罕王
HANKING

CHINA HANKING HOLDINGS LIMITED
中國罕王控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 03788)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

RESULTS HIGHLIGHTS

For the year ended 31 December 2019:

- revenue from the Group's continuing operations amounted to RMB2,251,882,000, representing an increase of RMB1,086,391,000 or 93.21% as compared to the unrestated revenue from continuing operations in 2018;
- the profit for the year of continuing operations was RMB332,161,000, representing an increase of RMB147,239,000 or 79.62% as compared to the unrestated profit for the year of continuing operations in 2018;
- earnings per Share of continuing operations were RMB18.3 cents, representing an increase of RMB8.2 cents or 81.19% as compared to the unrestated earnings per Share of continuing operations in 2018; and
- the Board proposed a final dividend of HK$0.08 per Share (2018: HK$0.02 per Share) for the year ended 31 December 2019, representing a year-on-year increase of 300%.

The board (the "**Board**") of directors (the "**Directors**") of China Hanking Holdings Limited (the "**Company**" or "**Hanking**" and its subsidiaries, the "**Group**") hereby announced the audited consolidated results of the Group for the year ended 31 December 2019 (the "**2019 Annual Results**"). The 2019 Annual Results have been audited by Deloitte Touche Tohmatsu, the auditor of the Company, and have been reviewed by the audit committee of the Company (the "**Audit Committee**"), and have been approved by the Board on 29 March 2020.

OPERATION HIGHLIGHTS

1. Value Chain Extension in Iron Ore Business

In the first half of 2019, the controlling shareholders of the Company injected the high-purity iron plants to the Group, which further extended the Group's value chain in iron ore business to high-end quality manufacturing materials. Based on historical data, the fluctuations in gross profit of high-purity iron plants were relatively low, hence enjoyed more stable profitability. In addition, the production capacity of high-purity iron has increased to 660 thousand metric tonnes per year after the six-month technological transformation. As the raw material for wind turbine cast products, the high-purity iron business will benefit from the development of wind power industries, which will further broaden the Group's revenue and enhance its profitability.

2. Significant increase in the Group's profit for the year

In 2019, as a result of the year-on-year increase in the unit sales price of iron ore concentrates, the acquisition of the high-purity iron business and the fact that Aoniu Mining, which has been qualified as a high and new technology enterprise, enjoyed an income tax rate of 15%, the Group's profit for the year significantly increased to RMB296,943,000, representing an increase of RMB122,903,000 or 70.62% as compared to the unrestated profit for the year in 2018.

3. Dividend Distribution Plan for Shareholders

The Board has approved the "Dividend Distribution Plan for Shareholders for the Next Three Years (2020-2022)" of the Company, which, among other matters, states that the Company will make interim and annual profit distribution and shall prioritize the distribution of cash dividends and that the amount of dividend shall account for at least 30% of the Group's total net profit for the period.

4. Safety and environmental protection

Adhering to the principles of "safety, community harmony and green mine", the Group always attaches great importance to safety and environmental protection in its corporate governance. The Group has achieved zero fatality, casualty, environmental pollutions, occupational morbidity rate and fires for three consecutive years.

IRON ORE BUSINESS

The prices of iron ores experienced significant fluctuations in 2019. Due to the imbalanced supply and demand of iron ores under the influence of the mining accident in Brazil and the hurricane in Australia, iron ore prices remained at high levels in the first half of the year and reached US$126.35 in July, which is its peak of the year and the highest level since 2015. From the early second half of the year, iron ore prices gradually declined as previously closed mines successively resumed operations and hence the iron ore supply increased continuously. As of 31 December 2019, the index price of 62%-graded Australian ores amounted to US$91.95, up by approximately US$20 as compared with last year.

1. Operation review

In 2019, the system upgrade and ancillary projects of the main shaft of underground mining workshop of Maogong Mine, the major operating mine of the Company, has been completed, thus achieving the increase in supply from the main shaft. On the basis of the phase 4 technological improvement, Maogong Mine has optimized the production process of its processing plant, thereby effectively increased both processing volume and output. In 2019, the output of iron ore concentrates by Maogong Mine amounted to 1,600 thousand metric tons (2018: 1,316 thousand metric tons), representing a year-on-year increase of 21.58%. Due to closed pits in certain mining areas, the output of Aoniu Mine reduced. However, driven by the production expansion of Maogong Mine, the output of iron ore concentrates by the Group amounted to 1,860 thousand metric tons in 2019, representing a year-on-year increase of 3.62%, while the sales volume of iron ore concentrates amounted to 1,840 thousand metric tons, representing a year-on-year increase of 1.94%.

Table 1 – Output and sales volume of iron ore

	For the year ended 31 December (thousand metric tons)		
	2019	2018	Change
Stripping amount Note 1	**0**	1,256	-100.00%
Output of iron ore	**5,629**	5,877	-4.22%
Output of iron ore concentrates	**1,860**	1,795	3.62%
Sales volume of iron ore concentrates	**1,840**	1,805	1.94%

Note 1: All extractions were conducted through underground mining and no open-pit mining was conducted in 2019, and therefore no stripping amount was generated.

The iron ore business is situated at the famous iron ore metallogenic belt of Anshan to Benxi where iron ore resource is rich and in good quality. Over the past couple of years, the Company has been working hard to improve the quality of its iron ore concentrate products through continuous research and development as well as constant technological improvements. The Group produced iron ore concentrates at a stable grade of approximately 69% with low content of sulfur, phosphorus and other impurity substance, enabling our clients to significantly reduce their production costs. Meanwhile, the Company changed its sales approach for iron ore business to develop sales markets and acquire additional major customers with a view to enhancing the Company's position in the supply chain, thereby securing optimal sales price. The Group's average sales price of iron ore concentrates was RMB773 per metric ton in 2019 (2018: RMB645 per metric ton), representing an increase of RMB128 per metric ton or 19.84% as compared with that for the corresponding period of last year.

All of the iron ores were extracted through underground mining in 2019 while some of the iron ores were extracted through open-pit mining last year, which resulted in an increase in consolidated mining costs for the year. The change of customers with a longer transportation distance resulted in an increase in transportation expenses per metric ton. The increase in the sales price of iron ore concentrates per metric ton caused the increase in tax per metric ton. A year-on-year decrease of mine management expenses was attributable to refined management and adjustment of the operation mode. The above-mentioned main reasons resulted in an average cash operation costs of per metric ton of iron ore concentrates of RMB330 (2018: RMB315), representing a year-on-year increase of 4.76%. Through numerous technology improvements, Hanking achieved the optimal allocation in respect of mining extraction and processing, ensuring its relatively low level of iron ore production costs in the industry.

Table 2 – Cash operation costs of the iron ore business

	For the year ended 31 December		
	2019 (RMB/metric ton of iron ore concentrate)	2018 (RMB/metric ton of iron ore concentrate)	Change
Mining	**159**	143	11.19%
Processing	**74**	81	-8.64%
Transportation	**26**	19	36.84%
Tax	**45**	38	18.42%
Mine management	**26**	34	-23.53%
Total	**330**	315	4.76%

Aoniu Mining continued to carry out research and development while producing high-grade iron ore concentrates, leading to a number of invention patents, utility patents and software technologies which belong to "The Field of High and New Technology with the Key Support by the State" (《國家重點支持的高新技術領域》), and was accredited as a high and new technology enterprise in 2019. Pursuant to the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) and other relevant regulations, Aoniu Mining is eligible to apply for the entitlement to the relevant preferential policies of the State on high and new technology enterprises within a continuous period of three years after being accredited as a high and new technology enterprise. Aoniu Mining is eligible to pay enterprise income tax at a preferential rate of 15% retrospectively from 1 January 2019 onwards.

Table 3 – Operation breakdown of iron ore business

Iron ore business	For the year ended 31 December 2019	2018	Change
Revenue (RMB thousand)	**1,422,623**	1,163,401	22.28%
Gross profit (RMB thousand)	**734,612**	512,429	43.36%
Gross margin	**51.64%**	44.05%	17.23%
Net profit (RMB thousand)	**352,272**	231,831	51.95%
Net margin	**24.76%**	19.93%	24.23%
EBITDA (RMB thousand)	**724,225**	503,908	43.72%
Profit margin of EBITDA	**50.91%**	43.31%	17.55%

In 2019, the capital expenditure of the iron ore business mainly included the expenditure of the mining rights and expansion. As of 31 December 2019, the capital expenditure of iron ore business was approximately RMB146,624,000 (2018: RMB215,861,000), mainly including expenditure for plants, machines and equipment and properties, expenditure for intangible assets as well as increase in right-of-use assets of approximately RMB63,317,000, approximately RMB58,054,000 and approximately RMB25,253,000 respectively. The capital commitment amounted to approximately RMB15,523,000 (2018: RMB29,382,000).

2. Operating mines

1) Maogong Mine

Maogong Mine is located in the township of Shiwen, Fushun County, Fushun City, and is operated by Maogong branch of Aoniu Mining, a subsidiary of the Company. Maogong Mine owns mining licenses covering areas totaling 1.98 square kilometers and exploration permits covering areas totaling 8.85 square kilometers, and has extensive infrastructures including paved roads, water and electricity supplies.

The system upgrade and ancillary projects of the main shaft of underground mining workshop of Maogong Mine has been commissioned and completed and officially commenced production in the first half of 2019, thus achieving the increase in supply from the main shaft. Maogong Mine has centralized the control and deployment of production through measures such as optimization of mining processes, remote monitoring, image and video surveillance and control of key positions underground, as well as the surveillance and control over various environmental parameters (e.g. CO, NO2, etc.).

Table 4 – Operation breakdown of Maogong Mine

Maogong Mine	For the year ended 31 December **2019**	2018	Change
Output of iron ore concentrates (thousand metric tons)	**1,600**	1,316	21.58%
Sales volume of iron ore concentrates (thousand metric tons)	**1,583**	1,317	20.20%
Mining costs (RMB per metric ton of iron ore concentrate)	**192**	191	0.52%
Processing costs (RMB per metric ton of iron ore concentrate)	**110**	111	-0.90%
Government tax (RMB per metric ton of iron ore concentrate) *Note 1*	**46**	39	17.95%
Freight on sales (RMB per metric ton of iron ore concentrate *Note 2*	**25**	14	78.57%

Note 1: The increase in tax per metric ton was due to the increase in the sales price of iron ore concentrates per metric ton.

Note 2: The transportation service was provided by independent third parties. The changes in customer proportion and longer transportation distances resulted in increased cost of transportation which will be compensated by raising the sales price.

2) Aoniu Mine

Aoniu Mine is located in the township of Hou'an, Fushun County, Fushun City, and is operated by the Company through its subsidiary Aoniu Mining. Aoniu Mine owns mining licenses covering areas totaling 1.8911 square kilometers and has extensive infrastructures including paved roads, electricity and water supplies. Aoniu Mine was awarded the title of National Green Mine.

In 2019, Aoniu Mine carried out treatment of filling, reshaping and vegetation restoration after closure of open-pit mining. Underground mining was conducted at Aoniu Mine throughout the year. Apart from daily production, technological improvements on infrastructure were pushed forward steadily with the underground mining infrastructure located at south of line 128 passed the construction completion inspection in November 2019, which laid a solid foundation for production in 2020. Aoniu Mine is situated at the iron ore metallogenic belt of Anshan to Benxi endowed with great resource potentials and the Company will continue the mine explorations at its periphery.

Table 5 – Operation breakdown of Aoniu Mine

Aoniu Mine	**For the year ended 31 December**		
	2019	2018	Change
Output of iron ore concentrates (thousand metric tons)	**260**	479	-45.72%
Sales volume of iron ore concentrates (thousand metric tons)	**257**	488	-47.34%
Mining costs (RMB per metric ton of iron ore concentrate *Note 1*	**160**	177	-9.60%
Processing costs (RMB per metric ton of iron ore concentrate *Note 2*	**136**	124	9.68%
Government tax (RMB per metric ton of iron ore concentrate *Note 3*	**39**	33	18.18%
Freight on sales (RMB per metric ton of iron ore concentrate *Note 4*	**29**	33	-12.12%

Note 1: Underground mining drivage and mining rights were both fully amortized in 2018 and no amortization was recorded during the year.

Note 2: The increase of processing costs per metric ton was due to the fact that all productions of Aoniu Mine were conducted in its second processing plant as its first processing plant was under suspension of operation in 2019, hence reducing the production scales and efficiency.

Note 3: The increase in tax per metric ton was due to the increase in the sales price of iron ore concentrates per metric ton.

Note 4: The transportation service was provided by independent third parties.

3) Shangma Mine

Shangma Mine is located at the center of the iron ore belt in Fushun City. Production at Shangma Mine was suspended in 2019. The Company conducted exploration and development design at the area where Shangma Mine is located, which will provide geographic evidence support for subsequent resource development, expansion of mining area and synergic development with Aoniu Mine.

3. Iron ore resources and reserves

In 2019, Aoniu Mine completed a total of 10 surface drilling holes and drilled approximately 3,829 meters which increased ore resource of approximately 2.63 million metric tons. Maogong Mine completed a total of 37 surface drilling holes and drilled approximately 19,000 meters; Shangma Mine completed 9 surface drilling holes and drilled approximately 3,422 meters, base on which, massive iron ore deposit has been discovered and the increased resource now is under estimation. Exploration expenditure was approximately RMB9,202,000.

As the resources reserves shall be split up due to the adjustments to the Group's iron ore mining area and an application for extension of mining rights shall be made, the Group has re-verified the iron ore resources reserves in 2019. During the process of verification, through the examination of mining tunnel, it was proven that the morphology of ore bodies has changed. The mining area has been reduced and adjusted for the purpose of protecting the woodland in the restricted development areas under the Forest Protection Plan. As such, the iron ore resources of the Group have decreased after the re-estimation, while the grade of iron ore has improved. As at the end of 2019, the Group owned approximately 90,955 thousand metric tons of iron ore resources.

Table 6 – Iron ore resources as at the end of 2019

Mines	Resources category	Increased amount for 2019 (metric ton)	Resources amount at the end of 2019 (metric ton)	TFe (%)
Aoniu Mine	Indicated [1]	200,000	13,122,972	30.21
	Inferred [2]	2,427,000	23,037,590	31.89
Subtotal of Aoniu Mine		2,627,000	36,160,562	31.24
Maogong Mine	Indicated	-4,554,890	15,694,411	33.49
	Inferred	1,111,171	7,089,670	33.89
Subtotal of Maogong Mine		-3,443,719	22,784,081	33.61
Shangma Mine	Indicated [3]	302,640	18,124,040	32.14
	Inferred [4]	-4,093,440	13,886,760	30.53
Subtotal of Shangma Mine		-3,790,800	32,010,800	31.44
Total [5]	Indicated	-4,052,250	46,941,423	32.06
	Inferred	-555,269	44,014,020	31.78
Total resources		-4,607,519	90,955,443	31.92

1 The resources amount includes approximately 11,364 thousand metric tons of the resources amount which does not show on the mining licenses.

2 The resources amount includes approximately 18,591 thousand metric tons of the resources amount which does not show on the mining licenses.

3 The resources amount includes approximately 12,792 thousand metric tons of the resources amount which does not show on the mining licenses.

4 The resources amount includes approximately 9,584 thousand metric tons of the resources amount which does not show on the mining licenses.

5 The resources amount includes portion of the resources amount which does not show on the mining licenses.

Note 1: For the estimation of iron ore resources, firstly, the industrial parameters were determined in accordance with the requirements of the general standard of the geological exploration profession in the PRC "Geological and Exploration Standards for Iron, Manganese and Chrome Deposits" (DZ/T0200-2002); and then the "Geological Block" method was selected based on the geological characteristics of the ore bodies to estimate the amount of ore resources using the volume and specific gravity of ore body in each block. The resources category classification is based on the extent of geological exploration work carried out and comparable to the JORC Code.

Note 2: The figures do not imply precision and may not add up due to rounding. Mineral resources are quoted inclusive of mineral reserves.

As of the end of 2019, the Group owned approximately 35,577 thousand metric tons of JORC Code-compliant iron ore reserves.

Table 7 – Iron ore reserves as at the end of 2019

Mines	**Resources category**	**Increased amount for 2019 (metric ton)**	**Reserves at the end of 2019 (metric ton)**	**TFe (%)**
Aoniu Mine	Probable Ore Reserve	200,000	1,758,933	31.83
Maogong Mine	Probable Ore Reserve	-4,554,890	15,694,411	33.49
Shangma Mine	Probable Ore Reserve	302,640	18,124,040	32.14
Total	Probable Ore Reserve	-4,052,250	35,577,384	32.73

Note: In accordance with the JORC Code, ore resources are the economically mineable portion of the resources obtained through exploration and are determined based on mine feasibility study as well as actual operation parameters from the operations of relevant mines.

HIGH-PURITY IRON BUSINESS

1. Merger and acquisition of high-purity iron business

On 1 April 2019, the Company entered into an agreement with China Hanking (BVI) Limited (as the seller and a controlling shareholder of the Company), pursuant to which the seller has conditionally agreed to sell, and the Company has conditionally agreed to purchase the 100% equity interest in Tuochuan (Hong Kong) Limited ("**Tuochuan (Hong Kong)**") at the consideration of RMB1,020 million. Tuochuan (Hong Kong) indirectly holds 99% of equity interest in Hanking D.R.I.. Details are set out in the announcement of the Company dated 1 April 2019 and the circular dated 29 April 2019. The transaction has been approved by the independent shareholders of the Company at the annual general meeting held on 30 May 2019. As of 30 June 2019, the Company has obtained the effective control of Tuochuan (Hong Kong) and the financial data of Tuochuan (Hong Kong) has been consolidated into the Group's financial statements. In January 2020, the Company entered into the equity acquisition agreement with an independent third party to indirectly acquire 1% of equity interest in Hanking D.R.I. at the consideration of RMB11.8 million, thus completing the acquisition of its 100% of equity interest.

2. Industry analysis

The high-purity iron business of Hanking mainly involves the provision of high-purity casting iron for domestic enterprises producing large heavy equipment and casts. Leveraging the quality and scale advantages and through long-term cooperation, Hanking has established solid and close cooperation relationship with a number of downstream customers and has become the largest supplier in the wind power ductile casting iron market in China.

Pursuant to the existing national policies, from 2022 and beyond, onshore and offshore wind power will not be entitled to national subsidies and consequently, it is highly probable that there will be a round of rush installation of wind power in 2020 to 2021. From the perspective of approved inventory projects, as at the end of 2018, the accumulated approved wind power projects in China amounted to approximately 300GW and the accumulated installed wind power in China reached 209.53GW, hence, the approved but uninstalled wind power projects in China amounted to approximately 90GW, which constituted a large pool of inventory projects. Among the aforesaid inventory projects, onshore and offshore wind power projects will target to complete grid connection by the end of 2020 and 2021, respectively, thus the industry sentiment will remain high. As such, as a supplier for leading enterprises of wind turbine cast products, the high-purity iron business of Hanking is expected to benefit from the above conditions.

3. Operation overview

The ductile casting high-purity iron produced by Hanking D.R.I. contains minimal impurity contents and non-ductile elements such as sulfur, phosphorus, titanium and manganese, and features high tensile strength and high corrosion resistance. Its certain self-developed high-purity iron products applicable to high-end ductile iron cast production have been granted national invention patents. In October 2017, Hanking D.R.I. was qualified as National high and new technology enterprise (國家高新技術企業).

In order to expand its production capacity, Hanking D.R.I. has suspended its production for the purpose of technological improvement since mid-April 2019. The technological improvement has been completed at the end of September 2019 and the annual production capacity of high-purity iron has increased from 560 thousand metric tons to 660 thousand metric tons. The production efficiency has also increased with the adoption of advanced equipment and increased level of automation. In 2020, the output of Hanking D.R.I. will further increase, which will facilitate the rapid development of the wind power industry and further consolidate the leading position of Hanking in the high-purity iron industry.

Table 8 – Operation breakdown of high-purity iron business

High-purity iron business	For the year ended 31 December		
	2019	2018	Change
Sales volume (thousand metric tons) *Note 1*	**288**	518	-44.40%
Average sales prices (RMB per metric ton)	**3,319**	3,211	3.36%
Average cost of sales (RMB per metric ton)	**2,672**	2,516	6.20%
Revenue (RMB thousand)	**956,583**	1,662,781	-42.47%
Gross profit (RMB thousand)	**186,404**	359,761	-48.19%
Gross margin	**19.49%**	21.64%	-9.94%
Net profit (RMB thousand)	**32,475**	219,065	-85.18%
Net margin	**3.39%**	13.17%	-74.26%
EBITDA (RMB thousand)	**124,874**	307,172	-59.35%
Profit margin of EBITDA	**13.05%**	18.47%	-29.34%

Note 1: The suspension of operation for about six months due to technological improvement in 2019 has resulted in a significant decrease in the output and sales volume.

As of 31 December 2019, the capital expenditure of the high-purity iron business amounted to approximately RMB179,479,000 (2018: RMB38,858,000), which was mainly used towards the technological improvement of blast furnace. The capital commitments amounted to approximately RMB3,694,000 (2018: RMB38,393,000).

GOLD BUSINESS

In 2019, against the backdrop of slowing economic growth and inflation as well as the uncertain economic outlook due to trade war, dozens of central banks worldwide have lowered their interest rates. With the strong boosting effect of sufficient global liquidity on precious metal price, the gold price also demonstrated a continuous rising trend.

In light of the spread of the novel coronavirus in China at the beginning of 2020, the investors purchased gold for risk aversion, which has boosted the gold price. In early March, the novel coronavirus spread worldwide. Market sentiments switched from pessimistic to desperate and investors started to sell off gold to increase liquidity, leading to a sharp decline of gold prices. Looking forward, the central banks around the world will implement more relaxed policies after the epidemic, which will be favourable for the performance of gold price in the mid-to-long term.

1. Operation review

In 2019, the gold business of the Company carried out a large number of exploration works, including chemical test, drilling and regional screening of target zones for exploration, and completed a total of 3,219 metres of drilling works and 58 square kilometers of chemical tests.

In addition to the geological exploration work, the Company proactively pushed forward its preparatory efforts for the commencement of gold production. In order to develop Tom's Gully gold mine, a high-grade gold mine in Northern Australia, the Company has conducted various works in relation to mining approval, including the approval for design of development plan and environmental impact assessment report. On 2 March 2020, the Northern Territory Environment Protection Authority of Australia provided an approved assessment report on Tom's Gully gold mine, which has completed the final procedure of the environmental impact assessment. The project is now preparing for the mining approval. Furthermore, the Company also carried out various works in relation to preliminary feasibility study on Rustlers Roost gold mine, such as processing tests (recovery rate of processing), milling tests and slope stability tests as well as estimation of operation costs and reserves. The Coolgardie gold project in Western Australia has obtained the mining license, and is now seeking suitable processing plant.

As the Group's gold business is still under preparation for production, no sales were recorded in 2019. For the year ended 31 December 2019, the capital expenditure of the gold business was RMB11,506,000 (2018: RMB215,771,000), which was mainly for the environmental impact assessment and exploration expenses of the gold mines.

2. Resources and reserves

As at the end of 2019, the Group had JORC Code-compliant resources of approximately 2 million ounces of gold at an average grade of 1.1 gram/ton and ore reserve of approximately 0.23 million ounces of gold at an average grade of 3.9 gram/ton.

Table 9 – Gold mine resources as at the end of 2019

	Measured			Indicated			Inferred			Total		
	thousand metric tons	gram/ton	thousand ounces	thousand metric tons	gram/ton	thousand ounces	thousand metric tons	gram/ton	thousand ounces	thousand metric tons	gram/ton	thousand ounces
Coolgardie project	690	1.4	30	1,816	1.6	95	1,304	1.8	76	3,811	1.6	201
Mt Bundy project												
Rustlers Roost	–	–	–	36,611	0.9	1,028	12,990	0.7	304	49,601	0.8	1,332
Tom's Gully	–	–	–	835	9.0	242	265	8.5	73	1,100	8.9	315
Quest 29	–	–	–	2,190	1.4	98	1,205	1.3	50	3,395	1.4	148
Sub-total	–	–	–	39,636	1.1	1,368	14,460	0.9	427	54,096	1.0	1,795
Total	690	1.4	30	41,452	1.1	1,463	15,764	1.0	503	57,907	1.1	1,996

Table 10 – Gold mine reserves as at the end of 2019

	Resource Category	thousand metric tons	gram/ton	thousand ounces
Coolgardie project	Proved	267	1.5	13
	Probable	802	1.8	45
	Total	1,069	1.7	58
Mt Bundy project	Proved	–	–	–
	Probable	775	6.9	175
	Total	775	6.9	175
Total	Proved	267	1.5	13
	Probable	1,577	4.3	220
	Total	**1,844**	**3.9**	**233**

3. Other business in Australia

As of 31 December 2019, Hanking Australia Investment also held the equity interest in one listed company in Australia with a fair value of RMB3,179,000 (as of 31 December 2018: the fair value of the equity interests held in two companies was RMB9,359,000). Hanking Australia Investment is concurrently monitoring other gold mine projects and seeking new opportunities for mergers and acquisitions. In 2019, Hanking Australia Investment conducted screening of and commenced assessment on a large number of gold mine projects in Australia with some of the projects entered into the stage of negotiation and due diligence.

4. Share Option Scheme

The share option scheme of Hanking Australia Investment was adopted on 25 January 2019. The scheme is designed to recognize the contributions of selected key persons (including the employees and directors of Hanking Australia Investment and its related body corporates, and any person who was determined by the board of directors of Hanking Australia Investment to be a key person when issuing or granting the options) to the Company, and provide an incentive for and to motivate them to remain in their employments with the Company.

The scheme mandate limit is 10% of the shares of Hanking Australia Investment in issue on the date on which the scheme was adopted. The scheme shall be valid and effective for a period of 48 months from the date of adoption. The maximum number of shares of Hanking Australia Investment to be issued upon the exercise of options that may be granted under the scheme is 21,000,000 shares. The scheme will be expired on 25 January 2023, with remaining life of approximately 37 months from 1 January 2020.

As of 31 December 2019, no share option under the scheme was granted, exercised, expired or lapsed.

OTHER BUSINESSES

Green Building Materials Project

2019 marked the first year of the official commencement of production of the Company's green building materials project. Through continuous adjustments to the production processes and techniques, the Company has ensured the stable production and control over its finished goods. During the year, the total production volume of qualified foamed ceramics products is 34,742 cubic meters with a sales revenue of approximately RMB13,200,000.

In 2019, Hanking Green Building Materials obtained a number of certifications, including the ISO9001 Quality Management System Certification, Environmental Management System Certification and Occupational Health & Safety Management System Certification, thereby managing its product quality and works in aspects such as environmental protection, safety and occupational health with systematic models.

In 2019, Hanking Green Building Materials participated in the compilation of Amendment to GB23451-2020 National Standard "Lightweight Partition Boards for Construction Use" (GB23451-2020國標《建築用輕質隔墻條板》) and Amendment to National Building Standard Design Atlas 10J113-1 (國家建築標準設計圖集10J113-1), respectively. Meanwhile, it also served as the editor-in-chief for compilation of the reference atlas of "Construction Structure of Partitions with the Use of Foamed Ceramics Partition Board (《發泡陶瓷隔墻板隔墻建築結構》)", which is the industrial standard for foamed ceramics partition board; and served as the new deputy president unit of Liaoning Building Materials Industry Association. Hanking Green Building Materials was enlisted in both the Catalog of Promotions for Green Building Materials in Liaoning (遼寧省綠色建材推廣目錄) and the Catalog of Recommendations for Green Building Materials of Shenyang Urban-rural Development Bureau (瀋陽市城鄉建設局綠色建材推薦目錄); and applied for 22 patents, which has further consolidated its leading position in the industry.

Disposal of Nickel Business

On 5 July 2018, the Company entered into a share sale and purchase agreement with Tuochuan Capital Limited ("**Tuochuan Capital**") and Mr. Yang Jiye, pursuant to which, the Company has agreed to sell, and Tuochuan Capital has agreed to purchase, 70% equity interest in Hanking (Indonesia) for a total consideration of RMB350,000,000 (the "**Disposal**"), details of which are set out in the Company's announcement dated 5 July 2018 and the circular dated 6 August 2018. The transaction was considered and approved by the independent shareholders of the Company at the extraordinary general meeting held on 24 August 2018.

As of 30 June 2019, as the consideration of the Disposal of RMB350,000,000 has been offset by the payment arrangement for the merge and acquisition of the high-purity iron business, representing the receipt of the consideration of the Disposal in full by the Company, the Disposal has therefore been completed in substance. As the purchaser of the transaction is a controlling shareholder of the Company, the Company will not record any profit or loss as a result of the Disposal. The difference between the sales price and the equity attributable to the Company of the transaction, i.e. the premium arising from the Disposal, of approximately RMB155,728,000 has been credited to other reserve.

PROSPECT AND COUNTERMEASURES

In 2020, the Group plans to produce 1,850 thousand metric tons of iron ore concentrates and stabilize the production cost of the iron ore business while increasing its resources reserve and improving its efficiency continually. It plans to produce 630 thousand metric tons of high-purity iron and further expand its production capacity to meet the demand of the existing quality customers, as well as continues to expand the scope of usage of its products. The green building materials project plans to produce 47,750 cubic metres of foamed ceramics and expand market shares, at the same time ensuring the advancement of technologies through in-depth cooperation between industry, university and research institute with higher education institutions in order to safeguard the future development.

In March 2020, with the completion of the final environmental impact assessment process, the Group's high-grade Tom's Gully gold project is currently preparing for the mining approval and will commence the mine construction during the year. In addition, the gold business will proceed with exploration to increase the resources reserves of existing mines and implement the Company's merger and acquisition strategy based on the market, projects under monitoring and its own funding capability.

In 2020, the spread of the novel coronavirus worldwide has brought a huge impact on the global economy. As affected by the epidemic, the Group's output of iron ore concentrates in the first quarter was approximately 80 thousand metric tons lower than planned. Moreover, under the influence of the operation rate and logistics of downstream customers, the delivery volume of high-purity iron in the first quarter was approximately 70 thousand metric tons lower than planned, and hence resulted in a corresponding increase in inventories. In mid to late March 2020, with the gradual recovery of the operation rate of partners and downstream customers, the output of the Group's iron ore concentrates has resumed to the normal level. The delivery volume of high-purity iron will resume to the similar level as that of output in April, and hence the inventory will gradually decrease.

The Board would like to emphasize that due to the uncertainties in metal prices, the domestic raw materials market and the production environment, the above plans are made solely on the basis of the current market situation and the existing conditions of the Group. The Board may adjust the relevant production plan according to the changes in the situation.

SAFETY, ENVIRONMENTAL PROTECTION, EMPLOYEE AND REMUNERATION POLICY

As of 31 December 2019, the Group had a total of 1,534 employees (as of 31 December 2018: a total of 880 employees). The increase in headcount was mainly due to the Company's acquisition of Tuochuan (Hong Kong) and its subsidiaries in 2019.

As of 31 December 2019, the aggregate remuneration expenses and other employee benefits costs of the Group amounted to approximately RMB155,302,000 (2018: RMB173,717,000). Employee costs included basic salary, commission and bonus, housing allowance, pension, medical insurance, occupational injury insurance and other insurances required by the government. In accordance with the remuneration policy of the Company, the income of employees is related to the performance of individual employees and the operating performance of the Company. The Company carried out performance assessment to motivate employees, so as to enhance its operating performance.

In order to improve the overall quality and professional skills of the employees, the Group has developed and implemented the Administrative System on Training. In 2019, the Group has organized a number of internal and external training. For further details on this aspect, please refer to the Environmental, Social and Governance Report issued by the Company for the year 2019.

FINANCIAL REVIEW

In 2019, the Group has successfully acquired the high-purity iron business. As the acquisition represented a business combination involving entities under common control, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity as well as the consolidated statement of cash flow for 2018 and the consolidated statement of financial position as at 31 December 2018 have all been restated so as to include the profit, assets and liabilities since the date when the combined entities first came under common control. For details of restatement, please refer to note 3 to the consolidated financial statements.

The Group has significantly expanded its business scale as a result of the successful acquisition of high-purity iron business.

The following table sets forth the comparison between the Group's revenue, gross profit and profit for the year from continuing operations in 2019 and the data for 2018, which has not been restated.

	For the year ended 31 December			
	2019	2018 (Unrestated)	Changes	
			Amount	
Continuing operations	***RMB'000***	*RMB'000*	*RMB'000*	*Percentage*
Revenue	**2,251,882**	1,165,491	1,086,391	93.21%
Gross profit	**890,677**	510,302	380,375	74.54%
Profit for the year	**332,161**	184,922	147,239	79.62%

The Group's revenue, gross profit and profit for the year from continuing operations in 2019 increased by 93.21%, 74.54% and 79.62% respectively as compared with the data for 2018, which has not been restated.

However, due to the suspension of production for almost six months in 2019 for technological improvement of capacity expansion of high-purity iron business, the consolidated revenue and profit for the year from continuing operations of the Group decreased as compared with the restated data for 2018. At the end of September 2019, the high-purity iron business of the Company has completed the technological improvement as scheduled and officially resumed production. It is expected that the output and sales volume of high-purity iron in 2020 will increase significantly compared with that in 2018.

1. Revenue, Cost of Sales, Gross Profit

For the year of 2018, the unrestated revenue from the Group's continuing operations was RMB1,165,491,000. For the year of 2019, as the financial information of Hanking D.R.I. has been consolidated into the Group's financial statements, the Group's revenue increased to approximately RMB2,251,882,000. However, due to Hanking D.R.I.'s suspension of production for almost six months for technological improvement, the restated revenue recorded a year-on-year decrease of RMB576,390,000 or 20.38%, mainly due to 1) the increase in revenue of RMB259,222,000 from iron ore concentrates over last year, mainly represented by an increase of RMB128/metric ton in the sales price of iron ore concentrates over last year, resulting in an increase in revenue of RMB236,738,000; 2) the sales volume of iron ore concentrates in 2019 was 1,840 thousand metric tons, representing an increase of 35 thousand metric tons over last year, which resulted in the increase in revenue of RMB22,484,000; 3) the decrease of RMB706,198,000 in the revenue from high-purity iron business over last year, mainly due to the fact that high-purity iron business suspended its production for almost six months for technological improvement in 2019, resulting in a decrease of 230 thousand metric tons in sales volume and a decrease of RMB737,406,000 in revenue from high-purity iron business over last year; and 4) an increase of RMB108/metric ton in the sales price of high-purity iron over last year, resulting in an increase in revenue of RMB31,208,000.

For the year of 2019, cost of sales incurred by the Group's continuing operations amounted to RMB1,361,205,000, representing a decrease of RMB597,004,000 or 30.49% over last year, among which, cost of sales incurred by high-purity iron business decreased by RMB532,841,000 over the corresponding period of last year, mainly attributable to the fact that high-purity iron business suspended its production for almost six months for technological improvement in 2019, resulting in a decrease of 230 thousand metric tons in sales volume of high-purity iron business over last year.

For the year of 2019, gross profit of the Group's continuing operations was RMB890,677,000, representing an increase of RMB20,614,000 or 2.37% over last year. As compared to last year, gross profit margin of the Group's continuing operations increased from 30.67% to 39.55% in 2019.

Analysis on the revenue by major products

	For the year ended 31 December 2019 *RMB'000*					For the year ended 31 December 2018 *RMB'000*				
	Iron ore concentrates	**High-purity iron**	**Others**	**Inter-segment elimination**	**Total**	Iron ore concentrates	High-purity iron	Others	Inter-segment elimination	Total
Revenue	**1,422,623**	**956,583**	**13,200**	**-140,524**	**2,251,882**	1,163,401	1,662,781	2,090	–	2,828,272
Cost of sales	**688,011**	**770,179**	**23,076**	**-120,061**	**1,361,205**	650,972	1,303,020	4,217	–	1,958,209
Gross profit	**734,612**	**186,404**	**-9,876**	**–**	**890,677**	512,429	359,761	–2,127	–	870,063
Gross profit margin	**51.64%**	**19.49%**	**-74.82%**	**–**	**39.55%**	44.05%	21.64%	–101.77%	–	30.76%

2. Other Income, Other Gains and Losses

For the year of 2019, other income from the Group's continuing operations was RMB6,707,000, representing a decrease of RMB41,284,000 or 86.02% over last year. Other income mainly represented interest income.

For the year of 2019, other losses of the Group's continuing operations were RMB7,457,000, representing a decrease in loss of RMB57,863,000 or 88.58% over last year, which was mainly attributable to the decrease in impairment loss of long-term assets of RMB45,886,000. Due to the completion of open pit mining at Aoniu Mine in 2018, the Group has made provisions for impairment loss of long-term assets amounting to RMB64,188,000, while provision were made for impairment loss of RMB17,469,000 on certain long-term assets which were no longer in use due to high-purity iron business's suspension of production for technological improvement in 2019. For details of impairment loss of long-term assets, please refer to note 15. Other losses mainly consisted of the impairment loss of assets, foreign exchange losses, disposal gains of available-for-sale financial assets, net income or loss from disposal of properties, plants and equipment, and other overheads, etc.

3. Distribution and Selling Expenses, Administrative Expenses

For the year of 2019, the distribution and selling expenses of the Group's continuing operations were RMB95,092,000, representing a decrease of RMB24,276,000 or 20.34% as compared to last year, which was mainly due to 1) suspension of production of high-purity iron business for almost six months for technological improvement in 2019, resulting in a decrease of 230 thousand metric tons in the sales volume of high-purity iron business as compared to last year, which in turn resulted in a decrease of RMB41,083,000 in the distribution and selling expenses; and 2) the increase in sales volume of iron ore concentrates of 35 thousand metric tons from the corresponding period of last year and the increase in transportation cost as a result of the change in transport distance. Selling and distribution expenses consisted of transportation expenses, labour expenses and others.

For the year of 2019, the administrative expenses of the Group's continuing operations were RMB198,882,000, representing a decrease of RMB16,753,000 or 7.77% as compared to the corresponding period of last year. The decrease was mainly attributable to the increase in labour expenses due to the dismissal of employees after the completion of open pit mining at Aoniu Mine in 2018. Administrative expenses included remuneration paid to the management and administrative staff of the Group, depreciation and amortization, leasing and office expenses, business development expenses, professional consultation and service expenses, taxation expenses, bank charges and others.

4. Finance Costs and Income Tax Expense

For the year of 2019, the finance costs of the Group's continuing operations were RMB98,687,000, representing a decrease of RMB25,027,000 or 20.23% as compared to last year. Finance costs included interest expenses on bank borrowing, discount expenses and other finance expenses. The decrease in finance costs for the year as compared to last year was mainly due to a decrease in discounting of bank acceptance bills and a decrease in both discount interest and interest expenses as a result of a decrease in bank borrowings.

For the year of 2019, the income tax expense of the Group's continuing operations was RMB152,445,000, representing an increase of RMB171,563,000 or 897.39% as compared to the income tax credit last year. Income tax expense included the total amount of current tax payable and deferred tax. The income tax credit for last year was mainly attributable to the decrease in current income tax charge as a result of internal restructuring of the iron ore business and deductible loss from the disposal of Xingzhou Mining in 2018, and the income tax credit for last year from the deferred tax assets recognized in respect of the timing differences arising from deductible losses, etc.

5. Profit for the Year and Total Comprehensive Income

For the year of 2018, the unrestated profit for the year from the Group's continuing operations was RMB184,922,000. For the year of 2019, as the financial information of Hanking D.R.I. has been consolidated into the Group's financial statements, the profit for the year from the Group's continuing operations increased to approximately RMB332,161,000. For the year of 2019, profit for the year from the Group's continuing operations increased by 79.62% as compared to the unrestated data for 2018. However, due to high-purity iron business's suspension of production for technological improvement for almost six months in 2019, the restated profit for the year from continuing operations recorded a year-on-year decrease of RMB71,635,000 or 17.74%.

Loss for the year from the Group's discontinued operations for the year of 2019 was RMB35,218,000, which mainly represented the operating loss made before the completion of disposal of the nickel mine project and the nickel mine project's cumulative translation reserve reclassified to profit or loss upon disposal.

Based on the profit for the year, and affected by the changes in fair values of financial assets measured at fair value through other comprehensive income and foreign currency translation etc., the total comprehensive income for the year of 2019 was RMB349,389,000, representing a decrease of RMB18,435,000 or 5.01% as compared to last year.

6. Property, Plant and Equipment, Inventories, Intangible Assets

As at 31 December 2019, the net value of property, plant and equipment of the Group was RMB958,008,000, representing an increase of RMB75,305,000 or 8.53% as compared to the end of the previous year.

As at 31 December 2019, the inventories of the Group were RMB236,180,000, representing a decrease of RMB6,096,000 or 2.52% as compared to the end of the previous year.

As at 31 December 2019, the intangible assets of the Group were RMB317,112,000, representing an increase of RMB37,770,000 or 13.52% from the end of last year. The increase was mainly due to the mining rights of the iron ore concentrates obtained during the year and the exploration expense of the gold mines.

7. Trade and Other Receivables, Trade and Other Payables

As at 31 December 2019, trade receivables of the Group were RMB99,462,000, representing a decrease of RMB113,348,000 over the end of last year, mainly attributable to the decrease in the balance of trade receivables of the iron ore concentrates after the completion of the acquisition of high-purity iron business.

As at 31 December 2019, other receivables of the Group were RMB235,565,000, representing a decrease of RMB71,153,000 over the end of last year, which was mainly due to the recovery of the remaining disposal proceeds of Xingzhou Mining of RMB25,000,000 during the year.

According to the requirements of IFRS 9 Financial Instruments, the Group has classified the bills receivables as the receivables at fair value through other comprehensive income based on the characteristics of the business model and contractual cash flow. The fair value and expected credit losses were assessed by the Group at the end of the reporting period, with the changes in the fair value included in other comprehensive income and the expected credit losses included in profit or loss.

As at 31 December 2019, bills receivables of the Group (bank acceptance bills) were RMB28,660,000, representing a decrease of RMB272,598,000 over the end of last year, of which undiscounted and unendorsed bank acceptance bills were RMB17,510,000. Such bills can be discounted at any time to satisfy the capital requirement.

As at 31 December 2019, trade payables of the Group were RMB95,945,000, representing a decrease of RMB215,874,000 over the end of last year, which was mainly attributable to the decrease in payable balance of the purchased iron ore concentrates by high-purity iron business after the completion of the acquisition of high-purity iron business. As at 31 December 2019, other payables of the Group were RMB148,315,000, representing a decrease of RMB70,771,000 over the end of last year.

8. Cash Use Analysis

The summary of the Group's consolidated statement of cash flows for the year of 2019 is set out below.

	For the year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Net cash flows from operating activities	**667,035**	989,934
Net cash flows from investing activities	**63,330**	-802,657
Net cash flows from financing activities	**-1,074,224**	-242,019
Net increase in cash and cash equivalents	**-343,859**	-54,742
Cash and cash equivalents at the beginning of the year	**381,256**	445,718
Assets reclassified as held for sale	**–**	-8,980
Effect of changes in foreign exchange rate on cash and cash equivalents	**749**	-740
Cash and cash equivalents at the end of the year	**38,146**	381,256

The net cash inflow from operating activities during the year of 2019 was RMB667,035,000. The amount was mainly attributed to the profit before tax of RMB449,090,000, together with depreciation and amortization of RMB200,570,000, long-term asset impairment loss of RMB18,302,000, finance costs of RMB120,160,000, which was offset by income tax expenses paid of RMB93,015,000.

For the year of 2019, the net cash inflow from investing activities amounted to RMB63,330,000. The amount mainly included the amount of RMB260,808,000 paid for the addition of plant and equipment as well as acquisition of properties in order to achieve expansion of production capacity and technological upgrade, the amount of RMB23,919,000 paid for the acquisition of intangible assets, the amount of RMB21,685,000 paid for leased assets, the amount of RMB84,290,000 for consideration of acquisition of subsidiaries, the amount of RMB61,239,000 paid for the purchase of financial assets available for sale, as well as the amount of RMB530,674,000 recovered from the redemption of financial assets available for sale.

For the year of 2019, the net cash outflow from financing activities was RMB1,074,224,000, which was mainly from the new bank borrowings of RMB568,163,000, the repayment of bank loans of RMB1,505,900,000, the settlement of loan interest of RMB111,425,000 and the payment of dividend of RMB32,159,000.

9. Cash and Borrowings

As at 31 December 2019, the available cash and cash equivalents of the Group amounted to RMB55,656,000, representing a decrease of RMB333,772,000 or 85.71% as compared to the end of the previous year.

Breakdown of Available Cash and Cash Equivalents

	31 December 2019	31 December 2018	Changes Amount	Ratio
	RMB'000	*RMB'000*	*RMB'000*	
Cash and bank deposits	**38,146**	381,256	-343,110	-89.99%
Bank acceptance bills (undiscounted)	**17,510**	8,172	9,338	114.27%
Available cash and cash equivalents	**55,656**	389,428	-333,772	-85.71%

As at 31 December 2019, bills payables and borrowings of the Group amounted to RMB327,000,000 and RMB716,263,000, respectively, and the amount net of borrowings and bills deposits was RMB854,119,000, representing a decrease of RMB443,941,000 or 34.20% as compared to the end of the previous year.

Breakdown of Borrowings and Bills Payables

	31 December 2019	31 December 2018	Changes Amount	Ratio
	RMB'000	*RMB'000*	*RMB'000*	
Borrowings – due within one year	**662,500**	1,378,000	-715,500	-51.92%
Borrowings – due after one year	**53,763**	149,000	-95,237	-63.92%
Subtotal	**716,263**	1,527,000	-810,737	-53.09%
Bills payables	**327,000**	705,000	-378,000	-53.62%
Total	**1,043,263**	2,232,000	-1,188,737	-53.26%
Less: borrowings and bills deposits	**189,144**	933,940	-744,796	-79.75%
Net borrowings and bills payables	**854,119**	1,298,060	-443,941	-34.20%

Save for the information disclosed above or otherwise in this announcement, the Group has no outstanding mortgage, pledge, debentures or other loan capital issued or agreed to be issued, bank overdrafts, loans, liabilities under acceptance or other similar liabilities, hire purchase and finance lease commitments, or any guarantees or other material contingent liabilities. The Directors have confirmed that, save as disclosed above, there was no material change in the debts or contingent liabilities of the Group since 31 December 2018.

10. Gearing Ratio

The gearing ratio, as calculated by dividing total liabilities by total assets, of the Group decreased from 68.79% as at 31 December 2018 to 65.08% as at 31 December 2019.

11. Major Risks

Commodity price risk: The prices of the Group's products are influenced by international and domestic market prices and changes in global supply and demand for such products. Price volatility of non-ferrous metals is also affected by the global and PRC economic cycles as well as the fluctuations of the global currency markets. Both the international and domestic market prices of non-ferrous metals as well as the volatility of their supply and demand are beyond the control of the Company. Therefore, the volatility of commodity prices may materially affect the turnover and the comprehensive income of the Group.

State policy risk: the Group owns assets in China and Australia, which may amend their policies according to any changes in the macro environment from time to time. Changes in policies are beyond the control of the Group, which will have a material effect on the operation of the Group.

Interest rate risk: The interest rate risk in the fair value of the Group mainly relates to the bank borrowings. The management of the Group will continue to monitor the loan portfolio and interest rate risks of the Group, and may consider taking appropriate measures to hedge material interest rate risks when necessary.

Foreign exchange risk: As of the date of this announcement, the reporting currency of the Group was RMB. Since RMB is not freely convertible, the risk that the Chinese government may take measures to interfere exchange rates may bring effects to the Group's net asset value, profit and the dividends declared to the extent that such dividends are subject to foreign exchange. In addition, the Group owns assets in Australia. Their assets and liabilities are denominated in AUD, which are subject to fluctuation in the foreign exchange rate and may affect the net assets value and profit of the Group to some extent. The management of the Group will continue to monitor the currency matching between the revenue and costs of the Group and exchange risks, and may consider taking appropriate measures to hedge material exchange risks when necessary.

12. Pledge of Assets and Contingent Liabilities

Some of the bank borrowings and bills payables of the Group are secured by bank deposits, property, plant and equipment as well as right-of-use assets. As at 31 December 2019, the net carrying value of the pledged bank deposits, property, plant and equipment and right-of-use assets amounted to RMB189,144,000, RMB53,495,000 and RMB5,838,000, respectively.

As at 31 December 2019, the Group had no material contingent liabilities.

13. Capital Commitment

As at 31 December 2019, the capital commitment of the Group was RMB26,449,000, representing a decrease of RMB49,580,000 or 65.21% over that of last year. The capital commitment mainly consisted of the amount of RMB15,523,000 for the underground mining works of Shangma Mine, the amount of RMB6,807,000 for the exploration expense of the gold mine in Australia, the amount of RMB3,694,000 for the minor works in the high-purity iron business segment and the amount of RMB425,000 for the technological upgrade project with regard to cutting wires of green building materials project.

14. Capital Expenditure

The Group's capital expenditure decreased from approximately RMB470,490,000 in 2018 to approximately RMB355,016,000 in 2019. Expenditure incurred in 2019 mainly included (i) expenditure for plants, machines and equipment and properties amounting to RMB254,126,000; (ii) expenditure for intangible assets amounting to RMB70,325,000; and (iii) increase of RMB30,565,000 in right-of-use assets.

15. Significant Foreign Investments Held

Save for the equity interests in a company listed on the Australian Securities Exchange held by the Group, the Group did not hold any other significant investments as at 31 December 2019.

16. Material Acquisitions and Disposals of Subsidiaries and Associated Companies

On 1 April 2019, the Company entered into an agreement with China Hanking (BVI) Limited (as the seller), Mr. Yang Jiye (as the guarantor of the seller) and Tuochuan Capital to acquire 100% equity interests of Tuochuan (Hong Kong) at a consideration of RMB1,020 million. The transaction was considered and approved by the independent shareholders of the Company at the annual general meeting held on 30 May 2019. Please refer to note 3 to the consolidated financial statements for particulars.

On 5 July 2018, the Company entered into a share sale and purchase agreement with Tuochuan Capital and Mr. Yang Jiye (as the guarantor), pursuant to which, the Company has agreed to sell, and Tuochuan Capital has agreed to purchase, 70% equity interests of Hanking (Indonesia) for a total consideration of RMB350,000,000. The transaction was considered and approved by the independent shareholders of the Company at the extraordinary general meeting held on 24 August 2018. The disposal was completed as of 30 June 2019. As the purchaser of the transaction is a controlling shareholder of the Company, the Company will not record any profit or loss as a result of the disposal. The difference between the sale price and the entitled interests (i.e. the premium arising from the disposal) of the transaction of approximately RMB155,728,000 was credited to other reserves. Please refer to note 12 to the consolidated financial statements for particulars.

Save as aforesaid, the Group had no other material acquisitions or disposals of subsidiaries and associated companies during the year of 2019.

OTHERS

1. Dividend

THE "DIVIDEND DISTRIBUTION PLAN FOR SHAREHOLDERS FOR THE NEXT THREE YEARS (2020-2022)" OF THE COMPANY

1. Principle of Formulation

   The profit distribution policy of the Company should be consistent and stable. The Company's profit distribution shall focus on providing investors with reasonable investment return as well as maintaining the sustainable development of the Company. In the next three years, the Company will actively distribute profits in form of cash. This plan is formulated in compliance with the relevant laws, regulations and the Articles of Association, and on the premise that the consistency and stability of the profit distribution policy have been maintained.

2. Formulation of Dividend Plan

   The Board shall comprehensively consider factors such as the characteristics of the industry in which the Company operates, conditions of business operation, profitability and the strategic evolvement plan for the future, and formulate dividend plan upon the conclusion of each accounting year according to the procedures stipulated in the Articles of Associations, provided that the amount of dividend shall account for at least 30% of the Group's total net profit for the period.

3. Forms of Profit Distribution

   The Company will make interim and annual profit distribution. The Company may distribute profits in form of cash, a combination of cash and shares or other forms that may be permitted by the laws and regulations. Where the conditions for cash dividends are satisfied, the Company shall prioritize the distribution of cash dividends. Where the Company distributes profit by way of dividends on shares, the decision shall be made based on genuine and reasonable grounds such as the Company's growth potentials and dilution of net assets per shares.

The Board recommended the payment of the final dividend for the year ended 31 December 2019 to the shareholders of the Company, with HK$0.08 per share of the Company (the "**Share**"). The payment of the dividend will be conditional upon the approval of the shareholders at the annual general meeting of the Company to be held on Thursday, 28 May 2020. It is expected that the final dividend will be paid to the shareholders by 15 June 2020.

2. Closure of Register of Members

The annual general meeting of the Company is scheduled to be held on Thursday, 28 May 2020. The register of members of the Company will be closed from Thursday, 21 May 2020 to Thursday, 28 May 2020 (both days inclusive) to determine the entitlement to attend and vote at the annual general meeting during which period no transfer of shares will be registered. In order to attend and vote at the 2020 annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 20 May 2020.

In order to determine the shareholders who are entitled to receive the final dividend, the register of members of the Company will also be closed from Wednesday, 3 June 2020 to Monday, 8 June 2020, both days inclusive, during which period no transfer of shares will be registered. For unregistered shareholders who wish to be eligible to receive the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 2 June 2020. Shareholders whose names appear on the register of members of the Company on Monday, 8 June 2020 will be entitled to receive the final dividend.

3. Management Contracts

For the year ended 31 December 2019, there is no contract entered into by the Company relating to its management and administration or subsisting during the year which is substantial to the entire or any part of the business of the Group.

4. Purchase, Redemption or Sale of Listed Securities of the Company

The Company repurchased a total of 7,829,000 Shares on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") from July to September 2019 at a total consideration of HK$8,323,000, and cancelled these Shares on 19 September 2019. Details of the repurchase of Shares are as follows:

		Price per Share (HK$)		
Month of repurchase	**Number of Shares repurchased**	**Highest**	**Lowest**	**Aggregate repurchase price (HK$)**
July 2019	6,482,000	1.09	0.98	6,472,030
August 2019	20,000	1.31	1.31	26,200
September 2019	1,327,000	1.41	1.33	1,824,770

The aforementioned repurchases were made for the benefit of the Company and its shareholders as a whole with a view to enhancing the market price per share and improving the confidence of investors in the Company.

Saved for disclosed above, for the year ended 31 December 2019, the Company or its subsidiaries did not sell or redeem any listed securities of the Company.

5. Restricted Share Award Scheme

The Company adopted a Restricted Share Award Scheme on 29 August 2019, which shall be valid and effective for a period of 10 years. The maximum number of award shares that may be granted under this scheme in aggregate shall be no more than 90,000,000 Shares.

The purpose and objective of this scheme is (i) to recognize and motivate the contribution of the key management personnel and core employees of the Group; (ii) to help the Group retain and attract the selected participants in attaining the long term business objectives of the Company; and (iii) to further align the interests of the selected participants directly to the shareholders of the Company through ownership of Shares.

As of the date of this announcement, the trustee, as instructed by the Board, purchased a total of 6,988,000 Shares on the market at a total consideration of HK$12,346,600. The trustee holds these Shares pursuant to the rules of the scheme and the terms of the deed of trust.

As of the date of this announcement, no Shares have been granted to the selected participants under this scheme.

6. Non-competition Agreement Compliance

The Company signed a non-competition agreement (the "**Non-Competition Agreement**") with the controlling shareholders on 16 June 2011. In accordance with the Non-Competition Agreement, the independent non-executive Directors of the Company are responsible for reviewing and considering whether to exercise such option and pre-emptive right, as well as entitled to conduct annual review of implementation of the agreement on behalf of the Company. During the year of 2019, each controlling shareholder of the Company has made annual confirmation of compliance with the Non-Competition Agreement, and the independent non-executive Directors of the Company have also reviewed the implementation of the Non-Competition Agreement, and confirmed that the controlling shareholders of the Company have fully abided by the agreement without any breach of the agreement.

7. Compliance with Corporate Governance Code

Save as disclosed herein, during the period from 1 January 2019 to 31 December 2019, the Company has fully complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange, meanwhile, the Company has complied with most of the best practices as recommended therein.

With effect from 20 March 2018, Mr. Yang Jiye, the chairman of the Board, has assumed the role of CEO and President of the Company. Although this is not in compliance with the requirements under code provision A.2.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, the Company believes that vesting the roles of both chairman of the Board and CEO in Mr. Yang Jiye can provide strong and consistent leadership and enable more effective planning and better execution of long-term business strategies, which is beneficial to the overall development of the Company. The Company will decide whether to appoint another person as the CEO based on the business operation if and when appropriate.

8. Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made to all the Directors and all Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2019.

9. Significant Legal Proceedings

For the year ended 31 December 2019, the Group has not been involved in any significant legal proceedings or arbitration. To the knowledge of the Directors, there are no significant legal proceedings or claims pending or threatened.

10. Audit Committee

The audit committee under the Board has reviewed the announcement for Annual Results for 2019 and the consolidated financial statements for the year ended 31 December 2019.

11. Auditor

The consolidated financial statements for the year ended 31 December 2019 have been audited by Deloitte Touche Tohmatsu with unqualified opinion.

12. Publication of Annual Report

The 2019 annual report of the Company containing all applicable information required by the Listing Rules, together with the Environmental, Social and Governance Report, will be dispatched to shareholders of the Company and published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.hankingmining.com in due course.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

		Year ended	
	NOTES	**31/12/2019** ***RMB'000***	31/12/2018 *RMB'000* (Restated)
Continuing operations			
Revenue	*5*	**2,251,882**	2,828,272
Cost of sales		**(1,361,205)**	(1,958,209)
Gross profit		**890,677**	870,063
Other income	*6*	**6,707**	47,991
Other gains and losses	*7*	**(7,457)**	(65,320)
Impairment losses under expected credit loss ("**ECL**") model, net of reversal	*8*	**(2,416)**	(4,335)
Distribution and selling expenses		**(95,092)**	(119,368)
Administrative expenses		**(198,882)**	(215,635)
Research and development expenses		**(10,244)**	(5,004)
Finance costs	*9*	**(98,687)**	(123,714)
Profit before tax	*10*	**484,606**	384,678
Income tax (expense) credit	*11*	**(152,445)**	19,118
Profit for the year from continuing operations		**332,161**	403,796
Discontinued operation			
Loss for the year from discontinued operation	*12*	**(35,218)**	(10,882)
Profit for the year		**296,943**	392,914

	NOTES	Year ended 31/12/2019 RMB'000	31/12/2018 RMB'000 (Restated)
Other comprehensive income (expense):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**10,686**	(20,715)
Fair value gain (loss) on:			
– receivables measured at fair value through other comprehensive income ("**FVTOCI**")		**9,849**	(4,375)
Reclassification of cumulative translation reserve upon disposal of a foreign operation to profit or loss		**31,911**	–
Other comprehensive income (expense) for the year (net of tax)		**52,446**	(25,090)
Total comprehensive income for the year		**349,389**	367,824
Profit (loss) for the year attributable to owners of the Company:			
– Continuing operations		**334,171**	402,261
– Discontinued operation		**(37,597)**	(5,570)
Profit for the year attributable to owners of the Company		**296,574**	396,691
(Loss) profit for the year attributable to non-controlling interests			
– Continuing operations		**(2,010)**	1,535
– Discontinued operation		**2,379**	(5,312)
Profit (loss) for the year attributable to non-controlling interests		**369**	(3,777)
		296,943	392,914
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**348,039**	376,188
Non-controlling interests		**1,350**	(8,364)
		349,389	367,824
Earnings per share (RMB cent per share)	*14*		
From continuing and discontinued operations		**16.2**	21.7
From continuing operations		**18.3**	22.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2019

	NOTES	31 December 2019 RMB'000	31 December 2018 RMB'000 (Restated)	1 January 2018 RMB'000 (Restated)
Non-current assets				
Property, plant and equipment		**958,008**	882,703	1,044,446
Intangible assets		**317,112**	279,342	676,546
Right-of-use assets		**180,229**	–	–
Prepaid lease payments		**–**	143,470	175,119
Financial assets at fair value through profit or loss ("**FVTPL**")		**3,179**	9,359	21,778
Deferred tax assets		**11,188**	77,962	16,799
Loan receivable		**–**	10,000	11,300
Deposits on acquisition of property, plant and equipment		**1,244**	1,498	40,656
Amount due from a related party		**–**	–	554,125
Restricted deposits		**36,752**	21,102	3,797
Pledged bank deposits		**20,000**	3,020	–
		1,527,712	1,428,456	2,544,566
Current assets				
Inventories		**236,180**	242,276	231,840
Prepaid lease payments		**–**	28,666	30,730
Trade and other receivables	*16*	**335,027**	519,528	295,777
Amount due from a related party		**–**	564,282	–
Receivables at FVTOCI	*17*	**28,660**	301,258	808,920
Tax recoverable		**–**	–	5,808
Financial assets at FVTPL		**1,000**	459,993	406,794
Pledged bank deposits		**169,144**	192,920	183,156
Bank balances and cash		**38,146**	381,256	445,718
		808,157	2,690,179	2,408,743
Assets classified as held for sale		**–**	831,448	369,955
		808,157	3,521,627	2,778,698

	NOTES	**31 December 2019 RMB'000**	31 December 2018 RMB'000 (Restated)	1 January 2018 RMB'000 (Restated)
Current liabilities				
Trade, bills and other payables	*18*	**571,260**	1,235,905	1,163,019
Amount due to a related party		**44,300**	128,879	55
Borrowings	*19*	**662,500**	1,378,000	1,435,687
Lease liabilities		**5,174**	–	–
Contract liabilities		**46,560**	52,168	36,587
Consideration payable		**–**	–	65,180
Tax liabilities		**77,226**	84,596	84,614
Deferred income for financial guarantee contracts		**–**	1,751	1,751
		1,407,020	2,881,299	2,786,893
Liabilities associated with assets classified as held for sale		**–**	351,237	23,687
		1,407,020	3,232,536	2,810,580
Net current (liabilities) assets		**(598,863)**	289,091	(31,882)
Total assets less current liabilities		**928,849**	1,717,547	2,512,684
Capital and reserves				
Share capital	*20*	**148,321**	148,960	149,137
Reserves		**656,356**	1,206,583	1,323,809
Equity attributable to owners of the Company		**804,677**	1,355,543	1,472,946
Non-controlling interests		**10,984**	189,356	188,881
Total equity		**815,661**	1,544,899	1,661,827
Non-current liabilities				
Borrowings	*19*	**53,763**	149,000	604,920
Lease liabilities		**4,158**	–	–
Consideration payable		**–**	–	241,100
Rehabilitation provision		**55,267**	23,648	1,580
Retirement benefit obligations		**–**	–	1,558
Deferred tax liabilities		**–**	–	1,699
		113,188	172,648	850,857
		928,849	1,717,547	2,512,684

1. GENERAL

China Hanking Holdings Limited (the "**Company**") is a limited company incorporated in the Cayman Islands on 2 August 2010 and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 30 September 2011. Its parent and ultimate parents are Bisney Success Limited, Tuochuan Capital Limited and China Hanking (BVI) Limited. Its ultimate controlling shareholders are Mr. Yang Jiye, who is also the chief executive officer, president and executive director of the Company, and Ms. Yang Min, who resigned as the executive director on 18 March 2016 (collectively, the "**Controlling Shareholders**"). The address of the registered office of the Company in Cayman Islands is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of principal place of business of the Company in Hong Kong is 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

The Company is an investing holding company. In terms of continuing operations, the Company and its subsidiaries (the "**Group**") during the year ended 31 December 2019 are engaged in the following three principal activities:

(i) iron ore exploration, mining, processing and sale ("**Iron Ore Business**");

(ii) high-purity iron smelting and processing and sale("**High-purity Iron Business**"); and

(iii) gold exploration, mining, processing and sale ("**Gold Business**")

During the current year, the Group completed the acquisition of the 100% equity interests of Tuochuan (Hong Kong) with its subsidiaries which principally engaged in High-purity Iron Business at a consideration of RMB1,020,000,000 (the "**Acquisition**") which was regarded as a business combination involving entities under common control. Further details of the Acquisition are set out in note 3.

During the year ended 31 December 2018, the Group's nickel ore exploration, mining, smelting and sale business in Indonesia ("**Nickel Business**") was discontinued upon Hanking (Indonesia) and its subsidiaries being classified as held for sale since 2018, of which disposal had been completed during the current year as disclosed in note 12(A).

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Going Concern Assumption

The directors of the Company (the "**Directors**") have given careful consideration to the going concern of the Group in light of the fact that as at 31 December 2019, the Group's current liabilities exceeded its current assets by RMB598,863,000. In addition, as at 31 December 2019, the Group had capital commitments contracted for but not provided in the consolidated financial statements amounting to RMB26,449,000.

Mr.Yang Jiye, one of the Controlling Shareholders, who also 99% owned and controlled Hanking Investment, has agreed not to demand for repayment of the Group's amount due to Hanking Investment of which amounted to RMB44,300,000 as at 31 December 2019 until the Group has sufficient financial ability to repay.

As at 31 December 2019, the Group had available conditional banking facilities of RMB208,930,000 ("**Conditional Faciliti**es"). The utilisation of these Conditional Facilities are subject to approval on a case-by-case basis. The Directors are confident that the Group would be successful in obtaining approval in respect of these Conditional Facilities according to its historical successful experience and the relevant terms and conditions to drawdown.

Subsequent to the end of the reporting period and up to the date of issue of the consolidated financial statements, the Group has obtained new borrowings of RMB40,000,000 and issued bills of RMB45,000,000. The management of the Group are confident that a significant portion of the Group's bank borrowings can be successfully renewed upon maturity in view of the Group's historical successful experiences in refinancing the expiring debts.

In addition, Mr. Yang Jiye, one of the Controlling Shareholders, has agreed to provide sufficient funds to the Group so that the Group will be able to meet all current obligations as they fall due in the next twelve months after the year ended 31 December 2019.

Taking into account the above factors, the Directors are of the opinion that, together with the other financial resources available to the Group, including cash and cash equivalents on hand and the anticipated cash flow from the operations, the Group has sufficient working capital for its present operating requirements and for at least the next twelve months after the end of the reporting period. Hence, the consolidated financial statements have been prepared on a going concern basis.

3. RESTATEMENTS ARISING FROM MERGER ACCOUNTING

On 1 April 2019, the Company and the relevant sellers entered into an agreement in relation to the acquisition of 100% equity interests of Tuochuan (Hong Kong) and its subsidiaries for a consideration of RMB1,020,000,000 (the "**Acquisition**"). Tuochuan (Hong Kong) and its subsidiaries are engaged in the High-purity Iron Business. In preparing the Acquisition, the entities comprising Tuochuan (Hong Kong) and its subsidiaries underwent a series of group reorganisation. Details of the group reorganisation were set out in the Very Substantial Acquisition circular issued by the Company dated 29 April 2019, which has been published in the website of the Stock Exchange.

In addition, a series of current account offsetting agreements ("**Current Account Offsetting Agreements**") had been entered into among the Company, certain of its subsidiaries, Tuochuan Capital Limited, China Hanking (BVI) Limited, Hanking Investment and Hanking Industrial Group Co., Ltd. on 30 June 2019, pursuant to which the consideration payable for Acquisition of Tuochuan (Hong Kong) of RMB1,020,000,000 will be offset with consideration receivable for the disposal of Hanking (Indonesia) of RMB350,000,000, the consideration payable for the acquisition of Ginseng & Iron of RMB128,700,000, and the net amount due from the related parties including Hanking (Indonesia) and Hanking Investment as at that date of RMB673,075,000.

In respect of the Acquisition, since Mr. Yang Jiye and Ms. Yang Min are both collectively the Controlling Shareholders of the Company and Tuochuan (Hong Kong), the Acquisition was regarded as a business combination involving entities under common control and was accounted for using principle of merger accounting method.

As a result, the comparative consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the year ended 31 December 2018 and the consolidated statements of financial position as at 31 December 2018 and 1 January 2018 have therefore been restated, in order to include assets and liabilities, profits and cash flows of the combining entities since the date on which they first come under common control.

The adoption of merger accounting method in respect of the Acquisition has resulted in an increase in total comprehensive income attributable to owners of the Company and an increase in profit attributable to owners of the Company for the year ended 31 December 2018 by RMB217,828,000 and RMB217,031,000, respectively.

The effect of the merger accounting restatements in respect of the Acquisition described above on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018 by line items is as follows:

	For the year ended 31 December 2018	**Merger accounting restatement resulting from the Acquisition**	**For the year ended 31 December 2018**
	RMB'000	*RMB'000*	*RMB'000*
	(Originally stated)		*(Restated)*
Revenue	1,165,491	1,662,781	2,828,272
Cost of sales	(655,189)	(1,303,020)	(1,958,209)
Gross profit	510,302	359,761	870,063
Other income	4,174	43,817	47,991
Other gains and losses	(65,811)	491	(65,320)
Impairment losses under ECL model, net of reversal	(406)	(3,929)	(4,335)
Distribution and selling expenses	(38,082)	(81,286)	(119,368)
Administrative expenses	(182,461)	(33,174)	(215,635)
Research and development expenses	(5,004)	–	(5,004)
Finance costs	(90,582)	(33,132)	(123,714)
Profit before tax	132,130	252,548	384,678
Income tax credit (expense)	52,792	(33,674)	19,118
Profit for the year from continuing operations	184,922	218,874	403,796
Loss for the year from discontinued operation	(10,882)	–	(10,882)
Profit for the year	174,040	218,874	392,914
Other comprehensive (expense) income:			
Items that may be reclassified to profit or loss:			
– Exchange differences arising on translation of foreign operations	(20,715)	–	(20,715)
– Fair value (loss) gain on receivables measured at FVTOCI	(5,172)	797	(4,375)
Other comprehensive (expense) income for the year, net of tax	(25,887)	797	(25,090)
Total comprehensive income for the year	148,153	219,671	367,824

	For the year ended 31 December 2018	Merger accounting restatement resulting from the Acquisition	For the year ended 31 December 2018
	RMB'000	*RMB'000*	*RMB'000*
	(Originally stated)		*(Restated)*
Profit (loss) for the year attributable to owners of the Company:			
– Continuing operations	185,230	217,031	402,261
– Discontinued operation	(5,570)	–	(5,570)
Profit for the year attributable to owners of the Company	179,660	217,031	396,691
(Loss) profit for the year attributable to non-controlling interests			
– Continuing operations	(308)	1,843	1,535
– Discontinued operation	(5,312)	–	(5,312)
	(5,620)	1,843	(3,777)
	174,040	218,874	392,914
Total comprehensive income (expense) for the year attributable to:			
– Owners of the Company	158,360	217,828	376,188
– Non-controlling interests	(10,207)	1,843	(8,364)
	148,153	219,671	367,824
Earnings per share (RMB cent per share)			
From continuing and discontinued operations	9.8	11.9	21.7
From continuing operations	10.1	11.9	22.0

The effect of the merger accounting restatement in respect of the Acquisition described above on the consolidated statement of financial position as at 1 January 2018 and 31 December 2018 by line items is as follows:

	1 January 2018 *RMB'000* *(Originally stated)*	Merger accounting restatement resulting from the Acquisition *RMB'000*	1 January 2018 *RMB'000* *(Restated)*	31 December 2018 *RMB'000* *(Originally stated)*	Merger accounting restatement resulting from the Acquisition *RMB'000*	31 December 2018 *RMB'000* *(Restated)*
Non-current Assets						
Property, plant and equipment	865,421	179,025	1,044,446	710,054	172,649	882,703
Intangible assets	676,437	109	676,546	279,270	72	279,342
Prepaid lease payments	137,314	37,805	175,119	117,480	25,990	143,470
Financial assets at FVTPL	21,778	–	21,778	9,359	–	9,359
Deferred tax assets	11,801	4,998	16,799	72,516	5,446	77,962
Loan receivable	11,300	–	11,300	10,000	–	10,000
Deposits on acquisition of property, plant and equipment	49,199	(8,543)	40,656	1,498	–	1,498
Amount due from a related party	–	554,125	554,125	–	–	–
Restricted deposits	3,797	–	3,797	21,102	–	21,102
Pledged bank deposits	–	–	–	3,020	–	3,020
	1,777,047	767,519	2,544,566	1,224,299	204,157	1,428,456
Current Assets						
Inventories	89,669	142,171	231,840	73,294	168,982	242,276
Prepaid lease payments	29,761	969	30,730	28,226	440	28,666
Trade and other receivables	188,959	106,818	295,777	442,505	77,023	519,528
Amount due from a related party	–	–	–	–	564,282	564,282
Receivables at FVTOCI	624,924	183,996	808,920	275,014	26,244	301,258
Tax recoverable	339	5,469	5,808	–	–	–
Financial assets at FVTPL	406,794	–	406,794	459,993	–	459,993
Pledged bank deposits	45,451	137,705	183,156	20,158	172,762	192,920
Bank balances and cash	394,911	50,807	445,718	328,664	52,592	381,256
	1,780,808	627,935	2,408,743	1,627,854	1,062,325	2,690,179
Assets classified as held for sale	369,955	–	369,955	831,448	–	831,448
	2,150,763	627,935	2,778,698	2,459,302	1,062,325	3,521,627

	1 January 2018	Merger accounting restatement resulting from the Acquisition	1 January 2018	31 December 2018	Merger accounting restatement resulting from the Acquisition	31 December 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Originally stated)		*(Restated)*	*(Originally stated)*		*(Restated)*
Current Liabilities						
Trade, bills and other payables	503,960	659,059	1,163,019	565,057	670,848	1,235,905
Amount due to a related party	–	55	55	–	128,879	128,879
Borrowings	1,151,887	283,800	1,435,687	1,108,500	269,500	1,378,000
Contract liabilities	127	36,460	36,587	3,167	49,001	52,168
Consideration payable	65,180	–	65,180	–	–	–
Tax liabilities	84,614	–	84,614	77,215	7,381	84,596
Obligation under a finance lease	–	–	–	2,638	(2,638)	–
Deferred income for financial guarantee contracts	–	1,751	1,751	–	1,751	1,751
	1,805,768	981,125	2,786,893	1,756,577	1,124,722	2,881,299
Liabilities associated with assets classified as held for sale	23,687	–	23,687	351,237	–	351,237
	1,829,455	981,125	2,810,580	2,107,814	1,124,722	3,232,536
Net current assets (liabilities)	321,308	(353,190)	(31,882)	351,488	(62,397)	289,091
Total assets less current liabilities	2,098,355	414,329	2,512,684	1,575,787	141,760	1,717,547
Capital and Reserves						
Share capital	149,137	–	149,137	148,960	–	148,960
Reserves	1,061,480	262,329	1,323,809	1,203,483	3,100	1,206,583
Equity attributable to owners of the Company	1,210,617	262,329	1,472,946	1,352,443	3,100	1,355,543
Non-controlling interests	186,381	2,500	188,881	188,407	949	189,356
Total equity	1,396,998	264,829	1,661,827	1,540,850	4,049	1,544,899

	1 January 2018 RMB'000 (Originally stated)	Merger accounting restatement resulting from the Acquisition RMB'000	1 January 2018 RMB'000 (Restated)	31 December 2018 RMB'000 (Originally stated)	Merger accounting restatement resulting from the Acquisition RMB'000	31 December 2018 RMB'000 (Restated)
Non-current Liabilities						
Borrowings	455,420	149,500	604,920	–	149,000	149,000
Consideration payable	241,100	–	241,100	–	–	–
Obligation under a finance lease	–	–	–	11,289	(11,289)	–
Rehabilitation provision	1,580	–	1,580	23,648	–	23,648
Retirement benefit obligations	1,558	–	1,558	–	–	–
Deferred tax liabilities	1,699	–	1,699	–	–	–
	701,357	149,500	850,857	34,937	137,711	172,648
	2,098,355	414,329	2,512,684	1,575,787	141,760	1,717,547

The effect of the merger accounting restatement in respect of the Acquisition described above on the Group's equity as at 1 January 2018 and 31 December 2018 is as follows:

	1 January 2018 RMB'000 (Originally stated)	Merger accounting restatement resulting from the Acquisition RMB'000	1 January 2018 RMB'000 (Restated)	31 December 2018 RMB'000 (Originally stated)	Merger accounting restatement resulting from the Acquisition RMB'000	31 December 2018 RMB'000 (Restated)
Share capital	149,137	–	149,137	148,960	–	148,960
Share premium	175,763	–	175,763	174,200	–	174,200
Statutory surplus reserve	111,081	40,688	151,769	124,997	89,360	214,357
Future development funds reserve	552,620	9,130	561,750	591,375	13,019	604,394
FVTOCI reserve	(4,568)	(906)	(5,474)	(9,740)	(109)	(9,849)
Translation reserve	(27,779)	–	(27,779)	(43,907)	–	(43,907)
Special reserve	(557,161)	–	(557,161)	(557,161)	–	(557,161)
Actuarial reserve on retirement benefit plan	152	–	152	152	–	152
Other reserves	(614)	(40,762)	(41,376)	(446)	(171,213)	(171,659)
Retained earnings	811,986	254,179	1,066,165	924,013	72,043	996,056
Non-controlling interests	186,381	2,500	188,881	188,407	949	189,356
Total	1,396,998	264,829	1,661,827	1,540,850	4,049	1,544,899

4. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board ("**IASB**") for the first time in the current year:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

4.1 IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 *Leases* ("**IAS 17**"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying IFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- relied on the assessment of whether leases are onerous by applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review; and

- elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application.

The Group had no lease liabilities and recognised right-of-use assets of RMB178,737,000 at 1 January 2019.

	At 1 January 2019
	RMB'000
Operating lease commitments disclosed as at 31 December 2018	**31,823**
Less: Deposits paid in respect of lease contract with extension option reasonably certain to be exercised	**(6,601)**
Less: Recognition exemption – short-term leases	**(25,222)**
Lease liabilities as at 1 January 2019	**–**

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Notes	*RMB'000*
Right-of-use assets relating to operating leases recognised upon application of IFRS 16	*(a)*	6,601
Reclassified from prepaid lease payments	*(b)*	172,136
		178,737
By class:		
Leasehold lands		178,737

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported and after merger accounting at 31 December 2018	Adjustements	Carrying amounts under IFRS 16 at 1 January 2019
		RMB'000	*RMB'000*	*RMB'000*
		(Restated)		(Restated)
Non-current assets				
Prepaid lease payments	*(b)*	143,470	(143,470)	–
Right-of-use assets		–	178,737	178,737
		143,470	35,267	178,737
Current assets				
Prepaid lease payments	*(b)*	28,666	(28,666)	–
Trade and other receivables	*(a)*	519,528	(6,601)	512,927
		548,194	(35,267)	512,927

Notes:

(a) The management of the Group is reasonably certain to exercise an extension option in a leasehold land contract between Maogong branch of Aoniu Mining and Hanking Industrial Group Co., Ltd, a related party of the Company. Under the terms of the contract, refundable deposit of RMB6,601,000 directly paid by the Group represented the full amount of rental fee paid over the remaining lease period. Therefore, refundable deposit of RMB6,601,000 is reclassified to right-of-use assets.

(b) Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of IFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB28,666,000 and RMB143,470,000 respectively were reclassified to right-of-use assets.

New and amendments of IFRSs in issue not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	*Insurance Contracts*[1]
Amendments to IFRS 3	*Definition of a Business*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[5]
Amendments to IAS 1 and IAS 8	*Definition of Material*[4]
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*[4]

[1] Effective for annual periods beginning on or after 1 January 2021

[2] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

[3] Effective for annual periods beginning on or after a date to be determined

[4] Effective for annual periods beginning on or after 1 January 2020

[5] Effective for annual periods beginning on or after 1 January 2022

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in IFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

The directors of the Company consider that the application of these new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

5. REVENUE

(i) Disaggregation of revenue from contracts with customers from continuing operations

A. For the year ended 31 December 2019

	For the year ended 31 December 2019			
	Iron Ore Business	High-Purity Iron Business	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Sales of goods (recognised at a point in time)				
Iron ore concentrates	**1,283,231**	**–**	**–**	**1,283,231**
High-purity iron	**–**	**936,053**	**–**	**936,053**
Building materials	**–**	**–**	**12,642**	**12,642**
Raw and leftover materials	**3,541**	**15,857**	**558**	**19,956**
Total	**1,286,772**	**951,910**	**13,200**	**2,251,882**
Geographical markets				
Mainland China	**1,286,772**	**951,910**	**13,200**	**2,251,882**

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	For the year ended 31 December 2019		
	Segment revenue	Eliminations	Consolidated
	RMB'000	*RMB'000*	*RMB'000*
Iron Ore Business	**1,422,623**	**(135,851)**	**1,286,772**
High-purity Iron Business	**956,583**	**(4,673)**	**951,910**
Others	**13,200**	**–**	**13,200**
Total revenue	**2,392,406**	**(140,524)**	**2,251,882**

B. For the year ended 31 December 2018

	For the year ended 31 December 2018			
	Iron Ore Business	High-purity Iron Business	Others	Total
	RMB'000	*RMB'000* *(Restated)*	*RMB'000*	*RMB'000* *(Restated)*
Sales of goods (recognised at a point in time)				
Iron ore concentrates	1,160,761	4,624	–	1,165,385
High-purity iron	–	1,632,980	–	1,632,980
Building materials	–	–	2,090	2,090
Raw and leftover materials	2,640	25,177	–	27,817
Total	1,163,401	1,662,781	2,090	2,828,272
Geographical markets				
Mainland China	1,163,401	1,662,781	2,090	2,828,272

Note: Amount of revenue in this table is the same as the revenue from contracts with customers with the amounts disclosed in the segments information.

(ii) Performance obligations for contracts with customers

The Group produces and sales iron ore concentrates, high-purity iron, foamed ceramics and raw and leftover materials directly to customers in its continuing operations.

Revenue is recognised when control of the goods has transferred, being the time when the goods are delivered and accepted. Following acceptance, the customers have primary responsibility on the goods and bears the risks of obsolescence and loss in relation to the goods. Therefore, the Directors have justified that the performance obligation in respect of the sales income is satisfied at a point in time and recognised revenue at a point in time. The normal credit term is 7 days for iron ore concentrates, 60 days for high-purity iron and 30 days for building materials upon acceptance. The Group may request certain of its customers to place up to 100% of the contract sum as deposits in respect of sales of iron ore concentrates and high-purity iron, depending on the background, historical experience of and business relationship with them. The deposit received is accounted for as "contract liabilities". The related performance obligation is expected to be satisfied within one year.

6. OTHER INCOME

	Year ended 31/12/2019 *RMB'000*	Year ended 31/12/2018 *RMB'000* (Restated)
Continuing operations		
Bank interest income	**4,547**	5,295
Government grants *(note)*	**228**	137
Release of imputed interest on amount due from a related party	**–**	40,721
Release of financial guarantees provided to related parties	**1,751**	1,751
Others	**181**	87
	6,707	47,991

Note: Government grants represent unconditional incentive subsidies granted by the PRC local government authorities.

7. OTHER GAINS AND LOSSES

	Year ended 31/12/2019 *RMB'000*	Year ended 31/12/2018 *RMB'000* (Restated)
Continuing operations		
Gain (loss) on disposal of property, plant and equipment	**603**	(10,797)
Gain on disposal of intangible assets	**189**	–
Fair value gain on financial assets at FVTPL	**4,179**	7,883
Net foreign exchange loss	**(3,010)**	(4,124)
Gain on disposal of subsidiaries	**–**	6,779
Impairment loss on property and plant and equipment, and prepaid lease payments *(note 15)*	**(17,469)**	(64,188)
Impairment of intangible assets	**(833)**	–
Others	**8,884**	(873)
	(7,457)	(65,320)

8. IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	Year ended 31/12/2019 *RMB'000*	Year ended 31/12/2018 *RMB'000* (Restated)
Impairment losses recognised (reversed) in respect of:		
– trade receivables	**(2,565)**	2,485
– other receivables	**4,981**	1,850
	2,416	4,335

9. FINANCE COSTS

	Year ended 31/12/2019 *RMB'000*	Year ended 31/12/2018 *RMB'000* (Restated)
Continuing operations		
Interests on borrowings	**69,252**	80,233
Interests on bills discounted	**16,857**	43,481
Interests on lease liabilities	**226**	–
Interests on loans from a related party	**12,352**	–
	98,687	123,714

10. PROFIT BEFORE TAX

Profit before tax from continuing operations has been arrived at after charging (crediting) the following items:

	Year ended 31/12/2019 *RMB'000*	Year ended 31/12/2018 *RMB'000* (Restated)
Cost of inventories recognised as an expense *(note)*	**1,300,700**	1,839,533
Auditors' remuneration	**3,436**	4,124
Depreciation of property, plant and equipment	**138,125**	110,053
Depreciation of right-of-use assets	**29,073**	–
Amortisation of intangible assets	**33,372**	48,436
Release of prepaid lease payments	**–**	28,983
Total depreciation and amortisation	**200,570**	187,472
Capitalised in inventories	**(157,095)**	(160,532)
	43,475	26,940
Analysed at:		
– charged in research expenditure	**1,117**	1,435
– charged in distribution and selling expenses	**168**	–
– charged in administrative expenses	**42,190**	25,505
	43,475	26,940

Note: The amount included write-down of inventories of RMB6,880,000 (2018: nil) for the current year.

	Year ended 31/12/2019 *RMB'000*	Year ended 31/12/2018 *RMB'000* (Restated)
Salaries and other benefits including staff's bonus	**144,053**	131,027
Director's bonus	**10**	15,280
Retirement benefits scheme contributions	**11,239**	27,410
Total staff costs (including directors)	**155,302**	173,717
Capitalised in inventories	**(66,435)**	(72,444)
	88,867	101,273
Analysed at:		
– charged in research expenditure	**2,892**	1,958
– charged in distribution and selling expenses	**2,162**	1,972
– charged in administrative expenses	**83,813**	97,343
	88,867	101,273
Research expenditure analysed at:		
– depreciation and amortisation	**2,360**	2,616
– raw materials consumed	**76,233**	73,542
– staff costs	**4,472**	13,973
– technical service fee	**1,684**	1,207
– others	**5,488**	404
	90,237	91,742
Capitalised in inventories	**(79,993)**	(86,738)
	10,244	5,004
Research and development cost charged in profit or loss analysed at:		
– depreciation and amortisation	**1,117**	1,435
– raw materials consumed	**680**	–
– staff costs	**2,892**	1,958
– technical service fee	**567**	1,207
– others	**4,988**	404
	10,244	5,004

11. INCOME TAX (EXPENSE) CREDIT

	Year ended 31/12/2019 *RMB'000*	Year ended 31/12/2018 *RMB'000* (Restated)
Continuing operations		
Current tax:		
PRC Enterprise Income Tax ("**EIT**") – current	**(44,456)**	(50,792)
(Under) over provision in prior years *(note)*	**(44,481)**	352
	(88,937)	(50,440)
Deferred tax:		
Current year	**(39,418)**	69,558
Attributable to changes in tax rate	**(24,090)**	–
Total income tax (expense) credit recognised in the current year	**(152,445)**	19,118

Note: During the year ended 31 December 2018, the Group disposed of the entire 100% equity interest of Shangma Mining to an independent third party and utilised the related deductible temporary differences previously not recognised for the calculation of the Group's income tax expenses for the year ended 31 December 2018.

However, during the current year, the Group, due to certain regulatory reasons, acquired back Shangma Mining from the independent third parties at the original disposal price.

Therefore, the deductible temporary differences previously utilised for the calculation of the Group's income tax expenses for the year ended 31 December 2018 had been reversed in this year, resulting in an adjustment for the under provision of EIT in prior years of RMB44,558,000 and charged to current year's profit or loss, accordingly.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

On 22 July 2019, Aoniu Mining obtained "High Technology Enterprise" status for 3 years that entitled it a preferential tax rate of 15% for a period of three years starting from 2019 to 2022 according to PRC Tax Law.

On 10 October 2017, Hanking D.R.I obtained "High Technology Enterprise" status for 3 years that entitled it a preferential tax rate of 15% for a period of three years starting from 2017 to 2019 according to PRC Tax Law. Hanking D.R.I. is currently reapplying the qualification of "High Technology Enterprise" status upon expiry during 2019.

The Company and certain subsidiaries located in Hong Kong and Australia had no provision for corporate tax as there were no assessable profits arising from these jurisdictions for both years.

The income tax (expense) credit for the years in relation to continuing operations can be reconciled to the profit before tax from continuing operations per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31/12/2019 ***RMB'000***	Year ended 31/12/2018 RMB'000 (Restated)
Profit before tax (from continuing operations)	**484,606**	395,295
Tax at the PRC income tax rate of 25% (2018: 25%)	**(121,152)**	(98,823)
Tax effect of expenses not deductible for tax purpose	**(21,355)**	(6,959)
Tax effect of income not taxable for tax purposes	**4,847**	107,372
Deductible temporary differences and tax losses not recognised	**(13,868)**	(9,136)
Utilisation of deductible temporary difference and tax losses previously not recognised	**14,593**	–
Tax effect of concessions granted to Aoniu Mining and Hanking D.R.I.	**53,061**	26,312
Increase in opening deferred tax asset resulting from an increase in applicable tax rate	**(27,707)**	–
Decrease in opening deferred tax asset resulting from an decrease in applicable tax rate	**3,617**	–
(Under) over provision in respect of prior years	**(44,481)**	352
Income tax (expense) credit for the year (relating to continuing operations)	**(152,445)**	19,118

12. DISCONTINUED OPERATION AND DISPOSAL OF A SUBSIDIARY

For the year ended 31 December 2019

(A) Nickel Business

On 5 July 2018, the Company entered into a share sale and purchase agreement with Tuochuan Capital Limited which was controlled by Mr. Yang Jiye, one of the Controlling Shareholders, and Mr. Yang Jiye (as the guarantor), pursuant to which the Company agreed to sell, and Tuochuan Capital Limited agreed to purchase, the entire 70% of equity interest of Hanking (Indonesia) held by the Group for a total consideration of RMB350,000,000. Hanking (Indonesia) and its subsidiaries constituted the Nickel Business of the Group. The transaction was approved by the shareholders on 24 August 2018. The Group's disposal of Hanking (Indonesia) was completed during the current year and the Group since then had no plan to carry out the Nickel Business.

The loss for the period from 1 January 2019 to date of disposal and the year ended 31 December 2018 from the discontinued Nickel Business is set out below.

	For the period from 1 January 2019 to date of disposal *RMB'000*	For the year ended 31 December 2018 *RMB'000*
Loss for the year from Nickel Business	**(3,307)**	(10,882)
Reclassification of cumulative translation reserve upon disposal of a foreign operation to profit or loss	**(31,911)**	–
	(35,218)	(10,882)

The results of Nickel Business for the period from 1 January 2019 to date of disposal and the year ended 31 December 2018, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	For the period from 1 January 2019 to date of disposal *RMB'000*	For the year ended 31 December 2018 *RMB'000*
Revenue	**110,603**	42,847
Cost of sales	**(42,893)**	(30,933)
Other income	**–**	247
Other gains and losses	**2,157**	7,554
Distribution and selling expenses	**(11,069)**	(8,331)
Administrative expenses	**(40,930)**	(19,640)
Finance costs	**(21,473)**	(602)
Loss before tax	**(3,605)**	(8,858)
Income tax credit (expense)	**298**	(2,024)
Loss for the year	**(3,307)**	(10,882)

Analysis of assets and liabilities over which control was lost over the subsidiaries on date of disposal is presented below:

	RMB'000
Property, plant and equipment	**181,318**
Intangible assets	**563,071**
Right-of-use assets	**798**
Deferred tax assets	**6,385**
Deposits on acquisition of property, plant and equipment	**10,479**
Inventories	**42,533**
Trade and other receivables	**60,815**
Tax recoverable	**101**
Bank balances and cash	**11,910**
Trade and other payables	**(186,621)**
Retirement benefit obligations	**(852)**
Consideration payable	**(314,078)**
Rehabilitation provision	**(1,592)**
Tax liabilities	**(273)**
Net assets disposed of	**373,994**
Net assets disposed of	**373,994**
Less: Non-controlling interest	**(179,722)**
Cumulative exchange differences in respect of the net assets reclassified from equity to profit or loss	**31,911**
Net assets attributable to owners of the Company	**226,183**
Gain on disposal	**123,817**
Analysis of gain on disposal:	
– Gain as deemed capital contribution	**155,728**
– Loss arising from cumulative translation reserve upon disposal of a foreign operation to profit or loss	**(31,911)**
	(123,817)

The cumulative balance resulting from Hanking (Indonesia) in respect of translation reserve of RMB31,911,000 had been recycled to profit or loss upon the completion of the Group's disposal of Hanking (Indonesia) during the current year in loss from discontinued operation, accordingly.

Note: Pursuant to the Current Account Offsetting Agreements as disclosed in note 3, the consideration receivable in respect of the Group's disposal of Hanking (Indonesia) of RMB350,000,000 will be offset with the consideration payable in respect of the acquisition of Ginseng & Iron of RMB128,700,000, consideration payable for Acquisition of Tuochuan (Hong Kong) of RMB1,020,000,000, and the net amount due from the related parties including Hanking (Indonesia) and Hanking Investment as of that date amounted RMB673,075,000.

Cash flows from Nickel Business:

	For the period from 1 January 2019 to date of disposal *RMB'000*	For the year ended 31 December 2018 *RMB'000*
Net cash flows from (used in) operating activities	**37,831**	(20,624)
Net cash flows used in investing activities	**(35)**	(20)
Net cash flows (used in) from financing activities	**(35,273)**	21,831
Net cash flows	**2,523**	1,187

(B) Shanghai Hanking Housing Technology Co., Ltd. ("Hanking Housing")

During the current year, the Group entered into a share transfer agreement with Mr. Yang Jiye, one of the Controlling Shareholders, to dispose of its entire 100% equity interest in Hanking Housing whose principal business is engaged in building materials trading and constructional design business, to Hanking Investment, 99% owned and controlled by Mr. Yang Jiye, one of the Controlling Shareholders, for cash consideration of RMB1. The disposal was completed on 31 March 2019 on which date the Group lost control of Hanking Housing and its subsidiaries.

Analysis of assets and liabilities over which control was lost over Hanking Housing on date of disposal is presented below:

	31 March 2019 *RMB'000*
Bank balances and cash	**121**
Trade and other receivables	**7,743**
Inventories	**81**
Property, plant and equipment	**64**
Trade and other payables	**(17,234)**
Net liabilities disposed of	**(9,225)**

Loss on disposal of Hanking Housing

	RMB'000
Consideration received	–
Less: net liability disposed of	9,225
Gain on disposal treated as deemed capital contribution	9,225

Net cash outflow arising on disposal of the subsidiaries

	RMB'000
Cash consideration received	–
Less: bank balances and cash disposed of	(121)
	(121)

For the year ended 31 December 2018

Details of the disposal transactions of the Group's subsidiaries for the year ended 31 December 2018 were set out in the Group's 2018 Annual Report published on the website of the Stock Exchange.

13. DIVIDENDS

	Year ended	
	31/12/2019	31/12/2018
	RMB'000	*RMB'000*
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2018 Final – HKD0.02 (2017: HKD0.01) per share *(note a)*	**32,159**	14,962
Special dividend – nil (2018: RMB350,000,000) *(note b)*	**–**	350,000
	32,159	364,962

Note:

(a) During the current year, a dividend of HKD0.02 per share amounting to HKD36,557,000 (equivalent to RMB32,159,000) in aggregate in respect of the year ended 31 December 2018 (2018: a final dividend of HKD0.01 per share amounting to HKD18,300,000 (equivalent to RMB14,962,000) in aggregate in respect of the year ended 31 December 2017) was declared and paid to the owners of the Company whose names appeared in the register of members of the Company on 19 July 2019.

(b) On 28 June 2018, Ginseng & Iron, an entity included in Acquisition of which was combined to the Group using principle of merger accounting, declared a dividend of RMB350,000,000 to its then shareholders before it was acquired by Tuochuan (Hong Kong).

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2019 of HKD0.08 (2018: final dividend in respect of the year ended 31 December 2018 of HKD0.02) per ordinary share, in an aggregate amount of HKD145,600,000 (2018:HKD36,557,000), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

14. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

From continuing and discontinued operations

	Year ended	
	31/12/2019	31/12/2018
	RMB'000	*RMB'000*
		(Restated)
Profit for the year from continuing and discontinued operations attributable to owners of the Company	**296,574**	396,691
Less: loss for the year from discontinued operation attributable to owners of the Company	**37,597**	5,570
Profit for the year from continuing operations attributable to owners of the Company, for the purposes of basic earnings per share	**334,171**	402,261

	Number of shares	
	31/12/2019	31/12/2018
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,826,922,000**	1,829,505,000

The weighted average number of ordinary shares for the year ended 31 December 2019 for the purpose of basic earnings per share has been adjusted for a total sum of 7,829,000 shares repurchased and cancelled in July, August and September and 2,893,000 ordinary shares repurchased as restricted shares held for strategic incentive award scheme in November and December 2019 (for the year ended 31 December 2018: adjusted for a total sum of 2,171,000 shares repurchased and cancelled in July and December 2018).

From discontinued operation

Basic loss per share for the discontinued operation is RMB2.1 cents per share (2018: basic loss per share RMB0.3 cents for the discontinued operations), based on the loss for the year from the discontinued operation of RMB37,597,000 (2018: RMB5,570,000 (restated)) and the denominators detailed above for basic earnings per share.

Diluted earnings per share presented is the same as basic earnings per share as the Company did not have dilutive potential ordinary shares in issue in both years ended 31 December 2019 and 2018.

15. IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS

A. Iron Ore Business

For the purpose of impairment testing, tangible and intangible assets with definite lives in relation to Iron Ore Business have been allocated to 3 individual cash generating units (CGUs).

The basis of the determination of the recoverable amounts of the above units and their major underlying assumptions are summarised below:

Aoniu Mine

The recoverable amount of Aoniu Mine has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 10-year period, and discount rate of 13.0%. Other key assumptions for the value in use calculation's related to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. In 2018, due to the closing of an open pit mining, one processing plant of Aoniu Mine started to be suspended, the directors of the Company considered that the suspension would deteriorate the recoverable amount of these assets in Aoniu Mine. After reviewing the cash flow projection of Aoniu Mine, an impairment loss of RMB53,654,000 for property, plant and equipment and an impairment loss of RMB10,534,000 for prepaid lease payment, totaling RMB64,188,000, were recognised during the year ended 31 December 2018.

Shangma Mine

The recoverable amount of Shangma Mine has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 12-year period, and discount rate of 15.5%. Other key assumptions for the value in use calculations related to the estimation of cash inflows/outflows which include budgeted sales and gross margin; such estimation is based on the unit's past performance and management's expectations for the markets development.

Maogong Mine

During the years ended 31 December 2019 and 31 December 2018, management of the Group determines that there is no indicator of impairment on Maogong mine.

16. TRADE AND OTHER RECEIVABLES

	31 December 2019 RMB'000	31 December 2018 RMB'000 (Restated)
Trade receivables		
– Related parties	**–**	134,257
– Third parties	**108,041**	89,697
	108,041	223,954
Less: allowance for credit loss	**(8,579)**	(11,144)
	99,462	212,810
Other receivables		
– Advances to suppliers	**8,271**	32,586
– Deposits *(note a)*	**5,933**	26,965
– Deposit for resource tax	**64,544**	81,133
– Other tax recoverable	**4,006**	887
– Value-added tax recoverable	**27,742**	11,646
– Staff advance	**14,268**	10,375
– Consideration receivable *(note b)*	**110,619**	140,121
– Prepaid expense	**1,336**	669
– Amount due from third party	**2,767**	–
– Others	**12,769**	14,045
	252,255	318,427
Less: allowance for credit loss	**(16,690)**	(11,709)
Total other receivables	**235,565**	306,718
Total trade and other receivables	**335,027**	519,528

Refundable deposits paid were adjusted upon the initial application of IFRS 16. Details of the adjustments are set out in Note 4.

As at 1 January 2018, trade receivables from contracts with customers amounted to RMB297,977,000(restated).

Notes:

(a) The amount mainly represented various environment protection deposits required under the relevant PRC regulation for fulfilling the environment obligation during the mining process and other deposits related to the mining operations of the Group.

(b) The amount included mainly the consideration receivable as a result of the Group's disposal of Xingzhou Mining in the prior years. On 13 April 2017, the board of the Company announced that Aoniu Mining, a wholly-owned subsidiary of the Company, entered into a conditional equity interest transfer agreement with an independent third party to dispose the Group's 100% equity interest in Xingzhou Mining.

The disposal was completed during the year ended 31 December 2018. A disposal gain of RMB13,732,000 was recognised. Up to 31 December 2019, among the total consideration of RMB360,000,000, RMB105,000,000 (2018: RMB130,000,000) was not yet settled by the buyer. The consideration receivable was unsecured, interest-free, and repayable on demand, and the management of the Group expects settlement will be received within twelve months after the end of the reporting period.

The Group allows an average credit period of 7 days to its customers of iron ore concentrates, 30 days for building materials and 60 days to its customers of high-purity iron. However, upon maturity of the credit period, the Group would further negotiate with its customers and may consider to accept a repayment to a later date, based on its customer's history of payments and credit quality, on a case-by-case basis.

As at 31 December 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB19,023,000 (2018: RMB129,684,000(restated)) which are past due as at the reporting date. Out of the past due balances, amount of nil (2018: RMB5,028,000 (restated)) has been past due 90 days or more and is not considered as in default because the management of the Group, according to the historical settlement pattern, industry practice and the Group's historical actual loss experience, had assessed that the probability of settlement from their customers was high in respect of those debtors which had been past due over 90 days. The management of the Group considered that the risk of default became high and defaulted when those debtors had been past due over 1 year.

The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date.

	31 December 2019	31 December 2018
	RMB'000	*RMB'000*
		(Restated)
– Within 7 days	**69,793**	69,827
– 8 days to 30 days	**29,015**	102,013
– 31days to 60 days	**654**	35,942
– 91 days to 1 year	**–**	5,028
	99,462	212,810

Movement of impairment on trade receivables for the both years under IFRS 9:

	Lifetime ECL not credit–impaired *RMB'000*	Lifetime ECL credit–impaired *RMB'000*	Total *RMB'000*
As at 1 January 2018 (originally stated)	–	–	–
Merger accounting	2,560	6,099	8,659
As at 1 January 2018 (restated)	2,560	6,099	8,659
– Impairment losses recognised	–	2,992	2,992
– Impairment losses reversed	(507)	–	(507)
– Transfer to credit-impaired	(705)	705	–
As at 31 December 2018	1,348	9,796	11,144
– Impairment losses recognised	427	973	1,400
– Impairment losses reversed	(119)	(3,846)	(3,965)
– Transfer to credit-impaired	(6)	6	–
As at 31 December 2019	1,650	6,929	8,579

Movement of allowance for other receivables for the both years under IFRS 9:

	12-month ECL *RMB'000*	Lifetime ECL not credit–impaired *RMB'000*	Lifetime ECL credit–impaired *RMB'000*	Total *RMB'000*
As at 1 January 2018 (originally stated)	–	362	7,553	7,915
Merger accounting	–	–	1,944	1,944
As at 1 January 2018 (restated)	–	362	9,497	9,859
– Impairment losses recognised	–	–	1,850	1,850
As at 1 January 2019	–	362	11,347	11,709
– Impairment losses recognised	114	412	4,455	4,981
As at 31 December 2019	114	774	15,802	16,690

17. RECEIVABLES AT FVTOCI

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000* (Restated)
Receivables at FVTOCI comprise:		
Bills receivables *(note)*	**28,660**	301,258

As at 1 January 2018, receivables at FVTOCI amounted to RMB808,902,000 (restated).

Note: Included in the Group's bills receivables are amounts of nil (2018: RMB275,014,000) transferred to certain banks by discounting the bills on a full recourse basis and RMB11,150,000 (2018: RMB18,072,000 (restated)) being endorsed to certain suppliers on a full recourse basis. If the bills are not paid on maturity, the banks and the suppliers have the right to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to the bills receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received as bank borrowings from the discounting of the bills and as payables from the endorsement of the bills with full recourse. The financial asset is carried at fair value in the consolidated statement of financial position. The bills of the Group discounted had been pledged as securities for obtaining the bank borrowings as at 31 December 2019 and 2018.

Receivables at FVTOCI discounted to banks or endorsed to suppliers with full recourse:

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000* (Restated)
Carrying amount of transferred assets	**11,150**	293,086
Carrying amount of associated liabilities	**(11,150)**	(286,543)
Net position	**–**	6,543

The Group's receivables at FVTOCI were bills receivables with the following maturity.

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000* (Restated)
– Within 6 months	**1,000**	188,510
– 6 months to 1 year	**27,660**	112,748
	28,660	301,258

The Group's receivables at FVTOCI were bills receivables with the following ageing based on issue date of the bills.

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000* (Restated)
– Within 6 months	**28,660**	166,949
– 6 months to 1 year	**–**	134,309
	28,660	301,258

18. TRADE AND OTHER PAYABLES, AND BILLS PAYABLES

Payment terms with suppliers are mainly on credit within 90 days and 15 days from the time when the goods are received from suppliers of iron ore concentrates and high-purity iron respectively.

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000* (Restated)
Trade payables *(note)*		
– Within 90 days	**73,814**	181,316
– 91 days to 1 year	**9,396**	42,045
– 1 year to 2 years	**3,874**	33,789
– 2 years to 3 years	**8,366**	54,346
– Over 3 years	**495**	323
	95,945	311,819
Bills payables	**327,000**	705,000
Other payables		
Advance from customers	**7,440**	7,840
Other tax payable	**19,392**	37,623
Payable for acquisition of property, plant and equipment	**26,056**	29,062
Payable for mining rights	**78**	–
Outsourced service payable	**32,045**	31,212
Transportation fee payable	**16,062**	16,064
Accrued expense	**7,066**	20,693
Salary and bonus payables	**8,057**	10,393
Interest payable	**1,371**	2,311
Advance from staffs	**–**	38,771
Refundable deposits	**987**	–
Amount due to an independent third party	**12,000**	–
Others	**17,761**	25,117
	148,315	219,086
Total trade and other payables, and bills payables	**571,260**	1,235,905

Note: The aged analysis of trade payables was presented based on the date of acceptance of the goods at the end of the reporting period.

At the end of both reporting periods, the Group's bills payables were issued by banks with the following maturity.

	31 December 2019	31 December 2018
	RMB'000	*RMB'000* (Restated)
Within 6 months	**17,000**	20,000
6 months to 1 year	**310,000**	685,000
	327,000	705,000

At the end of both reporting periods, the Group's bills payables were issued by banks with the following ageing based on issue date.

	31 December 2019	31 December 2018
	RMB'000	*RMB'000* (Restated)
Within 6 months	**310,000**	603,000
6 months to 1 year	**17,000**	102,000
	327,000	705,000

19. BORROWINGS

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000* (Restated)
Bank loans	**701,263**	1,527,000
Other loans *(note a)*	**15,000**	–
	716,263	1,527,000
Secured and guaranteed	**543,763**	1,032,500
Secured and unguaranteed	**47,500**	316,500
Unsecured and guaranteed	**125,000**	178,000
	716,263	1,527,000
Fixed-rate	**716,263**	1,527,000
The carrying amounts of the above borrowings are repayable *(note b):*		
Within one year	**662,500**	1,378,000
More than one year, but not more than two years	**25,000**	149,000
More than two years, but not more than five years	**28,763**	–
	716,263	1,527,000

Note:

a. It represents loans advanced from a government authority for purchase of mining rights. The loan carried interest at the benchmark interest rate issued by the People's Bank of China and was repayable within three years.

b. The amounts are based on scheduled repayment dates set out in the respective loan agreements.

The ranges of effective interest rate of the Group's interest-bearing borrowings are as follows:

	31 December 2019 %	31 December 2018 % (Restated)
Fixed-rate borrowings	**4.35 – 9.60**	4.35 – 7.40

The unsecured bank borrowings of approximately RMB110,000,000 (2018: RMB178,000,000 (restated)) at 31 December 2019 were guaranteed by the Controlling Shareholders and the companies controlled by them. In addition, such balance was also guaranteed by an independent financial institution.

The Controlling Shareholders together with the companies controlled by them, provided guarantee for secured bank borrowings of the Group of approximately RMB504,763,000 (2018: RMB1,032,500,000 (restated)).

20. SHARE CAPITAL

The amount as at 31 December 2019 and 2018 represented the issued share capital of the Company. Details of movement of share capital of the Company are as follows:

	Number of shares		Share capital	
	2019	2018	**2019**	2018
	'000	*'000*	***HKD'000***	*HKD'000*
Ordinary shares of HKD0.1 each				
Authorised				
At 1 January and 31 December	**10,000,000**	10,000,000	**1,000,000**	1,000,000

	Number of shares		Share capital	
	2019	2018	**2019**	2018
	'000	*'000*	***RMB'000***	*RMB'000*
Issued and fully paid				
At beginning of year	**1,827,829**	1,830,000	**148,960**	149,137
Shares repurchased and cancelled	**(7,829)**	(2,171)	**(639)**	(177)
At end of year	**1,820,000**	1,827,829	**148,321**	148,960

All shares in issue rank pari passu in all respects.

During the year, the Company repurchased and cancelled its own ordinary shares through the Stock Exchange as follows:

For the year ended 31 December 2019

Month of repurchase	**No. of ordinary shares of HKD0.10 each**	**Price per share**		**Aggregate consideration paid**
		Highest	**Lowest**	
		RMB	*RMB*	*RMB'000*
July	6,482,000	0.96	0.86	5,707
August	20,000	1.20	1.18	24
September	1,327,000	1.27	1.20	1,654

For the year ended 31 December 2018

Month of repurchase	No. of ordinary shares of HKD0.10 each	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		RMB	*RMB*	*RMB'000*
July	966,000	0.83	0.77	793
December	1,205,000	0.80	0.77	947

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

21. SHARE OPTION SCHEME AND RESTRICTED SHARES HELD FOR STRATEGIC INCENTIVE AWARD SCHEME

(A) Share Option Scheme

The share option scheme of Hanking Australia Investment was adopted on 25 January 2019. The scheme is designed to recognise the contributions of selected key persons (including the employees and directors of Hanking Australia Investment and its related body corporates, and any person who was determined by the board of directors of Hanking Australia Investment to be a key person when issuing or granting the options) to the Company, and provide an incentive for and to motivate them to remain in their employments with the Company.

The scheme mandate limit is 10% of the shares of Hanking Australia Investment in issue on the date on which the scheme was adopted. The scheme shall be valid and effective for a period of 48 months from the date of adoption. The maximum number of shares of Hanking Australia Investment to be issued upon the exercise of options that may be granted under the scheme is 21,000,000 shares. The scheme will be expired on 25 January 2023, with remaining life of approximately 37 months from 1 January 2020. As of 31 December 2019, no share option under the scheme was granted, exercised, expired or lapsed.

(B) Restricted Shares Held for Strategic Incentive Award Scheme

On 29 August 2019, the board of directors of the Company (the "**Board**") resolved to adopt a restricted share award scheme (the "**Scheme**") whereby awards of ordinary shares (the "**Shares**") of the Company may be made to eligible participants(the "**Selected Participants**"), pursuant to which existing Shares of the Company will be purchased by a trustee from the market out of cash contributed by the Group and be held in trust for the relevant Selected Participants until such Shares are vested with the relevant Selected Participants in accordance with the provisions of the Scheme.

The Scheme shall be effective from the 29 August 2019 and shall continue in full force and effect for a term of 10 years or until such date of early termination as determined by the Board, whichever is the earlier, after which period no further award shares shall be granted or accepted, but the provisions of the Scheme shall remain in full force and effect in order to give effect to the vesting of award shares granted and accepted prior to the expiration or termination of the Scheme.

In November and December 2019, the trustee of the Company's Scheme purchased on the Stock Exchange a total of 2,893,000 Shares at a total consideration of approximately RMB4,362,000 pursuant to the terms of the trust deed under the Scheme.

As at 31 December 2019, no award shares have been granted to any Selected Participants pursuant to the Scheme.

APPRECIATION

The Board of the Company would like to express sincere gratitude to all the employees of the Group for their persistent effort in working, which contributed to the competitive advantage of the Group among the challenging market. We also would like to express our thanks to the government, shareholders of the Company and other related parties for their consistent support and trust to the Group.

By order of the Board
China Hanking Holdings Limited
Yang Jiye
Chairman and executive Director

Shenyang, the PRC, 29 March 2020

As at the date of this announcement, the executive Directors are Mr. Yang Jiye, Mr. Zheng Xuezhi and Dr. Qiu Yumin; the non-executive Directors are Mr. Kenneth Lee and Mr. Xia Zhuo; and the independent non-executive Directors are Mr. Wang Ping, Dr. Wang Anjian and Mr. Ma Qingshan.