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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 2012

BUSINESS HIGHLIGHTS

- The quantity of iron ore resources and reserves retained by the Group continued to increase. As of the end of 2012, the quantity of iron ore resources retained reached 220 million tons, representing an increase of 9.45% as compared with that at the end of last year; iron ore reserves retained by the Group reached 174 million tons, representing an increase of 4.19% as compared with that at the end of last year.

- Through acquisitions, the Group possessed the second largest laterite nickel resource, increased nickel metal resource by 4,797 thousand tons and gold resources by 75 tons, it also reinforce its status as an international mining company with abundant multi-ore resources.

- In 2012, both iron ores and iron ore concentrates output of the Group achieved new heights. The iron ores output amounted to 6,934 thousand tons, showing a year on year increase of 18.7%; output of iron ore concentrates was 1,638 thousand tons, showing a year on year increase of 6.2%.

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2012:

- The revenue of the Group amounted to RMB1,361,138,000, representing a decrease of 21.16% as compared with last year.

- The equity attributable to equity holders of the Company amounted to RMB1,310,916,000, representing an increase of 3.96% as compared with the end of last year.

- The net profit of the Group was RMB360,156,000, representing a decrease of 21.02% as compared with last year.

- The basic earnings per share was RMB0.20, representing a decrease of RMB0.09 as compared with last year.

- The Board proposed a final dividend of RMB0.02 per share.

The board of directors (the "Board") of China Hanking Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012 (the "Annual Results for 2012").

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

	NOTES	**2012** **RMB'000**	2011 *RMB'000* (Restated)
Revenue	*4*	**1,361,138**	1,726,488
Cost of sales		**(620,174)**	(585,846)
Gross profit		**740,964**	1,140,642
Other income	*5*	**14,537**	32,127
Other gains and expenses	*6*	**(11,085)**	(24,627)
Selling and distribution expenses		**(29,283)**	(23,847)
Administrative expenses		**(174,650)**	(148,674)
Finance costs	*7*	**(50,904)**	(278,549)
Profit before tax	*8*	**489,579**	697,072
Income tax expense	*9*	**(129,423)**	(241,048)
Profit for the year		**360,156**	456,024
Other comprehensive income:			
Fair value loss on available-for-sale financial assets		**(327)**	–
Total comprehensive income for the year		**359,829**	456,024
Profit for the year attributable to:			
Owners of the Company		**361,342**	452,765
Non-controlling interests		**(1,186)**	3,259
		360,156	456,024
Total comprehensive income for the year attributable to:			
Owners of the Company		**361,015**	452,765
Non-controlling interests		**(1,186)**	3,259
		359,829	456,024
EARNINGS PER SHARE			
– Basic and diluted (RMB cent per share)	*11*	**20**	29

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

	NOTES	31/12/2012 RMB'000	31/12/2011 RMB'000 (Restated)	1/1/2011 RMB'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment		**861,322**	509,697	267,984
Intangible assets		**318,192**	316,144	305,669
Prepaid lease payments		**348,455**	282,641	152,436
Deferred tax assets		**4,152**	7,464	3,647
Loan receivable from a third party		**15,300**	16,000	–
Deposit on acquisition of property, plant and equipment		**25,010**	16,010	17,456
		1,572,431	1,147,956	747,192
CURRENT ASSETS				
Inventories		**92,247**	55,122	74,005
Prepaid lease payments		**47,026**	25,302	23,883
Trade and other receivables	12	**371,862**	437,942	204,929
Tax recoverable		**7,198**	6,070	–
Loans receivable from related parties		**–**	367,231	436,557
Available-for-sale financial assets		**2,941**	–	–
Bank balances and cash		**577,985**	317,563	53,439
		1,099,259	1,209,230	792,813
CURRENT LIABILITIES				
Trade and other payables	13	**261,352**	266,088	231,843
Borrowings	14	**800,000**	299,943	295,000
Loans payable to non-controlling interest of a subsidiary		**6,052**	–	–
Loan payable to a third party		**–**	–	46,506
Loans payable to related parties		**–**	319,444	81,297
Consideration payable		**85,788**	2,350	31,000
Tax liabilities		**197,053**	206,756	126,412
		1,350,245	1,094,581	812,058

	NOTES	31/12/2012 RMB'000	31/12/2011 RMB'000 (Restated)	1/1/2011 RMB'000 (Restated)
NET CURRENT (LIABILITIES) ASSETS		**(250,986)**	114,649	(19,245)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,321,445**	1,262,605	727,947
CAPITAL AND RESERVES				
Share capital/Paid-in Capital	*15*	**149,137**	149,137	162,042
Reserves		**1,161,779**	1,111,804	316,079
Equity attributable to owners of the Company		**1,310,916**	1,260,941	478,121
Non-controlling interests		**10,529**	1,664	69,826
TOTAL EQUITY		**1,321,445**	1,262,605	547,947
NON CURRENT LIABILITIES				
Borrowings	*14*	**–**	–	180,000
		1,321,445	1,262,605	727,947

Notes:

1. GENERAL INFORMATION

The Company is a limited company incorporated in the Cayman Islands on 2 August 2010 and acts as an investment holding company. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30 September 2011.

The address of principal place of business of the Company in Hong Kong is 8th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong.

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

The Company is an investing holding company. The Group is engaged in iron ore mining and processing.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (the "IFRS") issued by the International Accounting Standards Board (the "IASB"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year (other than business combinations involving entities under common control) are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the equity of the owners of the Company.

3. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following amendments to International Accounting Standards ("IASs") International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB").

Amendments to IAS 12	Deferred Tax: Recovery of Underlying Asset; and
Amendments to IFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets.

The application of the 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.

The Group has not early applied the following new and revised Standards and Interpretations that have been issued but are not yet effective:

Amendments to IFRSs	Annual Improvements to IFRSs 2009 – 2011 Cycle[1]
Amendments to IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[2]
IFRS 9	Financial Instruments[3]
IFRS 10	Consolidated Financial Statements[1]
IFRS 11	Joint Arrangements[1]
IFRS 12	Disclosure of Interests in Other Entities[1]
IFRS 13	Fair Value Measurement[1]
IAS 19 (as revised in 2011)	Employee Benefits[1]
IAS 27 (as revised in 2011)	Separate Financial Statements[1]
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[2]
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine[1]

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

Annual Improvements to IFRSs 2009 – 2011 Cycle issued in June 2012

The Annual Improvements to IFRSs 2009 – 2011 Cycle include a number of amendments to various IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to IFRSs include the amendments to IAS 16 Property, Plant and Equipment and the amendments to IAS 32 Financial Instruments: Presentation.

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise. The directors do not anticipate that the application of the amendments will have a material effect on the Group's consolidated financial statements.

The amendments to IAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with IAS 12 Income Taxes. The directors anticipate that the amendments to IAS 32 will have no effect on the Group's consolidated financial statements as the Group has already adopted this treatment.

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described as follows:

- IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted. The directors of the Company anticipate that the application of IFRS9 will have no material impact on the consolidated financial statements.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). Under the Interpretation, the costs from this waste removal activity ("stripping") which provide improved access to ore is recognised as a non-current asset ("stripping activity asset") when certain criteria are met, whereas the costs of normal ongoing operational stripping activities are accounted for in accordance with IAS 2 Inventories. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part.

IFRIC 20 is effective for annual periods beginning on or after 1 January 2013. Specific transitional provisions are provided to entities that apply IFRIC 20 for the first time. However, IFRIC 20 must be applied to production stripping costs incurred on or after the beginning of the earliest period presented. The directors of the Company anticipate that the application of IFRIC 20 will have no material impact on the consolidated financial statements.

New and Revised Standards on Consolidation, Joint Agreements, Associates and Disclosure

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

IFRS 10 replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. I (SIC) 12 *Consolidation – Special Purpose Entities* will be withdrawn upon the effective date of IFRS 10. Under IFRS 10, there is only one basis for consolidation, that is, control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 11 replaces IAS 31 *Interests in Joint Ventures*. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC 13 *Jointly Controlled Entities – Non-monetary Contributions by Venturers* will be withdrawn upon the effective date of IFRS 11.

Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

In June 2012, the amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the application of these five IFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied at the same time.

The directors of the Company anticipate that these five standards will be applied in the Group's consolidated financial statements for financial year ending 31 December 2013. The directors of the Company is in the progress of assessing the impact for the application of the new standards.

4. REVENUE AND SEGMENT INFORMATION

(a) Revenue

	2012	2011
	RMB'000	*RMB'000*
		(Restated)
Sales of goods	**1,361,138**	1,726,488

(b) Segment information

The Group has operating in one segment, being the iron ore mining and processing. The Group identified an operating segment which is a component of the Group (a) that engages in business activities from which it may earn revenues and incur expenses; and (b) whose operating results are reviewed regularly by the Board, the chief operating decision maker, to make decisions about resources allocation and assess its performance.

The accounting policies of the operating segment are the same as those described in the summary of significant accounting policies except that the financial impact of deferred taxation, effective interest on other borrowings and listing expenses had not been considered by the Group's chief operating decision maker to make decisions about resources to be allocated and assess performance. Reconciliation from the operating segment to the consolidated financial statements is as following:

	2012	2011
	RMB'000	*RMB'000*
		(Restated)
Segment revenue	**1,361,138**	1,726,488
Segment result	**362,789**	724,081
Less: Listing expenses	**–**	32,448
Deferred taxation	**2,633**	(3,817)
Effective interest on other borrowings	**–**	239,426
Profit for the year	**360,156**	456,024

All of the Group's revenue are derived from the PRC and the non-current assets are located in the PRC and therefore, no geographical information is presented.

The following illustrates the revenue from customers which contributing over 10% of the total revenue of the Group are as follows:

	2012 *RMB'000*	2011 *RMB'000* (Restated)
Customer A	**669,084**	711,535
Customer B	**237,840**	323,152
Customer C	**222,000**	265,574
Customer D	**189,049**	178,054

5. OTHER INCOME

	2012 *RMB'000*	2011 *RMB'000* (Restated)
Bank interest income	**8,888**	2,041
Interest on non-listed available-for-sale financial assets	**2,433**	–
Government grants *(note)*	**3,200**	30,000
Others	**16**	86
	14,537	32,127

Note: The amount of RMB3,200,000 recognised in 2012 represented various unconditional incentive subsidies granted by the PRC local government authorities.

The amount of RMB30,000,000 recognised in 2011 represented an unconditional government grant in recognition of the Group's contribution to environmental protection, restoration and rehabilitation.

Government grants are recognised in the consolidated statement of comprehensive income when received and when all conditions as specified in the grants have been met.

6. OTHER EXPENSES

	2012 *RMB'000*	2011 *RMB'000* (Restated)
Net foreign exchange (loss) gain	**(2,166)**	13,380
Loss on disposal of property, plant and equipment	**(786)**	(362)
Donations	**(4,410)**	(3,572)
Listing expenses	**–**	(32,448)
Others	**(3,723)**	(1,625)
	(11,085)	(24,627)

7. FINANCE COSTS

	2012 *RMB'000*	2011 *RMB'000* (Restated)
Interests on bank borrowings wholly repayable within five years	**47,197**	20,906
Interests on bills discounted with no-recourse	**3,576**	18,217
Interests on loans payable to non-controlling interest of a subsidiary wholly repayable within five years	**131**	–
Effective interest on other borrowing wholly repayable within five years	**–**	239,426
	50,904	278,549

During the year ended 31 December 2011, the effective interest on other borrowing included the interest expense of RMB42,384,000 calculated on the basis of interest rate of 8% per annum and the value of the warrants of RMB175,960,000 and the transaction costs of approximately RMB21,082,000 related to US$120 million term loan (Note 14(ii)).

8. PROFIT BEFORE TAX

Profit before taxation has been arrived at after charging (crediting):

	2012	2011
	RMB'000	*RMB'000*
		(Restated)
Cost of inventories recognized as an expense	**528,752**	522,267
Auditors' remuneration	**2,246**	1,468
Release of prepaid lease payments	**31,700**	27,640
Depreciation and amortisation:		
– Property, plant and equipment	**62,750**	46,498
– Intangible assets	**23,279**	22,315
	86,029	68,813
Staff costs (including directors):		
– Salary and other benefits	**149,787**	92,449
– Retirement benefits scheme contributions	**13,820**	8,373
	163,607	100,822
Reversal of allowance for doubtful debt included in administrative expenses	**–**	(3,399)

9. INCOME TAX EXPENSE

	2012	2011
	RMB'000	*RMB'000*
		(Restated)
Income tax expenses comprise:		
PRC enterprise income tax ("EIT") – current	**128,091**	242,591
(Over) under provision in prior years	**(1,301)**	2,274
Deferred tax – current year	**2,633**	(3,817)
	129,423	241,048

The Company was incorporated in the Cayman Islands and is not subject to any income tax.

China Hanking Investment Limited ("Hanking Investment") and China Hanking (BVI) International Limited ("Hanking International") were incorporated in the British Virgin Islands ("BVI") and are not subject to income tax of any jurisdiction since their incorporation.

China Hanking (Hong Kong) Limited ("Hanking HK") was incorporated in Hong Kong and has had no assessable profits subject to Hong Kong Profits Tax since its incorporation.

Hanking Australia Pty Ltd. and Hanking Gold Mining Pty Ltd. were incorporated in Australia and has no assessable profits subject to Australia profits tax since its incorporation.

The subsidiaries established in the PRC other than Fushun Hanking Shangma Mining Company Limited ("Fushun Shangma"), are subject to enterprise income tax at a statutory tax rate of 25% (2011: 25%). Fushun Shangma was an enterprise owned by Mr. Yang Jiye. The income tax for the pre-acquisition period was calculated on the basis of profit before taxation less a pre-determined amount and applying an income tax rate of 35%.

The tax charge for the year can be reconciled to the profit per the consolidated statement of comprehensive income as follows:

	2012	2011
	RMB'000	*RMB'000*
		(Restated)
Profit before tax	**489,579**	697,072
Tax at the PRC income tax rate of 25% (2011:25%)	**122,394**	174,268
Tax effect of expenses that are not deductible for tax purpose *(note)*	**2,035**	57,676
Tax effect of income that are not taxable for tax purpose	**(147)**	–
Effect of different tax rate of a subsidiary	**(838)**	6,742
Tax effect of deductible tax losses not recognised	**4,424**	88
Withholding income tax	**2,856**	–
(Over) under provision in prior years	**(1,301)**	2,274
	129,423	241,048

Note: The amount of 2011 mainly represented tax effect of effective interest expense of facility loan and effect of other non-deductible expenses.

10. DIVIDENDS

	2012	2011
	RMB'000	*RMB'000*
		(Restated)
Dividends recognised as distribution during the year:		
2011 Final – RMB2.1 cents (2011: nil) per share	**38,430**	–

The final dividend of RMB2.0 cents per share in respect of the year ended 31 December 2012 (total: RMB36,600,000) (2011: final dividend of RMB2.1 cents per share in respect of the year ended 31 December 2011 (total: RMB38,430,000)) has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company of RMB361,342,000 (2011: RMB452,765,000) and the weighted average number of 1,830,000,000 shares (2011: 1,584,082,192 shares). The weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended 31 December 2011 have been retrospectively adjusted for the Group Reorganisation and assuming that the Group Reorganisation had been in effective at 1 January 2011, and has been adjusted for the effect of 1,499,000,000 shares issued pursuant to the capitalisation issue.

Diluted earnings per share presented is the same as the basic earnings per share as the Company did not have dilutive potential ordinary shares in issue in both 2012 and 2011.

12. TRADE AND OTHER RECEIVABLES

	31/12/2012	31/12/2011	1/1/2011
	RMB'000	*RMB'000*	*RMB'000*
		(Restated)	(Restated)
Trade receivables			
–related parties	**10,003**	6,917	56,417
–third parties	**34,264**	10,153	6,539
–bills receivables	**99,715**	216,073	41,656
	143,982	233,143	104,612
Other receivables			
–advance to suppliers	**9,957**	4,835	15,169
–prepaid listing expense	**–**	–	2,394
–interest receivable on bank deposits	**5,021**	–	–
–deposits	**20,887**	22,868	13,151
–deposit for resource tax	**182,789**	160,519	36,308
–staff advances	**2,067**	4,174	2,382
–consideration receivable from a related party on disposal of property, plant and equipment *(note)*	**–**	–	24,839
–others	**7,159**	12,403	6,074
	227,880	204,799	100,317
Total trade and other receivables	**371,862**	437,942	204,929

Note: The entity is a related party which is controlled by Ms. Yang Min. The amount was settled during the year ended 31 December 2011.

The Group allows an average credit period of 7 days to its customers. Prior to 1 July 2011, the Group did not have a credit period policy to its related party customers and the related party customers normally settled trade receivables within three months. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period.

	31/12/2012	31/12/2011	1/1/2011
	RMB'000	*RMB'000*	*RMB'000*
		(Restated)	(Restated)
Within 7 days	**39,052**	17,070	20,295
8 days to 3 months	**5,215**	–	33,333
3 months to 1 year	**–**	–	9,266
1 year to 2 year	**–**	–	62
	44,267	17,070	62,956

In determining the recoverability of the trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The credit quality of the trade receivables that are neither past due nor impaired had not been changed during the current period.

As at 31 December 2011, the Company has pledged bills receivable with carrying amount of RMB51,250,000 to secure the bank borrowings of RMB50,000,000.

13. TRADE AND OTHER PAYABLES

	31/12/2012	31/12/2011	1/1/2011
	RMB'000	*RMB'000*	*RMB'000*
		(Restated)	(Restated)
Trade payable			
–related parties	**2,559**	7,628	18,818
–third parties	**27,113**	14,545	29,118
–bills payable	**–**	10,235	–
	29,672	32,408	47,936
Other payables			
–advance from customer *(note a)*	**60,000**	60,000	67,965
–other tax payables	**18,463**	38,337	18,285
–payable of acquisition of property, plant and equipment	**97,285**	43,985	14,080
–payable of acquisition of prepaid lease payment	**–**	6,440	12,500
–outsourced service payable	**17,121**	40,599	30,200
–transportation fee payable *(note b)*	**11,293**	7,262	21,474
–accrued expenses	**11,043**	12,091	7,048
–accrued listing expenses	**–**	8,662	–
–salary and bonus payables	**7,128**	6,755	3,701
–others	**9,347**	9,549	8,654
	261,352	266,088	231,843

Notes: a) As at 31 December 2012, the Company has pledged prepaid lease payments of having a carrying amount of approximately RMB 15,668,000 (31/12/2011: RMB15,999,000; 1/1/2011: nil) to secure the advance from a customer of RMB60,000,000 (31/12/2011: RMB60,000,000; 1/1/2011: nil). The advance is interest-free and repayable on demand.

b) Amounts of approximately RMB9,180,000 (2011: RMB6,843,000) was due to Fushun Mingyang Transportation Co., Ltd. (撫順名揚運輸有限公司) as at 31 December 2012. Ms. Yang Min has significant influence in that entity.

Payment terms with suppliers are mainly on credit within 90 days from the time when the goods are received from suppliers. The following is an aged analysis of trade payables based on the date of the goods received at the end of the reporting period:

	31/12/2012	31/12/2011	1/1/2011
	RMB'000	*RMB'000*	*RMB'000*
		(Restated)	(Restated)
Within 3 months	**22,866**	9,611	33,605
3 months to 1 year	**5,859**	2,403	2,876
1 year to 2 years	**747**	3,276	1,511
2 year to 3 years	**109**	6,883	9,944
Over 3 years	**91**	–	–
	29,672	22,173	47,936

14. BORROWINGS

	31/12/2012	31/12/2011	1/1/2011
	RMB'000	*RMB'000*	*RMB'000*
		(Restated)	(Restated)
(i) Bank borrowings:			
Fixed-rate bank loans-secured	**100,000**	49,943	195,000
Fixed-rate bank loans-unsecured	**300,000**	–	–
Floating-rate bank loans-secured *(note)*	**200,000**	250,000	280,000
Floating-rate bank loans-unsecured *(note)*	**200,000**	–	–
	800,000	299,943	475,000
Amount repayable:			
Due within one year (amount shown under current liabilities)	**800,000**	299,943	295,000
More than one year, but not exceeding two years (amount shown under non-current liabilities)	**–**	–	180,000
	800,000	299,943	475,000
Effective interest rates of bank borrowings	**6.78%**	6.85%	6.07%

Note: The floating-rate bank loans carry interest at 107% to 118% of the interest rate of RMB loan promulgated by the People's Bank of China in China.

The bank borrowings of RMB300,000,000 (31/12/2011: RMB200,000,000; 1/1/2011: RMB280,000,000) were secured by the mining rights with the carrying amounts of RMB 254,514,000 (31/12/2011: RMB251,655,000; 1/1/2011: RMB252,238,000). In addition, the bank borrowings of RMB100,000,000 as of 31 December 2011 were also guaranteed by related parties, Hanking Industrial Group Co., Ltd. and its subsidiaries. The guarantee was released during the year ended 31 December 2012. The bank borrowings of RMB 99,943,000 as of 31 December 2011 were secured by the bills receivable with carrying amount of RMB108,133,000.

(ii) Other borrowings:

On 24 December 2010, the Company entered into a facility agreement (the "Facility Agreement", which was amended and restated on 21 January 2011 and further amended on 2 February 2011, 25 March 2011 and 24 June 2011) with certain lenders (the "Facility Lenders"). Pursuant to the Facility Agreement, the Facility Lenders made available to the Company a US$120 million term loan facility with an annual interest rate of 8% per annum. On 25 January 2011 (the "Drawdown Date"), the Company drew down the full amount of US$120 million (equivalent to RMB790,572,000) under the Facility Agreement. The Company should repay an amount equal to one-third of the then outstanding loan on the first anniversary of the Drawdown Date and all remaining amounts outstanding under the loan on the date falling 18 months from the Drawdown Date. The Company is required to repay the outstanding loan in full immediately if an initial public offering (the "IPO") (including a listing of the Company's shares on the Stock Exchange) occurs, in which case the Company must apply any IPO proceeds the Company received towards the repayment in full of the outstanding loan. As one of the conditions precedent to the provision of the loan under the Facility Agreement, and pursuant to warrant instrument A and warrant instrument B, China Hanking (BVI) Limited issued warrant A and warrant B exercisable into 12.6667% and 0.6667% of the Company's fully diluted post-listing shares on the Stock Exchange respectively to the Facility Lenders with exercise price of US$90 million. China Hanking (BVI) Limited is the entity through which Ms. Yang Min indirectly holds approximately a 58.67% equity interest in the Company. In relation to the Facility Agreement, (i) the shares of China Hanking (BVI) Limited and Bisney Success Limited, a shareholder of the Company, (ii) the shares of the Company held by China Hanking (BVI) Limited and Bisney Success Limited and (iii) all the shares of Hanking Investment, Hanking International and Hanking HK and all the equity interest of STSU had been pledged to the Facility Lenders. On 30 September 2011, the Company's shares are listed on the Stock Exchange and the loan with interest payable was repaid in full to the Facility Lenders by the Company.

The Company considered the warrants granted by China Hanking (BVI) Limited to the Facility Lenders as a capital contribution made by the controlling shareholder and recorded the fair value of those warrants of RMB175,960,000 as a deemed contribution in the consolidated statement of changes in equity. The fair value of the warrants as at 25 January 2011 was based on an external valuation analysis carried out by Jones Lang LaSalle Sallmanns Limited, a qualified valuer whose address is 6th Floor, Three Pacific Place, 1 Queen's Road East, Hong Kong. The valuation analysis utilizes generally accepted valuation methodologies such as the income approach. The income approach measures the current value of the net assets of the Group by calculating the present value of its future economic benefits by discounting expected cash flows at a rate of return that compensates for the risks associated with the particular investment. As the warrant represented direct and incremental costs associated with obtaining the loan, the value of the warrants of RMB175,960,000 on the Drawdown Date together with the transaction costs of approximately RMB21,082,000 were netted off against the original loan principal. Effective interest expense of RMB239,426,000 (including the coupon interest expense of US$6,546,000 (equivalent to RMB42,384,000) calculated on the basis of interest rate of 8% per annum and US$120 million of the loan principal) was recognised as finance costs during the year ended 31 December 2011.

15. SHARE CAPITAL/PAID-IN CAPITAL

Share capital/paid-in capital of the Group at 1 January 2011 represented the combined paid-in capital of the Company, Aoniu Mining and STSU attributable to the ultimate controlling parties (Ms.Yang Min and Mr. Yang Jiye).

The amount as at 31 December 2012 and 2011 represented the then issued share capital of the Company. Details of movement of share capital of the Company are as follow:

	Number of shares		Share capital	
	2012	2011	**2012**	2011
	'000	*'000*	***RMB'000***	*RMB'000*
Ordinary shares of HK$0.1 each				
Authorised				
At 1 January	**10,000,000**	3,900	**N/A**	N/A
Increase on 16 June 2011	**–**	9,996,100	**N/A**	N/A
At 31 December	**10,000,000**	10,000,000	**N/A**	N/A
Issued				
At 1 January	**1,830,000**	1,000	**149,137**	–
Issue by capitalisation of the share premium account relating to capitalisation issue	**–**	1,499,000	**–**	122,229
New issue of shares by way of initial public offering	**–**	330,000	**–**	26,908
At 31 December	**1,830,000**	1,830,000	**149,137**	149,137

On 16 June 2011, pursuant to the resolutions in writing passed by the shareholders of the Company, the increase of the authorised share capital of the Company from HK$390,000 divided into 3,900,000 shares of a nominal or par value of HK$0.10 each to HK$1,000,000,000 divided into 10,000,000,000 shares of a nominal or par value of HK$0.10 each by the creation of 9,996,100,000 shares, which shall rank pari passu in all respects with the shares in issue as at the date of this resolution, was approved.

Pursuant to the resolutions in writing of the shareholders of the Company passed on 16 September 2011, conditional on the share premium account of the Company being credited as a result of the issue of the offer shares by the Company pursuant to the initial public offering of shares of the Company and subject to the IPO price, the sum of HK$149,900,000 be capitalised and be applied in paying up in full at par 1,499,000,000 shares, each of which was allotted and issued to the shareholders of the Company.

In connection with the Company's initial public offering, 330,000,000 shares of HK$0.10 each were issued at a price of HK$2.51 per share for a total cash proceeds of approximately HK$828,300,000 (equivalent to RMB675,396,000). Dealings in these shares on the Main Board of the Stock Exchange commenced on 30 September 2011.

All shares in issue rank pari passu in all respects.

OPERATION REVIEW

For the year of 2012, the Group continued to enhance the exploration of iron ores, and kept new resources greater than the ore consumption. In the meantime, the Group further improved the capability of exploring raw ores and the production capacity of iron ore concentrates by upgrading and reconstructing the current mines and equipments and construction of new production facilities through a series of projects. In order to minimize the adverse impact upon single iron ore market brought by market fluctuations, while enhancing the domestic mine base, the Group also prudently expanded ways for mineral diversity by acquisition and development of metal projects overseas, so as to promote the Company's development soundly and steadily.

The Group completed the acquisition of Fushun Shangma in 2012. As Fushun Shangma is a common controlled entity of the ultimate controller of the Group, according to the accounting policy of the Group, the merger accounting for the common controlled entities should be as if they had been combined from the date when the combined entity or business first came under the control of the controller. Therefore, a restate adjustment to the financial information of the Group for previous years is required to be executed.

1. Major operation results

During the reporting period, the Group continued to expand the exploration of iron ores, and as of the end of 2012, the Group's iron ores output amounted to 6,934 thousand tons (2011: 5,841 thousand tons), a year on year increase of 18.7%; output of iron ore concentrates was 1,638 thousand tons (2011: 1,542 thousand tons), representing an increase of 6.2% as compared with last year; the sales amount reached 1,623 thousand tons (2011: 1,593 thousand tons, 59 thousand tons of which was agent sales); the gross profit was RMB740,964,000 (2011: RMB1,140,642,000) and the net profit was RMB360,156,000 (2011: RMB456,024,000); net earnings per share was RMB0.20 (2011: RMB0.29). The decrease of net profit compared to 2011 was mainly due to the slow down of domestic economic growth. As a consequence, the selling price of iron ore concentrates decreased to RMB830 per ton in 2012, representing a decrease of 21.8% as compared with last year.

The average cash operation cost per ton of iron ore concentrates of all mines was RMB355 (2011:RMB292), which was mainly due to an increase in general standard of resource tax since February 2012, from RMB9 per ton to RMB12 per ton for iron ores, and the increase in raw materials cost. Although the cash operation cost increased in 2012, the Group still maintained its competitive edge in its low cost advantage among the industry.

2. Major Acquisitions

The Company's established strategy embodies the diversification and internationalization of mineral resources. Apart from its notable effort in developing and producing iron ores, it also seeks the right opportunities to diversify the current categories of ores. These production and business tactics have formed a model which is characterized by focusing on iron ores and supplemented by gold and nickel. The Company also proactively promotes the strategy of diversification and develop other high quality resources such as copper. On the basis of strict risk control, the Company seeks to minimize impacts generated by market fluctuations by utilizing its asset and product portfolios of various ores. In 2012, the Group has actively engaged in the acquisition of Fushun Shangma and a large laterite nickel mine situated in Indonesia. Furthermore, the Group has acquired the southern cross gold project in Western Australia in the beginning of 2013. The acquisitions have created valuable opportunities for the Group to leverage its resources with its established strategy.

The Acquisition of Fushun Shangma

In order to promote the continuous expansion of the production capacity of iron ores, as well as to strengthen its domestic iron ore base, the Group has completed the acquisition of the 100% interest of Fushun Shangma in Fushun, Liaoning province in December 2012. Mines owned by Fushun Shangma ("Shangma Mine") possesses considerable resources reserves. As of 31 December 2012, the iron ore resources in Shangma Mine were approximately 21,252,000 tons, which contributed to an obvious increase of the Group's ore reserves. Besides, Shangma Mine was located at the central zone between Aoniu Mine and Xingzhou Mine. From the perspective of continuous development, the acquisition of Fushun Shangma is beneficial to the exploration preparation work, thus to form a completed reconnaissance block from Aoniu Mine to Xingzhou Mine, and will expand the space of the development of the Group in the iron ore exploration and significantly enhance the potential of resources reserves.

The Acquisition of the Large Laterit Nickel Mine Located in Indonesia

Nickel is widely used in the field of consumable, military, transportation, aerospace, marine industry and construction industries. Many countries, including the PRC, have considered nickel as a strategic resource. In December 2012, the Company announced the acquisition of the 70% interest of Northeastern Lion Limited ("Northeastern Lion"), which was in the control of the large laterit nickel located in North Konawe Regency, South East Sulawesi Indonesia through its three project companies. The measured and indicated nickel resources and the inferred nickel resources of the Company reached approximately 3.75 million tons and 1.04 million tons respectively after the acquisition. Currently, one of the project companies has commenced mining and selling laterite nickel, and the Group possesses an alchemical technique for laterite nickel mining and metallurgy, which can be applied in Indonesia and has economic feasibility. The Group believes that this acquisition will provide the Company with a precise opportunity to get involved in the nickel market with comparatively low risk. Not only will it be complementary to the Company's existing business and will further enhance the Group's operations as a whole but it will also help to realize the development strategy of diversification and internationalization of the Company's mining resources and promote the Group to become an international mining company.

As at 4 March 2013, the above acquisition has been approved at the extraordinary general meeting of the Company.

Acquisition of Southern Cross Gold Project in Australia

In January 2013, the Group announced the acquisition of 100% interest in SXO's gold assets located in the centre of Yilgarn goldfield in western Australia. SXO currently holds a proven, indicated, inferred and Joint Ore Reserves Committee ("JORC") standard compliant gold resources of about 2.4 million ounces, at an average grade of 3.6 g/t gold. SXO Gold Mine not only possesses rich gold resources of high quality, it is also equipped with excellent production and transportation facilities. The Group believes that by leveraging on the extensive management experience of the Company in gold mining, production and operation and through mine development and exploration investment in the future, the operation of SXO will be recovered and expanded, thus to expand the Group's sources of revenues and earnings base, which could promote the continued growth of the business of the Company.

The acquisition has obtained approval from the Australia's Foreign Investment Review Board on 14 February 2013.

3. Increment in Iron Ore Reserves

Resources are the core assets of the Company. As the largest independent privately-owned iron ore concentrate producer in the northeast area, the Group has committed to expand its iron ore reserves and obtain high quality iron ore resources with lower risks and costs through continuous investment in existing mine areas and surrounding geological areas.

During the year of 2012, the Group invested a total exploration capital of RMB9,323,000 (2011: RMB31,022,000), among which, RMB3,077,000, RMB2,416,000, RMB494,000 and RMB3,336,000 were invested by Maogong Mine, Aoniu Mine, Benxi Mine and Shangma Mine, respectively. The average expenditures incurred by the increased iron ore exploration is RMB0.81 per ton only. Meanwhile, an exploration prospective area of the Group has been greatly increased through the acquisition of Fushun Shangma which located at the middle zone between Aoniu Mine and Xingzhou Mine during the reporting period.

In 2012, the prospecting project of the Company started from 1 March to 10 November, which lasted for more than eight months, while carrying out the drilling exploration engineering in the four iron minings, Maogong Mine, Aoniu Mine, Mengjia Mine, Shangma Mine, a total of 126 holes were completed, with a total footage of 29,647.19 meters and an average hole depth of 235.30 meters.

As of the end of 2011, the Group owned 201 million tons of iron ore resources that complied with the JORC standards. By conducting various explorations as well as mining mergers and acquisitions in 2012, the iron ore resources gained a net increase by 18,641 thousand tons to 220 million tons, or a year on year increase of 9.45%.

As of the end of 2011, the Group owned 167 million tons of iron ore reserves that complied with the JORC standards. By conducting various explorations as well as mining mergers and acquisitions in 2012, the iron ore reserves gained a net increase by 7,241 thousand tons to 174 million tons.

4. Management of Projects and Capacity Expansion

As of the end of 2012, the Group obtained 10.796 square kilometers of mining rights. In order to further improve the processing capability of exploring raw ores and to expand the capacity of iron ore concentrates of our existing mines, the Group put more efforts on the expansion and reconstruction and carried out a series of construction projects to upgrade and reconstruct the existing mines as well as to construct new production facilities, which significantly enhanced its production scale. The Company has 4 key construction projects in 2012, which include the second phase of the technology improvement of the first processing plant of Aoniu Mine, mining works in Aoniu Mine; reconstruction and expansion of processing plant with annual capacity of 3 million tons in Maogong Mine and mining works in Benxi Mine.

Aoniu Mine

Preliminary result has been seen in the first phase of the technology improvement, and on such foundation, the second phase of the technology improvement of the first processing plant of Aoniu Mine has officially begun in February 2012. As of the end of 2012, the civil construction of the thickening pond was completed and has partially been put into production; the main plant is in its final phase and expected trial production will take place in the first half of 2013. The underground mining works in Aoniu Mine have already started in the mid of April 2012. As of the end of 2012, 80% of the engineering processes has been completed, and formed an initial output capacity.

Maogong Mine

High grading magnetic iron ore was found in Maogong Mine, and there is a huge potential to increase the ore reserves in the region. As of the end of 2012, 90% of the main body of civil construction of the main plant on the selected site of Maogong Mine has been completed, the central ore pocket has been finished; the main body of the 66kv substation has been finished and is ready for equipment installation; 40% of the civil works of coarse crushing workshops, screening and dry separation workshops and refuse bin have been completed; the 50m thickeners have been gradually transported to the site and ready for installation; the whole project is expected to be put into trial production by the end of 2013.

Benxi Mine

Starting from November 2011, the Benxi Mine has started the (Underground Excavation Project) with annual capacity of 1.2 million tons, and the design of the project is mixed with the adoption of shafts and ramps. As of the year ended 2012, the tunneling for the ramps has been completed and entered into mining period, while the main well towers foundation is also completed and ready for equipment installation and 87% of the project has been completed.

5. Promotion Construction of Safe and Environmental-friendly Mine

The Group has always been adhering to the objective of "Safe Mine, Harmonious Mine, Green Mine". We incorporate the notion of safety management environment protection in its enterprise development and profit generation.

Conjunctively, the Group in exercising its social responsibility maintains its support to development strategy which is centered on the idea of "recycling economy and comprehensive utilization". The Group also makes further effort in promoting soft environment building of mines as well as to build green mines which comply with national environmental standards on low carbon emissions.

FINANCE REVIEW

1. Revenue, Cost of Sales, Gross Profit

For the year of 2012, the Group's revenue was approximately RMB1,361,138,000, representing a decrease of RMB365,350,000 or 21.2% over last year, mainly due to the reduction in unit selling price of iron ore concentrates.

For the year of 2012, the Group's cost of sales was approximately RMB620,174,000, representing an increase of RMB34,328,000 or 5.9% over last year, mainly due to the increased unit cost as a result of increased resource tax.

For the year of 2012, the Group's gross profit was approximately RMB740,964,000, representing a decrease of RMB399,678,000 or 35.0% over last year, mainly due to the significant decrease in average selling price of iron ore concentrates.

2. Other Income and Expenses

For the year of 2012, the Group's other income was approximately RMB14,537,000, representing a decrease of RMB17,590,000 or 54.8% over last year. Other income included interest income, interest on available-for-sale financial assets and government subsidy income. The decrease was mainly due to the reduction of the subsidy of the government.

For the year of 2012, the Group's other expenses were approximately RMB11,085,000, representing a decrease of RMB13,542,000 or 55.0% over last year, which was mainly due to the listing expense of RMB32,448,000 incurred in 2011; In addition, for the year of 2012, the Group's net foreign exchange loss was approximately RMB2,166,000, while the foreign exchange gain in 2011 was RMB13,380,000, which mainly due to the occurrence of foreign exchange loss arising from the devaluation of the US dollar against the RMB.

3. Selling and Distribution Expenses, Administrative Expenses

For the year of 2012, the Group's selling and distribution expenses were approximately RMB29,283,000, representing an increase of RMB5,436,000 or 22.8% over last year, mainly due to the transportation expense of Shangma Mine was paid by the buyer in 2011, but which was borne by the Group in 2012.

For the year of 2012, the Group's administrative expenses were approximately RMB174,650,000, representing an increase of RMB25,976,000 or 17.5% over last year. Administrative expenses included salary paid to the Group's managers and administrative staff, depreciation and amortization, leasing and office expenses, operation development expenses, professional counseling and service expenses, taxation expenses and others.

4. Finance Costs, Income Tax Expense

For the year of 2012, the Group's finance costs were approximately RMB50,904,000, representing a decrease of RMB227,645,000 or 81.7% over last year. Finance costs included bank borrowings interest expenses, discount interest expenses, and other finance loans interest expenses. The decrease was mainly due to private borrowing interest relating to the listing incurred in the previous period.

For the year of 2012, the Group's income tax expenses were approximately RMB129,423,000, representing a decrease of RMB111,625,000 or 46.3% over last year. Income tax expenses included the total amount of tax currently payable and deferred tax. In 2011 and 2012, the Group's effective tax rate was 34.6% and 26.4%, respectively, based on deducted tax in the consolidated statement of comprehensive income and profit before tax.

5. Profit and Total Comprehensive Income for the Year

Based on the above reasons, for the year of 2012, the Group's total comprehensive income for the period was approximately RMB359,829,000, representing a decrease of RMB96,195,000 or 21.1% over last year. During the reporting period, the Group's net profit margin was 26.4%, which is in line with that of last year. Although unit selling price of iron ore concentrates decreased during the period, the stable net profit margin of the Group was mainly due to the one-off private borrowing interest relating to the listing occurred in last year.

6. Property, Plant and Equipment, Inventory

For the year of 2012, the Group's property, plant and equipment were approximately RMB861,322,000, representing an increase of approximately RMB351,625,000 or 69.0% over last year, mainly due to building plants, offices, tailings and acquiring machine equipment to expand production capacity.

For the year of 2012, the Group's inventory was approximately RMB92,247,000, representing an increase of approximately RMB37,125,000 or 67.4% over last year, mainly due to the increase in the inventory of iron ores and iron ore concentrates at the end of the year.

7. Trade and Other Receivables, Payables and Other Payables

For the year of 2012, the Group's trade receivables were approximately RMB143,982,000, representing a decrease of approximately RMB89,161,000 over last year, mainly due to decrease in bills receivables.

For the year of 2012, the Group's other receivables were approximately RMB227,880,000, representing an increase of approximately RMB23,081,000 over last year, mainly due to payment of deposits for resource tax and other tax which were related certain resources tax and local tax policies regulated by the local tax bureau.

For the year of 2012, the Group's trade payables were approximately RMB29,672,000, representing a decrease of approximately RMB2,736,000 or 8.4% over last year, mainly because the Group made certain payables to suppliers pursuant to the contract.

For the year of 2012, the Group's other payables were approximately RMB231,680,000, representing a decrease of approximately RMB2,000,000 or 0.9% over last year.

8. Cash Use Analysis

The summary of the Group's consolidated statement of cash flow for the year ended 31 December 2012 was set out below.

	For the year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Net cash flows from operating activities	**491,675**	576,348
Net cash flows used in investing activities	**(403,155)**	(375,130)
Net cash flows (used in) from financing activities	**174,068**	76,387
Net increase in cash and cash equivalents	**262,588**	277,605
Cash and cash equivalents at the beginning of the year	**317,563**	53,439
Effect of changes in foreign exchange rate on cash and cash equivalents	**(2,166)**	(13,481)
Cash and cash equivalents at the end of the year	**577,985**	317,563

The net cash from the operating activities during 2012 was RMB491,675,000, which was mainly attributed to the profit before tax of RMB489,579,000 and a depreciation of RMB 62,750,000, partially offset by the increase of RMB37,125,000 of inventory and the income tax expense of RMB129,423,000.

During 2012, the net cash used in the investing activities amounted to RMB403,155,000, which mainly reflected the amount of RMB354,868,000 used in the construction of the underground pits and the acquisition of properties, plants and equipment in Benxi Mine and Aoniu Mine, the prepaid lease payment of RMB125,678,000 in relation to the application of additional land use rights in the mining areas, and the amount of RMB25,327,000 used in the acquisition of intangible assets, and repayments from related parties of RMB316,151,000.

During 2012, the net cash inflow in the financing activities was RMB174,068, which represented the bank loans of RMB920,000,000, a repayment of bank loans of RMB369,946,000 and was offset by the repayment of the borrowings payable to the connected parties of RMB319,444,000 (the business occurred before the acquisition of Fushun Shangma), the net cash outflow as on deemed distribution of RMB14,212,000 and the distribution of dividend of RMB38,430,000.

9. Bank borrowings

For the year end of 2011 and 2012, the bank borrowings of the Group were approximately RMB299,943,000 and RMB800,000,000 respectively, the increased bank borrowings are used to enhance cash reserves of the Company and payment of the funds for the mergers and acquisitions as well as capital expenditures, which is also the main factor of net current liabilities recorded by the Company as at 31 December 2012. Directors of the Company believe that, in consideration of existing utilizable bank facilities and internal financial resources, the Group has sufficient operation resources to meet its current requirement at least next 12 months from the date of consolidated financial statement.

10. Net Current Liability, Gearing Ratio, Interest Rate Risk, and Foreign Exchange Risk

As at the end of the year, the net current asset of the Group was RMB-250,986 thousand. The Group had obtained the irrevocable loan amounted to RMB300 million with a term of two years from Commercial Bank at the end of 2012.

The gearing ratio of the Group increased from 46.4% as of 31 December 2011 to 50.4% as of 31 December 2012, which is calculated by dividing the total liabilities by the total assets.

The interest rate risk in the fair value of the Group mainly relates to the bank borrowings. The bank borrowings of the Group are usually due within one year, and therefore, the interest rate risk in its fair value is relatively remote. There is no hedging policy currently prevailing in the Company. Nevertheless, the management of the Group monitors the interest rate risk, and may consider taking hedging measures as needed on the occurrence of significant interest rate risks.

The businesses of the Group are located in China, and its major operating transactions are dominated in RMB. In addition to certain payable professional expenses dominated in HK dollars and US dollars mainly arising from the listing, most of the assets and liabilities of the Group are dominated in RMB. Since RMB is not freely convertible, the risk that the Chinese government may take measures to interfere the 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, and we have no hedging measures against such exchange risks.

11. Assets Securities, Contingent Liabilities and Dividends

As of 31 December 2012, the aggregate net carrying value of the assets used as securities amounted to RMB270 million, while the aggregate net carrying value of the assets used as securities amounted to RMB376 million at the end of 2011. Both of them are secured by the mining rights certificates, bills receivable and land use right certificates.

As of 31 December 2011 and 31 December 2012, the Group had no material contingent liabilities.

The Board recommended the payment of the final dividend for the year ended 31 December 2012 to the shareholders of the Company, with a cash bonus of RMB0.02 per share. The payment of the dividend will be conditional upon the approval of the shareholders at the forthcoming annual general meeting of the Company.

12. Use of the Proceeds

The proceeds raised from the listing of the Company amounted to HK$828,300,000. As of 31 December 2011, the remaining proceeds is HK$45,800,000. In 2012, HK$9,400,000 of the proceeds was applied for updating and expanding of existing mining area and production facilities, and the remaining HK$36,400,000 will be used for the payment for acquiring Fushun Shangma.

13. Material Acquisitions and Disposals

Please refer to item 2 under "Operation Review" in this announcement for details.

14. Expenditure of Exploration, Development and Mining Production Activities

The Group's total expenditure of exploration, development and mining production activities increased from approximately RMB472,644,000 in 2011 to approximately RMB627,166,000 in 2012. Expenditure incurred in 2012 are mainly including: (i) expense of RMB496,815,000 in property, factory and equipment; (ii) land lease payment of RMB121,028,000 for the acquisition of mining lease; and (iii) exploration expense of RMB9,323,000.

15. Capital Commitments

The Group had capital commitments of RMB138,848,000 in 2012, which was an increase of RMB104,594,000 or 305.3% as compared with last year. The capital commitments are mainly consisted of expenditure of RMB79,839,000 for reconstruction and expansion of processing plant with annual capacity of 3 million tons in Maogong Mine; expenditure of RMB37,765,000 for mining works in Benxi Mine and Aoniu Mine; and expenditure of RMB12,499,000 for the second phase of the technology improvement of the first processing plant of Aoniu Mine. The increase was mainly due to the commencement of new engineering projects in the future.

OUTLOOK

Looking forward into 2013, the Group will implement construction investment plan in large scale and continues to strengthen the base of Liaoning iron ore, meanwhile, to specifically emphasize the development of nickel and gold mines acquired by the Group recently. The entrance of nickel and gold mines diversified the product portfolio of mineral assets and products, which could help the Group reduce the adverse effect arising from market fluctuation and promote the long-term and stable development of the Group’s business.

In respect of the anticipation that the United States as well as China's economy warmed up gradually, the growth in Chinese iron and steel enterprises in 2013 is expected to rejuvenate and the demand for iron ore will be improved. Moreover, coupled with a strong rebound in domestic iron ore market since the end of last year, iron ore prices are expected to be higher compared to last year. The Group holds a cautious and optimistic about the outlook in the iron ore market.

Looking forward, the Group expects that Aoniu Mine and Maogong Mine will become large modern mines with a yield capacity of “one million tons” annually upon the completion of investment plans, which will improve the capacity of the Group’s iron ore concentrates significantly. Meanwhile, according to the initial plan, upon the merger of laterit nickel mine located in Indonesia and gold ores located in western Australia, it is expected that in 2013 the nickel ore business will produce nickel ore 1,500,000 tons and nickel metal over 10,000 tons every year, and the gold mining business will reach a capacity of 30,000 tons of gold annually, which will inject new momentum into the Group in continuing improving revenue and profitability to promote the stable development of the Group's business in the long term and generate greater returns for shareholders of the Company.

DIVIDENDS

The Board recommended the payment of the final dividend for the year ended 31 December 2012 to the shareholders of the Company, with RMB0.02 per 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 Friday, 31 May 2013.

All dividends to be distributed will be denominated and declared in Renminbi and will be paid to shareholders of the Company in Hong Kong dollars. The amount of dividends payable in Hong Kong dollars shall be calculated based on the average benchmark exchange rate of Renminbi to Hong Kong dollars announced by the People's Bank of China between Thursday, 6 June 2013 and Thursday, 13 June 2013. The aforesaid dividends are expected to be paid on or around 21 June 2013 to those shareholders whose name appear on the register of members as at 13 June 2013.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 27 May 2013 to Friday, 31 May 2013 (both days inclusive, 5 business days in total) to determine the entitlement to attend and vote at the annual general meeting and from Thursday, 6 June 2013 to Thursday, 13 June 2013 (both days inclusive, 5 business days in total) to determine the entitlement to the final dividend during which periods no transfer of shares will be registered. In order to attend and vote at the 2013 annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Friday, 24 May 2013. In order to participate in the payment of a final dividend in respect of the year ended 31 December 2012, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 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, 5 June 2013.

MANAGEMENT CONTRACTS

For the year ended 31 December 2012, 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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

NON-COMPETITION AGREEMENT COMPLIANCE

As disclosed in the prospectus published by the Company on 20 September 2011, the Company signed a non-competition agreement ("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 is responsible for reviewing and considering whether exercising 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 2012, each controlling shareholder of the Company has made annual confirmation of compliance of 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 have fully abided by the agreement without any breach of the Non-Competition Agreement.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the period between 1 January 2012 to 31 March 2012, 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 on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), meanwhile, the Company has complied with most of the best practices as suggested therein; during the period from 1 April 2012 to 31 December 2012, the Company has fully complied with the code provisions of the amended Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules, meanwhile, the Company has complied with most of the best practices as suggested therein.

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 the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2012.

MAJOR SUBSEQUENT EVENTS

1. Acquisition of 70% Equity Interest in Northeastern Lion

On 20 December 2012, the Company entered into the share purchase agreement with Evergreen Mining Limited ("Evergreen Mining") and Hanking Aoniu Investment (Hong Kong) Company Limited pursuant to which the Company has agreed to acquire, and Evergreen Mining has agreed to sell, 70% equity interest in Northeastern Lion for a total consideration of RMB311.8 million (the "Northeastern Lion Acquisition").

Northeastern Lion controls three project companies, PT Konutara Prima, PT Konutara Sejati ("KS") and PT Karyatama Konawe Utara through City Globe Limited and Denway Development Limited (its wholly-owned subsidiaries). Those three project companies own the laterite nickel mine located in North Konawe Regency, South East Sulawesi Indonesia, which possess the measured and indicated nickel resources of 3.75 million tons and the inferred nickel resources of 1.04 million tons. In addition, each of the project companies has the Production and Business Permit for nickel with an expiration of 20 years, which covers an area of 7,869 hectares. Large lalerit nickel resources in Northeastern Lion Acquisition are really abundant, and will help the Company to realize its development strategy of diversifying mining resources and internationalizing business, further expand the business scope and enlarge the scale as well as promoting the long-term and steady development of business.

Due to the importance of nickel, the Company considers the Northeastern Lion Acquisition as a strategic investment. As the nickel resources involved in the Northeastern Lion Acquisition are rich and a nickel smelter with annual production capacity of 40,000 tons will be completed by the end of 2016, the acquisition is a precious opportunity for the Company to enter into the market of nickel, which will help the Company diversify mining resources, expand the business scope and enlarge the scale as well as becoming an international mining company.

One of the project companies, KS, has already commenced mining, selling laterite nickel and will gradually expand its mining capacity. Meanwhile, the Company also acquired a laterite nickel ore smelter as well as a base for staff training and continuing improvement of the alchemical technique for laterite nickel ore in the PRC. In addition, the Company possesses an alchemical technique for laterite nickel mining and metallurgy, which can be applied in Indonesia and has economic feasibility.

Evergreen Mining is an indirectly wholly-owned subsidiary of Hanking Group Co., Limited, which is in turn owned as to 60.67% by Ms. Yang Min and 28.29% by Mr. Yang Jiye, each a non-executive director and the controlling shareholder. As such, Evergreen Mining is an associate of both Ms. Yang Min and Mr. Yang Jiye and is therefore a connected person of the Company. Under Chapter 14A of the Listing Rules, the transactions contemplated under the share purchase agreement constitute a connected transaction of the Company. As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the Northeastern Lion Acquisition exceeds 5% but is less than 25%, the Northeastern Lion Acquisition constitutes (i) a disclosable transaction for the Company subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules; and (ii) a connected transaction for the Company subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company held an extraordinary general meeting on 4 March 2013 to approve share purchase agreement and the transactions contemplated thereunder. The controlling shareholders and their associates have abstained from voting on the resolutions approving the share purchase agreement.

For more details please refer to the announcement issued on 20 December 2012, the circular issued on 15 February 2013 and the polling results of the extraordinary general meeting issued on 4 March 2013.

2. Acquisition of the Assets of Southern Cross Operations in Australia

On 8 January 2013, the Company, through its wholly-owned Australian subsidiary, Hanking Gold Mining Pty Ltd. ("Hanking Gold"), entered into an agreement with St Barbara Limited ("St Barbara"), a company listed on the Australian Securities Exchange with stock code of SBM, to acquire the assets of SXO (the "Acquisition Agreement").

SXO is a gold mining property located between Perth and Kalgoorlie in Western Australia, approximately 360 kilometres east of Perth, connected with major railroad and highways and about a 40-minute flight from Perth. The Southern Cross region is located in the centre of the world-famous Yilgarn Goldfields in Western Australia, with an accumulated historical gold production in excess of 10 million ounces. SXO covers approximately 120 kilometres strike length of the Southern Cross greenstone belt, with JORC reported Measured, Indicated and Inferred gold resources of approximately 2.4 million ounces (Moz) at an average grade of 3.6 g/t gold. SXO had been in operation until December 2012 and is currently on care and maintenance.

Pursuant to the Acquisition Agreement, Hanking Gold acquired 100% interests of the SXO assets from St Barbara (the "Acquisition"), including approximately 932 square kilometres of exploration and mining licenses containing the 2.4 million ounces gold resources, mine infrastructure, camps, office buildings, accommodation, equipment and processing plant. The gold processing plant has an annual processing capacity of 2.4 million tons by using the carbon in pulp and gravity processing methods.

The consideration for the Acquisition is 22.5 million Australian dollars. The Acquisition is subject to normal approvals of this type of transaction including the approval from the Foreign Investment Review Board of Australia ("FIRB"). Hanking Gold plans to resume and expand the operation of SXO through investments in its development and exploration activities as soon as practical. A preliminary study by the Company reveals that SXO has a potential annual gold production capacity of 200,000 ounces for 10 years. Further detailed mine development studies are being carried out.

The Acquisition is in line with the Company's strategy of diversity in mineral and region basing on the core assets of iron mine in China, which will build a foundation base for the Company to become as an international mining operator. Combination of the gold asset to the Company's asset portfolio will enhance the sustainable growth capability of the Company as well as creating values for shareholders in a long-term.

Please refer to the announcement of the Company dated 8 January 2013 for details.

SIGNIFICANT LEGAL PROCEEDINGS

For the year ended 31 December 2012, 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 claim pending or threatened.

AUDIT COMMITTEE

The audit committee under the Board of the Company has reviewed the announcement for Annual Results for 2012 and the financial statements for the year ended 31 December 2012.

THE ESTABLISHMENT OF HEALTH, SAFETY, ENVIRONMENTAL PROTECTION AND COMMUNITY COMMITTEE

The Board is pleased to announce that to improve the management standard of environmental protection and safety of the Company, ensure that the enterprise develops in harmony with the community, and the enterprise develops healthily in line with employees, on 19 March 2013, the Board established the Health, Safety, Environmental Protection and Community Committee. The committee's main responsibilities include, making recommendations to the Board on significant decisions and issues affecting the safety, environment protection, employees' health and community relations; establishing safe and eco-friendly plans in long term and annual plans; monitoring the implement of the Company's safe and eco-friendly plans; and making enquiries on the material environment incidents and responsibilities upon the production and operation, property and asset, employees or other facilities of the Company, as well as review and urge handling those events.

Mr. Pan Guocheng, Mr. Lan Fusheng and Mr. Wang Anjian are the first members of this committee and Mr. Pan Guocheng is the chairman of the committee.

AUDITOR

The consolidated financial statements for the year ended 31 December 2012 has been audited by Deloitte Touche Tohmatsu with unqualified opinion.

PUBLICATION OF ANNUAL REPORT

The 2012 annual report for the year containing all applicable data required by the Listing Rules will be dispatched to shareholders of the Company and published in the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hankingmining.com).

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 Min
Chairlady and non-executive Director

Shenyang, PRC, 19 March 2013

As of the date of this announcement, the executive directors of the Company are Mr. Pan Guocheng, Mr. Zheng Xuezhi, Mr. Xia Zhuo and Mr. Qiu Yumin; the non-executive directors of the Company are Ms. Yang Min, Mr. Yang Jiye, Mr. Lan Fusheng and Mr. Kenneth Jue Lee; and the independent non-executive directors of the Company are Mr. Chen Yuchuan, Mr. Wang Ping, Mr. Johnson Chi-King Fu and Mr. Wang Anjian.