.

Code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Mr. Teh Wing Kwan, the non-executive Director, is not appointed for a specific term. This constitutes a deviation from code provision A.4.1. However, as Mr. Teh's appointment is subject to retirement by rotation and re-election by the Shareholders at the annual general meetings of the Company in accordance with the Articles, in the opinion of the Directors, this meets the objective of the CG Code.

Save as disclosed above, the Directors are not aware of any other information that reasonably reveals that there is any non-compliance with or deviation from applicable code provisions on corporate governance practices set out in Appendix 14 to the Listing Rules by the Company anytime during the Reporting Period.

REVIEW OF INTERIM CONDENSED FINANCIAL INFORMATION

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

GLOSSARY

"1H2017"	the six months ended 30 June 2017
"Aba Mining"	Aba Mining Co., Ltd.*（阿壩礦業有限公司）, a limited liability company established in the PRC on 27 February 2004 and an indirect wholly-owned subsidiary of the Company
"Akuang Trading"	Akuang Trading Co., Ltd.*（會理縣阿礦貿易有限公司）, a limited liability company established in the PRC on 13 June 2012 and an indirect wholly-owned subsidiary of the Company
"Articles"	the articles of association of the Company, adopted on 4 September 2009 and as amended from time to time
"Australian dollars" or "AU$"	the lawful currency of the Commonwealth of Australia
"Baicao Mine"	白草鐵礦, the vanadium-bearing titano-magnetite mine located in Huili County, Sichuan and operated by Huili Caitong, with a mining area of 1.88 sq.km.
"Baicao Processing Plant"	the ore processing plant located near the Baicao Mine and operated by Huili Caitong
"Board"	the board of Directors
"China" or "PRC"	the People's Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Cizhuqing Mine"	茨竹箐鐵礦, the vanadium-bearing titano-magnetite mine located in Huili County, Sichuan and operated by Huili Caitong, with a mining area of 1.279 sq.km.

"Company"	China Vanadium Titano-Magnetite Mining Company Limited (中國釩鈦磁鐵礦業有限公司), a limited liability company incorporated in the Cayman Islands on 28 April 2008
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Controlling Shareholder(s)"	has the meaning ascribed thereto in the Listing Rules
"Director(s)"	director(s) of the Company or any one of them
"Exchangeable Note(s)"	the exchangeable note(s) issued by the Issuer in accordance with the Secured Exchangeable Note Purchase Agreement with its terms and conditions set out in the Note Certificate
"Fe"	chemical symbol of iron element
"FY2017"	financial year ended and/or as at 31 December 2017
"Group"	the Company and its subsidiaries
"Gypsum"	a soft hydrous sulfate mineral with the chemical formula $CaSO_4 \cdot 2H_2O$
"Haibaodang Mine"	海保凼鈦鐵礦, the vanadium-bearing titano-magnetite mine located in Renhe District, Panzhihua City, Sichuan, with an exploration area of 26.2 sq.km.
"Hailong Processing Plant"	the ore processing plant located near the Cizhuqing Mine and operated by Huili Caitong
"Heigutian Processing Plant"	the ore processing plant located near the Yangqueqing Mine and owned by Huili Caitong
"High Fe Mines"	Maoling-Yanglongshan Mine and Maoling Processing Plant
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$"	the lawful currency of Hong Kong
"Huili Caitong"	Huili County Caitong Iron and Titanium Co., Ltd.* (會理縣財通鐵鈦有限責任公司), established in the PRC on 7 July 1998 and has been a foreign equity joint venture in the PRC since 29 December 2010, an indirect wholly-owned subsidiary of the Company

"iron"	a silvery-white, lustrous, malleable, ductile, magnetic or magnetisable, metallic element occurring abundantly in combined forms, notably in hematite, limonite, magnetite, and taconite, and alloyed for use in a wide range of important structural materials
"iron concentrate(s)"	concentrate(s) whose main mineral content (by value) is iron
"iron ore"	compounds of iron and oxygen (iron oxides) mixed with impurities (gangue); it is a mineral which when heated in the presence of a reductant will yield metallic iron
"iron pellet(s)"	a round hardened clump of iron-rich material suitable for application in blast furnaces
"Iron Pelletising Plant"	the plant that produces iron pellets and is located in Huili County, Sichuan, which is approximately 5.5 km. from the Xiushuihe Mine and operated by Huili Caitong
"Issuer"	Rui Tong Limited, a private company incorporated in the British Virgin Islands with limited liability, being the issuer of the Exchangeable Note under the Secured Exchangeable Note Purchase Agreement and a third party independent of the Company and its connected persons
"km."	kilometre(s), a metric unit measure of distance
"Kt"	thousand tonnes
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Low Fe Mines"	Baicao Mine, Baicao Processing Plant, Xiushuihe Mine (including expansion), Xiushuihe Processing Plant, Hailong Processing Plant, Heigutian Processing Plant and Iron Pelletising Plant
"Low Fe and Inactive Mines"	Cizhuqing Mine, Yangqueqing Mine, Haibaodang Mine and Low Fe Mines
"Mancala Australia"	Mancala Holdings Pty Ltd. and its subsidiaries
"Mancala Holdings"	Mancala Holdings Limited, the legal and beneficial owner of the entire issued share capital of Mancala Holdings Pty Ltd.

"Maoling Extended Exploration Area"	formerly an independent exploration region with an area of 2.83 sq.km. covered under the extended exploration permit of the Maoling Mine (covering 1.9 sq.km. of the mining area of the Maoling Mine), has been consolidated with the Yanglongshan Mine since September 2012 to form the Maoling-Yanglongshan Mine
"Maoling Mine"	毛嶺鐵礦, an ordinary magnetite mine located in Wenchuan County, Sichuan, with a mining area of 1.9 sq.km.
"Maoling Processing Plant"	the ore processing plant located near the Maoling-Yanglongshan Mine and operated by Aba Mining
"Maoling-Yanglongshan Mine"	an exploration region with a total area of 11.6 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 Maoling Extended Exploration Area and the Yanglongshan Mine since September 2012 and operated by Aba Mining
"mining right(s)"	the right(s) to mine mineral resources and obtain mineral products in areas where mining activities are licensed
"Mt"	million tonnes
"NM"	not meaningful. For the purposes of this announcement, the Board has taken the view that percentage change of more than 1,000% is not meaningful
"N/A"	not applicable
"Note Certificate"	the note certificate of the Exchangeable Notes with the terms and conditions of the Exchangeable Notes set out therein
"ore processing"	the process which in general refers to the extraction of usable portions of ores by using physical and chemical extraction methods
"Renminbi" or "RMB"	the lawful currency of the PRC
"Reporting Period" or "1H2018"	the six months ended 30 June 2018
"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 conditionally agreed to issue and the Group conditionally agreed to subscribe the Exchangeable Note on the terms and subject to the conditions set out therein

"Share(s)"	ordinary share(s) in the share capital of the Company, with a nominal value of HK$0.1 each
"Shareholder(s)"	holder(s) of the Share(s)
"Shigou Gypsum Mine"	Shigou gypsum mine located at Hanyuan County, Ya'an City, Sichuan, with a mining area of 0.1228 sq.km.
"Sichuan"	the Sichuan province of the PRC
"Singapore dollars" or "S$"	the lawful currency of the Republic of Singapore
"sq.km."	square kilometre(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Oriental Mining and Mineral Resources Co., Ltd., a company incorporated in the Cayman Islands on 8 April 2011 and a third party independent of the Company and its connected persons
"TFe"	the symbol for denoting total iron
"titanium concentrate(s)"	concentrate(s) whose main content (by value) is titanium dioxide
"Trisonic International"	Trisonic International Limited（合創國際有限公司）, a company incorporated in Hong Kong on 19 July 2006 and a Controlling Shareholder
"United States" or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US dollars" or "US$"	the lawful currency of the United States
"Xiushuihe Mine"	秀水河鐵礦, the vanadium-bearing titano-magnetite mine located in Huili County, Sichuan and operated by Xiushuihe Mining, with a mining area of 0.52 sq.km.
"Xiushuihe Mining"	Huili County Xiushuihe Mining Co., Ltd.*（會理縣秀水河礦業有限公司）, a limited liability company established in the PRC on 26 June 2007, an indirect subsidiary of the Company that owns 95.0% equity interest
"Xiushuihe Processing Plant"	the ore processing plant located at the Xiushuihe Mine and operated by Xiushuihe Mining

"Yanglongshan Mine"	羊龍山鐵礦, an ordinary magnetite mine located in Wenchuan County, Sichuan, formerly an independent exploration region with an area of 8.79 sq.km. covered under the exploration permit of the Yanglongshan Mine, and has been consolidated as the Maoling-Yanglongshan Mine with the original Maoling Extended Exploration Area since September 2012
"Yangqueqing Mine"	陽雀箐鐵礦, the vanadium-bearing titano-magnetite mine located in Huili County, Sichuan, with a mining area of 0.25 sq.km.

* *For identification purpose only*

By order of the Board
China Vanadium Titano-Magnetite Mining Company Limited
Teh Wing Kwan
Chairman

Hong Kong, 28 August 2018

As at the date of this announcement, the Board comprises Mr. Teh Wing Kwan (Chairman) as non-executive Director; Mr. Jiang Zhong Ping (Chief Executive Officer), Mr. Hao Xiemin (Financial Controller) and Mr. Wang Hu as executive Directors; Mr. Yu Haizong, Mr. Wu Wen and Mr. Liu Yi as independent non-executive Directors.

Website: www.chinavtmmining.com