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

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 03788

MISSION

As Emerging Key Player

VALUE

Always Beyond
Expectations

CONTENTS

CORPORATE INFORMATION

Corporate introduction

China Hanking Holdings Limited was incorporated in the Cayman Islands on 2 August 2010, and was listed on the Hong Kong Stock Exchange on 30 September 2011 (stock code: 03788).

The Group is an international mining company with three major business segments (i.e. iron ore, nickel and gold), engaging in exploration, mining, processing, smelting and marketing with mining assets located in the PRC, Australia and Indonesia. Upholding the core value of "people-first and business integrity" and adhering to the principles of "safety, community harmony and green mine", the Group actively performs the enterprises' social responsibilities.

Iron ore business

The iron ore business is currently a core business of the Group and remains as the major contributor to the Company's operational profits. The Company owns five operating iron ore mines, including Aoniu Mining, Maogong Mining, Benxi Mining, Xingzhou Mining and Fushun Shangma, all located in the famous Anshan-Benxi iron ore belt of Liaoning Province, one of the regions with the largest reserves of magnetite iron ores in the PRC. The Company produces high quality iron ore concentrates at an average grade of 66%. The overall annual iron ore processing capacity of our iron ore business reaches 10 million tons.

Nickel business

The Company owns a laterite nickel mine located in North Konawe Regency, South East Sulawesi Province, Indonesia through three project companies (i.e. KKU, KS and KP), engaging in exploration, mining, smelting and marketing. Affected by policy prohiblting raw ore export promulgated by the Indonesia government, mining and export activities of our nickel business were suspended in 2014, and our focus has been shifted to construction of the Hanking – BMS Industrial Park, where the nickel resource is located, so as to lay foundation to accelerate construction of the smelting facilities at the mine site.

Gold business

Hanking Gold operates the SXO gold mine located in the Yilgarn goldfield of Western Australia, which has full infrastructure facilities for mining, transportation, and processing. The processing plant has annual processing capacity of 2.4 million tons. In August 2014, the SXO commenced mine stripping after completion of the positive feasibility study. According to the feasibility study, it is economically feasible for the Company to start mining in a few selected ore bodies with the lowest operation costs. The operations can be then expanded gradually through development of new mines.

CORPORATE INFORMATION

COMPANY'S STATUTORY CHINESE NAME

中國罕王控股有限公司

COMPANY'S STATUTORY ENGLISH NAME

China Hanking Holdings Limited

STOCK CODE

03788

REGISTERED OFFICE

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AUTHORIZED REPRESENTATIVES

Mr. Wang Ping
Mr. Xia Zhuo

COMPANY SECRETARY

Mr. Xia Zhuo

AUDITOR

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Certified Public Accountants
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HONG KONG LEGAL ADVISOR

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CORPORATE INFORMATION

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DIRECTORS

Executive Directors

Mr. Pan Guocheng (Chairman)
Mr. Yang Jiye (Vice Chairman, Chief Executive Officer and President)
Mr. Zheng Xuezhi
Mr. Xia Zhuo
Mr. Qiu Yumin

Non-executive Directors

Ms. Yang Min
Mr. Kenneth Jue Lee
Mr. Lan Fusheng

Independent Non-executive Directors

Mr. Wang Ping
Mr. Johnson Chi-King Fu
Mr. Wang Anjian
Mr. Jiang Zhouhua

AUDIT COMMITTEE

Mr. Wang Ping (Chairman)
Mr. Johnson Chi-King Fu
Mr. Wang Anjian

REMUNERATION COMMITTEE

Mr. Wang Ping (Chairman)
Mr. Yang Jiye
Mr. Jiang Zhouhua

NOMINATION COMMITTEE

Mr. Pan Guocheng (Chairman)
Mr. Johnson Chi-King Fu
Mr. Jiang Zhouhua

HEALTH, SAFETY, ENVIRONMENTAL PROTECTION AND COMMUNITY COMMITTEE

Mr. Pan Guocheng (Chairman)
Mr. Lan Fusheng
Mr. Wang Anjian

FINANCIAL HIGHLIGHTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000
Revenue	**1,368,652**	1,455,505	1,397,240	1,726,488	1,433,104
Cost of sales	**(887,981)**	(663,501)	(648,440)	(585,846)	(558,326)
Gross profit	**480,671**	792,004	748,800	1,140,642	874,778
Investment and other income	**24,328**	7,676	14,626	30,297	1,592
Other expenses and losses	**(49,066)**	(38,711)	(11,085)	(24,627)	(12,720)
Dstribution and selling expenses	**(44,678)**	(50,726)	(55,853)	(23,847)	(23,208)
Administrative expenses	**(264,678)**	(309,557)	(247,136)	(173,241)	(121,745)
Finance costs	**(113,364)**	(123,178)	(86,787)	(278,549)	(35,598)
Profit before tax	**33,213**	277,508	362,565	670,675	683,099
Income tax expense	**(56,102)**	(123,919)	(128,744)	(240,771)	(180,751)
(Loss) profit for the year	**(22,889)**	153,589	233,821	429,904	502,348
The owners of the Company	**8,990**	192,661	296,742	439,052	454,964
Non-controlling interests	**(31,879)**	(39,072)	(62,921)	(9,148)	47,384

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000
Current assets	**1,594,903**	1,522,613	1,187,076	1,375,708	814,575
Non-current assets	**2,849,963**	2,792,162	2,209,850	1,716,471	759,186
Current liabilities	**2,179,767**	1,903,451	1,643,219	1,291,497	856,623
Non-current liabilities	**865,365**	911,107	185,927	221,258	180,000
Equity attributable to owners of the Company	**1,171,276**	1,240,943	1,381,522	1,368,927	472,446
Non-controlling interests	**228,458**	259,274	186,258	210,497	64,692

SELECTED FINANCIAL RATIOS

	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000
Gross profit margin	**35.12%**	54.41%	53.59%	66.07%	61.04%
Net profit margin	**(1.67%)**	10.55%	16.73%	24.90%	35.05%
Gearing ratio	**68.51%**	65.23%	53.85%	48.92%	65.87%
Return ratio of total assets	**3.35%**	10.39%	13.85%	40.69%	45.42%

CHAIRMAN'S STATEMENT

Dear shareholders,

2014 was a difficult year for the Group since its listing. The sharp fall in iron ore prices presented a significant challenge to the Group's core business, resulting in a significant decline in our operating profits. Sudden changes in market conditions, however, did not slow down Hanking's steady pace of growth, or derail its diversification strategy. With the great efforts of all employees, the Group once again achieved satisfactory results in the year of 2014. On behalf of the Board of China Hanking Holdings Limited, I am pleased to present to you the audited annual results of the Company for the year ended 31 December 2014.

Mr. Pan Guocheng

Chairman of the Board

MAJOR OPERATION RESULTS

In 2014, with ongoing complexities and changes in global macroeconomic conditions, the United States, as the biggest economy in the world, saw its economy recovering robustly with a stronger US dollar, which continued to exert pressures on prices of mineral products denominated in US dollar. By contrast, the PRC economy slowed down notably with its gross domestic production ("GDP") dropping to 7.4%, lower than the target set at the beginning of the year, further weakening the growth in demand of China for mineral products. Last year, crude steel production in China grew at merely 0.9% on a year-on-year basis, falling below the global average growth rate (1.2%) for the first time. This remarkable development implied that China's steel and iron sector entered into a stagnant phase, and that China was unable to maintain its role as a powerhouse for driving the growth in demand for iron ores and other bulk mineral products. The mining industry would suffer from a new wave of recession. In response to the deteriorating market for the mining sector and guided by its strategy for diversification on selected mineral types and internationalization, the Group strived to rationalize capacity, optimize structure, control costs, facilitate smooth execution of operation plan, drive the development of its gold mine project, and made the greatest efforts to achieve best returns for the shareholders.

1. Operation Results

In 2014, as one of the largest private iron ore miners in Northeastern China, iron ore business remained the core business of the Group. We reasonably utilized our iron ore processing capacity so as to maximize profits, while offsetting the adverse impact of declining iron ore prices where possible through strict cost control measures. Throughout the year, the Group sold 1.94 million tons of iron ore concentrates (containing 66% iron), representing a year-on-year increase of 20.8%, mainly attributable to our continued efforts in expansions of processing capacity and iron ore reserves in recent years. In line with our diversification strategy, the Group started mine waste stripping of the Australia Gold Project in August 2014, and began gold ore mining and processing operations at the end of the year. The represents another substantial step forward to diversification of its businesses beyond our core iron ore mining, so as to enhance profitability and hedge risks from volatility in the market of single mineral product. During the reporting period, the Group recorded revenue of RMB1,368,652,000, representing a decrease of 6.0% as compared to last year and the profit of the year attributable to owners of the Company was RMB8,990,000, representing a decrease of 95.3% as compared to last year, mainly due to the significant decrease in iron ore prices (a year-on-year decrease of 19.1%) and the losses incurred from development of nickel and gold businesses. Based on the revenue for the year, the Group recorded a net gain per share of RMB0.5 cent.

2. Project Development

a) Iron ore business

In 2014, the Group continued to implement the mining technology improvement and capacity expansion plan. Aoniu Mine exceeded its target of an annual ore processing capacity of 3 million tons, and actually produced 1,019 thousand tons of iron ore concentrates last year, becoming the first mine with an iron ore concentrate output of over 1 million tons in the local area. Following successful commencement of the new processing plant with an annual capacity of 3 million tons, Maogong Mine continued to implement the construction plan for underground project in an effort to enhance its ore mining capability, so as to achieve design capacity as soon as possible to become the second modern mine of Hanking with a iron ore concentrate output of over 1 million tons.

b) Gold business

Based on market trends and the principle of minimal development costs, the Group adjusted its development plan for the Australian SXO gold project from pursuit of fully-loaded production scenarios to development of prioritized lower-cost mines. The Group has established a competent and efficient team with a full suite of professional skills for gold mine operations, laying a solid foundation for the long-term growth of Hanking's gold business. After acquisition of the 15% equity interests held by a third party company at a low cost and completion of the feasibility study, waste stripping of the Cornishman Gold Mine started in August 2014, and mining production commenced at the end of 2014.

c) Nickel business

As the implementation of the law prohibiting raw ore export promulgated by the Indonesia government, the Company accelerated the planning and fund raising for construction of smelting facilities, while refining production process, industrial park planning and smelter site selection. We resolved the issue of KS transportation roads to the Molore Port with the relevant third party. Site preparation for the Phase I smelting plant near the Molore Port was basically completed. And a road of 16 kilometers in length to connect the KKU mine site to the North Park near the BSM Port was also constructed, forming a complete internal transportation system. The BSM Port was built with 8 berths for vessels of over 3,000 tons with an annual loading capacity of over 5 million tons.

3. Resource and reserves

In 2014, the Group conducted mineral exploration activities within and in the surrounding area of the existing mines as planned, and has achieved good results. Through exploration, the iron ore sector has added newly discovered resource of 9,697 thousand tons around the current mines in China, which significantly exceeded the annual depletion through mining, achieving net growth in iron ore resources for four successive years. Remarkable results were also achieved in the gold exploration. Cornishman Gold Mine drilling brought in new discoveries, increasing gold resources of Cornishman by 20 times; since acquisition, efforts in exploration have partially upgraded gold resources and expanded the reserve base; as of the end of last year, the Australia Gold Project had a total JORC-complied gold resource of 2.83 million ounces, an aggregate increase of 18% since the acquisition.

COMPANY MANAGEMENT AND CONTROL

During the reporting period, the Group continued to maintain high standards of corporate governance, and tried best to maintain transparency and openness to shareholders. The Group followed the principle of prudent financial management and control, continuously enhanced internal control, raised comprehensive budget management level, refined the regulation and supervision policies on the Company's environmental protection and safety, improved human resource system and upgraded cost accounting standards. Under the leadership of the audit committee of the Board, the Group continued to increase the intensity and scope of internal audit, and conducted specific inspection on the stringency and execution of risk management and control process on legal affairs, taxation, mining, engineering, use of forest and land. Through information platform, the Group's management process of daily operation and internal control was defined and became remotely controllable, thus further enhancing the operational efficiency.

CHAIRMAN'S STATEMENT

In response to the drastic market changes in the mining sector, the Group repositioned the management model and structure of its iron ore business segment by streamlining the administrative departments, integrating related business departments, and reducing management layers and relevant positions. It continued to refine management, reinforcing the standardized management in access to and consumption of materials for mine productions, inventory and other aspects. With raw ore export prohibited by Indonesia, the nickel business suspended the production of nickel ore, significantly reduced the work force and streamlined the non-production management team. In the meantime, our gold sector has completed hiring of key team members for management, production and technical areas and built up a starting team for future growth.

Under the leadership of the health, safety, environmental protection and community committee ("HSEC") of the Board, the Group continued to improve the management and control standard of safety and environmental protection, as well as fully oversaw and guided the performance of health, safety, environmental protection and community and other social responsibilities by each business segment. With the joint efforts of all staff, the Group's safety and environmental protection management performed fairly satisfactory, having achieved "zero" major safety accidents and "zero" pollution incidents in last year. In addition, the Group devoted its best efforts in implementation of the mine land reclamation and tree planting plan. With the steady progress of the community work by each business segment of the Group, the communication became smoother, and no major community issue occurred last year.

FUTURE STRATEGY

While the year of 2014 was exceptionally challenging for the mining industry, we believe that the coming two years will offer a good time window of opportunities for Hanking to achieve corporate value enhancement. Through diversified development, the Group has expanded from pure iron ore business to multi-mineral operations of iron ore, gold, and nickel, has expanded from single geographical area of China to countries such as Indonesia and Australia, and become an international mining player. The Group's business profitability model has undergone fundamental change, with the product mix enriched from single iron ore products to a diversified product portfolio comprising iron ore concentrates, nickel ore, ferronickel, and gold. With the mining sector caught in a new wave of downturn, prices of mineral products such as iron ore will continue to be depressed. In the first year of so called "new-norm" era of the Chinese macro-economy, the Group will seize opportunities to implement the following strategic measures by adopting innovative ideas and initiatives:

1. Enhancement of corporate value. Leveraging on the sharp fall in market prices of mineral products, we will enhance the value of the Group's assets and resources by fully integrating all elements including assets, resources, and capital. We intend to seize the opportunity at a time when resources are notably undervalued to lift the value of core assets from a low level to the top through acquisition, merger, restructuring, and capital operation. We will actively upgrade the business operation of the Group to enhance corporate value. When implementing the new value strategy, we will control the overall size of debts, improve the liability structure and liquidity ratio, and optimize our capital structure through increase in the share of equity financing.

2. Development strategy of the iron ore business. As one of the Group's core businesses, the iron ore business has formulated its core production and operation strategy. Focusing on profitibility, efforts will be made to strengthen our core competitiveness in low-cost operations, increase profit margin per ton of products, and effectively mitigate risks from price volatility through enhancing precision management across all stages of the production and operation process, coupled with strict control on costs and expenses. In light of excessive supply in the market, the Group will not seek to maximize output, but will instead strictly control capital investments and focus on the development of low-cost and profitable mines.

3. Development strategy of the gold business. The gold business continues to carry out the established production plan with an aim to fulfill the production plan as approved by the Group, and contributes to the Group's net profit by containing the total cost per ounce within our projection. We intend to secure a good selling price for gold products using hedges by seizing opportunities arising from short-term price peak in a volatile market, so as to mitigate price volatility risks. While carrying out the mine production plan, we will step up efforts in exploration to further increase and upgrade resources, maximizing the reserve base and extending the mine life.

4. Development strategy of the nickel business. There is huge room for development of our nickel ore assets, which contain prominent potentials for value growth. We will make proper overall planning for project development, finalize phase-by-phase investment plan, manage the scale of investment, and strictly execute the policy of using dedicated funds for specified purposes only. We will also keep project investment in control and limit the risks to an acceptable level, while accelerating the construction of Phase I smelting facilities within 2015.

5. Development strategy of new projects. According to the strategic positioning, the Group will seek new point of growth of core business on the principle of "excellent quality, low cost and quick return". Gold assets will remain the priority choice for the Company's merger and acquisition investment. In particular, the Group will actively seek new acquisition and merger opportunities targeting the significantly undervalued mine assets. The Group will give priority to integration of the quality gold resources around the Australia SXO Project, and continue to expand the production scale and extend the mine life. This strategy will make full play of the synergy effect of scale production and create new opportunity for growth in gold mines' output and profitability.

MARKET OUTLOOK

In 2015, as the PRC economy settled into the "new-norm" era featuring a mid-to-high rate of growth, the demand for major mineral products will remain weak in the market place. With excessive supply of bulk mineral products such as iron ore, the market prices of these products will continue to hover around low levels. Gold price is still uncertain with significant volatility and is likely to fall further due to the strengthening US dollar, slowdown in the PRC economy, quantitative easing policies in major economies including the European Union and Japan, and geopolitical complexities worldwide. Facing many uncertainties, the Group will, on the principle of "proactive to integrate, prudent to invest and stringent on cost control", continue to optimize the structure of assets and liabilities and the efficiency in the use of funds in the year ahead, so as to ensure the safety of assets and capital in mine development and operation.

1. **Iron ore market**

   According to the statistics from relevant authorities, in 2014, China's output of crude steel was 823 million tons, representing a year-on-year increase of only 0.9%, while the global output of crude steel was 1.662 billion tons, representing a year-on-year increase of 1.2%. The growth of steel output in China has fallen below the global average growth rate for the first time. This remarkable development implied that China's crude steel output entered into a stagnant phase, and that China was losing steam as a powerhouse for driving the growth in global demand for iron ore. According to the forecast issued by the relevant authority, China's pig iron output will reach 752 million tons in 2015, and demand for finished iron ore products will amount to 1.269 billion tons, representing a year-on-year increase of only about 2.8%, among which the demand for imported iron ore will amount to one billion tons. Based on the newly built production capacity of 150 million tons of the five largest iron ore groups in the world last year, it is projected that their production capacity in 2015 will increase about 70 million tons. Therefore, the supply of iron ore will become increasingly excessive in 2015. As iron ore prices hover around low levels and production costs rise, many small-to-medium-sized iron ore mines in China will face reduced output, shutdown or restructuring because they are no longer profitable.

2. **Gold market**

   Gold is a special metal, with triple attributes of "currency, investment, and commodity", and has been favored and sought after by mankind. Due to the tapering of quantitative easing policy by the Federal Reserve and the continuously strong US dollar against other currencies, the gold price kept fluctuating between the middle and low ranges in 2014, currently staying at the level of around US$1,200/ounce. In 2015, the US Dollar index, consumption, and cost structure will remain to be the primary factors affecting the gold price. Though the US dollar index movement is the most direct cause for the volatility in gold price, in the long run, the production cost structure of gold will provide great support to the gold price. Currently, the cash costs for most major gold mining enterprises have reached around US$1,000/ounce. The increasing overhead costs will erode the profitability of the gold mining manufacturers, forcing the mines to reduce or suspend production or cut investments. This will lead to decrease in gold output, resulting in a shortage of supply in the gold market, which will drive the gold price to pick up. In the short term, the gold price still faces downward risk.

3. **Nickel market**

   In recent years, the nickel laterite pyrometallurgical technology has been developed by leaps and bounds, and is widely used in the production of nickel pig iron (NPI) products with different nickel metal content. Nickel metal prices kept falling after reaching a record high in 2008, now ranging from USD12,000-18,000 per ton. The market price of nickel metal has been volatile since Indonesia prohibited the export of nickel laterite ore in early 2014. Despite notable changes in nickel ore supply market, there was no obvious shortage in nickel metal supply in 2014 due to existing stocks and additional nickel laterite export from the Philippines. As a result, the price of nickel metal fell back to the level of USD15,000 per ton after a temporary climb in early 2014. The impact of Indonesian policy prohibiting raw ore export on nickel metal supply will become apparent gradually, and will eventually drive up the nickel metal price over the medium-to long-term.

The dramatic changes in the mining sector represent both challenges and opportunities. According to projections made by the majority of industry experts, the market of mining sector will evolve in a V-shaped trend. As such, the next one to two years will represent the best chance for acquisitions and mergers for the mining industry. The Group will capture the opportunity to drive its established diversification strategy in steady pace, while growing and strengthening its core business segments by actively seeking opportunities to secure new projects through acquisitions and mergers during the downturn of mining industry.

SOCIAL RESPONSIBILITY

Under the leadership of the HSEC of the Board, the Group streamlined the management structure of each business sector in 2014 with an aim to improve the management systems regarding health of the employees, safety production, environmental protection and harmonious community-enterprise relationship as well as enhance the Company's ability in performing its social responsibilities, so as to ensure the implementation of the business philosophy of "safety, community and green mine" and provide a solid foundation for promoting the Group's diversification development strategy.

In 2014, the Group further improved the safety production and environmental protection responsibility system of the mines, enhanced the employees' awareness of safety and environmental protection, eliminated major or serious accidents and environmental pollution incidents, and maintained good records of safety and environmental protection. While making efforts in connection with the communities and governments, the Group was also actively involved in welfare activities of the communities, and carried out "warmth-sending" to rural householders in hardship, initiatively rendered affordable assistance to the communities. Through training and education, the Group continued to improve the construction of soft environment of mines and strengthened the employees' sense of social responsibility.

In accordance with the established corporate vision, the Group will make efforts in building itself into a modern international mining company which is "favored by employees, supported by shareholders, and trusted by society", create sustained returns for shareholders, and continue to make new contributions to the society.

APPRECIATION

On behalf of the Board, I hereby wish to express my heartfelt thanks to the management and all the staff of the Group for their great efforts and contributions over the past year, and express my sincere gratitude to all the shareholders, government agencies and business partners for their support and trust.

MANAGEMENT DISCUSSION AND ANALYSIS


罕王矿业

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

1. Official commencement of production of the gold mine

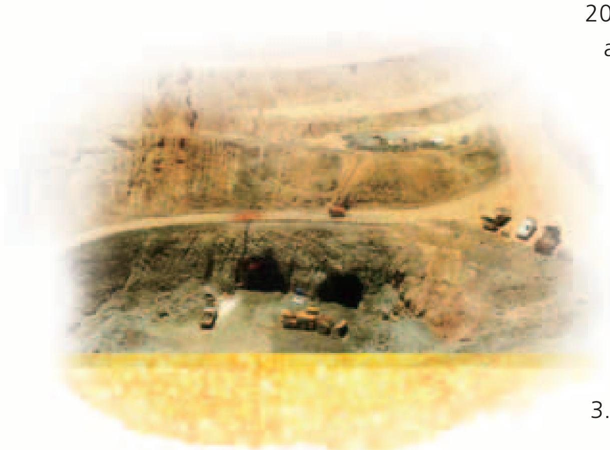
After the acquisition of 100% equity interest of the Australia Gold Project by the Company in 2013, and through team building, exploration activities and asset maintenance, open-pit gold mining at Cornishman officially commenced in August 2014, and dry commissioning of the processing plant commenced on 18 December 2014. A total of 1,322,050 cubic meters rocks were stripped and 14,660 tons of ore were crushed as of 31 December 2014.

In December 2014, Hanking Gold also formed an alliance with a specialist underground Australian mining company to jointly develop the Nevoria East Underground Gold Mine. This alliance allowed the Company to better utilize its assets such as the processing plant and other infrastructures to increase the total gold production of the Company. The Company plans to produces 100,000 ounces gold in 2015, thus effectively increasing the value of the Australia Gold Project.

Cornishman South Open Pit of the Australia Gold Project

2. Substantial increase in output and sales of iron ore concentrates

In 2013, the phase II technology upgrading and expansion of the First Processing Plant of Aoniu Mine and the construction of the new processing plant of Maogong Mine with an annual processing capacity of 3 million tons were completed, and both plants were put into operation. This took the raw iron ore processing capacity of the Company to reach 10,000 thousand tons for the first time, laying a solid foundation for the increase in output of iron ore concentrates of the Company in 2014. In 2014, the output of iron ore concentrates of the Company amounted to 1,901 thousand tons, representing an increase of 15.9% as compared with the year before, and the sales of iron ore concentrates amounted to 1,940 thousand tons (2013: 1,606 thousand tons), representing an increase of 20.8% as compared with the year before.



Nevoria East Underground Mine of the SXO gold mine

3. Continuous increase in resources

Through two exploration programs, the total JORC Code-compliant gold resource of the Australia Gold Project has been increased to 23,375,000 tons at an average grade of 3.8 gram/ton for 2.83 million ounces, representing an increase of 425,000 ounces (increase of 18%) over those at the time of acquisition of the Australia Gold Project. The resources of the iron ore business of the Company had a net increase of 2,819 thousand tons of ore from the surroundings of existing mining license areas. As of the end of 2014, the JORC Code-compliant iron ore resources of the iron ore business of the Company amounted to 225,115 thousand tons, at a TFe grade of 28.7%.

Ores from the open pit of Cornishman Gold Mine of the Australia Gold Project

IRON ORE BUSINESS

1. Operation review

In 2013, the phase II technology upgrading and expansion of the First Processing Plant of Aoniu Mine and the construction of the new processing plant of Maogong Mine with an annual processing capacity of 3 million tons were completed, and both plants were put into operation. This took the raw iron ore processing capacity of the Company to reach 10,000 thousand tons for the first time, laying a solid foundation for the increase in output of iron ore concentrates of the Company in 2014. In 2014, the output of iron ore concentrates of the Company amounted to 1,901 thousand tons, representing an increase of 15.9% as compared with the previous year.

In 2014, the price of iron ore continued to fall, mainly due to the oversupply resulting from the mass production of iron ore around the world. The tightening of financing and shortage in cash position for the iron ore industry, and the occurrence of risk events also led to the plunge in iron ore prices. In light of these market conditions, the Company further improved the quality and grade of iron ore concentrates, adjusted sales strategies, and strictly controlled costs, which ensured the smooth and orderly production, sales and operation. In 2014, the average selling price of iron ore concentrates produced by the Company was RMB691/ton (2013: RMB854/ton), representing a year-on-year decrease of 19.1%.

Considering the market condition of declining price of iron ore concentrates, the Company proactively adopted a number of measures, including increasing the frequency of communication with customers, strengthening product transportation arrangements and ensuring the smooth sales and collection of accounts receivable, such that all major iron ore mines achieved zero inventory by the end of the year. As of 31 December 2014, the sales volume of iron ore concentrates amounted to 1,940 thousand tons (2013: 1,606 thousand tons).

In 2014, the Company saw the market downturn as an opportunity to carry out a special efficiency assessment and profitability analysis on each open-pit mining area in respect of various practical problems occurring in the course of open-pit mining. The Company adjusted its production layout on the principle of "efficiency first", which effectively improved the production output structure. Meanwhile, the Company adjusted the direction of investment to projects with high efficiency in terms of output-to-input ratio, concentrating on the processing technological transformation projects of mines. While the new processing plant of Maogong Mine needs to be further optimized, the processing technological transformation projects of other mines in general have been completed, which improved the production efficiency in 2014 and laid foundation for the implementation of 2015 production plans.

In 2014, the revenue of iron ore business of the Company was RMB1,349,784,000 (2013: RMB1,373,212,000), representing a year-on-year decrease of 1.7%, with an EBITDA of RMB479,633,000 (2013: RMB647,116,000), representing a year-on-year decrease of RMB167,483,000, which was mainly due to the decline of the average selling price of iron ore concentrates and the increase in underground mining production. The profit margin of EBITDA was 35.5% (2013: 47.1%), representing a decrease of 11.6 percentage points as compared with the previous year.

The average cash operation cost of all mines was RMB389 (2013: RMB354) per ton of iron ore concentrates. The increase in cash operation costs was mainly due to the increase in costs as a result of expansion of underground mining at Aoniu Mine in 2014. Despite the increase in cash operation costs of the iron ore business in 2014, the Group has continued to maintain the apparent core competitive advantage of low cost over peers in the industry.

The breakdown of cash operation costs:

	For the year ended 31 December		
(RMB/ton of iron ore concentrate)	**2014**	2013	Change
mining	**153**	129	24
processing	**117**	104	13
transportation	**21**	21	0
tax	**62**	63	-1
mine management	**37**	37	0
total	**389**	354	35

2. Iron ore resources and reserves

1) Iron ore resources and reserves

During the reporting period, the Group achieved remarkable exploration results. By conducting exploration works in the surroundings and the depth extension of the existing mines, 9,697 thousand tons of iron ore resources has been defined in the surrounding areas of the mining licenses, with a resources increase of 3,691 thousand tons for Shangma Mine and 6,006 thousand tons for Aoniu Mine respectively.

Details of exploration works in 2014 conducted at each mine are as follows:

Mines	Drilling holes completed	Meters drilled (meter)	Drill hole diameter (mm)	Exploration expenditure (RMB'000) 2014	(RMB'000) 2013
Shangma Mine	33	10,453.96	75	**4,053**	2,377
Benxi Mine	0	0	0	**0**	0
Maogong Mine	0	0	0	**0**	0
Aoniu Mine	27	7,509	75	**3,179**	1,870
XingzhouMine	0	0	0	**0**	0
Total	**60**	**17,963**	**N/A**	**7,232**	4,249

As of the end of 2014, the Group owned 225 million tons of iron ore resources. By conducting exploration activities in 2014, the resources had a net increase of 2,819 thousand tons from the surrounding areas of existing mining licenses. The increased amount of iron ore resources through exploration activities for each mine as at the end of 2014 and the quantity of iron ore resources of each mine as at the end of 2014 were as follows:

Mines	Resources Category	Increased Amount for 2014 (ton)	Resources Amount at the end of 2014 (ton)	TFe (%)
Aoniu Mine	Indicated	3,128,000	9,892,597	31.6
	Inferred	2,878,000	16,495,590	31.69
Sub-total of Aoniu Mine		6,006,000	26,388,187	31.68
Maogong Mine	Indicated	0	30,806,951	32.29
	Inferred	0	9,135,050	30.15
	Inferred*	0	217,700	22.47
Sub-total of Maogong Mine		0	40,159,701	31.77
Xingzhou Mine	Indicated	0	32,956,373	30.88
	Inferred	0	27,779,010	30.65
	Indicated*	0	63,722,270	22.76
Sub-total of Xingzhou Mine		0	124,457,653	26.67
Benxi Mine	Indicated	0	1,748,680	26.68
	Inferred	0	2,947,240	26.68
	Inferred*	0	1,750,310	20.35
Sub-total of Benxi Mine		0	6,446,230	23.58
Shangma Mine	Indicated	0	6,863,103	31.06
	Inferred	3,691,500	20,800,200	30.54
Sub-total of Shangma Mine		3,691,500	27,663,303	30.72
Total	Indicated	3,128,000	82,267,704	31.21
	Inferred	6,569,500	77,157,090	30.78
	Indicated*	0	63,722,270	22.76
	Inferred *	0	1,968,010	22.47
Total resources		9,697,500	225,115,074	28.7

* Represents Low-grade ore body

Note: With 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.

As of the end of 2014, the Group owned 170 million tons of JORC-compliant iron ore reserves. The increased amount of iron ore reserves through exploration activities as at the end of 2014 and the quantity of iron ore reserves of each mine as at the end of 2014 were as follows:

Mines	Reserves Category	Increased Amount for 2014 (ton)	Reserves at the End of 2014 (ton)	TFe (%)
Aoniu Mine	Probable Ore Reserve	3,128,000	14,431,794	25.69
Maogong Mine	Probable Ore Reserve	0	33,851,968	26.93
	Probable Ore Reserve*	0	72,567	22.47
Xingzhou Mine	Probable Ore Reserve	0	42,216,043	26.49
	Probable Ore Reserve*	0	63,722,270	19.45
Benxi Mine	Probable Ore Reserve	0	3,713,507	20.91
Shangma Mine	Probable Ore Reserve	0	12,566,003	25.9
Total	Probable Ore Reserve	3,128,000	106,779,315	26.05
	Probable Ore Reserve*	0	63,794,837	19.45
	Probable Ore Reserve+ Probable Ore Reserve*	3,128,000	170,574,152	23.72

* Represents Low-grade ore body

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

3. Operating mines

1) 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 totalling 1.8911 square kilometers ("km^2") and has extensive infrastructures including highways, water and electricity supplies, and etc. As of the end of 2014, there were three mining establishments at Aoniu Mine, of which No.1 and No.2 are open-pit mines and No.3 is an underground mine. Iron ores from the open-pit mines were supplied to the First Processing Plant, while those from No.3 underground mine were supplied to the Second Processing Plant. In 2013, No.3 underground mine entered into an "underground mining construction contract" with an independent third party, who was responsible for the underground mining establishment/development works and was engaged to undertake underground mining. As of the end of 2014, the main components of underground mining establishment/development works were completed, and the work of shaft and drift development amounted to 10,194 meters/95,917 cubic meters. Underground mining above the level of 315m commenced officially when the underground mining permit was granted on 6 January 2014.

Aoniu Mine has two processing plants with an annual ore processing capacity of 3 million tons. The phase III technology upgrading of the First Processing Plant was completed in 2014, and both the First and Second Processing Plant possessed the capability of producing iron ore concentrates with a grade of 69%. These plants began to produce such high quality iron ore concentrates at the end of 2014, so as to adapt to the market trend and achieve profit maximization.

Aoniu Mine

	For the year ended 31 December	
	2014	2013
Output of iron ore concentrates (thousand tons)	**1,019**	787
Sales amount of iron ore concentrates (thousand tons)	**1,045**	764
Mining costs (RMB per ton of iron ore concentrate)	**150**	99
of which, underground mining by contractor	**54**	N/A
Processing costs (RMB per ton of iron ore concentrate)	**114**	131
Government tax (RMB per ton of iron ore concentrate) (Note 1)	**62**	56
Freight on sales (RMB per ton of iron ore concentrate) (Note 2)	**29**	30

Note 1: Government tax per ton of iron ore concentrate increased as a result of increase in business taxes and surcharges due to increased sales amount.

Note 2: As transportation service was provided by third parties, freight on sales represented prices of the transportation contracts.

As of the end of 2014, the power line rollout and installation works of the 66KV transformer station, the technology upgrading project of the processing plant and the construction of the contingent storage pond of the tail dam at Aoniu Mine were completed, and the main components of the underground mining establishment/development works were completed. In 2014, the capital expenditure of Aoniu Mine was RMB28,058,000, of which expenditure for acquisition of lands amounted to RMB4,163,000, and expenditure for plant buildings and equipment amounted to RMB21,108,000. The capital commitment amounted to RMB8,499,000.

2) Maogong Mine

Maogong Mine is located in the township of Shiwen, Fushun County, Fushun City, and is operated by the Company through its subsidiary Maogong Mining. Maogong Mine owns mining licenses covering areas totalling 2.37 km^2, and has extensive infrastructures including highways, water and electricity supplies. In 2014, Maogong Mine was mainly engaged in open-pit mining, while an independent third party was engaged to undertake the shaft and drift development of the underground mining works and the mining at the stage of infrastructure construction. As of the end of 2014, the construction of main shaft and the excavation of the east ventilation shaft of the underground mining works were completed, which amounted to 2,781.22 meters/83,091 cubic meters of shaft and drift development. Maogong Mine currently has two processing plants with an annual ore processing capacity of 3 million tons.

Maogong Mine

	For the year ended 31 December	
	2014	2013
Output of iron ore concentrates (thousand tons)	**381**	374
Sales amount of iron ore concentrates (thousand tons)	**387**	364
Mining costs (RMB per ton of iron ore concentrate)	**209**	143
Processing costs (RMB per ton of iron ore concentrate)	**184**	104
Government tax (RMB per ton of iron ore concentrate)	**67**	54
Freight on sales (RMB per ton of iron ore concentrate) (Note)	**9**	9

Note: As transportation service was provided by third parties, freight on sales represented prices of the transportation contracts.

The increase of mining and processing costs was due to mining at the low grade area of Maogong Mine in 2014.

In 2014, Maogong Mine focused on the shaft and drift development of the underground mining works. As of 31 December 2014, the capital expenditure of Maogong Mine was RMB90,931,000, of which expenditure for acquisition of lands amounted to RMB5,896,000, and expenditure for plant buildings and equipment amounted to RMB83,331,000. The capital commitment amounted to RMB169,383,000.

3) Benxi Mine

Benxi Mine is located in Pingshan District, Benxi City, and is operated by the Company through its subsidiary Benxi Mining. Benxi Mine owns mining licenses covering areas totalling 0.25 km^2, and has extensive infrastructures including highways, water and electricity supplies. In 2014, shaft and drift development works were completed, and the focus of task has shifted to mining development. An independent third party was engaged by Benxin Mine to undertake the underground mining. In addition, the power transmission and distribution civil and installation works for the new 66KV transformer station were completed in 2014.

Pursuant to the iron ore processing service agreement entered into with Benxi Hanking Iron Processing Co., Ltd. ("Benxi Iron Processing"), Benxi Mining engaged Benxi Iron Processing to provide iron ore processing service. Please refer to the section "Non-exempt Continuing Connected Transactions" of this report for details.

Benxi Mine

	For the year ended 31 December	
	2014	2013
Output of iron ore concentrates (thousand tons)	**270**	266
Sales amount of iron ore concentrates (thousand tons)	**273**	251
Mining costs (RMB per ton of iron ore concentrate) (Note 1)	**534**	309
of which, underground mining by contractor	**252**	135
Processing costs (RMB per ton of iron ore concentrate)	**166**	186
of which, ore processing by a contractor	**104**	121
Government tax (RMB per ton of iron ore concentrate)	**55**	79
Freight on sales (RMB per ton of iron ore concentrate)	**N/A (Note 2)**	10

Note 1: The main reason for the increase in mining costs included (1) depreciation charge was provided for the underground mining works after they were designated as fixed assets in January 2014, while no depreciation charge was included in the mining costs in 2013 as the underground mining works had not been inspected and accepted in the year; and (2) underground mining was adopted throughout 2014.

Note 2: As transportation of the iron ore was arranged by Benxi Mine itself, freight on sales was included in the mining costs and processing costs.

As of 31 December 2014, the capital expenditure of Benxi Mine was RMB23,731,000, of which expenditure for plant buildings and equipment amounted to RMB20,319,000.

4) Xingzhou Mine

Xingzhou Mine is located in Dongzhou District, Fushun City, and is operated by the Company through its subsidiary Xingzhou Mining. Xingzhou Mine owns mining licenses covering areas totalling 1.2935 km^2, and has extensive infrastructures including highways, water and electricity supplies. Xingzhou Mine has two processing plants with an annual iron ore processing capacity of 1.5 million tons. In order to improve productivity and facilitate sustainable development, the Company launched the overall project planning for the processing plant of Xingzhou Mine, and production at Xingzhou Mine was suspended in the second half of Year 2014. This project planning will also be the priority task for Xingzhou Mine and the Company in 2015.

Xingzhou Mine

	For the year ended 31 December	
	2014	2013
Output of iron ore concentrates (thousand tons)	**76**	67
Sales amount of iron ore concentrates (thousand tons)	**77**	80
Mining costs (RMB per ton of iron ore concentrate)	**189**	233
of which: outsourced	**96**	N/A
Processing costs (RMB per ton of iron ore concentrate)	**269**	389
Government tax (RMB per ton of iron ore concentrate)	**71**	142.25
Freight on sales (RMB per ton of iron ore concentrate) (Note)	**20**	19

Note: As transportation service was provided by third parties, freight on sales represented prices of the transportation contracts.

In 2014, the capital expenditure of Xingzhou Mine was RMB20,129,000, of which expenditure for acquisition of lands amounted to RMB13,018,000, and expenditure for plant buildings and equipments amounted to RMB7,111,000. The capital commitment amounted to RMB975,000.

5) **Shangma Mine**

Shangma Mine is located at the center of the iron ore belt in Fushun City, which is situated between Aoniu Mine and Xingzhou Mine, serving as a link connecting the two major mines. Shangma Mine owns mining licenses covering areas totalling 4.9849 km^2. Given the large areas of land taken by open-pit mining and the higher mining costs of Shangma Mine, the Company conducted comprehensive and systematic planning on the mining operation of the area with the highest growth potential, and decided to transform the mining operation at Shangma Mine to all underground mining and closed the open pits. In 2014, Shangma Mine focused on the construction of the underground mining development works, among which, drift development amounted to 3,833.6 meters/26,508.78 cubic meters for No.4 Mining Area, and production stage development has commenced. In Yanghu Beishan Mining Area, drift development work amounted to 949.7 meters/8,107 cubic meters.

Shangma Mine

	For the year ended 31 December	
	2014	2013
Output of iron ore concentrates (thousand tons)	**154**	147
Sales amount of iron ore concentrates (thousand tons)	**158**	147
Mining costs (RMB per ton of iron ore concentrate)	**341**	390
Processing costs (RMB per ton of iron ore concentrate)	**192**	178
Government tax (RMB per ton of iron ore concentrate)	**69**	60
Freight on sales (RMB per ton of iron ore concentrate) (Note)	**28**	30

Note: As transportation service was provided by third parties, freight on sales represented prices of the transportation contracts.

As of 31 December 2014, the capital expenditure of Shangma Mine was RMB37,647,000, of which, expenditure for acquisition of lands amounted to RMB1,941,000, expenditure for plant buildings and equipments amounted to RMB27,970,000 and expenditure for intangible assets amounted to RMB7,736,000. The capital commitment amounted to RMB175,938,000.

GOLD BUSINESS

1. Operating review

The Company acquired the 100% equity interest of the Australia Gold Project in 2013, and discovered the Frasers South gold deposit, carried out exploration, asset maintenance and team building. Gold business of the Company achieved the following breakthroughs in 2014:

(1) built a competent and efficient gold mining management and operation team with experts in safety and environmental protection, surveying, mining, processing and metallurgy, laying a solid foundation for the long-term growth of Hanking Gold;

(2) based on the concept of "achieving efficiency through scientific management", established the systematic Enterprise Resource Planning (EPR) management system to implement cost management;

(3) designed and implemented the Cornishman drilling program, which increased the resources at Cornishman gold deposit for 20 times. As of the end of 2014, the JORC Code-compliant gold resources of the Australia Gold Project was increased to 23,375 thousand tons at an average grade of 3.8 gram/ton for 2.83 million ounces, representing an increase of 425,000 ounces (increase of 18%) as compared to that as at the date of acquisition. As of the end of 2014, the JORC Code-compliant gold reserves of the Australia Gold Project which was included in phase I mining plan amounted to 330 thousand tons at an average grade of 3.4 gram/ton for 364 thousand ounces gold;

(4) open pit mining at Cornishman Gold Mine commenced on 28 August 2014 and 1,322,050 cubic meters of material was mined by 31 December 2014;

(5) successfully completed the refurbishment and technical innovation of the processing plant. The plant dry commission started on 18 December 2014 and 14,660 tons of ores were crushed by 31 December 2014;

(6) Hanking Gold and Pit N Portal Corporate Service Pty ("PNP", a specialized underground mining service company in Australia) formed an strategic alliance to jointly develop the Nevoria East Underground Gold Mine. This partnership allowed the Company to better utilize its assets including the processing plant and other infrastructure to increase the total gold production and reduce unit costs of the Company, thus effectively increasing the value of the Australia Gold Project.

In 2014, the gold business division of the Company did not have any sale, but focused on exploration, stripping and processing plant refurbishment. As at 31 December 2014, the EBITDA of the gold business was RMB-32,615,000, representing a year-on-year increase of RMB11,493,000, and the capital expenditure amounted to RMB130,971,000 (31 December 2013: RMB44,108,000).

2. Gold resources and reserves

1) Resources

From June to October 2014, a total of 60 drilling holes and 8,621.6 meters were drilled at Cornishman, which is part of the Australia Gold Project wholly owned by Hanking Gold, with most of the drill holes intersected gold mineralization. On the basis of geological interpretation, the Company engaged CSA Global Pty Ltd, an independent technology consulting company, to sort out and verify all data of the project in accordance with the quality management and control standards of the JORC Code, and estimate the gold resources at Cornishman Gold Mine. The results showed that the gold resources at Cornishman increased to 2.433 million tons of ore at an average grade of 4.4 gram/ton. Of which, 1,161 thousand tons were measured, 778 thousand tons were indicated and 493 thousand tons were inferred, representing an increase of 20 times as compared to the previous JORC Code-compliant resources at the time of acquisition (120 thousand tons at an average grade of 4.4 gram/ton). Moreover, the ore body of the deposit is open along strike and at depth, with potential to further expand. The exploration not only greatly improved the reliability of resources estimation, but also found substantial new resources in the open pit, which is helpful to reduce mining costs. Based on the resources estimation after the drilling, as of the end of 2014, the total JORC Code-compliant gold ore resources of the Australia Gold Project was increased to 23,375 thousand tons at an average grade of 3.8 gram/ton for 2.83 million ounces gold (see the "Comparison of Increased Amount and Original Amount of JORC Code-compliant Gold Resources Owned by Hanking Gold"). Through continuous exploration after the acquisition, the Company's gold resources increased by 425,000 ounces (increase of 18%) as compared to that as at the date of acquisition.

In 2014, the exploration costs of gold business was RMB9,580,000.

Comparison of Increased Amount and Original Amount of JORC Code-compliant Gold Resources Owned by Hanking Gold

	Increased Amount for 2014			Total Amount of Gold Resources for 2014			Total Amount of Gold Resources at the end of 2013		
Category of Resources	**Amount of Gold Ore** (thousand tons)	**Au** (g/t)	**Au Content** (thousand ounces)	**Amount of Gold Ore** (thousand tons)	**Au** (g/t)	**Au Content** (thousand ounces)	**Amount of Gold Ore** (thousand tons)	**Au** (g/t)	**Au Content** (thousand ounces)
Measured	1,161	4.2	158	1,815	3.4	199	654	1.9	41
Indicated	778	4.1	104	12,561	3.7	1,484	11,902	3.7	1,388
Inferred	493	5.1	81	8,998	4	1,147	8,505	3.9	1,066
Measured+Indicated	1,939	4.2	262	14,376	3.6	1,683	12,556	3.6	1,438
Measured+Indicated+Inferred	2,433	4.4	343	23,375	3.8	2,830	21,061	3.7	2,504

Note: Data shown in the table above cover many mines of the SXO gold mine. Among which, data of Frasers and Cornishman are extracted from the resources estimate report signed by Dr. Shi Bielin, a senior resources geologist of CSA Global Pty Ltd., in accordance with the JORC Code. Dr. Shi Bielin is a member of AusIMM and AIG, and has extensive experience in such type of gold mines as the SXO gold mine. Data of other mines are extracted from the resources report issued by St Barbara Mining Ltd (SBM) in 2012. The report was signed by Phillip Uttley, the chief geologist of SBM, in accordance with the JORC Code. Phillip Uttley is a member of AusIMM and has extensive experience in such type of gold mines as the SXO gold mine.

2) Reserves

Based on the mining design, the Company cooperated with Entech Pty Limited ("Entech") to prepare the reserves report in accordance with the JORC Code. Phase I open-pit mining reserves included 2,763 thousand tons of gold ore at an average grade of 3.3 gram/ton for 297 thousand ounces gold (see the Table of 2012 JORC Code-compliant Reserves in Phase I Mining of Australia Gold Project). In order to facilitate the partnership, Matthew Bellamy, a competent person, was engaged by Hanking Gold to conduct feasibility studies on the Nevoria East Mine in 2014 and has issued the reserve report on 11 September 2014. As of the end of the Reporting Period, the underground mining gold reserves of the Nevoria East Mine included 547,000 tons of gold ore at an average grade of 3.8 gram/ton for 67 thousand ounces gold. As of the end of 2014, the total gold reserves of the Australia Gold Project of the Company included 3.3 million tons of gold ore at an average grade of 3.4 gram/ton for 364 thousand ounces gold.

Table of JORC-compliant Code Reserves in Phase I Mining of Australia Gold Project

Mines	Category	Ores (Thousand tons)	Grade (gram/ton)	Gold reserves (Thousand ounces)
Cornishman	Proved	308	3.8	38
	Probable	456	3.5	52
	Total	**764**	**3.6**	**90**
Nevoria	Proved	–	–	–
	Probable	1,043	3.1	105
	Total	**1,043**	**3.1**	**105**
Frasers	Proved	–	–	–
	Probable	340	3.4	37
	Total	**340**	**3.4**	**37**
Aquarius	Proved	–	–	–
	Probable	616	3.3	65
	Total	**616**	**3.3**	**65**
Total amount of open-pit mines	Proved	308	3.8	38
	Probable	2,455	3.3	259
	Total	**2,763**	**3.3**	**297**
Nevoria Underground Mine	Proved	–	–	–
	Probable	547	3.8	67
	Total	**547**	**3.8**	**67**
Total	Proved	308	3.8	38
	Probable	3,002	3.4	326
	Total	**3,310**	**3.4**	**364**

Note: Data of open-pit mines are extracted from the reserve report signed by Entech Pty Ltd in accordance with the JORC Code. The report was prepared by Stuart Swapp, a mining engineer, and was reviewed by Shane McLeay, a senior mining engineer and member of AusIMM. Data of the underground mine are extracted from the reserve report signed by PNP in accordance with the JORC Code. The report was prepared by Matt Bellamy, a senior mining engineer and member of AusIMM.

3. Gold production

In light of the market conditions and the Company's actual situation, the Company developed a gold business strategy with low investments and quick returns. Guided by this strategy, Hanking Gold cooperated with Entech and Como Engineering Pty Ltd ("Como") respectively from early 2014 to conduct feasibility studies and issue reports in respect of gold mining design and optimized design of processing plant of the SXO gold mine. According to the feasibility studies, the Company's phase I mining plan included four open-pit gold mines, namely Cornishman, Nevoria, Frasers and Aquarius, with operating duration of four years. Meanwhile, Hanking Gold completed the feasibility study on Nevoria East Underground Gold Mine in September 2014, which is designed to operate for two years. The Company is carrying out the feasibility study and design of phase II mining plan, which will greatly extend the life of the mine.

1) Processing plant refurbishment

According to the feasibility studies, all ores will be processed in the central processing plant at Marvel Loch (the "Processing Plant") owned by Hanking Gold, which has a production capacity of 2.4 million tons/year. The Processing Plant had been under maintenance since its acquisition. Therefore, on 28 July 2014, Hanking Gold and Como entered into a processing plant refurbishment contract, pursuant to which, Hanking Gold cooperated with Como in respect of the refurbishment and optimization of the Processing Plant, including installation, refurbishment and construction. The refurbishment was completed by Como in November 2014 in accordance with the contract, and accepted by Hanking Gold in late November 2014. The program greatly enhanced the reliability and overall operating efficiency of the Processing Plant for gold production in 2015.

Photo of refurbished ball mill at the Marvel Loch Processing Plant

2) Open-pit mining

Following the evaluation of 10 companies participating in the tender, Hanking Gold and Watpac Limited ("Watpac", a specialized mining service company) entered into a mining service agreement in respect of open-pit mining project on 31 July 2014. Watpac provides services including drilling, blasting, loading, unloading and hauling which shall comply with the requirements of Australian laws regarding production safety and environmental protection. On 28 August 2014, Hanking Gold officially commenced stripping operations at the open pit of Cornishman, targeting to complete the stripping amount of 1.2 million cubic meters in 2014. As of 31 December 2014, the actual stripping amount was 1,322,050 cubic meters. The total service fees paid by Hanking Gold to Watpac amounted to AUD5,926,407 (including goods and service tax).

3) Nevoria East underground mining

In December 2014, Hanking Gold and PNP, an Australia-based company, entered into a strategic partnership agreement to jointly develop the Nevoria East Underground Gold Mine. As of 31 December 2014, the project excavated 23,159 tons of waste rock and completed 264 meters decline development.

4) Ore transportation

Ores need to be transported directly from mines to Marvel Loch Processing Plant. For example, ores from Cornishman and Nevoria Gold Mines (including Nevoria East Underground Gold Mine) will be transported to the processing plant through the Hanking Gold haulage roads, while those from Aquarius and Frasers Gold Mines will be transported to Cornishman Gold Mine through public road and then onto the Hanking Gold haulage road before arriving at the processing plant.

Through open tendering, Hanking Gold entered into a transportation service agreement with Hampton Transport Services Pty Ltd. ("Hampton", a well-known transportation company) on 7 August 2014, entrusting Hampton to provide ore transportation, large ore crushing and other services. The contract took effect from 28 August 2014. The service fees are determined based on the unit price as stipulated in the contract and the actual quantity of transported and crushed ores. Hampton began to provide ore transportation and related services from October 2014. As of 31 December 2014, Hampton transported a total of 32,600 tons of ores, and was paid by Hanking Gold the service fees totalling AUD270,002 (including fixed costs and goods and service tax).

5) Production technology and process

The processing plant of the SXO gold mine adopts the industry-proven carbon in pulp (CIP) production technology, and dry commission commenced on 18 December 2014. As at 31 December 2014, a total of 14,660 tons of ores were crushed. It is expected to process 1,200 thousand tons of ores in 2015.

Production process: ore will be crushed by tertiary crushers (including ball mills) into a particle size of about 12 millemeters and stored in fine ore bin. The ore will then grinded to about 150 microns with ball mills. Coarse native gold will be extracted through a Nelson Acacia gravity separation system, while finer gold will be extracted by means of tank leaching and activated carbon adsorption. After being further extracted through electrolysis, the gold will be poured into gold dore at the gold room before delivery to Perth Mint for sale.

Dry commissioning of the processing plant commenced on 18 December 2014

4. Developments of gold mines

1) Potential exploration

Upon the completion of acquisition of 100% equity interest of the Australia Gold Project in 2013, the resources and reserves of Hanking Gold further expanded, demonstrating the capability of the Company's management team and the great potential of the Australia Gold Project. With the existing mining rights and resources, the Company will continue to carry out resources upgrade and feasibility studies to convert more underground resources into JORC Code-compliant reserves for development, so as to maximize the value of mines.

2) Partnership in mining

As a mining partner of Nevoria East Underground Gold Mine, PNP is an Australian company specialized in mining equipments and underground mining services with extensive experience in low-cost underground mining. The key production management and technical personnel of PNP previously worked at the Australia Gold Project, so they are familiar with the local conditions. Profits will be distributed between both parties by way of profit sharing. Therefore, the partnership can maximize PNP's strengths in underground mining equipments and low-cost underground mining techniques, and better utilize the existing assets of Hanking Gold, such as the processing plant and other infrastructure, achieving synergies and economies of scale as well as win-win cooperation.

Based on this cooperation, Hanking Gold will explore more potential cooperation opportunities in respect of other assets covered by its mining rights over an area of 930 km^2.

3) Acquisition of mining rights of surrounding areas

In 2014, Hanking Gold completed the acquisition of a mining right over the northern part of Cornishman Gold Mine. The drilling works in 2014 and subsequent resources assessment further showed that the northern part had great potential to become another open pit. The acquisition expanded the total resources of Cornishman Gold Mine, and is useful in our open-pit mining plan at the northern part of Cornishman Gold Mine.

NICKEL BUSINESS

To implement the Law on Mineral and Coal Mining (No. 4 of 2009, Laws of Indonesia), Indonesian government authorities promulgated a regulation on 13 January 2014, pursuant to which all holders of mining production operation licenses shall undertake mineral processing and refining within the territory of Indonesia in order to export a certain amount of products. In addition, the Ministry of Energy and Mineral Resources of the Republic of Indonesia formulated the Regulation of the Minister of Energy and Mineral Resources No. 1 of 2014 on the increase of added value of mineral through mineral processing and refining activities in Indonesia, which imposes timing and quantitative restrictions on export of extracted mineral products as well as the minimum standards on refining and purification in Indonesia. Therefore, as of 31 December 2014, the Group mined 183.7 thousand tons of nickel ore (2013: 780 thousand tons), and achieved sales of 60.5 thousand tons (2013: 315 thousand tons). In order to develop the abundant nickel resources of the Indonesia project, the Company must, in accordance with Indonesian laws, construct smelting plant for producing ferronickel products in Indonesia. In 2014, the Company incorporated PT Hanking Makmur Nickel Smelt as the entity for the smelting project. In 2014, in respect of mining and smelting of nickel ore, following preparatory works were done by Indonesia Project Company:

1. Site preparation for construction phase I smelter project was basically completed in the port area;

2. In Sarimukti camp, an independent assay laboratory of 1,100 square meters has been built in an area of 1 hectare and put into use. It is equipped with X-ray fluorescence analyzers which can perform assay on a complete set of composition analyses on minerals;

3. Under the government's coordination and cooperation, a 5.4 kilometers county-level road was built in the mining area of PT. Stargate Pacific Resources and open to traffic on 29 October 2014, which directly connects the smelting camp with external roads;

4. Construction of a 16 kilometers road connecting the mining area of North Park to the jetty of PT Bhumi Swadaya Mineral ("Jetty BSM") was completed, contributing to the development of an internal transportation system;

5. At Jetty BSM, 8 berths for barges of 3,000 tons and above were built, and the site with an area of nearly 5 hectares stockpiled more than 500,000 tons of ores. The annual handling capacity of Jetty BSM is more than 5 million tons;

6. K7 platform in the North Park was completed, which can store 500,000 tons of ores in transit. Corridor for the conveyer belt from the mining area to K7 platform has been cleared; and

7. Camp construction: four camps including Sarimukti, KKU, Molore and K7 platform were basically completed. Together with Langgikima guest house, a living quarter combination of "four camps and one guest house" was formed.

As of 31 December 2014, being affected by the Export Bans, the Group's revenue of nickel business was RMB18,868,000, representing a year-on-year decrease of RMB63,425,000. The capital expenditure amounted to RMB41,818,000 (2013: RMB111,151,000), and the capital commitment was RMB69,119,000.

SAFETY, ENVIRONMENTAL PROTECTION, EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2014, the Group had a total of 2,323 employees (as at 31 December 2013: a total of 2,489 employees).

As of 31 December 2014, the aggregate remuneration expenses and other employee benefits costs of the Group amounted to RMB177,587,000 (2013: RMB232,437,000). 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 Group, income of employees is related to the performance of individual employee and the operation performance of the Group. The Group carried out performance assessment to stimulate employee initiatives, so as to enhance the operation performance of the Company.

In order to improve the overall quality and professional skills of the employees, the Group has developed and implemented the Administrative System on Training, establishing a complete set of training system and process including induction training, professional skill training and quality training. The Group has launched the E-Learning platform operated by Hanking Online Institute, allowing the employees to have access to the online college for autonomous learning. The Group also established Hanking Mining Institute and recruited staff with rich knowledge and experiences as internal trainers to provide internal trainings for the employees, so as to enhance exchange and dissemination of knowledge and experiences within the Group, with an aim to improve the comprehensive capability of our employees. During the reporting period, the Group has organized a number of internal and external trainings for its employees.

For further details on this aspect, please refer to the Environmental, Social and Governance Report issued by the Company for the year 2014.

FINANCIAL REVIEW

1. Income, Cost of Sales, Gross Profit

For the year of 2014, the Group's revenue was RMB1,368,652,000, representing a decrease of RMB86,853,000 or 6.0% over the corresponding period of last year, mainly due to the decrease of RMB67,176,000 in revenue from nickel business as compared to the corresponding period of last year after suspension of production, while the impact of growth in sales volume on revenue also being partly offset by the decrease in selling price of iron ore concentrates.

For the year of 2014, the Group's cost of sales was RMB887,981,000, representing an increase of RMB224,480,000 or 33.8% over the corresponding period of last year, mainly attributable to the increase in the sales volume of iron ore concentrates and the rising production costs due to the transition to underground mining of the iron ore mines.

For the year of 2014, the Group's gross profit was RMB480,671,000, representing a decrease of RMB311,333,000 or 39.3% over the corresponding period of last year. As compared to the corresponding period of last year, gross profit margin of the Group declined significantly from 54.4% to 35.1% in 2014 which was mainly due to the slipping of the average unit selling price of iron ore concentrates and the rising production costs due to the transition to underground mining of the iron ore mines.

2. Other Income and Expenses

For the year of 2014, the Group's other income was RMB24,328,000, representing an increase of RMB16,652,000 or 216.9% over the corresponding period of last year. Other income mainly included interest income and investment income.

For the year of 2014, the Group's other expenses were RMB49,060,000, representing an increase of RMB10,355,000 or 26.7% over the corresponding period of last year. For the main reasons of such increase, please refer to paragraph 5 "The Profit and Losses on Changes in Fair Values of Available-for-Sale Financial Assets" as set out in this section. Other expenses consisted of asset impairment losses, foreign exchange loss, loss from disposal of properties, plants and equipment, charity donation and other overheads.

3. Selling and Distribution Expenses, Administrative Expenses

For the year of 2014, the selling and distribution expenses of the Group were RMB44,678,000, representing a decrease of RMB6,048,000 or 11.9% as compared to the corresponding period of last year, which was mainly due to the suspension of production in nickel mine. Selling and distribution expenses consisted of transportation expenses, labour expenses and others.

For the year of 2014, the administrative expenses of the Group were RMB264,678,000, representing a decrease of RMB44,879,000 or 14.5% as compared to the corresponding period of last year. Administrative expenses included remuneration paid to the Group's management and administrative staff, depreciation and amortization, leasing and office expenses, business development expenses, professional consultation and service expenses, taxation expenses, bank charges, inventory depreciation reserves, accrued doubt debt reserves and others.

4. Financing Cost, Income Tax Expense

For the year of 2014, the financing costs of the Group were RMB113,364,000, which decreased by RMB9,814,000 or 8.0% as compared to the corresponding period of last year. The decrease was mainly due to the decrease in amortization expenses of the long-term payables. Financing costs included bank borrowing interest expenses, discount expenses and other financing expenses and the amortization of the long-term payable discount charges. For the year of 2014, the income tax expenses of the Group were approximately RMB56,102,000, which decreased by RMB67,817,000 or 54.7% as compared to the corresponding period of last year. Income tax expenses included the total amount of current tax payable and deferred tax.

5. The Profit and Losses on Changes in Fair Values of Available-for-Sale Financial Assets

For the year of 2014, the aggregate fair value losses and impairment loss on available-for-sale financial assets of the Group were RMB43,921,000, of which RMB22,174,000 was incurred by offsetting the revenue recognized in profit of the period in the previous year and RMB21,747,000 was recognized in other expenses. Such losses were attributed to the impairment loss of the shares of the Australian listed company held by the Group.

6. Profit and Total Comprehensive Income for the Year

Based on the reasons mentioned above, the profit of the Group for the year was RMB-22,889,000, representing a decrease of RMB176,478,000 or 114.9% as compared to last year. The profit for the year attributable to owners of the Company was RMB8,990,000, representing a decrease of 95.3% as compared to last year.

Based on the profit for the period, and affected by the losses on changes in fair values of available-for-sale financial assets and foreign currency translation, the total comprehensive income for the year of 2014 was approximately RMB-63,883,000, representing a decrease of RMB207,562,000 or 144.5% as compared to last year.

7. Properties, Plants and Equipment, Inventories

As of 31 December 2014, the properties, plants and equipment of the Group were RMB1,450,984,000, representing an increase of approximately RMB74,753,000 or 5.4% as compared to the end of the previous year. The increase was mainly due to the expansion of the production capacity through construction of projects and procurement of machine and equipment during the period.

As of 31 December 2014, the inventories of the Group were RMB137,306,000, representing a decrease of approximately RMB33,002,000 or 19.4% as compared to the end of the previous year, mainly due to the decrease in the inventory of iron ore.

8. Trade and Other Receivables, Trade and Other Payables

As of 31 December 2014, the trade receivables of the Group was RMB334,777,000, representing an increase of RMB139,887,000 over the end of the previous year. The increase was mainly attributable to the relaxation of credit policy by the Company. As of 31 December 2014, none of the balance of trade receivables was overdue for over three months. Therefore, the Company did not make any provision for bad debts in respect of trade receivables. For the year of 2014, the other receivables of the Group was RMB237,242,000, representing an increase of RMB9,992,000 as compared to the end of the previous year.

As of 31 December 2014, the trade payables of the Group was RMB120,415,000, representing an increase of RMB60,633,000 as compared to the end of the previous year. The increase was mainly due to the extension of the Company's credit period by the suppliers.

As of 31 December 2014, the other payables of the Group was RMB305,444,000, representing an increase of RMB12,531,000 as compared to the end of the previous year. The main reason for the increase was the project funds payables and guarantee increased as more projects were under construction for the period.

9. Cash Use Analysis

The summary of the Group's consolidated statement of cash flows for the year of 2014 was set out below.

	For the year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Net cash flows from operating activities	**150,104**	182,137
Net cash flows from investing activities	**(483,787)**	(664,325)
Net cash flows from financing activities	**285,120**	271,679
Net increase in cash and cash equivalents	**(48,563)**	(210,509)
Cash and cash equivalents at the beginning of the period	**369,995**	581,960
Effect of changes in foreign exchange rate on cash and cash equivalents	**(21,845)**	(1,456)
Cash and cash equivalents at the end of the period	**299,587**	369,995

The net cash inflow from the operating activities during the year of 2014 was RMB150,104,000, which was mainly attributed to the profit before tax of RMB33,213,000, together with depreciation and amortization of RMB239,623,000, the increase of RMB45,938,000 in payables and non-cash financial cost of RMB20,320,000 and was partially offset by the increase of RMB140,221,000 in receivables and income tax paid of RMB104,901,000.

For the year of 2014, the net cash outflow from investing activities amounted to RMB483,787,000, which mainly reflected the amount of RMB249,420,000 used in the new plants and machine equipments etc. in order to expand production and properties acquisition, the amount of RMB96,905,000 used as consideration for the acquisition of intangible assets, the amount of RMB26,960,000 used in the acquisition of lands and the amount of RMB167,212,000 used in the acquisition of equity interests in Indonesia.

For the year of 2014, the net cash inflow generated from the financing activities was RMB285,120,000, which was mainly from the newly added banking borrowings of RMB2,378,838,000. The net cash inflow was offset by the repayment of bank loans of RMB2,013,965,000, the payment of bank loan deposit of RMB42,453,000 and the distribution of dividend to shareholders of RMB36,600,000 etc..

10. Cash and Borrowings

As of 31 December 2014, cash balance of the Group amounted to RMB802,040,000, representing a decrease of approximately RMB27,955,000 or 3.4% as compared to the end of last year, including bank loan deposit of RMB502,453,000.

As of 31 December 2014, the balance of bank borrowings of the Group was RMB2,226,168,000, representing an increase of RMB358,073,000 as compared to the end of last year. In addition to the information disclosed above or otherwise in this report, the Group has no outstanding mortgage, pledge, debentures or other loan capital issued or agreed to be issued, bank overdrafts, borrowings, 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 for the information disclosed above, there has been no material changes in the indebtedness and contingent liabilities of the Group since 31 December 2013.

11. Gearing Ratio, Interest Rate Risk, Foreign Exchange Risk

The gearing ratio of the Group increased from 65.2% on 31 December 2013 to 68.5% on 31 December 2014, 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. In 2014, the Group improved its liability structure by increasing medium-and-long term bank borrowings, part of which was US dollars loans with variable interest rate. Given the uncertainty in the interest rate of US dollars in the future, the Group entered into a US dollars interest rate swap transaction in November 2013, converting the variable interest rate into fixed interest rate. 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.

As of the date of this report, the major operating transactions of the Group are denominated in RMB, which is also the reporting currency of the Group. 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. Meanwhile, the Group acquired mining assets in Indonesia and Australia in 2013. Their assets and liabilities are denominated in Indonesian Rupiah and AUD respectively, which are affected by the foreign exchange rate and accordingly affecting net assets and revenue of the Group. Given that fluctuation in the exchange rate has no material impact on the cash flow of the Group, we have no hedging measures against such exchange risks. The management of the Group will continue to monitor the currency matching between the revenue and costs of the Group and the exchange risks, and may consider taking appropriate measures to hedge material exchange risks when necessary.

12. Assets Securities, Contingent Liabilities

Some of the bank loans of the Group are secured by the mining rights certificates. As of 31 December 2014, the aggregate net carrying value of the mining rights used as securities amounted to RMB284,404,000.

As of 31 December 2014, the Group had no material contingent liabilities.

13. Capital Commitment

In 2014, the capital commitment of the Group was RMB423,914,000, representing an increase of RMB83,459,000 or 24.5% over last year. The capital commitment mainly consisted of the amount of RMB169,383,000 for the underground mining works of Maogong Mine, the amount of RMB184,437,000 for the underground mining works of Shangma Mine and Aoniu Mine and the amount of RMB69,119,000 for the Indonesian smelting project. The increase in capital commitment was mainly due to the increase in new construction projects of the Company.

14. Capital Expenditure

The Group's capital expenditure decreased from approximately RMB664,325,000 in 2013 to approximately RMB483,787,000 in 2014. Expenditure incurred in 2014 mainly included (i) expenditure for acquisition of plants, machine equipments and properties amounting to RMB249,420,000; (ii) expenditure for acquisition of intangible assets amounting to RMB96,905,000; and (iii) expenditure for acquisition of lands amounting to RMB26,960,000.

15. Significant Investment Held

Save for the equity interests in three companies listed on Australian Securities Exchange held by the Group, the Group did not hold any significant investments as of 31 December 2014.

16. Material Acquisitions and Disposals of Subsidiaries and Associated Companies

The Group had no material acquisitions or disposals of subsidiaries and associated companies as of 31 December 2014.

REPORT OF THE DIRECTORS

1. PRINCIPAL ACTIVITIES

The Group is mainly engaged in three principal activities, i.e. iron ore exploration, mining, processing and sale; nickel ore exploration, mining, smelting and sale; and gold exploration, mining, processing, smelting and sale. Details of the principal subsidiaries of the Company are set out in note 38 to the consolidated financial statements.

2. RESULTS

The profit of the Group for the year ended 31 December 2014, and the position of the Company and the Group as at that date are set out on pages 82 to 84 of this annual report.

3. PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group and the Company for the year ended 31 December 2014 are set out in note 18 to the consolidated financial statements.

4. SHARE CAPITAL

As at 31 December 2014, the total number of authorized shares of the Company was 10,000,000,000 shares with a par value of HK$0.1 each, the total authorized capital was HK$1,000,000,000, and the number of shares in issue is 1,830,000,000 shares. During the year, there was no change in the share capital of the Company.

5. PRE-EMPTION RIGHT

Pursuant to the Memorandum and Articles of Association of the Company (the "Articles of Association") and the laws of the Cayman Islands (the place where the Company was incorporated), no provision in relation to pre-emption rights shall be applicable to the Company.

6. RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out on page 153 of this annual report, among which, details of reserves distributable to the equity holders of the Company are set out on page 85 of this annual report.

7. DIVIDENDS

The Board did not recommend the payment of the final dividend for the year ended 31 December 2014 to the shareholder of the Company.

Closure of Register of Members

The register of members of the Company will be closed from Thursday, 21 May 2015 to Thursday, 28 May 2015 (both days inclusive, 5 business days in total) to determine the entitlement to attend and vote at the annual general meeting during which periods no transfer of shares shall be registered. In order to attend and vote at the 2015 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 Wednesday, 20 May 2015.

8. 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 2014.

9. MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2014, the purchase from the Company's five largest suppliers (as defined in the Listing Rules) in aggregate accounted for 7.26% of the Company's total purchase for the year. In particular, the total purchase from the largest supplier accounted for 2.88% of the Company's total purchase for the year.

For the year ended 31 December 2014, the sales to the Company's five largest customers in aggregate contributed 99.29% to the Company's total sales for the year. In particular, the sales to the largest customer contributed 66.07% to the Company's total sales for the year. In light of the market conditions, the iron ore business of the Group reinforced the market development reporting mechanism, increased the frequency of communication with the clients, and designated staff to monitor changes in the purchase timing of major clients in a real-time manner, so as to ensure the stable performance in product sales.

So far as the Directors are aware, except for Fushun Hanking D.R.I (details of which are set out in the paragraph headed "21. Connected Transactions" of this section), none of the Directors and associates (as defined in the Listing Rules) of the Directors or shareholders of the Company (who, to the knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the five largest suppliers or customers during the year.

10. BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Group as of 31 December 2014 are set out in note 29 to the financial statements.

11. DIRECTORS AND SENIOR MANAGEMENT

The following table sets forth certain information concerning the Directors and senior management of the Company during the year and up to the date of this report:

Name	Position in the Company	Date of Appointment/ Re-election	Position and Date of Resignation
Pan Guocheng	Executive Director and Chairman of the Board	31 May 2013 elected as the Chairman of the Board on 26 August 2014	resigned as Chief Executive Officer and President on 26 August 2014 and resigned as the president of Aoniu Mining on 20 August 2014.
Yang Jiye	Vice Chairman of the Board and Executive Director and Chief Executive Officer and President	29 May 2014 re-designated from non-executive Director to executive Director and also appointed as Chief Executive Officer and President on 26 August 2014	N/A
Zheng Xuezhi	Executive Director and Vice President	31 May 2013 appointed as the Vice President of the Company on 1 April 2015	served as the Chief Financial Officer of the Company until 1 April 2015 and resigned from this position on 1 April 2015
Xia Zhuo	Executive Director, Vice President and Company Secretary and president of Hanking (Indonesia)	29 May 2014 re-designated from Joint Company Secretary to Company Secretary and also appointed as Vice President of the Company on 17 March 2015	N/A
Qiu Yumin	Executive Director, Vice President and president of Hanking Australia Pty Ltd	29 May 2014 appointed as Vice President of the Company on 17 March 2015	N/A
Yang Min	Non-executive Director	31 May 2013	resigned as the Chairlady of the Board on 26 August 2014
Kenneth Jue Lee	Non-executive Director	21 May 2012	N/A
Lan Fusheng	Non-executive Director	21 May 2012	N/A
Wang Ping	Independent non-executive Director	31 May 2013	N/A
Johnson Chi-King Fu	Independent non-executive Director	21 May 2012	N/A
Wang Anjian	Independent non-executive Director	29 May 2014	N/A
Jiang Zhouhua	Independent non-executive Director	30 October 2014	N/A
Chen Yuchuan	Independent non-executive Director	21 May 2012	resigned as independent non-executive Director on 26 August 2014
Chen Yanshao	Vice President	14 March 2014	N/A
Liao Pin Tsung	Chief Financial Officer	1 April 2015	N/A

Name	Position in the Company	Date of Appointment/ Re-election	Position and Date of Resignation
Huang Jinfu	Vice President, and president of Aoniu Mining	appointed as president of Aoniu Mining on 20 August 2014 appointed as Vice President of the Company on 17 March 2015	resigned as the general manager of Aoniu Mine on 30 October 2014
Lu Zengxiang	Vice President	25 February 2011	resigned as the Vice President of the Company and from all positions in the Group on 16 October 2014

According to the requirement under the Article 84(1) of the Articles of Association, at each Annual General Meeting, one third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The retiring Directors, being eligible, offer themselves for the re-election. Mr. Pan Guocheng, Mr. Johnson Chi-King Fu, Mr. Kenneth Jue Lee and Mr. Lan Fusheng will retire from office as Directors by rotation at the Annual General Meeting which will be held on 28 May 2015. Mr. Pan Guocheng, Mr. Kenneth Jue Lee and Mr. Lan Fusheng, being eligible, will offer themselves for re-election as Directors.

Mr. Jiang Zhouhua will retire from office at the Annual General Meeting and, being eligible, offers himself for re-election as a Director at the Annual General Meeting pursuant to Article 83(3) of the Articles of Association of the Company.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considered that all of the independent non-executive Directors were independent from the Company.

12. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Detailed biographies of Directors and senior management are set out on pages 74 to 79 of this annual report.

13. DIRECTORS' SERVICE CONTRACT

The Company has entered into a director service contract with each of the executive Directors and non-executive Directors. The Company has also entered into a letter of appointment with each of the independent non-executive Directors.

On 17 March 2015, the Company renewed the director service contracts and letters of appointment with all the Directors for a term of three years commencing from 17 March 2015, subject to termination in accordance with their respective contract terms.

The Company has received the written confirmation of their independence of 2014 from each of the independent non-executive Directors and considered them to be independent of the management and free of any relationship that could materially interfere with the exercise of their independent judgment.

Save as disclosed above, the Directors have not signed with the Company the service contract that cannot be terminated by the Company without compensation (exclusive of statutory compensation) within one year.

14. REMUNERATION FOR DIRECTORS AND TOP 5 HIGHEST PAID EMPLOYEES

Detailed information on remuneration for Directors and top 5 highest paid employees are provided in the notes 14 and 15 to the financial statements.

For the year ended 31 December 2014, none of the Director has agreed with the Company to waive any remuneration.

The remuneration for the Directors with the Company was proposed by the remuneration committee and approved by the Board. The remuneration committee would take into account (among others) remuneration of companies in the same categories, conditions of employment, responsibilities and individual performance when proposing the remuneration.

15. DIRECTOR’S INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in item 16 “Major Subsequent Events” and item 21 “Connected Transactions” in this annual report, during the year ended 31 December 2014, the Company has not directly or indirectly concluded contracts of significance, in which any Director has material interests, and which is relevant to the business of the Company and remain valid at any time during the year or at the end of the year.

16. MAJOR SUBSEQUENT EVENTS

None

17. DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

(1) Excluded Businesses

Benxi Iron Processing

Benxi Iron Processing was established in the PRC in July 2010. As at the Latest Practicable Date, it was 100% owned by Hanking Group. Benxi Iron Processing is engaged in the iron processing business only. The ore processing business engaged in by Benxi Iron Processing used to be operated under Benxi Mining, a subsidiary of the Company.

Since the land use right certificate(s) relating to the land on which the iron processing business is operated has(have) not been obtained and the timing of obtaining such certificates is uncertain, the iron processing business was then transferred from Benxi Mining and retained by Hanking Group. According to the Non-Competition Agreement (as described below), if and when the land use right certificate of Benxi Iron Processing is obtained, Benxi Iron Processing must promptly give notice to the Company and the Company has the right to purchase the interests of Benxi Iron Processing at a price determined by an independent valuer. Once the Company decides to exercise such right, after obtaining the approval of the independent non-executive Directors and/or the independent shareholders, as the case may be, Hanking Group, the owner of Benxi Iron Processing, is obliged to transfer its interests in Benxi Iron Processing to the Company. Therefore, the Directors are of the view that the Non-Competition Agreement can sufficiently safeguard the Company's interest.

At the extraordinary general meeting held on 29 November 2013, the processing arrangement entered into between Benxi Mining and Benxi Iron Processing was approved for a term of three years to 31 December 2016, pursuant to which, Benxi Iron Processing will provide processing services to Benxi Mining. As Benxi Iron Processing is a connected person (as defined under the Listing Rules) of Hanking Group, the entering into of the processing service agreement constitutes a continuing connected transaction for the Group. Please refer the paragraph "Non-exempt Continuing Connected Transactions" in the section of "Connected Transactions" of this annual report for details of the processing service agreement.

Financial Information of the Excluded Businesses for the Past Three Years (RMB million) (audited):

	As of 31 December 2014	As of 31 December 2013	As of 31 December 2012
Total assets	**37.35**	51.1	48.4
Total liabilities	**24.61**	38.7	39.4
Revenue	**28.05**	32.1	28.5
Profit/loss	**0.3**	3.4	1.6

(2) Hanking Group

Ms. Yang Min and Mr. Yang Jiye held 60.67% and 28.29% of the equity interests in Hanking Group, respectively. Other business interests held by Hanking Group include: 1) Benxi Iron Processing: Hanking Group holds 100% equity interest in Benxi Iron Processing; 2) Shiyan Hanking Deshan Mining Co., Ltd. (十堰罕王德山礦業有限公司) ("Shiyan Deshan"), located in Danjiangkou City of Hubei Province, China. It has obtained mining permit on 20 October 2012, with a mining area of 1.894 km^2. It operates underground mining for iron ores, and the production scale is 300,000 tons per year. In order to prevent potential competition, the controlling shareholders entered into an agreement for avoiding horizontal competition with the Group, whereby the Group had a right to decide whether to acquire Shiyan Deshan or not and enjoyed the preemptive right. However, Shiyan Deshan still has pending legal disputes, therefore the Directors are in the view that it's not appropriate to acquire Shiyan Deshan at present.

(3) Directors' and Controlling Shareholders' Positions in Competing Business

As at 31 December 2014, save as disclosed below, the Directors and their associates did not hold any interests in any business which competes, either directly or indirectly, or is likely to compete against the business of the Group:

Name of Directors	**Positions in the Company**	**Positions in Competing Business**
Yang Min	Non-executive Director	Chairlady of the board of directors of Hanking Group
Yang Jiye	Vice Chairman of the Board and non-executive Director, Chief Executive Officer and President	Vice chairman of the board of directors and president of Hanking Group
Xia Zhuo	Executive Director, Vice President and Company Secretary (effective from 17 March 2014)	Director of Hanking Group

(4) Facts demonstrating that the Company is capable of carrying on its business independently of, and at arm's length from the excluded businesses are disclosed in the Prospectus.

18. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

So far as the Company is aware, as at 31 December 2014, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO) or was recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or was otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

(1) Interests in the shares of the Company:

Name of Director and Chief Executive	Status/Nature of Interest	Number of Shares Held	Approximate Percentage of Shareholding
Yang Min[1]	Interest in controlled corporation	760,375,000 (long positions)	41.55%
	Founder of discretionary trust	13,820,166 (long positions)	0.76%
Yang Jiye[2]	Founder of discretionary trust	424,360,500 (long positions)	23.19%
		31,100,000 (short positions)	1.70%
Xia Zhuo[3]	Interest in controlled corporation	21,269,589 (long positions)	1.16%
	Beneficial owner	60,000 (long positions)	0.00%
Pan Guocheng[4]	Beneficial owner	4,200,000 (long positions)	0.23%
Zheng Xuezhi[5]	Interest in controlled corporation	2,077,666 (long positions)	0.11%
	Beneficial owner	50,000 (long positions)	0.00%

Notes:

1. Ms. Yang Min holds 100% interest in China Hanking (BVI) Limited and serves as settlor and beneficiary of management trust which holds the entire issued share capital of Best Excellence Limited. As a result, Ms. Yang Min is deemed to hold interest in 760,375,000 shares of the Company held by China Hanking (BVI) Limited and 13,820,166 shares of the Company held by Best Excellence Limited.

2. Mr. Yang Jiye is the founder of management trust which holds the entire issued share capital of Bisney Success Limited. As a result, Mr. Yang Jiye is deemed to hold interest in 424,360,500 shares of the Company held by Bisney Success Limited.

3. Mr. Xia Zhuo holds 48.9% interest in Splendour Ventures Limited. As a result, Mr. Xia Zhuo is deemed to hold interest in 21,269,589 shares of the Company held by Splendour Ventures Limited. The accurate percentage of the 60,000 shares of the Company beneficially owned by Mr. Xia Zhuo is 0.00327869%.

4. These shares are held jointly with Ms. Pan Guoying.

5. Mr. Zheng Xuezhi holds 100% interest in Best Fate Limited. As a result, Mr. Zheng Xuezhi is deemed to own interest in 2,077,666 shares of the Company held by Best Fate Limited. The accurate percentage of the 50,000 shares beneficially owned by Mr. Zheng Xuezhi is 0.00273224%.

(2) Interests in associated corporations of the Company:

Name of Director and chief executive	Name of associated corporations and nature of interest	Number of shares	Approximate percentage of shareholding
Yang Min[1]	Hanking (Indonesia)/ Interests in controlled corporation	300	30%

Note:

1. Ms. Yang Min holds 60.67% interest in Hanking Group Co., Limited (罕王實業集團有限公司), which in turn holds 100% interest in Hanking Aoniu Investment (Hongkong) Co. Ltd. Hanking Aoniu Investment (Hongkong) Co. Ltd holds 100% interest in Evergreen Mining Limited, which in turn holds 30% interest in Hanking (Indonesia). As a result, Ms. Yang Min is deemed to hold interest in 300 shares of Hanking (Indonesia) held by Evergreen Mining Limited.

Save as disclosed above, as at 31 December 2014, none of the Directors and chief executives of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short position taken or deemed to have under such provisions of the SFO), or which was required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which was otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

19. SUBSTANTIAL SHAREHOLDERS' INTERESTS OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2014, as far as the Company's Directors, having made all reasonable enquires, are aware, the following persons (other than the Directors and chief executives of the Company) own interests or short positions in the shares or underlying shares of the Company which shall be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholders	Capacity/Nature of Interest	Number of shares	Percentage of Issued Share Capital
China Hanking (BVI) Limited	Beneficial owner	760,375,000 (long positions)	41.55%
Bisney Success Limited	Beneficial owner	424,360,500[1] (long positions)	23.19%
	Beneficial owner	31,100,000[1] (short positions)	1.70%
Le Fu Limited	Interest in controlled corporation	424,360,500[1] (long positions)	23.19%
	Interest in controlled corporation	31,100,000[1] (short positions)	1.70%
UBS Trustees (BVI) Limited	Trustee	424,360,500[1] (long positions)	23.19%
	Trustee	31,100,000[1] (short positions)	1.70%
UBS Nominees Limited	Trustee	424,360,500[1] (long positions)	23.19%
	Trustee	31,100,000[1] (short positions)	1.70%
SAIF IV GP Capital Ltd.	Interest in controlled corporation	93,107,000[2] (long positions)	5.09%
SAIF IV GP LP	Interest in controlled corporation	93,107,000[2] (long positions)	5.09%
SAIF Partners IV L.P.	Beneficial owner	93,107,000[2] (long positions)	5.09%
Yan Andrew Y	Interests in controlled corporation	93,107,000[2] (long positions)	5.09%

Note:

1. These 424,360,500 shares (long positions) and 31,100,000 shares (short positions) belong to the same group of shares.

2. These 93,107,000 shares belong to the same group of shares.

Save as disclosed above, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares, underlying shares or debentures of the Company which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

20. MANAGEMENT CONTRACTS

For the year ended 31 December 2014, 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 business of the Company.

21. CONNECTED TRANSACTIONS

All the connected transactions disclosed in note 37 to the financial statements also constitute connected transactions or continuing connected transactions for the Company as defined in the Listing Rules. Details of these transactions have been disclosed in accordance with Chapter 14A of the Listing Rules.

During the year ended 31 December 2014, the Group carried out certain non-exempt continuing connected transactions instead of being involved in any non-exempt one-off connected transactions. The details are as follows:

(1) The Company had obtained the approval from the Hong Kong Stock Exchange when listed for the annual cap of transaction amount in respect of each of the following continuing connected transactions, and the Company was exempted from compliance with the requirements on announcement and approval of independent shareholders. The Company renewed the agreements in respect of each of the following transactions for a term of three years on 15 October 2013 and re-determined the annual transaction amount caps of each transaction for each of the three years, which has been approved by the Board and / or at the extraordinary general meeting held on 29 November 2013.

The annual transaction amount caps and actual transaction amounts of the continuing connected transactions in 2014 are listed as follows:

		2014	
Items of Continuing Connected Transactions	**Connected Person**	**Transaction Amount Cap (RMB)**	**Actual Transaction Amount (RMB)**
a. Benxi Iron Processing Service	Benxi Iron Processing	35,000,000	**28,045,000**
b. Sales of Iron Ore Concentrates	Fushun Hanking D.R.I. and Dalian Huaren	400,000,000	**226,827,000**
c. Transportation Services	Mingcheng Transportation or its Affiliated Companies	27,600,000	**24,037,000**
d. Lease of Properties and Properties Management	Shengtai Property	4,000,000	**3,761,000**

a. Benxi Iron Processing Service

Benxi Mining is an indirect wholly-owned subsidiary of the Company, specializing in iron ore mining. Benxi Iron Processing is a wholly-owned subsidiary of Hanking Group, specializing in iron ore processing. According to Rule 14A.11 of the Listing Rules, Benxi Iron Processing is a connected person of the Company. Benxi Mining and Benxi Iron Processing signed an agreement for the provision of iron processing services on 16 June 2011. According to the agreement, Benxi Iron Processing will provide iron ore processing services and process the iron ore provided by Benxi Mining, and deliver the iron ore concentrates produced to Benxi Mining for a term of three years commencing from the listing date. On 15 October 2013, Benxi Mining entered into a new processing service agreement with Benxi Iron Processing for a term of three years commencing from 1 January 2014 and ending on 31 December 2016. The annual transaction amount cap for each of the three years is RMB35,000,000 respectively. The actual transaction amount of the continuing connected transaction for 2014 was RMB28,045,000.

b. Sales of Iron Ore Concentrates

Fushun Hanking D.R.I. is a wholly-owned subsidiary of Hanking Group, specializing in producing direct reduced iron and pig iron and selling iron ore concentrates, iron ores and steel. According to Rule 14A.11 of the Listing Rules, Fushun Hanking D.R.I. is a connected person of the Company. The Company concluded a procurement agreement with Fushun Hanking D.R.I. on 16 September 2011. According to the agreement, the Company will, through its subsidiaries, including Aoniu Mining and STSU, provide iron ore concentrates to Fushun Hanking D.R.I. for a term of three years commencing from the listing date. On 15 October 2013, the Company entered into a new agreement on the sale of iron ore concentrates with Fushun Hanking D.R.I. and Dalian Huaren (as an agent of Fushun Hanking D.R.I.) for a term of three years commencing from 1 January 2014 and ending on 31 December 2016. The annual transaction amount cap for each of the three years is RMB480,000,000 respectively. The actual transaction amount of the continuing connected transaction for 2014 was RMB226,827,000.

c. **Transportation Services**

Both Mingcheng Transportation and Mingyang Transport specialize in transportation of common goods and mass goods by road. Mr. Yang Xinhuan, a nephew of Yang Min, non-executive Director and the Controlling Shareholder of the Company, owns 100% interest in Mingcheng Transportation, and 70% interest in Mingyang Transport. According to Rule 14A.11 of the Listing Rules, both Mingcheng Transportation and Mingyang Transport are connected persons of the Company. Aoniu Mining concluded an agreement on transportation of iron ore concentrates with Mingcheng Transportation on 16 September 2011. According to the agreement, Aoniu Mining appointed Mingcheng Transportation or its affiliated companies to provide transportation services for a term of three years commencing from the listing date. On 15 October 2013, the Company entered into a new transportation service agreement with Mingcheng Transportation for a term of three years commencing from 1 January 2014 and ending on 31 December 2016. The annual transaction amount cap for each of the three years is RMB27,600,000 respectively. The actual transaction amount of the continuing connected transaction for 2014 was RMB24,037,000.

d. **Lease of Properties and Properties Management**

Given the fact that 96.69% of interest in Shengtai Property is indirectly held by the Controlling Shareholder of the Company, Shengtai Property is a connected person of the Company in accordance with Rule 14A.11 of the Listing Rules. Aoniu Mining, STSU and Shengtai Property concluded a lease agreement on 16 September 2011. According to the agreement, Aoniu Mining and STSU continued to lease office premises located at No. 227, Qingnian Street, Shenhe District, Shenyang City, Liaoning Province, with a leased area of approximately 3,193.8 square meters from Shengtai Property, leased advertising sites in the same building, and engaged Shengtai Property to provide properties management service for a term of three years commencing from the listing date. On 15 October 2013, Aoniu Mining and STSU entered into a new lease agreement with Shengtai Property for a term of three years commencing from 1 January 2014 and ending on 31 December 2016. The annual transaction amount cap for each of the three years is RMB4,000,000 respectively. The actual transaction amount of the continuing connected transaction for 2014 was RMB3,761,000.

(2) In respect of the following non-exempt continuing connected transactions being exempted from approval of independent shareholders, the Company has published the relevant announcement on 20 December 2012.

a. **Sale and Purchase of Indonesian Laterite Nickel Ore**

Harvest Globe is a non wholly-owned subsidiary of Denway Development and an indirectly non wholly-owned subsidiary of Hanking (Indonesia). The Company held 70% equity interest of Hanking (Indonesia) while Evergreen Mining held 30% equity interest of Hanking (Indonesia). As a result, Evergreen Mining is a connected person of the Company. Therefore, Harvest Globe is a connected person of the Company under Rules 14A.11 (5) and 14A.11 (6) of the Listing Rules. The Group entered into the sale and purchase contract of Indonesian laterite nickel ore with Harvest Globe on 20 December 2012, pursuant to which the Group would purchase laterite nickel ore from Harvest Globe for a term of three years, commencing from 1 January 2013 to 31 December 2015. The annual cap and the actual transaction amount of the continuing connected transaction for 2014 were RMB65,000,000 and RMB0, respectively.

The independent non-executive Directors of the Company have reviewed each of the above-mentioned continuing connected transactions and confirmed that these transactions have been conducted:

(1) in the ordinary course of business of the Company;

(2) on normal commercial terms or, if there are no sufficient comparable transactions to determine whether they are on normal commercial terms, from the perspective of the Company, on terms no less favorable than the terms available to or from independent third parties;

(3) in accordance with relevant agreements governing the relevant transactions on terms that are fair and reasonable and in the interests of the equity holders of the Company as a whole.

Pursuant to Rule 14A.38 of the Listing Rules, the Board engaged the auditor of the Company to perform certain factual finding procedures in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Over Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has reported their conclusion to the Board that:

(1) nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions have not been approved by the Board of the Company.

(2) for transactions involving the provision of goods or services by the Group, nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company.

(3) nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not, in all material respects, in accordance with the relevant agreement governing these transactions.

(4) with respect to the aggregate amount of each of the continuing connected transactions as shown in the table above, nothing has come to the auditor's attention that causes the auditor to believe that such continuing connected transactions have exceeded the maximum aggregate annual value in respect of each of the disclosed continuing connected transaction announcement of the Company.

(5) in respect of the abovementioned connected transactions, the Directors also confirmed that the Company was in compliance with the disclosure requirements under Chapter 14A of the Listing Rules.

22. NON-COMPETITION AGREEMENT COMPLIANCE

The Company signed an agreement on avoiding horizontal competition ("Non-competition Agreement") with the Controlling Shareholders on 16 June 2011. Pursuant to the Non-competition Agreement, each Controlling Shareholder of the Company has undertaken to the Company (for itself and for the benefit of its subsidiaries) that with exception of those disclosed in the Prospectus by the Company, they would not and will procure their associates (exclusive of any members of the Group) will not carry out, and participate by himself/herself or along with or on behalf of any person, firm, company (inclusive of) business or activities or own equity in business or activity in relation to retained business, or acquire or hold, create, develop, operate or manage business or activities that compete against the core business of the Company, directly or indirectly, during the restricted time limit stated below. The Company would be granted by the Controlling Shareholder of the Company an option and the pre-emptive right to acquire certain interests in certain entities retained by the Controlling Shareholder after the reorganization.

Pursuant to the Non-competition Agreement, the independent non-executive Directors of the Company are 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 Non-competition Agreement on behalf of the Company. During the year, 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 Non-competition Agreement without any breach of the Non-competition Agreement.

23. RETIREMENT AND EMPLOYEES' BENEFIT PLAN

Detailed information on the retirement and employees' benefit plan of the Company is provided in note 12 to the financial statements.

24. COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE

The Company consistently commits to maintain high level of corporate governance. During the year ended 31 December 2014, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules, and has complied with most of the best practices as suggested therein. Please refer to Corporate Governance Report in this annual report for details.

25. PUBLIC FLOAT

In accordance with information available to the Company, and to the knowledge of the Directors, the public held not less than 25% of shares issued by the Company as at the Latest Practicable Date prior to issue of this annual report, which is in compliance with the requirement of the Listing Rules.

26. SIGNIFICANT LEGAL PROCEEDINGS

For the year ended 31 December 2014, 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.

27. AUDIT COMMITTEE

The audit committee has reviewed the Company's results and financial statements for the year ended 31 December 2014.

28. AUDITOR

The consolidated financial statements stated in this annual report have been audited by the Company's auditor Deloitte Touche Tohmatsu. A resolution for re-appointing Deloitte Touche Tohmatsu as auditors for the ensuing year is to be proposed at the forthcoming annual general meeting.

29. FINANCIAL HIGHLIGHTS

The operating performance, assets and liability highlights of the Group for the last five fiscal years are stated on page 5 of this annual report.

30. SIGNIFICANT CONTRACTS

Save as disclosed under the heading of the "Connected Transactions" in this report, neither the Company nor any one of its subsidiaries has signed a significant contract with Controlling Shareholders or any one of its subsidiaries other than the Group, and no significant contract for delivery of service has been signed between the Group and Controlling Shareholders or any one of its subsidiaries other than the Group.

31. FINANCIAL ASSISTANCE AND GUARANTEE TO AFFILIATED COMPANY BY THE COMPANY

For the year ended 31 December 2014, the Company has not granted financial assistance and guarantee to its affiliated company.

32. LOAN TO A GIVEN ENTITY

For the year ended 31 December 2014, the Group has granted a loan of RMB11,300,000 to a given entity. Please refer to note 22 to the financial statements for details.

33. DISCLOSURES PURSUANT TO RULES 13.18 AND 13.21 OF THE LISTING RULES

In accordance with the disclosure requirements of Rules 13.18 and 13.21 of the Listing Rules, the following disclosures are included in respect of one of the Company's loan agreements, which contain covenants requiring performance of obligations by the Controlling Shareholder of the Company.

On 27 January 2014, Aoniu Mining as borrower (the "Borrower"), entered into a facility letter (the "Facility Letter") with HSBC Bank (China) Company Limited, Shenyang Branch, as lender (the "Lender"). The Lender is a third party independent of the Company and its connected persons.

Pursuant to the Facility Letter, the Lender agreed to grant the Borrower standby documentary credit facilities for the maximum amount of Renminbi equivalent of US$25,600,000 (the "Facilities"). The documentary credit under the Facilities will be held by The Hongkong and Shanghai Banking Corporation Limited as security for the banking facilities of US$25,000,000 granted to the Company. Under the Facility Letter, the Facilities are for a term of not exceeding one year, and Ms. Yang Min, the non-executive Director and Controlling Shareholder of the Company, covenants that she shall own not less than 40% of the shares of the Company during the term of the Facilities and provides a personal guarantee.

The term of the Facilities was extended for another year to the end of 2015 upon expiry with the conditions and amount of the loan remaining unchanged. Ms. Yang Min, the non-executive Director and Controlling Shareholder of the Company, continued to covenant that she shall own not less than 40% of the shares of the Company during the term of the Facilities and provide a personal guarantee on the Facilities.

34. CHARITABLE DONATIONS

Donations made for charitable purposes by the Group during the year ended 31 December 2014 amounted to RMB380,000.

By order of the Board
Mr. Pan Guocheng
Chairman of the Board

17 March 2015

CORPORATE GOVERNANCE REPORT

The Company believes that good corporate governance provides a framework that is essential for ensuring effective management, business growth and shareholder value. On 19 March 2013, the Board approved and adopted the Corporate Governance Policies developed by the Company. The Corporate Governance Policies of the Company, which is prepared in accordance with the principles, code provisions and certain recommended best practices of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules, is in the best interest of the Company and its shareholders. During the period from 1 January 2014 to the date of this annual report, the Company has fully complied with the Corporate Governance Policies as well as the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. Meanwhile, it has also complied with most of the recommended best practices of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The details of the code provisions adopted and complied by the Company during the period are set out below.

BOARD COMPOSITION

The Board of the Company is collectively responsible to all shareholders for leading and overseeing the Group's business, and is in charge of operation and decision making. The Board is mainly responsible for formulating the business strategies, objectives, policies and plans of the Company, and monitoring the execution of the Company's strategies. It is also responsible for overseeing and controlling the operational and financial performance of the Company and establishing appropriate risk management policies and procedures in order to ensure that the strategic objectives of the Group are materialized. In addition, the Board is also responsible for improving the corporate governance structure and enhancing communications with Shareholders. The management team headed by the Chief Executive Officer is responsible for the Board, executing the strategies and plans formulated by the Board, and making decisions for day-to-day operation. The management shall report monthly to the Board on the operational and financial performance of the Company.

During the period from 1 January 2014 to the date of this annual report, the re-designation, resignation and appointment of Directors of the Company are set out as follows:

On 26 August 2014, (1) Ms. Yang Min resigned as chairlady of the Board and chairlady of the nomination committee, but continued to act as the non-executive Director of the Company; (2) the Board elected Mr. Pan Guocheng, executive Director of the Company, as chairman of the Board and chairman of the nomination committee, while continuing to act as executive Director of the Company and chairman of the health, safety, environmental protection and community committee, and Mr. Pan resigned his posts as the chief executive officer and president of the Company; (3) Mr. Yang Jiye was appointed by the Board as chief executive officer and president of the Company and was re-designated from non-executive Director to executive Director; and (4) Mr. Chen Yuchuan resigned as independent non-executive Director of the Company as well as members of the nomination committee and the remuneration committee of the Company.

On 30 October 2014, the Board appointed Mr. Jiang Zhouhua as independent non-executive Director as well as members of the nomination committee and the remuneration committee of the Company.

Given the above re-designation, resignation and appointment of Directors, details of the Company's directors for the year 2014 will be presented based on three periods as follows:

During the period from 1 January 2014 to 25 August 2014, the Board of the Company consisted of the following twelve members:

Non-executive Directors	Executive Directors	Independent non-executive Directors
Ms. Yang Min (*Chairlady*)	Mr. Pan Guocheng (*Chief Executive Officer and President*)	Mr. Wang Ping
Mr. Yang Jiye (*Vice Chairman*)	Mr. Zheng Xuezhi	Mr. Johnson Chi-King Fu
Mr. Kenneth Jue Lee	Mr. Xia Zhuo	Mr. Chen Yuchuan
Mr. Lan Fusheng	Mr. Qiu Yumin	Mr. Wang Anjian

During the period from 26 August 2014 to 29 October 2014, the Board of the Company consisted of the following eleven members due to the re-designation and resignation of Directors:

Non-executive Directors	Executive Directors	Independent non-executive Directors
Ms. Yang Min	Mr. Pan Guocheng (*Chairman*)	Mr. Wang Ping
Mr. Kenneth Jue Lee	Mr. Yang Jiye (*Vice Chairman, Chief Executive Officer and President*)	Mr. Johnson Chi-King Fu
Mr. Lan Fusheng	Mr. Zheng Xuezhi	Mr. Wang Anjian
	Mr. Xia Zhuo	
	Mr. Qiu Yumin	

During the period from 30 October 2014 to 31 December 2014, the Board of the Company consisted of the following twelve members due to the appointment of Director:

Non-executive Directors	Executive Directors	Independent non-executive Directors
Ms. Yang Min	Mr. Pan Guocheng (*Chairman*)	Mr. Wang Ping
Mr. Kenneth Jue Lee	Mr. Yang Jiye (*Vice Chairman, Chief Executive Officer and President*)	Mr. Johnson Chi-King Fu
Mr. Lan Fusheng	Mr. Zheng Xuezhi	Mr. Wang Anjian
	Mr. Xia Zhuo	Mr. Jiang Zhouhua
	Mr. Qiu Yumin	

During the period from 26 August 2014 to 29 October 2014, due to the resignation of Mr. Chen Yuchuan as Director of the Company, the number of independent non-executive Directors fell below the minimum number as required under Rule 3.10A of the Listing Rules, and the number of members of the nomination committee and the remuneration committee fell below the minimum number as set out in the terms of reference of the respective committees. According to the requirements of the Listing Rules, the Company appointed Mr. Jiang Zhouhua as independent non-executive Director of the Company within three months. Meanwhile, the Board elected Mr. Jiang Zhouhua as member for each of the nomination committee and the remuneration committee.

During the reporting period (except for the periods disclosed above), the Company has appointed sufficient number of independent non-executive Directors who are equipped with relevant qualification in accordance with the requirements of the Listing Rules.

As of the date of this annual report, the Company has four independent non-executive Directors in total, representing one-third of the total number of Directors. Mr. Wang Ping has over 18 years' experience in corporate finance, audit, accounting and taxation; Mr. Johnson Chi-King Fu has more than 30 years' experience in financial industry; Mr. Wang Anjian has extensive experience in research of resource strategy; and Mr. Jiang Zhouhua has rich experience in metallurgy field.

Details of the Directors' biographies are disclosed in the "Biographies of Directors and Senior Management" of this annual report. Except that Mr. Yang Jiye is the son of Ms. Yang Min, none of the members of the Board has any relationship with other members.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

For the year ended 31 December 2014, all Directors of the Company have participated in the following trainings on the roles, functions and duties of a director of a listed company, so as to continuously develop their expertise and professional skills.

	Training Scope		
Directors	**Corporate Governance**	**Listing Rules**	**Business/ management**
Non-executive Directors			
Ms. Yang Min	✓	✓	✓
Mr. Kenneth Jue Lee	✓	✓	✓
Mr. Lan Fusheng	✓	✓	✓
Executive Directors			
Mr. Pan Guocheng	✓	✓	✓
Mr. Yang Jiye	✓	✓	✓
Mr. Zheng Xuezhi	✓	✓	✓
Mr. Xia Zhuo	✓	✓	✓
Mr. Qiu Yumin	✓	✓	✓
Independent non-executive Directors			
Mr. Wang Ping	✓	✓	✓
Mr. Johnson Chi-King Fu	✓	✓	✓
Mr. Wang Anjian	✓	✓	✓
Mr. Jiang Zhouhua (appointed as the Director on 30 October 2014)	✓	✓	✓
Mr. Chen Yuchuan (resigned as the Director on 26 August 2014)	✓	✓	✓

In order to gain the latest information of their specialized fields, each of the Directors proactively attended seminars related with various industries. Mr. Pan Guocheng attended various conferences such as the International Mining Conference of China (中國國際礦業大會), the China Iron Ore Conference (中國鐵礦石大會), the International Resources Investment Conference (國際資源投資大會), the Indonesia Mining Conference (印尼礦業大會) and the Annual Mines and Money Conference & Exhibition (礦業與財富高峰論壇暨展覽會). Ms. Yang Min attended the Liaoning Mining Industry Risk Management Forum 2014 (2014遼寧礦業行業風險管理論壇). Mr. Zheng Xuezhi attended the advanced training course for board secretary of A-share and H-share listed Chinese companies & the 33rd session intensified and continuous professional development program of joint members organized by the Hong Kong Institute of Chartered Secretaries (15.5 ECPD learning hours). Mr. Wang Ping received the online continuing education for non-practising members provided by Shanghai Institute of Certified Public Accountants (28.4 ECPD learning hours) and attended the seminar of independent non-executive directors organized by Deloitte Touche Tohmatsu (6 hours). Mr. Xia Zhuo attended the training course for senior management of the Hong Kong listed Chinese companies & the 34th session intensified and continuous professional development program of joint members organized by the Hong Kong Institute of Chartered Secretaries (7 ECPD learning hours) as well as the advanced training course on corporate governance of overseas listed Chinese companies organized by the Hong Kong Institute of Chartered Secretaries (21 ECPD learning hours).

COMPANY SECRETARY

Before 17 March 2015, the joint company secretaries of the Company were Ms. Mok Ming Wai and Mr. Xia Zhuo, an executive Director of the Company. In order to comply with the Rule 3.29 of the Listing Rules, Mr. Xia Zhuo and Ms. Mok Ming Wai have participated in no less than 15 hours' professional training for the year ended 31 December 2014. Ms. Mok Ming Wai has retired as the joint company secretary of the Company since 17 March 2015. Following the retirement of Ms. Mok, Mr. Xia will act as the sole company secretary of the Company.

LIABILITY INSURANCE

The Company has purchased liability insurance for the Directors and its senior management for a term of one year.

THE TENURE OF THE DIRECTORS AND THE INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The service contracts of the Directors (including service contracts of all non-executive Directors) are for a term of three years, which are subject to termination in accordance with their respective terms. According to the provisions of the Articles of Association, at each annual general meeting of the Company, one-third of the Directors for the time being, or, if their number is not a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation, provided that every Director shall be subject to retirement by rotation at least once every three years; while any Director appointed by the chairman of the Board as an addition to the existing Board shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at such meeting.

The appointment of independent non-executive Directors strictly adheres to the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules. The Company has received the written confirmation of their independence of 2014 from each of the independent non-executive Directors and considers them to be independent of the management and free of any relationship that could materially interfere with the exercise of their independent judgment.

During the reporting period, the independent non-executive Directors of the Company actively took part in the meetings held by the Board and all specialized committees, during which many independent professional comments and suggestions were raised in respect of the business development, significant decisions, risk management and internal control of the Company. On 25 August 2014, the independent non-executive Directors and Chairlady of the Board made a thematic discussion about the non-executive Directors' comments on the operation in 2014 and the recommendations and request in regard to the operation in 2015.

SECURITIES TRANSACTION BY DIRECTORS

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, and also formulated the Written Guideline on Dealings in the Securities of the Company by Directors and the Relevant Employees (the "Company Guideline"), which adopted the standards equivalent to the provisions of Appendix 10 to the Listing Rules as the model code regarding dealings in the Company's securities by the Directors and the relevant employees. After making specific enquiries to all Directors and the relevant employees of the Company, all of them have confirmed that they have complied with the Model Code and the Company Guideline throughout the year ended 31 December 2014.

THE CHAIRLADY/CHAIRMAN OF THE BOARD AND THE CHIEF EXECUTIVE OFFICER

The Company has developed the Guidelines regarding the Division of Functions between the Board and Senior Management in place, so as to separate roles of the chairlady/chairman of the Board and chief executive officer. Ms. Yang Min, a non-executive Director, was the Chairlady of the Board for the period from 1 January 2014 to 25 August 2014, while Mr. Pan Guocheng, an executive Director, was the Chairman of the Board for the period from 26 August 2014 to 31 December 2014. The Chairlady/Chairman of the Board is responsible for the management of the Board to ensure its effective operation. Mr. Pan Guocheng, an executive Director, acted as the chief executive officer of the Company for the period from 1 January 2014 to 25 August 2014, while Mr. Yang Jiye, an executive Director, was appointed as the chief executive officer of the Company for the period from 26 August 2014 to 31 December 2014. The chief executive officer is responsible for daily operational activities of the Group and responsible to the Board for the overall operations of the Group. The management shall provide members of the Board and specialized committees under the Board with information and materials related to the operation on a monthly basis, so as to update them with the latest developments of the Company and facilitate the discharge of duties better.

GENERAL MEETING, BOARD MEETING AND SPECIALIZED COMMITTEE MEETING

In 2014, the Company held one annual general meeting and all the Directors attended this annual general meeting.

The Company has sufficiently promulgated the terms of reference of the Board and the four specialized committees under the Board (namely audit committee, nomination committee, remuneration committee and health, safety, environmental protection and community committee) as well as published on the websites of the Hong Kong Stock Exchange and the Company the terms of reference of each of the specialized committees so that they can properly perform their duties and functions and with the requirement of reporting their decisions or recommendations to the Board.

The Company has convened five Board meetings in total during the year of 2014. During the reporting period, the details of Directors' attendance of the Board meetings, specialized committee meetings under the Board and the annual general meeting are as follows:

		Specialized Committees under the Board				
Name of Directors	Board of Directors	Audit Committee	Remuneration Committee	Nomination Committee	Health, Safety, Environmental Protection and Community Committee	Annual General Meeting
Non-executive Directors						
Yang Min	5/5	N/A	N/A	2/2	N/A	1/1
Lan Fusheng	4/5	N/A	N/A	N/A	1/1	1/1
Kenneth Jue Lee	5/5	N/A	N/A	N/A	N/A	1/1
Executive Directors						
Pan Guocheng	5/5	N/A	N/A	1/1	1/1	1/1
Yang Jiye	4/5	N/A	2/2	N/A	N/A	1/1
Zheng Xuezhi	5/5	N/A	N/A	N/A	N/A	1/1
Xia Zhuo	4/5	N/A	N/A	N/A	N/A	1/1
Qiu Yumin	5/5	N/A	N/A	N/A	N/A	1/1
Independent non-executive Directors						
Wang Ping	5/5	2/2	2/2	N/A	N/A	1/1
Johnson Chi-King Fu	5/5	2/2	N/A	3/3	N/A	1/1
Wang Anjian	5/5	2/2	N/A	N/A	1/1	1/1
Chen Yuchuan	2/3	N/A	1/1	1/1	N/A	1/1
Jiang Zhouhua (appointed as a Director on 30 October 2014)	0	N/A	0	0	N/A	0

Note:

As the Company did not convene any other Board meeting, nomination committee meeting, remuneration committee meeting or general meeting during 2014 after Mr. Jiang Zhouhua was appointed as independent non-executive Director of the Company and elected as members of the nomination committee and the remuneration committee, the attendance of Mr. Jiang Zhouhua at such meetings was zero.

Among other things, the meetings were held in way of Board meeting instead of written resolution to approve these events in case of significant interest conflict between substantial shareholders or Directors in the matters to be considered by the Board. All Independent non-executive Directors who have no significant interest in the transactions have attended the Board meetings. Minutes of Board meetings and specialized committee meetings were prepared and maintained by the company secretary.

(A) Audit Committee

All the existing members of the audit committee of the Company are comprised of independent non-executive Directors:

Mr. Wang Ping *(Chairman)*
Mr. Johnson Chi-King Fu
Mr. Wang Anjian

The audit committee shall act as a focal point for communication among other Directors, the external auditors and the internal auditors in respect of financial and other reporting, internal controls, external and internal audits and such other matters as the Board determines from time to time. The audit committee shall assist the Board in fulfilling its duties by providing an independent review and supervision of financial reporting, satisfying themselves as to the effectiveness of the internal controls of the Group and as to the adequacy of the external and internal audits.

During the year of 2014, the audit committee held a total of two meetings, at which the audit committee reviewed the half-year and annual financial results and financial reports of the Group for the first half of 2014 and the year 2013 respectively, and issues regarding the improvement and implementation of compliance procedures and internal control system as well as issues regarding the re-appointment of auditors and the determination of their remuneration. The external auditors and all members of the audit committee have attended the above meetings.

(B) Remuneration Committee

During the period from 1 January 2014 to 25 August 2014, the remuneration committee of the Company was comprised of the following members:

Independent non-executive Directors	***Non-executive Director***
Mr. Wang Ping *(Chairman)*	Mr. Yang Jiye
Mr. Chen Yuchuan	

During the period from 26 August 2014 to 29 October 2014, the remuneration committee of the Company was comprised of the following members due to the re-designation and resignation of Directors:

Independent non-executive Director	***Executive Director***
Mr. Wang Ping *(Chairman)*	Mr. Yang Jiye

Since 30 October 2014, the remuneration committee of the Company has been comprised of the following members due to the appointment of Director:

Independent non-executive Director	***Executive Director***
Mr. Wang Ping *(Chairman)*	Mr. Yang Jiye
Mr. Jiang Zhouhua	

The remuneration committee shall formulate remuneration policies for submission to the Board for approval (factors to be considered in the remuneration policies shall include remuneration paid by comparable companies, time commitment and responsibilities and employment conditions of other positions within the Group) and implement the remuneration policies determined by the Board.

During the year of 2014, the remuneration committee of the Company held one meeting, at which the remuneration committee mainly reviewed the remuneration policies and structure of the Directors and senior management of the Company and made recommendations for further improvement. On 30 October 2014, the remuneration committee also approved the remuneration and employment contract of Mr. Jiang Zhouhua, a newly appointed Director, by way of written resolution.

(C) Nomination Committee

During the period from 1 January 2014 to 25 August 2014, the nomination committee of the Company was comprised of the following members:

Non-executive Director	***Independent non-executive Director***
Ms. Yang Min (*Chairlady*)	Mr. Johnson Chi-King Fu
	Mr. Chen Yuchuan

During the period from 26 August 2014 to 29 October 2014, the nomination committee of the Company was comprised of the following members due to the re-designation and resignation of Directors:

Executive Director	***Independent non-executive Director***
Mr. Pan Guocheng (*Chairman*)	Mr. Johnson Chi-King Fu

Since 30 October 2014, the nomination committee of the Company has been comprised of the following members due to the appointment of Director:

Executive Director	***Independent non-executive Director***
Mr. Pan Guocheng (*Chairman*)	Mr. Johnson Chi-King Fu Mr. Jiang Zhouhua

The nomination committee shall formulate policies on nomination for the consideration of the Board and implement nomination policies approved by the Board.

During the year of 2014, the nomination committee held a total of three meetings:

On 17 March 2014, the nomination committee of the Company held its first meeting of 2014, at which Mr. Yang Jiye was nominated to be re-elected as the non-executive Director, Mr. Xia Zhuo and Mr. Qiu Yumin as the executive Directors, and Mr. Wang Anjian as the independent non-executive Director. The independence of Mr. Wang Ping, Mr. Johnson Chi-King Fu, Mr. Chen Yuchuan and Mr. Wang Anjian was assessed. The members, structure and composition of the Board were reviewed, and the sufficiency of time and efforts contributed by the Directors of the Company were also discussed.

On 25 August 2014, the nomination committee of the Company held its second meeting of 2014, at which Mr. Pan Guocheng was nominated to be appointed as the chairman of the Board and the chairman of the nomination committee, while Mr. Yang Jiye was nominated to be appointed as the chief executive officer and president of the Company.

On 17 October 2014, the nomination committee of the Company held its third meeting of 2014, at which Mr. Jiang Zhouhua was nominated to be appointed as the independent non-executive Director.

Diversity Policies

The Company will make efforts to keep an appropriate balance in diversity of skills, experience and opinions of the Board members, so as to support the execution of business strategies and ensure the effective operation of the Board.

With a view that "diversity" is a broad concept, the Company may consider the board diversity in designing the Board's composition from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy as well as the business model of the Company and specific needs from time to time, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Measurable Objectives of Diversity Policy

Selection of candidates for Board membership is based on a range of diversity perspectives, and the ultimate decision is based on merit and contribution that the selected candidates will bring to the Board. Currently, the Board comprises twelve Directors, including 1 female and 11 male Directors. There are 1 Director at the age range of 31-40, 5 Directors at the range of 41-50, 5 Directors at the range of 51-60 and 1 Director aged over 61, of which 7 Directors are from Mainland China, 2 from Hong Kong, 1 from the U.S., 1 from Canada and 1 from Australia. All Directors have received tertiary education or above, and three of them have obtained doctorate degree. The Directors have rich experiences in enterprise operation and management, mine site exploration, development, operation and investment, geology and mineral resources, financial, financing and securities, and constantly enhance their professional skills through continuous learning and training. The Nomination Committee has reviewed the members, structure and composition of the Board, and is of the opinion that the extensive experiences and skills of the Directors in various fields and the rational structure of the Board may enable the Company to maintain high standard operation.

Composition of the Board

Educational and professional background	Number of Directors	Percentage of the total number of Directors
Mine site exploration, development and operation and geology	Totalling four Directors, including Pan Guocheng, Qiu Yumin, Lan Fusheng and Wang Anjian	1/3
Financial, investment and financing	Totalling four Directors, including Zheng Xuezhi, Kenneth Jue Lee, Wang Ping and Johnson Chi-King Fu	1/3
Enterprise management	Totalling three Directors, including Yang Min, Yang Jiye and Xia Zhuo	1/4
Smelting	One Director, namely Jiang Zhouhua	1/12

(D) Health, Safety, Environmental Protection and Community Committee

The duties of the health, safety, environmental protection and community committee are to assist the Board in effective implementation of issues concerning the health, safety, environmental protection and community of the Group, including: efficient use of resources, reduction and prevention of pollution, product management, maintaining harmonious community relationship and creating good community values and cultural heritage; making recommendations to the Board on problems regarding the health, safety, environmental protection and community which may affect the strategy, business and goodwill of the Group; establishing long term and annual plans for health, safety, environmental protection and community and monitoring the implementation of these plans; making enquiries on the material safety and environmental incidents and corresponding responsibilities as caused by employees of the Company or from production and operation, property assets or other facilities as well as reviewing and supervising the treatment of those incidents; and making recommendations to the Board on revision of these policies, etc.

The existing members of the health, safety, environmental protection and community committee of the Company are as follows:

Chairman	***Members***
Mr. Pan Guocheng *(Executive Director)*	Mr. Lan Fusheng *(Non-executive Director)* Mr. Wang Anjian *(Independent non-executive Director)*

During the year of 2014, the health, safety, environmental protection and community committee held one meeting, at which the committee reviewed the Company's governance policies on health, safety, environmental protection and community as well as considered the preliminary draft of the Environmental, Social and Governance Report of the Company for the year 2013.

CORPORATE GOVERNANCE

The Board is the highest authority of the Group on corporate governance, whose main responsibilities include:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Group's policies and practices in compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual applicable to employees and the Directors; and

(e) to review the Group's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

The Company has compiled the existing corporate governance system into brochure and distributed them to all Directors. The Board reviews the Group's corporate governance on a regular basis.

REMUNERATION OF AUDITORS

The shareholders of the Company approved the resolution for the reappointment of Deloitte Touche Tohmatsu as the auditor of the Company for 2014 and authorizing the Board to determine its remuneration at the annual general meeting held on 29 May 2014. The Company continued to appoint Deloitte Touche Tohmatsu as the auditor of the Company for the year of 2014 with a term of one year to the date of the 2015 annual general meeting. As of 31 December 2014, the details of the audit and non-audit services provided by the auditor for the Group are as follows:

Audit Service	The total fee charged for providing the Group with the interim audit for the financial statements as of 30 June 2014 and annual audit for the financial statements as of 31 December 2014 was RMB2,500,000 (excluding taxation).
Non-audit Service	The total fee charged for providing the Group with advisory services on tax affairs was RMB172,000 (excluding taxation).

DIRECTORS AND AUDITOR'S RESPONSIBILITY FOR PREPARATION OF THE FINANCIAL STATEMENTS

The Directors acknowledged their responsibilities for preparing the financial statements for the year ended 31 December 2014, which gave a true and fair view of the state of affairs of the Group and of the results and cash flows for that year. The Company allocated sufficient resources to prepare the audited accounts. Senior management was required to present and explain the financial reporting and matters that materially affected or may have material impact on the financial performance and operations of the Company to the audit committee and the Board and responded to the queries and concerns raised by the audit committee and the Board to their satisfaction. The consolidated financial statements have been prepared in accordance with the IFRSs. In addition, the financial statements included appropriate disclosure made in accordance with the Listing Rules and the Companies Ordinance. The responsibility of the independent auditors engaged by the Company for the preparation of the financial statements of the Group was set out in the independent auditors' report of this annual report.

INTERNAL CONTROL

The Board has overall responsibility for the internal control system of the Group, including setting management structure and making appropriate authorization, identifying proper accounting policy and providing reliable financial information for internal and external use. The measures above were designed to provide reasonable (but not absolute) assurance against material misstatement or loss, and to manage (but not fully eliminate) risks of failure in operational systems and achievement of the Group's objectives.

The Group has established an internal control system and formulated regulations on the segregation of duties of the Board and senior management, according to which the senior management is responsible to the Board and executes the resolution proposed by the Board and is entitled to manage and oversee the Group's operations.

The management of the Company provides the members of the Board with monthly updates of the Group, which set out the balanced and understandable assessment of the Group's performance, financial position and prospects.

The Group has established a specialized internal audit organ, formulated relevant mechanism, and set up proper internal control procedures to ensure the effectiveness of internal control and extend its application to all the Group's holding subsidiaries. Annual audit report and plan of the audit department were approved by the audit committee.

In 2014, during the course of internal assessment, the Company underwent full-round review of its internal control systems and procedures, conducting internal control assessment on major functional departments and key business process. By reference to the requirements of the Assessment Guideline of Internal Control, the Company prepared the Self-assessment Report on the Company's Internal Control, which gave a systematical description of the Company's internal control as a whole.

The Company established a set of sound and reasonable internal control system covering operation and management and all other material aspects, which was in line with the actual situation of the Company and was implemented in an effective manner. As to corporate governance, the Company continuously improved its corporate governance structure, and clearly defined the responsibilities of management over the decision-making procedures, limits of authority, connected transactions, major investments, information disclosure and risk control. As to the establishment of basic management systems, the Company formulated and constantly improved the management systems in light of the actual situations. As to internal control, the Company attached great importance to the effectiveness of internal control, clearly defined the control responsibilities, made prompt remedy to defects in the internal control system identified through supervision and inspection and solved problems encountered in implementation, so as to ensure the effectiveness of the internal control system. The Company will continue to regulate its operation in accordance with the relevant laws and regulations, with an aim to constantly improve the quality of the listed company.

As at the reference date of the internal control assessment report, there was no material deficiency in the internal control over the financial reporting process. The Board is of the opinion that the Company has, in all material aspects, maintained effective internal control over financial reporting in accordance with the requirements under the corporate internal control standard system and the relevant regulations.

ARTICLES OF ASSOCIATION

For the financial year ended 2014, there were no material changes to the Articles of Association of the Company.

COMMUNICATION POLICY WITH SHAREHOLDERS

The Company attached great importance to the communication with shareholders and promoted understanding and communication with shareholders through various channels of general meetings, results announcement conferences, road show activities, receiving guests and telephone counseling. In 2014, the Company organized various road show activities and analysts meetings.

(A) The rights of Shareholders

The Articles of Association provides the rights and obligations of all shareholders.

Shareholders are encouraged to attend the annual general meetings or extraordinary general meetings to ensure the high level of accountability and to stay apprised of the Group's strategy and goals.

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law (2012 Revision). However, pursuant to the Articles of Association, member or members holding not less than one-tenth of paid-up capital of the Company entitled to vote at the meeting on the date of submitting requirements, is or are entitled to give written requirements to the Board or the Company Secretary of the Company to request the Board to convene an extraordinary general meeting at any time and to handle the matters set out in the above requirements. The above meeting shall be convened within two (2) months after submitting relevant requirements to the Company's principal place of business in Hong Kong, at 36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong and for the attention of the Company Secretary. If the Board had not convened the meeting within twenty-one (21) days after receiving the requirements, the requesting persons can convene the meeting by which all the reasonable expenses of petitioners so caused should be compensated by the Company.

According to the Listing Rules, any voting of the shareholders at a general meeting must be taken by poll (except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands) and the results of the poll shall be deemed to be the resolution of the meeting.

(B) Procedures of putting forward enquiries to the Board by Shareholders

For putting forward any enquiries or proposals to the Board, shareholders may send written enquiries to the Company. The contact information is as follows:

Address:	36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong
Fax:	+852 3589 8555
Tel:	+852 3589 8899

For the avoidance of doubt, shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Meanwhile, the chairman of the Board as well as chairmen of all of the specialized committees of the Company, or in their absence, other members of the respective committees, are available to answer questions at the annual general meeting. The independent auditors shall also be present at the meeting to assist the Directors to answer questions raised by the shareholders.

(C) Shareholders' enquiries

Any enquiries relating to your shareholding, for example, transfers of shares, change of address, lost share certificates or dividend cheques, shall be sent or made to Computershare Hong Kong Investor Services Limited, the Company's branch Share Registrars in Hong Kong whose contact information is as follows:

Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
Tel: +852 2862 8628
Fax: +852 2865 0990, +852 2529 6087
Website: www.computershare.com.hk

(D) Investor relations and communication

The Company promotes the effective communication with shareholders, investors and other interested persons through website of the Hong Kong Stock Exchange (http:// www.hkexnews.hk) and the Company's website (www.hankingmining.com). The Company's website sets out the following information:

- Articles of Association, the Board and its specialized committees and the biographies of Directors;
- announcements, circulars, regular reports, promotional materials and press releases of the Company;
- financial information and summarized financial information for the respective years of the Company;
- information about the Company's shares;

The Company's website also provides investors' calendar and subscription of company information services, so as to promote the communication with investors.

In addition, the Company duly issues company consultancy and other related financial information, including detailed information related to the Company's business performance and development as disclosed in annual report, interim report, news release and announcement.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

1. COMPOSITION OF DIRECTORS

As at the Latest Practicable Date, the Board consisted of five executive Directors, three non-executive Directors and four independent non-executive Directors. The following table sets forth certain information in respect of our Directors:

Name	Age	Position/Title in the Group	Date of Appointment/ Re-election	Roles and Responsibilities
Mr. Pan Guocheng	58	Executive Director and Chairman of the Board	31 May 2013	responsible for the overall operation and development strategy of the Group as well as supervision on the execution and implementation of the strategies by the management
Mr. Yang Jiye	37	Executive Director, Vice Chairman of the Board, Chief Executive Officer and President	29 May 2014	responsible for the implementation of the overall operation and development strategy of the Group and daily operation and management of the Company
Mr. Zheng Xuezhi	45	Executive Director and Vice President	31 May 2013	responsible for assisting the President in the operation and managemet of the Group
Mr. Xia Zhuo	49	Executive Director, Vice President and Company Secretary and the president of Hanking (Indonesia)	29 May 2014	responsible for the daily work of the Board and the matters related to investors relations, and the daily operation and management of the Group's nickel bussiness in Indonesia
Mr. Qiu Yumin	52	Executive Director, Vice President and the president of Hanking Australia (罕王澳大利亞)	29 May 2014	responsible for the daily operation and management of the Group's gold businesses in Australia
Ms. Yang Min	60	Non-executive Director	31 May 2013	N/A
Mr. Kenneth Jue Lee	47	Non-executive Director	21 May 2012	N/A
Mr. Lan Fusheng	50	Non-executive Director	21 May 2012	N/A
Mr. Wang Ping	44	Independent non-executive Director	31 May 2013	N/A
Mr. Johnson Chi-King Fu	60	Independent non-executive Director	21 May 2012	N/A
Mr. Wang Anjian	61	Independent non-executive Director	29 May 2014	N/A
Mr. Jiang Zhouhua	51	Independent non-executive Director	30 October 2014	N/A

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Resignation of Director

Name	Age	Position/Title	Date of Appointment	Date of Resignation	Roles and Responsibilities
Mr. Chen Yuchuan	80	Independent non-executive Director	21 May 2012	26 August 2014	N/A

2. BIOGRAPHY OF NON-EXECUTIVE DIRECTORS

Ms. Yang Min ("Ms. Yang"), aged 60, is a non-executive Director of the Company. Ms. Yang is the founder of the Group. She is currently serving as the chairlady of the board of Aoniu Mining, director of Xingzhou Mining, Benxi Mining, Maogong Mining, Shangma Mining, Shenyang Yuanzheng, Harvest Globe (Shenyang), Hanking Australia and Hanking Gold, chairlady of the board of supervisors of KS, KKU, KP and HMNS and chairlady of the board of directors of Hanking Group. Ms. Yang has obtained more than 17 years of experience in the mining industry. Ms. Yang is currently holding a number of positions with various organizations. She serves as a representative of the twelfth National People's Congress (第十二屆全國人大代表), the president of the presidium of the fifth board of supervisors of China Mining Association (中國礦業聯合會) and the president of Liaoning Province Chamber of Commerce of Mining Enterprises (遼寧省礦業企業商會). Over the past three years, she did not hold any directorships in any other listed public companies. Ms. Yang is the mother of Mr. Yang Jiye.

Mr. Kenneth Jue Lee ("Mr. Lee"), aged 47, is a non-executive Director of the Company. He is a partner at SAIF Partners. SAIF Partners IV L.P. beneficially holds 93,107,000 shares of the Company, representing approximately 5.1% of the issued capital of the Company. Currently, Mr. Lee is also a non-executive director on the boards of Sinovac Biotech Ltd. (NASDAQ-GM:SVA), Yayi International Inc. (OTC:YYIN) and China Polymetallic Mining Limited (SEHK: 02133). He has over 16 years of experience across private equity investment, corporate finance, and business development in China.

Mr. Lan Fusheng ("Mr. Lan"), aged 50, is a non-executive Director of the Company. He is currently serving as an executive director of Zijin Mining Group Co., Ltd. (SEHK: 2899; SSE: 601899) and the chairman of the board of directors of Gold Mountains (Hong Kong) International Mining Co., Ltd. Gold Mountains (Hong Kong) International Mining Co., Ltd beneficially holds 62,071,000 shares of the Company, representing approximately 3.4% of the issued share capital of the Company. Mr. Lan has more than 30 years of experience in geological exploration and investment.

3. BIOGRAPHY OF EXECUTIVE DIRECTORS

Mr. Pan Guocheng ("Mr. Pan"), aged 58, is an executive Director and the Chairman of the Board of the Company. He is responsible for the overall operation and development strategy of the Group as well as supervision on the execution and implementation of the strategies by the management. Currently, he is the director of Aoniu Mining, STSU, Hanking Australia and Hanking Gold and the supervisor of KS, KKU, KP and HMNS. Being in his previous and current positions in the Group, Mr. Pan has obtained more than 24 years of experience in operation management and project development from mining companies. Over the past three years, he did not hold any directorships in any other listed public companies.

Mr. Yang Jiye ("Mr. Yang"), aged 37, is an executive Director and Vice Chairman of the Board as well as the Chief Executive Officer and President of the Company, responsible for the implementation of the Group's overall strategy of operation and development and the day-to-day operation and management of the Company. Meanwhile, he is also the vice chairman of the board of Aoniu Mining, director of Hanking Indonesia, Hanking Mining (Hong Kong), City Globe and Denway Development and supervisor of KS, KKU, KP and HMNS. Mr. Yang is currently serving as the vice-chairman of the board of directors and president of Hanking Group and the chairman of the board of directors of Liaoning Hanking Investment Co., Ltd. (遼寧罕王投資有限公司). With his previous and current positions in the Group, he has more than 12 years of experience in corporate governance and management. Over the past three years, he did not hold any directorships in any other listed public companies. Mr. Yang is the son of Ms. Yang.

Mr. Zheng Xuezhi ("Mr. Zheng"), aged 45, is an executive Director and Vice President of the Company. He is responsible for assisting the President in the operation and management of the Group. Currently he is the director of Aoniu Mining and STSU, the supervisor of KS, KKU, KP and HMNS as well as the director of Liaoning Hanking Investment Co., Ltd.. Being in his previous and current positions in the Group, Mr. Zheng has obtained more than 13 years of experience in financing, auditing, accounting, and taxation. He is a certified public accountant in the PRC. Over the past three years, he did not hold any directorships in any other listed public companies.

Mr. Xia Zhuo ("Mr. Xia"), aged 49, is an executive Director, Vice President and the Company Secretary of the Company, and the president of Hanking (Indonesia). He is responsible for daily administrative matters of the Group and the overall business management of the Group's nickel project in Indonesia. He is currently serving as the director and board secretary of Aoniu Mining, the director of STSU, the director and president of Harvest Globe (Shenyang) Trading Co., Ltd. as well as the chairman of KS, KKU and KP and the supervisor of HMNS. In addition, he also serves as the director of Hanking Group. Mr. Xia has obtained more than 18 years of experience in the mining industry. Over the past three years, he did not hold any directorships in any other listed public companies.

Mr. Qiu Yumin ("Mr. Qiu"), aged 52, is an executive Director and Vice President of the Company. Mr. Qiu is also an executive director and president of Hanking Australia and Hanking Gold. He is responsible for the overall business management of the Group's gold project in Australia. Mr. Qiu is a member of Australian Institute of Geoscientists. Mr. Qiu has over 17 years of experience in exploration and business development. Currently, save for the directorship in the Company, he is also a non-executive director of Goodrich Resources Ltd. (ASX: GRX), Kimberley Diamond Limited (ASX: KDL) and Primary Gold Limited (ASX: PGO) in Australia.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

4. BIOGRAPHY OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Ping ("Mr. Wang"), aged 44, is an independent non-executive Director of the Company. Currently, he is the executive director and chief financial officer of China Vehicle Components Technology Holdings Limited (中國車輛零部件科技控股有限公司) (SEHK: 1269). He is a fellow member of the Chinese Institute of Certified Public Accountants. Mr. Wang has over 17 years of experience in corporate financing, auditing, accounting and taxation. Mr. Wang is currently serving as the independent non-executive director of Chongyi Zhangyuan Tungsten Co., Ltd. (崇義章源鎢業股份有限公司) (SZSE: 002378), China Tianrui Group Cement Company Limited (SEHK: 1252), Shenzhen Fuanna Bedding & furnishing Company Limited (深圳市富安娜家居用品股份有限公司) (SZSE: 002327), Jia Yao Holdings Limited (SEHK: 1626) and Shihua Development Company Limited (SEHK: 0485).

Mr. Johnson Chi-King Fu ("Mr. Fu"), aged 60, is an independent non-executive Director of the Company. He has over 30 years of experience in the financial industry. Mr. Fu is also the independent non-executive director of Sunfonda Group Holdings Limited (SEHK: 01771).

Mr. Wang Anjian ("Mr. Wang"), aged 61, is an independent non-executive Director of the Company. Mr. Wang is currently the director and researcher of the Research Center for Strategy of Global Mineral Resources, Chinese Academy of Geological Sciences, responsible for the organizing, researching and training and he is also the standing director of Chinese Society for Environmental Sciences and the adjunct professor of China University of Geosciences (Beijing). Mr. Wang has extensive experience in the research of resource strategy. Over the past three years, Mr. Wang did not hold any directorships in any other listed public companies.

Mr. Jiang Zhouhua ("Mr. Jiang"), aged 51, was appointed as an independent non-executive Director of the Company on 30 October 2014. At present, he is a professor and doctoral supervisor in Iron and Steel Metallurgy Research Institute of Materials and Metallurgy School of Northeastern University. In addition, he also serves as director of Liaoning Provincial Special Steel Electrometallurgy Engineering Technology Research Center, honorary professor in National Metallurgical Academy of Ukraine, editorial board member of the International Journal of Minerals, Metallurgy and Materials, the magazine of Iron & Steel(《鋼鐵》), the Journal of Iron and Steel Research (《鋼鐵研究學報》) and the magazine of Special Steel (《特殊鋼》) and a member of the Sixth Session Academic Committee of Stainless Steel and Heat-resistant Steel under the Special Steel Institute of the Chinese Society for Metals. Mr. Jiang has extensive experience and qualifications in metallurgy fields. Over the past three years, Mr. Jiang did not hold any directorships in any other listed public companies.

Mr. Chen Yuchuan ("Mr. Chen"), aged 80, resigned as an independent non-executive Director of the Company on 26 August 2014. Mr. Chen has obtained more than 50 years of experience in the area of mining and geology. He is an academician of the Chinese Academy of Engineering (中國工程院).

5. SENIOR MANAGEMENT

The following table sets forth certain information in respect of our senior management as at the Latest Practicable Date:

Name	Age	Position/Title	Biography
Yang Jiye	37	Chief Executive Officer and President	See "Biography of Executive Directors"
Zheng Xuezhi	45	Vice President	See "Biography of Executive Directors"
Xia Zhuo	49	Vice President, Company Secretary and president of Hanking (Indonesia)	See "Biography of Executive Directors"
Qiu Yumin	52	Vice President, executive director and president of Hanking Australia	See "Biography of Executive Directors"
Liao Pin Tsung	40	Chief Financial Officer	See below
Huang Jinfu	58	Vice President, president of Aoniu Mining	See below
Chen Yanshao	52	Vice President	See below

The following table sets forth certain information in respect of our senior management who has tendered his resignation during this year:

Name	Age	Date of Resignation and the Position/Title Resigned	Biography
Pan Guocheng	58	He resigned from his positions as Chief Executive Officer and President of the Company on 26 August 2014 and president of Aoniu Mining on 20 August 2014.	See "Biography of Executive Directors"
Zheng Xuezhi	45	He resigned as Chief Financial Officer of the Company on 1 April 2015	See "Biography of Executive Directors"
Lu Zengxiang	49	On 16 October 2014, he resigned from his positions as Vice President of the Company as well as director and vice president of operations of Aoniu Mining.	See below

Mr. Liao Pin Tsung ("Mr. Liao"), aged 40, was appointed as Chief Financial Officer of the Company on 1 April 2015, responsible for the financial management of the Company. Mr. Liao previously held management positions in various finance and securities companies, and has accumulated over 17 years of experience in the field of finance and securities. Mr. Liao joined in Crown International Corporation Limited (SEHK: 00727) in 2012, and acted as chairman of the board of directors, chief executive officer and financial director of Crown International Corporation Limited before he was appointed by the Company.

Mr. Huang Jinfu ("Mr. Huang"), aged 58, is Vice President of the Company and the director of Aoniu Mining. On 20 August 2014, he was appointed as the president of Aoniu Mining. He is responsible for the daily operation and management of the Group's iron ore business. On 30 October 2014, Mr. Huang resigned from his position as the general manager of Aoniu Mine. Mr. Huang is a mineral processing engineer. He joined the Group in 2008 and has more than 30 years of experience in the mining industry.

Mr. Chen Yanshao ("Mr. Chen"), aged 52, is Vice President of the Company, responsible for the mining development of the Group, as well as the director of Aoniu Mining. Mr. Chen is a Ph.D. in economic geology. He was previously engaged in management of exploration and development in various mining companies of many countries such as Canada and China, and has accumulated almost 20 years of experience in the field of metals, minerals and geology.

Mr. Lu Zengxiang ("Mr. Lu"), aged 49, served as the Vice President of the Company as well as director and vice president of operations of Aoniu Mining until 16 October 2014, responsible for business operation of the Group, especially the day-to-day operation of Maogong Mine, Xingzhou Mine, Benxi Mine and Shangma Mine. Mr. Lu resigned from all positions mentioned above on 16 October 2014.

6. COMPANY SECRETARY

Mr. Xia Zhuo is our Company Secretary. For details regarding Mr. Xia's experience, please see "Biography of Executive Directors" above.

Ms. Mok Ming Wai ("**Ms. Mok**") resigned as the joint company secretary of the Company, effective from 17 March 2015. Ms. Mok confirmed that she has no disagreement with the Company, and there are no circumstances related to her resignation which need to be brought to the attention of the Hong Kong Stock Exchange and the shareholders of the Company. The Company would like to express its appreciation and gratitude to Ms. Mok for her contribution to the Company.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF CHINA HANKING HOLDINGS LIMITED

(中國罕王控股有限公司)
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Hanking Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 82 to 153, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with the Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014, and of the Group's loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
17 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2014

	NOTES	2014 RMB'000	2013 RMB'000
Revenue	8	**1,368,652**	1,455,505
Cost of sales		**(887,981)**	(663,501)
Gross profit		**480,671**	792,004
Investment and other income	9	**24,328**	7,676
Other expenses and losses	10	**(49,066)**	(38,711)
Distribution and selling expenses		**(44,678)**	(50,726)
Administrative expenses		**(264,678)**	(309,557)
Finance costs	11	**(113,364)**	(123,178)
Profit before tax	12	**33,213**	277,508
Income tax expense	13	**(56,102)**	(123,919)
(Loss) profit for the year		**(22,889)**	153,589
Other comprehensive (expense) income:			
Items that may be subsequently reclassified to profit or loss:			
Fair value (loss) gain on available-for-sale financial assets		**(22,174)**	22,501
Exchange differences on translation of financial statement of foreign operations		**(18,820)**	(32,411)
Other comprehensive loss for the year, net of income tax		**(40,994)**	(9,910)
Total comprehensive (expense) income for the year		**(63,883)**	143,679
Profit (loss) for the year attributable to:			
Owners of the Company		**8,990**	192,661
Non-controlling interests		**(31,879)**	(39,072)
		(22,889)	153,589
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(33,067)**	182,844
Non-controlling interests		**(30,816)**	(39,165)
		(63,883)	143,679
EARNINGS PER SHARE			
– Basic and diluted (RMB cent per share)	17	**0.5**	10.5

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2014

	NOTES	**31/12/2014 RMB'000**	31/12/2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	18	**1,450,984**	1,376,231
Intangible assets	19	**1,038,886**	964,605
Prepaid lease payments	20	**314,534**	357,533
Deferred tax assets	21	**8,475**	6,476
Loan receivable from a third party	22	**11,300**	11,300
Deposit on acquisition of property, plant and equipment		**21,770**	28,914
Restricted cash	23	**4,014**	47,103
		2,849,963	2,792,162
CURRENT ASSETS			
Inventories	24	**137,306**	170,308
Prepaid lease payments	20	**63,100**	45,123
Trade and other receivables	25	**572,019**	422,140
Tax recoverable		**11,743**	7,872
Available-for-sale financial assets	26	**8,695**	47,175
Pledged bank deposits	27	**502,453**	460,000
Bank balances and cash	27	**299,587**	369,995
		1,594,903	1,522,613
CURRENT LIABILITIES			
Trade and other payables	28	**425,859**	352,695
Borrowings	29	**1,636,485**	1,385,444
Loans payable to non-controlling interest of a subsidiary	30	**3,173**	3,873
Consideration payable	31	**82,683**	86,943
Tax liabilities		**31,567**	74,496
		2,179,767	1,903,451
NET CURRENT LIABILITIES		**(584,864)**	(380,838)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,265,099**	2,411,324

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2014

	NOTES	**31/12/2014 RMB'000**	31/12/2013 RMB'000
CAPITAL AND RESERVES			
Share capital	33	**149,137**	149,137
Reserves		**1,022,139**	1,091,806
Equity attributable to owners of the Company		**1,171,276**	1,240,943
Non-controlling interests		**228,458**	259,274
TOTAL EQUITY		**1,399,734**	1,500,217
NON CURRENT LIABILITIES			
Borrowings	29	**589,683**	482,651
Consideration payable	31	**206,652**	355,261
Rehabilitation provision	32	**68,090**	71,115
Retirement benefit obligations		**940**	2,080
		865,365	911,107
		2,265,099	2,411,324

The consolidated financial statements on pages 82 to 153 were approved and authorised for issue by the board of directors on 17 March 2015 and are signed on its behalf by:

Pan Guocheng
Director

Zheng Xuezhi
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2014

	Attributable to owners of the Company										
	Paid-in capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000 (note a)	Future development funds reserve RMB'000 (note b)	Investments revaluation reserve RMB'000	Translation reserve RMB'000	Special reserve RMB'000 (note c)	Retained earnings RMB'000	Attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2013	149,137	495,537	87,046	372,358	(327)	(4,118)	(287,966)	569,855	1,381,522	186,258	1,567,780
Profit for the year	–	–	–	–	–	–	–	192,661	192,661	(39,072)	153,589
Other comprehensive income for the year	–	–	–	–	22,501	(32,318)	–	–	(9,817)	(93)	(9,910)
Total comprehensive income for the year	–	–	–	–	22,501	(32,318)	–	192,661	182,844	(39,165)	143,679
Distribution to the then equity shareholders upon acquisition of Hanking Indonesia (note d)	–	–	–	–	–	(511)	(286,344)	(17,117)	(303,972)	(7,839)	(311,811)
Controlling shareholders' contribution	–	–	–	–	–	–	45	–	45	20	65
Deemed contribution from shareholders (note e)	–	–	–	–	–	–	17,104	–	17,104	–	17,104
Transfer to future development funds reserve, net of utilisation	–	–	–	(62,384)	–	–	–	62,384	–	–	–
2012 final dividend	–	–	–	–	–	–	–	(36,600)	(36,600)	–	(36,600)
Profit appropriation to surplus reserve	–	–	(2,269)	–	–	–	–	2,269	–	–	–
Capital contribution in a subsidiary	–	–	–	–	–	–	–	–	–	120,000	120,000
Balance at 31 December 2013	149,137	495,537	84,777	309,974	22,174	(36,947)	(557,161)	773,452	1,240,943	259,274	1,500,217
Profit (loss) for the year	–	–	–	–	–	–	–	8,990	8,990	(31,879)	(22,889)
Other comprehensive (expense) income for the year	–	–	–	–	(22,174)	(19,883)	–	–	(42,057)	1,063	(40,994)
Total comprehensive (expense) income for the year	–	–	–	–	(22,174)	(19,883)	–	8,990	(33,067)	(30,816)	(63,883)
Transfer to future development funds reserve, net of utilisation	–	–	–	146,693	–	–	–	(146,693)	–	–	–
2014 final dividend	–	–	–	–	–	–	–	(36,600)	(36,600)	–	(36,600)
Profit appropriation to surplus reserve	–	–	193	–	–	–	–	(193)	–	–	–
Balance at 31 December 2014	149,137	495,537	84,970	456,667	–	(56,830)	(557,161)	598,956	1,171,276	228,458	1,399,734

Notes:

(a) In accordance with the relevant company laws and regulations of the People's Republic of China (the "PRC") and the Articles of Association of the PRC subsidiaries, the PRC subsidiaries are required to appropriate 10% of their profit after taxation reported in their financial statements prepared in accordance with relevant accounting principles and financial regulations applicable to enterprises established in the PRC (the "PRC GAAP") to the statutory surplus reserve. The appropriation to statutory surplus reserve may cease if the balance of the statutory surplus reserve has reached 50% of the registered capital of the relevant PRC subsidiaries.

The statutory surplus reserves can be used to make up prior year losses, if any, and can be applied in conversion into capital by means of capitalization issue. However, when converting the statutory surplus reserve of the PRC subsidiaries into capital, the balance of such reserve remaining unconverted must not be less than 25% of the registered capital of the relevant PRC subsidiaries.

(b) Pursuant to regulation in the PRC, Fushun Hanking Aoniu Mining, Limited. ("Aoniu Mining"), Benxi Hanking Mining Co., Ltd. ("Benxi Mining"), Fushun Hanking Maogong Mining Co., Ltd. ("Maogong Mining"), Fushun Hanking Xingzhou Mining Co., Ltd. ("Xingzhou Mining"), Fushun Hanking Shangma Mining Company Limited ("Fushun Shangma") and Fushun Hanking Shangma Iron Mine ("Shangma Mining") are required to transfer an amount to a future development fund at RMB 23-28 per ton of iron ore mined annually which will be used for enhancement of safety production environment and improvement of facilities. The fund can only be used for the future development of the iron ore mining business and is not available for distribution to shareholders.

RMB178,928,000 and RMB33,573,000 of future development fund was provided during the year ended 31 December 2014 and 2013, respectively. RMB32,235,000 and RMB95,957,000 of future development fund was utilised during the year ended 31 December 2014 and 2013, respectively.

(c) Special reserve mainly represented the contribution from/distribution to the then equity shareholders when the Company has the business combination involving entities under common control. The accounting policy of merger accounting is set out in Note 4 and details of movements of the special reserve during the year are set out in following notes.

(d) Pursuant to an extraordinary general meeting held on 4 March 2013, the Company acquired 70% equity interest of Hanking Indonesia and its subsidiaries from Evergreen Mining Limited which is ultimately controlled by the Controlling Parties (the "Acquisition of Hanking Indonesia"). The subsidiaries of Hanking Indonesia mainly engaged in nickel ore mining business. Details of the acquisition are set out in note 2.

(e) The Controlling Parties transferred 11,983,334 shares of the Company to several directors and employees of the Company during the year ended 31 December 2013 with nil consideration, to recognise their past contribution to the Group. RMB17,104,000 was calculated on the basis of the share price on the date of transfer and recognised as an expense and special reserve respectively.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
OPERATING ACTIVITIES			
Profit before tax		**33,213**	277,508
Adjustments for:			
Finance costs		**113,364**	123,178
Interest income		**(22,168)**	(6,448)
Impairment of property, plant and equipment		**7,909**	3,996
Loss on disposal of property, plant and equipment		**10,223**	819
Impairment loss on inventories		**7,693**	–
Impairment loss on available-for-sale assets		**21,747**	–
Depreciation of property, plant and equipment		**172,527**	96,212
Release of prepaid lease payments		**51,982**	46,945
Amortisation of intangible assets		**15,114**	21,418
Share-based payment expenses		**–**	17,104
Net foreign exchange loss (gain)		**6,559**	(18,608)
Operating cash flows before movements in working capital		**418,163**	562,124
Decrease (increase) in inventories		**25,309**	(72,930)
Decrease in trade and other receivables		**(140,221)**	(9,627)
Increase in trade and other payables		**45,938**	42,378
(Decrease) increase in retirement benefit obligations		**(1,140)**	921
Cash generated from operations		**348,049**	522,866
Interest paid		**(93,044)**	(92,255)
Income tax paid		**(104,901)**	(248,474)
NET CASH FROM OPERATING ACTIVITIES		**150,104**	182,137
INVESTING ACTIVITIES			
Payment of consideration payable for acquisition of a subsidiary		**(167,212)**	(17,930)
Interest received		**12,510**	10,714
Payments for acquisition of property, plant and equipment		**(256,564)**	(487,007)
Decrease in deposit paid for acquisition of property, plant and equipment		**7,144**	18,853
Acquisition of available-for-sale financial assets		**(6,387)**	(21,733)
Other dividends received		**946**	–
Repayments from related parties		**–**	14,730
Advance to related parties		**–**	(5,964)
Acquisition of intangible assets		**(96,905)**	(107,119)
Repayment from non-controlling interest of subsidiaries		**–**	25,004
Repayment from a third party		**–**	4,000
Payments for prepaid lease payments		**(26,960)**	(51,182)
Proceeds on disposal of property, plant and equipment		**6,552**	412
Decrease (increase) in restricted cash		**43,089**	(47,103)
NET CASH USED IN INVESTING ACTIVITIES		**(483,787)**	(664,325)

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
FINANCING ACTIVITIES			
Increase in pledged bank deposits		**(42,453)**	(460,000)
Repayment of loans from non-controlling interest of a subsidiary		**(700)**	(2,179)
Loans from related parties		**–**	1,916
Repayments to related parties		**–**	(225,220)
Proceeds from borrowings		**2,378,838**	2,410,359
Repayment of borrowings		**(2,013,965)**	(1,330,874)
Capital contribution from non-controlling interest		**–**	120,000
Distribution to the then equity shareholders		**–**	(205,788)
Dividend paid to the owners of the Company		**(36,600)**	(36,600)
Controlling shareholders' contribution		**–**	65
NET CASH GENERATED FROM FINANCING ACTIVITIES		**285,120**	271,679
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(48,563)**	(210,509)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**369,995**	581,960
Effect of foreign exchange rate changes		**(21,845)**	(1,456)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER represented by bank balances and cash		**299,587**	369,995

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2014

1. GENERAL INFORMATION

The Company is a limited company incorporated in the Cayman Islands on 2 August 2010 with its shares 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 36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, 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 principally engaged in iron ore, nickel ore, gold mining and processing. Details of the Company's subsidiaries are set out in note 38.

2. PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Business Combinations under Common Control:

On 4 March 2013, the Company acquired 70% equity interest of Hanking Indonesia, a company controlled by Evergreen Mining Limited, which are indirectly controlled by the Controlling Parties, at a cash consideration of RMB311,811,000. The Acquisition of Hanking Indonesia has been considered as business combinations under common control and are accounted for using the principal of merger accounting.

As a result, the consolidated financial statements of the Group throughout the year ended 31 December 2013 has been prepared using the principles of merger accounting, and includes the results and cash flows of the companies comprising the Group as if the business combination had occurred from the date when the combining entities or business first came under the control of the Controlling Parties, except that the results attributable to the owners of the group companies other than Ms. Yang Min and Mr. Yang Jiye prior to the Acquisition of Hanking Indonesia was treated as non-controlling interests.

Prior to the Acquisition of Hanking Indonesia, the Controlling Parties, through their direct equity interest and ownership in certain related companies which had equity interest in, effectively controlled the following companies comprising the Group:

	1 January 2013 to 3 March 2013
Hanking Indonesia	62.27%

The consideration payable for the Acquisition of Hanking Indonesia is accounted for as deemed distribution to the Controlling Parties.

2. PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

Business Combinations under Common Control: *(continued)*

Upon completion of the Acquisition of Hanking Indonesia on 4 March 2013, the Company has 70% indirect equity interest in Hanking Indonesia.

The effects of adopting merger accounting to account for the Acquisition of Hanking Indonesia for the prior year on the consolidated statement of profit or loss and other comprehensive income of the Group, are as follows:

	Year ended 31 December 2013 RMB'000
Increase in other income	14
Increase in other expenses	(6,211)
Increase in selling and distribution expenses	(23)
Increase in administrative expenses	(23,976)
Increase in finance costs	(13,534)
Net decrease in profit for the year	(43,730)
Impact on other comprehensive expense for the year:	
Exchange differences on translation of financial statements of foreign operations	1,802
Net decrease in other comprehensive expense for the year	1,802
Net decrease in total comprehensive expense for the year	(41,928)
Decrease in profit for the year attributable to:	
Owners of the Company	(35,969)
Non-controlling interests	(7,761)
	(43,730)
Decrease in profit and total comprehensive income for the year attributable to:	
Owners of the Company	(34,618)
Non-controlling interests	(7,310)
	(41,928)
Decrease in earnings per share – Basic and diluted (RMB cent per share)	(2)

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

New and revised IFRSs applied 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 IFRS 10, IFRS 12 and IAS 27	Investment Entities
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	Levies

The application of the new and revised 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.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments have been applied retrospectively. As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The Group has applied the amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets for the first time in the current year. The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit ("CGU") to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 Fair Value Measurements.

The application of these amendments has had no material impact on the disclosures in the Group's consolidated financial statements.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS *(CONTINUED)*

New and revised IFRSs in issue but not yet effective

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

IFRS 9	Financial Instruments[1]
IFRS 14	Regulatory Deferral Accounts[2]
IFRS 15	Revenue from Contracts with Customers[3]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to IAS 1	Disclosure Initiative[5]
Amendments to IAS 16 and IAS 38	Clarifications of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[5]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to IAS 27	Equity Method in Separate Financial Statements[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle[6]
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle[5]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[5]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for first annual IFRS financial statements beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 July 2014
5 Effective for annual periods beginning on or after 1 January 2016
6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' ("FVTOCI") measurement category for certain simple debt instruments.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS *(CONTINUED)*

New and revised IFRSs in issue but not yet effective *(continued)*

IFRS 9 Financial Instruments *(continued)*

Key requirements of IFRS 9 are described below:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting 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.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS *(CONTINUED)*

New and revised IFRSs in issue but not yet effective *(continued)*

IFRS 9 Financial Instruments *(continued)*

The directors of the Company anticipate that the application of IFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities (e.g. the Group's investments in unlisted equity securities currently classified as available-for-sale investments may have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss). Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

IFRS 15 Revenue from Contracts with Customers

In July 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors of the Company anticipate that the application of IFRS 15 in the future may have an impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS *(CONTINUED)*

New and revised IFRSs in issue but not yet effective *(continued)*

Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 36 Impairment of Assets regarding impairment testing of a cash generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

The amendments to IFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016. The directors of the Company do not anticipate that the application of these amendments to IFRS 11 will have a material impact on the Group's consolidated financial statements.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) when the intangible asset is expressed as a measure of revenue; or

b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after January 1, 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and software respectively. The directors of the Company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors of the Company do not anticipate that the application of these amendments to IAS 16 and IAS 38 will have a material impact on the Group's consolidated financial statements.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS *(CONTINUED)*

New and revised IFRSs in issue but not yet effective *(continued)*

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions *(continued)*

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The directors of the Company do not anticipate that the application of these amendments to IAS 19 will have a significant impact on the Group's consolidated financial statements as the Group does not have any defined benefit plans.

Amendments to IAS 27 Equity Method in Separate Financial Statements

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements

- At cost

- In accordance with IFRS 9 Financial Instruments (or IAS 39 Financial Instruments: Recognition and Measurement for entities that have not yet adopted IFRS 9), or

- Using the equity method as described in IAS 28 Investments in Associates and Joint Ventures.

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to IAS 27, there are consequential amendments to IAS 28 to avoid a potential conflict with IFRS 10 Consolidated Financial Statements and to IFRS 1 First time Adoption of Hong Kong Financial Reporting Standards.

The directors of the Company do not anticipate that the application of these amendments to IAS 27 will have a material impact on the Group's consolidated financial statements.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS *(CONTINUED)*

New and revised IFRSs in issue but not yet effective *(continued)*

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to IAS 28:

- The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.

- A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor's financial statements.

- A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

Amendments to IFRS 10

- An exception from the general requirement of full gain or loss recognition has been introduced into IFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.

- New guidance has been introduced requiring that gains or losses resulting from those transactions are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors of the Company do not anticipate that the application of these amendments to IFRS 10 and IAS 28 will have a material impact on the Group's consolidated financial statements.

Annual Improvements to IFRSs 2010-2012 Cycle

The Annual Improvements to IFRSs 2010-2012 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to IFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS *(CONTINUED)*

New and revised IFRSs in issue but not yet effective *(continued)*

Annual Improvements to IFRSs 2010-2012 Cycle *(continued)*

The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to IFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to IFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short- term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors of the Company do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

Annual Improvements to IFRSs 2011-2013 Cycle

The Annual Improvements to IFRSs 2011-2013 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS *(CONTINUED)*

New and revised IFRSs in issue but not yet effective *(continued)*

Annual Improvements to IFRSs 2011-2013 Cycle *(continued)*

The amendments to IFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of IAS 40; and

(b) the transaction meets the definition of a business combination under IFRS 3.

The directors of the Company do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

Annual Improvements to IFRSs 2012-2014 Cycle

The Annual Improvements to IFRSs 2012-2014 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 5 introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued. The amendments apply prospectively.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets and clarify that the offsetting disclosures (introduced in the amendments to IFRS 7 Disclosure – Offsetting Financial Assets and Financial Liabilities issued in December 2011 and effective for periods beginning on or after 1 January 2013) are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with IAS 34 Interim Financial Reporting.

The amendments to IAS 34 clarify the requirements relating to information required by IAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The directors of the Company do not anticipate that the application of these will have a material effect on the Group's consolidated financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRSs issued by 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.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and service.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interest in existing subsidiaries that do not result in the Group losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another IFRS.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acqiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Dividend and interest income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of these assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2014

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Foreign currencies *(continued)*

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rate for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Short-term and other long-term employee benefits *(continued)*

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Share-based payment transactions

Equity-settled share-based payment transactions

Shares granted to employees

The fair value of services received determined by reference to the fair value of shares granted is recognized as an expense in full at the grant date when the shares granted vest immediately with a corresponding increase in equity.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the these financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Taxation *(continued)*

Deferred tax *(continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment including building held for use in the production or supply of good or services, or for administrative purpose (other than construction in progress and freehold land) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Freehold land is carried at cost less any recognised impairment loss.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Such property, plant and equipment are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Prepaid lease payments

The payments made on the rental of land are accounted for as an operating lease which is released to the profit or loss on a straight-line basis over their relevant lease terms.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses.

Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Exploration and evaluation assets

Exploration and evaluation costs incurred where such expenditure is considered likely to be recoverable through future extraction activity or sale, or where the exploration activities have not reached a stage which permits a reasonable assessment of the existence of reserves, is capitalised and recorded on the consolidated statements of financial position within exploration and evaluation assets at the exploration stage.

Exploration and evaluation assets comprise costs directly attributable to:

- Research and analysing existing exploration data;
- Conducting geological studies, exploratory drilling and sampling;
- Examining and testing extraction and treatment methods;
- Compiling pre-feasibility and feasibility studies;
- Costs incurred in acquiring mineral rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects; and
- Costs incurred in acquiring the concessionary rights, including but not limited to exploration rights, mining rights, right to railroad, port and road, right to use land, right to other facilities and right of first refusal to other materials.

Exploration rights are stated at cost less any impairment losses. Exploration and evaluation costs include expenditure incurred to secure further mineralisation in existing ore bodies. Exploration and evaluation rights will be transferred to mining rights once the mining rights certificates obtained. The carrying amount of exploration and evaluation rights is assessed for impairment when facts or circumstances suggest the carrying amount of the asset may exceed its recoverable amount.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Intangible assets *(continued)*

Mining rights

Mining rights are stated at cost less amortisation and any recognised impairment loss. The mining rights are amortised over the shorter of the unexpired period of the rights on the straight-line basis or the estimated useful lives of the mines, in accordance with the production plans of the entities concerned and the proved and probable reserves of the mines using the units of production method.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Impairment losses on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Closure and rehabilitation

The mining, extraction and processing activities of the Group normally give rise to obligations for site closure or rehabilitation. Closure and rehabilitation works can include facility decommissioning and dismantling; removal or treatment of waste materials; site and land rehabilitation. The extent of work required and the associated costs are dependent on the requirements of relevant authorities and the Group's environmental policies.

Provisions for the cost of each closure and rehabilitation program are recognised at the time that environmental disturbance occurs. When the extent of disturbance increases over the life of an operation, the provision is increased accordingly. Costs included in the provision encompass all closure and rehabilitation activity expected to occur progressively over the life of the operation and at the time of closure in connection with disturbances at the reporting date. Routine operating costs that may impact the ultimate closure and rehabilitation activities, such as waste material handling conducted as an integral part of a mining or production process, are not included in the provision. Costs arising from unforeseen circumstances, such as the contamination caused by unplanned discharges, are recognised as an expense and liability when the event gives rise to an obligation which is probable and capable of reliable estimation.

The timing of the actual closure and rehabilitation expenditure is dependent upon a number of factors such as the life and nature of the asset, the operating licence conditions, the principles of the Group's charter and the environment in which the mine operates. Expenditure may occur before and after closure and can continue for an extended period of time dependent on closure and rehabilitation requirements.

Closure and rehabilitation provisions are measured at the expected value of future cash flows, discounted to their present value and determined according to the probability of alternative estimates of cash flows occurring for each operation. When provisions for closure and rehabilitation are initially recognised, the corresponding cost is capitalised as an asset, representing part of the cost of acquiring the future economic benefits of the operation. The capitalised cost of closure and rehabilitation activities is recognized in property, plant and equipment and depreciated accordingly. The value of the provision is progressively increased over time as the effect of discounting unwinds, creating an expense recognized in financial expenses.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(continued)*

Financial assets

The Group's financial assets are classified into loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of the reporting period subsequent to initial recognition, loans and receivables (including trade and other receivables, loan receivable from a third party, restricted cash, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Equity and debt securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to interest income calculated using the effective interest method and dividends on available-for-sale financial equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on Available-for-sale financial assets equity investments are recognised in profit or loss when the Group's right to receive the dividends is established.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(continued)*

Available-for-sale financial assets *(continued)*

The fair value of available-for-sale financial assets monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

Loans and receivables are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been impacted. The objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit terms of the customers, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(continued)*

Impairment of financial assets *(continued)*

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivables is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including trade and other payables, borrowings, loans payable to non-controlling interests of a subsidiary and consideration payable are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(continued)*

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. KEY SOURCE OF ESTIMATION UNCERTAINTY

The following are key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives of mining rights

As at 31 December 2014, mining rights of RMB997,622,000 (31 December 2013: RMB862,052,000) has been recognised in the Group's consolidated statement of financial position. Mining rights are amortised over the shorter of the unexpired period of the rights or the estimated useful lives of the mines using the units of production method.

Engineering estimates of the Group's mine reserves are inherently imprecise and represent only approximate amounts because of the significant judgments involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mine reserves can be designated as "proved" and "probable". Proved and probable mine reserve estimates are updated on regular intervals taking into account recent production and technical information about each mine. This change is considered as a change in estimate for accounting purposes and is reflected on a prospective basis in amortisation rates. Changes in the estimate of mine reserves are also taken into account in impairment assessment of non-current assets.

5. KEY SOURCE OF ESTIMATION UNCERTAINTY *(CONTINUED)*

Useful lives of property, plant and equipment

The Group estimates useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and actions of its competitors. Management will increase the depreciation charge where useful lives are less than previously estimated, or it will record reserve for technically obsolete assets. The carrying amount of property, plant and equipment at 31 December 2014 were RMB1,450,984,000 (31 December 2013: RMB1,376,231,000).

Provision of closure and rehabilitation

The Group's accounting policy for the recognition of closure and rehabilitation provisions requires significant estimates and assumptions such as: requirements of the relevant legal and regulatory framework; the magnitude of possible contamination; and the timing, extent and costs of required closure and rehabilitation activity. These uncertainties may result in future actual expenditure differing from the amounts currently provided.

The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for operating sites are recognised in the balance sheet by adjusting both the closure and rehabilitation asset and provision. For closed sites, changes to estimated costs are recognised immediately in the consolidated statement of profit or loss.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group entities will be able to continue as a going concern while maximizing the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged.

The capital structure of the Group consists of debts which include the borrowings disclosed in note 29, and equity attributable to owners of the Company, comprising share capital and reserves.

The management of the Group reviews the capital structure on an annual basis. As part of this review, the management considers the cost of capital and the risks associates with each class of capital. Based on recommendations of the management, the Group will balance its overall structure through the payment of dividends, capital injection as well as the issue of new debt or the redemption of existing debt.

7. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	31/12/2014 RMB'000	31/12/2013 RMB'000
Financial assets:		
Loans and receivables (including cash and cash equivalents)	**1,211,539**	1,131,696
Available-for-sale financial assets	**8,695**	47,175
	1,220,234	1,178,871
Financial liabilities:		
Amortised costs	**2,860,350**	2,564,022

(b) Financial risk management objectives and policies

The Group's major financial assets and liabilities include trade and other receivables, loan receivable from a third party, restricted cash, pledged bank deposits, bank balances and cash, available-for-sale financial assets, trade and other payables, borrowings, consideration payable and loans payable to non-controlling interests of a subsidiary. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's activities expose it primarily to the market risks (including currency risk and interest risk), credit risk and liquidity risk. There has been no change to the Group's exposure to these risks or the manner in which it manages and measures the risks.

Interest risk

The Group is exposed to fair value interest rate risk mainly from its fixed-rate bank borrowings. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group is also exposed to cash flow interest rate risk in relation to floating-rate bank borrowings (see note 29 for details of these borrowings) and floating-rate bank balances.

7. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management objectives and policies *(continued)*

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for its floating rate bank borrowing. The analysis is prepared assuming the floating rate bank borrowing outstanding at the end of the reporting period were outstanding for the whole year. 50 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2014 would decrease/increase approximately by RMB2,665,000 (2013: decrease/increase approximately by RMB4,676,000). This is mainly attributable to the Group's exposure to interest rates on its floating-rate bank borrowings.

The sensitivity analyses below have been determined based on the exposure to interest rates for its floating rate bank balances. The analysis is prepared assuming the floating rate bank balances outstanding at the end of the reporting period were outstanding for the whole year. 10 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 10 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2014 would increase/decrease approximately by RMB533,000 (2013: increase/decrease approximately by RMB277,000). This is mainly attributable to the Group's exposure to interest rates on its floating-rate bank balances.

7. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management objectives and policies *(continued)*

Currency risk

The Group has bank balance denominated in United States Dollars ("USD"), Hong Kong Dollars ("HKD") and Australian Dollar ("AUD"), which expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	USD	
	Assets	**Liabilities**
	RMB'000	RMB'000
As at 31 December 2013	159,641	698,095
As at 31 December 2014	199,749	798,410

	HKD	
	Assets	**Liabilities**
	RMB'000	RMB'000
As at 31 December 2013	1,011	–
As at 31 December 2014	211	–

	AUD	
	Assets	**Liabilities**
	RMB'000	RMB'000
As at 31 December 2013	11,841	–
As at 31 December 2014	18	–

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against USD, HKD and AUD, 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax profit where a 5% weakening of RMB against USD, HKD and AUD. For a 5% strengthen of RMB against USD, HKD and AUD, there would be an equal and opposite impact on the post-tax profit and the balances below would be negative.

7. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management objectives and policies *(continued)*

Currency risk *(continued)*

Sensitivity analysis *(continued)*

	2014 **RMB'000**	2013 RMB'000
Profit (loss) for the year	**(22,441)**	(19,710)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Credit risk

As at the end of reporting date, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimize the credit risk, the directors of the Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the directors of the Company review the recoverability of each trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group has concentration of credit risk as 100% of the Group's trade and bill receivables as at 31 December 2014 of approximately RMB334,777,000 (2013: RMB194,890,000), were derived from four customers (2013: four customers). In order to minimise the credit risk, the directors of the Company continuously monitor the level of exposure to ensure that follow-up actions and/or corrective actions are taken promptly to lower exposure or even to recover the overdue debts.

The Group has concentration of credit risk on liquid funds which are deposited with several banks. However, the credit risk on bank balances is limited because the majority of the counterparties are banks with good reputation and/or good credit rating.

7. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management objectives and policies *(continued)*

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with the terms of borrowings.

At 31 December 2014, the Group has net current liability of RMB584,864,000. Aoniu had an unutilised banking facility of RMB602,240,000 which will be expired after 31 December 2015. The directors of the Company are satisfied that the Group will have sufficient financial resource to meet its financial obligation as they fall due for the foreseeable future after taking into account of the available banking facilities, the ability to extend the banking facilities if necessary and internally generated funds. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity table

	Weighted average interest rate	Repayable on demand or less than 3 months	4 months to 1 year	1 year to 5 years	>5 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2014							
Trade and other payables		341,674	–	–	–	341,674	341,674
Loans payable to non-controlling interests of a subsidiary		3,173	–	–	–	3,173	3,173
Consideration payable	14.00	–	107,458	120,000	517,000	744,458	289,335
Bank borrowings – floating rate	2.62	164,258	398,230	294,539	–	857,027	838,410
Bank borrowings – fixed rate	7.56	412,538	738,210	317,600	–	1,468,348	1,387,758
		921,643	1,243,898	732,139	517,000	3,414,680	2,860,350
As at 31 December 2013							
Trade and other payables		249,850	–	–	–	249,850	249,850
Loans payable to non-controlling interests of a subsidiary		3,873	–	–	–	3,873	3,873
Consideration payable	14.00	–	347,648	90,000	517,000	954,648	442,204
Bank borrowings – floating rate	2.99	6,182	526,714	143,643	199,504	876,043	848,095
Bank borrowings – fixed rate	6.67	16,840	889,007	151,557	–	1,057,404	1,020,000
		276,745	1,763,369	385,200	716,504	3,141,818	2,564,022

7. FINANCIAL INSTRUMENTS *(CONTINUED)*

(c) Fair value of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31/12/2014	31/12/2013				
Available-for-sale financial assets in the consolidated statement of financial position	**Listed equity securities in Australia: RMB8,695,000**	Listed equity securities in Australia: RMB47,175,000	Level 1	Quoted bid prices in an active market.	N/A	N/A

The directors consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximates their fair value.

8. REVENUE AND SEGMENT INFORMATION

(a) Revenue

	2014 RMB'000	2013 RMB'000
Iron ore concentrates	**1,347,329**	1,372,505
Nickel ore	**15,117**	82,293
Sales of raw and leftover materials	**6,206**	707
	1,368,652	1,455,505

8. REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

(b) Segment information

The Group's operating businesses are structured and managed separately according to the geographical information of the operations and products. Following the acquisitions of Hanking Indonesia and an Australia gold mine in 2013, the Group has been operating in three segments, being iron ore mining of processing business, nickel business and gold business, respectively. 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 executive directors and the chief operating decision makers, to make decisions about resources allocation and assess its performance.

Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable and operating segment.

For the year ended 31 December 2014

	Iron RMB'000	Nickel RMB'000	Gold RMB'000	Total RMB'000
REVENUE				
External sales	**1,349,784**	**18,868**	**–**	**1,368,652**
Internal-segment sales	**–**	**–**	**–**	**–**
Segment revenue	**1,349,784**	**18,868**	**–**	**1,368,652**
Segment profit (loss)	**183,394**	**(72,099)**	**(34,394)**	**76,901**
Central administration costs and directors' salaries				**(17,095)**
Finance costs				**(20,261)**
Other income and expense				**(6,332)**
Group's profit before tax				**33,213**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2014

8. REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

(b) Segment information *(continued)*

Segment revenues and results *(continued)*

For the year ended 31 December 2013

	Iron RMB'000	Nickel RMB'000	Gold RMB'000	Total RMB'000
REVENUE				
External sales	1,373,212	82,293	–	1,455,505
Internal-segment sales	–	–	–	–
Segment revenue	1,373,212	82,293	–	1,455,505
Segment profit (loss)	460,380	(86,498)	(46,283)	327,599
Central administration costs and directors' salaries				(29,021)
Finance costs				(9,118)
Other income and expense				(11,952)
Group's profit before tax				277,508

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment profit represents the profit earned by each segment without central administration costs and directors' salaries, financial costs and other income and expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

8. REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

(b) Segment information *(continued)*

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

Segment assets

	31/12/2014 RMB'000	31/12/2013 RMB'000
Iron	**3,019,761**	3,012,928
Nickel	**850,942**	860,076
Gold	**351,227**	292,853
Total segment assets	**4,221,930**	4,165,857
Other receivables	**219,694**	970
Bank balance and cash	**3,196**	147,894
Property, plant and equipment	**46**	54
Consolidated assets	**4,444,866**	4,314,775

Segment liabilities

	31/12/2014 RMB'000	31/12/2013 RMB'000
Iron	**1,829,453**	1,747,956
Nickel	**299,660**	293,686
Gold	**114,833**	72,367
Total segment liabilities	**2,243,946**	2,114,009
Borrowings	**798,410**	698,095
Other payables	**2,776**	2,454
Consolidated liabilities	**3,045,132**	2,814,558

8. REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

(b) Segment information *(continued)*

Other segment information

2014

Amounts included in the measure of segment profit or loss or segment assets:

	Iron RMB'000	Nickel RMB'000	Gold RMB'000	Total RMB'000
Addition to non-current assets	**191,202**	**60,121**	**152,490**	**403,813**
Depreciation and amortisation	**166,280**	**19,571**	**1,779**	**187,630**
Impairment loss of property, plant and equipment	**7,909**	**–**	**–**	**7,909**
Loss on disposal of property, plant and equipment	**10,223**	**–**	**–**	**10,223**

2013

Amounts included in the measure of segment profit or loss or segment assets:

	Iron RMB'000	Nickel RMB'000	Gold RMB'000	Total RMB'000
Addition to non-current assets	281,375	101,895	173,423	556,693
Depreciation and amortisation	102,198	14,491	938	117,627
Impairment loss of property, plant and equipment	3,996	–	–	3,996
Loss on disposal of property, plant and equipment	794	25	–	819

Revenue from major products and services

There is sole product for iron and nickel segment, iron ore concentrates and nickel ore, respectively.

8. REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

(b) Segment information *(continued)*

Geographical information

The Group's operations are located on PRC, Indonesia and Australia.

Information about the Group's revenue from continuing operations from external customers is presented based on the location of the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers Year ended		**Non-current assets**	
	31/12/2014	31/12/2013	**31/12/2014**	31/12/2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
PRC	**1,356,037**	1,383,843	**1,737,319**	1,798,204
Indonesia	**12,615**	71,662	**755,781**	726,364
Australia	**–**	–	**311,304**	173,801
	1,368,652	1,455,505	**2,804,404**	2,698,369

Note: Non-current assets excluded deposit on acquisition of property, plant and equipment, loan receivable from a third party, restricted cash and deferred tax assets.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are all from iron ore concentrates and as follows:

	2014	2013
	RMB'000	RMB'000
Customer A	**890,171**	805,815
Customer B	**N/A**	286,979
Customer C	**194,155**	222,598

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9. INVESTMENT AND OTHER INCOME

	2014 RMB'000	2013 RMB'000
Bank interest income	**22,168**	6,448
Government grants (note)	**412**	375
Dividends from equity investments	**946**	598
Others	**802**	255
	24,328	7,676

Note: 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.

10. OTHER EXPENSES AND LOSSES

	2014 RMB'000	2013 RMB'000
Net foreign exchange loss	**14,557**	35,873
Loss on disposal of property, plant and equipment	**10,223**	819
Donations	**380**	1,510
Impairment loss on financial assets		
– Available-for-sale equity investments	**21,747**	–
Others	**2,159**	509
	49,066	38,711

11. FINANCE COSTS

	2014 RMB'000	2013 RMB'000
Interests on bank borrowings wholly repayable within five years	**96,443**	80,162
Interests on bills discounted with no recourse	**1,444**	14,923
Imputed interest of consideration payable	**14,343**	26,856
Unwind of discounts on provisions	**1,134**	1,237
	113,364	123,178

12. PROFIT BEFORE TAX

Profit before taxation has been arrived at after charging:

	2014 RMB'000	2013 RMB'000
Cost of inventories recognised as an expense	**765,997**	562,484
Auditors' remuneration	**2,500**	2,500
Release of prepaid lease payments	**51,982**	46,945
Impairment loss of property, plant and equipment	**7,909**	3,996
Write-down of inventories (included in cost of sales)	**7,693**	1,455
Impairment loss (reversal of impairment) on other receivables	**1,189**	(117)
Depreciation and amortisation:		
– Property, plant and equipment	**172,527**	96,212
– Intangible assets (included in cost of sales and administrative expenses)	**15,114**	21,418
	187,641	117,630
Staff costs (including directors):		
– Salary and other benefits	**155,640**	211,784
– Retirement benefits scheme contributions	**21,947**	20,653
	177,587	232,437

13. INCOME TAX EXPENSE

	2014 RMB'000	2013 RMB'000
Income tax expenses comprise:		
PRC enterprise income tax ("EIT") – current	**56,999**	124,486
Under provision in prior years	**1,102**	757
Deferred tax – current year (Note 21)	**(1,999)**	(1,324)
	56,102	123,919

13. INCOME TAX EXPENSE *(CONTINUED)*

The subsidiaries established in the PRC are subject to PRC enterprise income tax at a statutory tax rate of 25%.

China Hanking Investment Limited ("Hanking Investment"), China Hanking (BVI) International Limited ("Hanking International") and Hanking Indonesia were incorporated in the British Virgin Islands ("BVI") and are not subject to income tax of any jurisdiction during the year (2013: nil).

China Hanking Hong Kong Limited ("Hanking HK"), Denway Development Limited, City Globe Limited and Harvest Globe Limited were incorporated in Hong Kong and Hong Kong Profits Tax rate is 16.5% (2013: 16.5%).

Hanking Australia Pty Ltd. ("Hanking Australia") and Hanking Gold Mining Pty Ltd. were incorporated in Australia and Australia profits tax rate is 30% (2013: 30%).

Subsidiaries of Hanking Indonesia were incorporated in Indonesia and Indonesia profits tax rate is 25% (2013: 25%).

No provision for taxation in Hong Kong, Australia and Indonesia has been made as the Group does not have assessable profit derived from these jurisdictions (2013: nil).

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

	2014 **RMB'000**	2013 RMB'000
Profit before tax	**33,213**	277,508
Tax at the PRC income tax rate of 25% (2013: 25%)	**8,303**	69,377
Tax effect of expenses that are not deductible for tax purpose	**7,149**	14,294
Tax effect of income that are not taxable for tax purpose	**–**	(1,597)
Effect of different tax rate of subsidiaries	**(526)**	9,427
Tax effect of tax losses/deductible temporary differences not recognised	**43,660**	32,306
Utilisation of deductible temporary differences not recognised in prior years	**(3,586)**	(645)
Under provision in prior years	**1,102**	757
	56,102	123,919

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the 13 (2013: 12) directors were as follows:

	For the year ended 31 December 2014				
	Directors' fees RMB'000	Retirement benefit scheme contributions RMB'000	Salary, wages and other allowance RMB'000	Performance incentive payments RMB'000	Total RMB'000
Executive directors:					
– Pan Guocheng	840	130	1,760	–	2,730
– Yang Jiye	400	49	450	–	899
– Zheng Xuezhi	–	161	605	568	1,334
– Xia Zhuo	–	163	561	163	887
– Qiu Yumin	–	175	1,864	–	2,039
Non-executive directors:					
– Yang Min	1,600	–	–	–	1,600
– Lee Jue	159	–	–	–	159
– Lan Fusheng	159	–	–	–	159
Independent non-executive directors:					
– Chen Yuchuan (resigned on 26 August 2014)	106	–	–	–	106
– Wang Ping	199	–	–	–	199
– Johnson Fu	199	–	–	–	199
– Wang Anjian	159	–	–	–	159
– Jiang Zhouhua (appointed on 30 October 2014)	19	–	–	–	19
	3,840	678	5,240	731	10,489

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(CONTINUED)*

	For the year ended 31 December 2013					
	Directors' fees RMB'000	Retirement benefit scheme contributions RMB'000	Salary, wages and other allowance RMB'000	Share-base payments RMB'000	Performance incentive payments RMB'000	Total RMB'000
Executive directors:						
– Pan Guocheng	–	–	3,000	6,001	1,022	10,023
– Zheng Xuezhi	–	43	622	3,077	453	4,195
– Xia Zhuo	–	36	740	–	375	1,151
– Qiu Yumin	–	–	1,547	–	200	1,747
Non-executive directors:						
– Yang Min	1,800	–	–	–	–	1,800
– Yang Jiye	600	–	–	–	–	600
– Lee Jue	96	–	–	–	–	96
– Lan Fusheng	96	–	–	–	–	96
Independent non-executive directors:						
– Chen Yuchuan	231	–	–	–	–	231
– Wang Ping	199	–	–	–	–	199
– Johnson Fu	199	–	–	–	–	199
– Wang Anjian	137	–	–	–	–	137
	3,358	79	5,909	9,078	2,050	20,474

Mr Pan Guocheng is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

The performance related payment is mainly determined on the basis of the Group's and individual performance for each of years ended 31 December 2014 and 2013.

In the year ended 31 December 2014, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any remuneration in the year ended 31 December 2014.

15. EMPLOYEES' EMOLUMENTS

During the year, the five highest paid individuals included 4 directors (2013: three directors), details of whose emoluments are set out in Note 14. The emoluments of the remaining one highest paid individual of 2014 were as follows:

	Salaries and other benefits RMB'000	Share-based payments RMB'000	Retirements benefits scheme contributions RMB'000	Performance incentive payments RMB'000	Total RMB'000
2014	**1,365**	**–**	**379**	**10**	**1,754**
2013	1,457	3,315	63	917	5,752

Their emoluments were within the following bands:

	2014 No. of employees	2013 No. of employees
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$2,500,000	**1**	–
HK$2,500,001 to HK$3,000,000	**–**	–
Above HK$3,000,000	**–**	2

16. DIVIDENDS

	2014 RMB'000	2013 RMB'000
Dividends recognised as distribution during the year:		
2013 Final – RMB2.0 cents		
(2013: 2012 Final – RMB2.0 cents) per share	**36,600**	36,600

The directors of the Company did not propose final dividend in respect of the year ended 31 December 2014 (2013: final dividend of RMB2.0 cents per share in respect of the year ended 31 December 2013 (total: RMB36,600,000)).

17. 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 RMB8,990,000 (2013: RMB192,661,000) and the weighted average number of 1,830,000,000 shares (2013: 1,830,000,000 shares).

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 2014 and 2013.

18. PROPERTY, PLANT AND EQUIPMENT

	Freehold lands RMB'000	Buildings RMB'000	Mining structure RMB'000	Plant and machinery RMB'000	Other equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST								
At 1 January 2013	5,892	280,815	–	232,497	13,008	207,854	400,032	1,140,098
Additions	–	15,480	–	137,579	4,954	24,872	407,188	590,073
Transfer	–	158,711	253,920	81,939	251	4,514	(499,335)	–
Disposals	–	(4,757)	–	(4,608)	(17)	(6,901)	–	(16,283)
Effect of foreign currency exchange differences	(1,362)	(5,091)	–	(9,130)	(540)	(977)	(2,379)	(19,479)
At 31 December 2013	4,530	445,158	253,920	438,277	17,656	229,362	305,506	1,694,409
Additions	–	1,913	–	14,633	4,703	23,576	235,116	279,941
Transfer	–	16,599	11,958	168,861	512	–	(197,930)	–
Disposals	–	(6,466)	(1,742)	(31,894)	(258)	(27,818)	–	(68,178)
Effect of foreign currency exchange differences	(73)	(1,492)	–	(5,428)	(138)	(363)	(810)	(8,304)
At 31 December 2014	4,457	455,712	264,136	584,449	22,475	224,757	341,882	1,897,868
ACCUMULATED DEPRECIATION AND IMPAIRMENT								
At 1 January 2013	–	31,598	–	101,699	5,921	95,362	–	234,580
Provided for the year	–	16,015	7,175	32,366	4,307	36,349	–	96,212
Impairment losses recognised in profit or loss	–	1,364	–	2,632	–	–	–	3,996
Elimination on disposals	–	(4,243)	–	(4,393)	(8)	(6,408)	–	(15,052)
Effect of foreign currency exchange differences	–	(144)	–	(1,039)	(144)	(231)	–	(1,558)
At 31 December 2013	–	44,590	7,175	131,265	10,076	125,072	–	318,178
Provided for the year	–	23,693	50,917	57,029	3,659	37,229	–	172,527
Impairment losses recognised in profit or loss	–	3,497	–	3,175	11	128	1,098	7,909
Elimination on disposals	–	(4,037)	–	(22,541)	(235)	(24,590)	–	(51,403)
Effect of foreign currency exchange differences	–	(59)	–	(186)	(41)	(41)	–	(327)
At 31 December 2014	–	67,684	58,092	168,742	13,470	137,798	1,098	446,884
CARRYING VALUES								
At 31 December 2013	4,530	400,568	246,745	307,012	7,580	104,290	305,506	1,376,231
At 31 December 2014	4,457	388,028	206,044	415,707	9,005	86,959	340,784	1,450,984

18. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

The Group is in the process of applying for the title certificates for certain properties with carrying amount of RMB239,824,000 as at 31 December 2014 (31 December 2013: RMB217,529,000).

The above items of property, plant and equipment, after taking into account their estimated residual value, are depreciated on a straight-line basis within the following period:

Buildings	13 to 20 years
Plant and machinery	3 to 10 years
Other equipment	3 to 5 years
Motor vehicles	3 to 8 years

The freehold lands are located in Indonesia.

The mining structures include the main and auxiliary mine shafts and underground tunnels. Depreciation is provided to write off the cost of the mining structures using the units of production method based on the estimated production volume for which the structure was designed and the estimated mining lives.

During the year, as a result of the termination of production in a manufactory plant, the Group carried out a review of the recoverable amount of related buildings and plant and equipment. The review led to the recognition of an recognised impairment loss of RMB7,909,000 for the year ended 31 December 2014 (2013: RMB3,996,000), which has been recognized in profit or loss.

These assets have been impaired in full as the recoverable amount is insignificant in the opinion of the directors.

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19. INTANGILBE ASSETS

	Software RMB'000	Mining rights RMB'000	Exploration and evaluation assets RMB'000	Total RMB'000
COST				
At 1 January 2013	4,338	974,337	28,015	1,006,690
Addition	3,504	–	103,615	107,119
Transfer	–	28,015	(28,015)	–
Effect of foreign currency exchange differences	(96)	–	(5,763)	(5,859)
At 31 December 2013	7,746	1,002,352	97,852	1,107,950
Addition	883	88,288	7,734	96,905
Transfer	–	68,544	(68,544)	–
Effect of foreign currency exchange differences	(157)	(7,336)	(50)	(7,543)
At 31 December 2014	8,472	1,151,848	36,992	1,197,312
AMORTISATION				
At 1 January 2013	1,842	120,128	–	121,970
Amortisation for the year	1,244	20,174	–	21,418
Effect of foreign currency exchange differences	(41)	(2)	–	(43)
At 31 December 2013	3,045	140,300	–	143,345
Amortisation for the year	1,188	13,926	–	15,114
Effect of foreign currency exchange differences	(33)	–	–	(33)
At 31 December 2014	4,200	154,226	–	158,426
CARRYING VALUES				
At 31 December 2013	4,701	862,052	97,852	964,605
At 31 December 2014	4,272	997,622	36,992	1,038,886

19. INTANGILBE ASSETS *(CONTINUED)*

The above intangible assets have definite useful lives. Software is amortised on a straight-line basis over five years; mining rights are amortised over the estimated useful lives of the mines in accordance with the production plans of the entities concerned and the proved and probable reserves of the mines using the units of production method.

As at 31 December 2014, the Company has pledged mining rights of having a net book value of approximately RMB284,404,000 (31 December 2013: RMB287,150,000) to secure the bank borrowings of RMB887,758,000 (31 December 2013: RMB500,000,000).

Exploration and evaluation assets include iron-ore mining located in the PRC and a gold mine located in Australia. The feasibility study regarding the iron-ore mining was completed and commenced to operation, accordingly the exploration and evaluation assets was transferred to mining assets during the year ended 31 December 2014. The gold mine area was in the stage of geological prospecting and the cost was recorded as exploration and evaluation assets as at 31 December 2014.

20. PREPAID LEASE PAYMENTS

	31/12/2014 RMB'000	31/12/2013 RMB'000
Analysed for the reporting purpose as:		
Current portion	**63,100**	45,123
Non-current portion	**314,534**	357,533
	377,634	402,656

The prepaid lease payments were amortised over the benefit periods from 5 to 50 years. Amount of RMB253,225,000 (31 December 2013: RMB275,843,000), represented the pre-paid rental to various farmers and no land certificates for these pre-paid rental have been obtained.

As at 31 December 2014, the Company has pledged prepaid lease payments with the carrying amount of RMB15,006,000 (31 December 2013: RMB15,337,000) have been pledged to secure the advance from customer of RMB30,000,000 (31 December 2013: RMB60,000,000) (Note 28).

21. DEFERRED TAXATION

The following are the major deferred tax assets recognised and movements thereon during the current and prior years:

	Doubtful debts	Accelerated accounting depreciation	Accrued expenses	Tax Loss	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013	448	2,795	908	1,001	5,152
Credit (charge) to profit or loss	–	239	1,319	(234)	1,324
At 31 December 2013	448	3,034	2,227	767	6,476
Credit to profit or loss	297	205	536	961	1,999
At 31 December 2014	**745**	**3,239**	**2,763**	**1,728**	**8,475**

At 31 December 2014, the Group has unused tax losses of RMB331,603,000 (31 December 2013: RMB196,934,000) available for offset against future profits. Tax losses of RMB324,691,000 (31 December 2013: RMB193,866,000) has not been recognised due to the unpredictability of future profit streams.

The unrecognised tax losses which are not recognised as deferred tax assets will expire in the following years:

	31/12/2014	31/12/2013
	RMB'000	RMB'000
2015	**4,019**	4,659
2016	**15,211**	16,878
2017	**41,007**	44,561
2018	**116,401**	114,132
2019	**124,417**	–
Unlimited	**23,636**	13,636
	324,691	193,866

Except for the above temporary differences, at the end of the reporting period the Group has other deductible temporary differences of RMB21,330,000 (31 December 2013: RMB1,455,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Under EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary difference attributable to accumulated profit of the PRC subsidiaries amounting to RMB1,795 million (2013: RMB1,172 million), as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

22. LOAN RECEIVABLE FROM A THIRD PARTY

The amount mainly represented advance to the government of Shangma Township, Fushun County (撫順縣上馬鄉) for the purpose of reallocation of local farmers. The amount was unsecured, interest free and expected to be collected after one year.

23. RESTRICTED CASH

As at 31 December 2014, the restricted cash of Hanking Australia amounted to RMB4,014,000 (31 December 2013: RMB47,103,000) represented unconditional performance bonds which is administered by the Environment Division of the Department of Mines and Petroleum of Australia as security for mine operators to meet the rehabilitation requirements on its tenements.

24. INVENTORIES

	31/12/2014 RMB'000	31/12/2013 RMB'000
Auxiliary materials	**63,804**	59,726
Work in progress	**38,367**	54,914
Finished goods	**35,135**	55,668
	137,306	170,308

25. TRADE AND OTHER RECEIVABLES

	31/12/2014 RMB'000	31/12/2013 RMB'000
Trade receivables		
– related parties	**36,569**	8,776
– third parties	**88,253**	57,266
	124,822	66,042
– bills receivables	**209,955**	128,848
	334,777	194,890
Other receivables		
– advance to suppliers	**17,016**	15,868
– interest receivable on bank deposits	**10,413**	755
– deposits (note)	**26,840**	24,091
– deposits for resource tax	**123,912**	145,911
– value-added tax recoverable	**23,079**	11,427
– staff advances	**13,827**	5,636
– others	**22,155**	23,562
	237,242	227,250
Total trade and other receivables	**572,019**	422,140

Note: The amount represented various environment protection deposits required under the relevant PRC regulations for fulfilling, to fulfill the environmental obligation during the mining process.

The Group allows an average credit period of 7 days to its customers of iron ore concentrates and 15 days to its customers of nickel ore. 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.

	31/12/2014 RMB'000	31/12/2013 RMB'000
Within 7 days	**33,044**	64,713
8 days to 3 months	**91,778**	1,329
	124,822	66,042

25. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

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.

Movement in the allowance for trade receivable

	2014 **RMB'000**	2013 RMB'000
Opening and closing balance	**182**	182

According to the credit period policy of the Group, the trade receivables due from third parties which has an ageing over 7 days and trade receivables due from related parties which has an ageing over 90 days of its iron ore customers, and trade receivables due from third parties which has an ageing over 15 days of its nickel ore were regarded as past due. Ageing of trade receivables which are past due but not impaired is analysed as follow:

	31/12/2014 **RMB'000**	31/12/2013 RMB'000
8 days to 3 months	**91,778**	1,329

The Group did not provide an allowance on the remaining past due receivables as there has not been a significant change in credit quality and the amounts are still considered recoverable based on the historical experience and subsequent settlement. The Group does not hold any collateral over these balances.

Movement of allowance for doubtful debts on other receivables

	2014 **RMB'000**	2013 RMB'000
Opening balance	**1,604**	1,721
Impairment losses recognised	**1,189**	–
Impairment losses reversed	**–**	(117)
Closing balance	**2,793**	1,604

26. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31/12/2014 RMB'000	31/12/2013 RMB'000
Listed investments at fair value	**8,695**	47,175

The listed investments represents the Group's equity interests in two companies listed on Australian Securities Exchange. The investments are measured at fair value at the end of the reporting period.

27. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

Bank balances and cash of the Group comprise cash and short term bank deposits with an original maturity of three months or less. The bank balances carry variable interest rates of 0.35% (2013: 0.35%) per annum.

The pledged bank deposits at 31 December 2014 were for the purpose of issuance of letter of guarantee and carried fixed interest rate of 3.30%-4.55% per annum.

The bank balances which are denominated in the USD, HKD and AUD, foreign currency of the respective group entities, are as follows:

	31/12/2014 RMB'000	31/12/2013 RMB'000
USD	**199,749**	159,641
HKD	**211**	1,011
AUD	**18**	11,841

28. TRADE AND OTHER PAYABLES

	31/12/2014 RMB'000	31/12/2013 RMB'000
Trade payable		
– related parties	**6,724**	6,970
– third parties	**77,840**	45,467
	84,564	52,437
– bills payable	**35,851**	7,345
	120,415	59,782
– advance from customer (note a)	**30,000**	78,291
– other tax payables	**14,018**	16,601
– payable of acquisition of property plant and equipment	**153,689**	131,306
– outsourced service payable	**6,586**	12,235
– transportation fee payable (note b)	**27,565**	13,930
– accrued expenses	**40,167**	7,953
– salary and bonus payables	**11,727**	9,112
– interest payable	**7,673**	2,830
– others	**14,019**	20,655
	305,444	292,913
	425,859	352,695

Notes:

a) As at 31 December 2014, the Group has pledged prepaid lease payments of having a carrying amount of approximately RMB15,006,000 (31 December 2013: 15,337,000) to secure the advance from a customer of RMB30,000,000 (31 December 2013: RMB60,000,000). For securing the supply of iron ore concentrates to the customer. The amount is interest-free and repayable on demand.

b) Amounts of approximately RMB10,555,000 (2013: RMB7,350,000) was due to Fushun Mingyang Transportation Co., Ltd. (撫順名揚運輸有限公司) as at 31 December 2014. Fushun Mingyang Transport Co., Ltd. is wholly owned by Mr. Yang Xinhuan, the nephew of Ms. Yang Min.

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:

	31/12/2014 RMB'000	31/12/2013 RMB'000
Within 3 months	**66,728**	44,739
3 months to 1 year	**14,108**	1,963
1 to 2 years	**1,384**	4,843
2 to 3 years	**1,528**	692
Over 3 years	**816**	200
	84,564	52,437

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29. BORROWINGS

	31/12/2014 RMB'000	31/12/2013 RMB'000
Secured bank loans		
Fixed-rate bank	**1,387,758**	950,000
Floating-rate (note)	**838,410**	848,095
	2,226,168	1,798,095
Unsecured fixed-rate loans	**–**	70,000
	2,226,168	1,868,095
Amount repayable:		
Due within one year (amount shown under current liabilities)	**1,636,485**	1,385,444
More than one year, but not exceeding two years (amount shown under non-current liabilities)	**589,683**	482,651
	2,226,168	1,868,095
Effective interest rates of bank borrowings	**5.58%**	4.34%

Note: The floating-rate bank loans of RMB40,000,000 carry interest at 108% of the interest rate of RMB loan promulgated by the People's Bank of China. The USD loans of RMB798,410,000 carry 3-month LIBOR plus 100-255 base points of the interest rate.

The bank borrowings of RMB887,758,000 (31 December 2013: RMB500,000,000) were secured by the mining rights with the carrying amounts of RMB284,404,000 (31 December 2013: RMB287,150,000). The bank borrowings of RMB798,410,000 were (31 December 2013: RMB798,095,000) secured by the letter of credit of the Group. The bank borrowings of RMB540,000,000 (31 December 2013: RMB170,000,000) were guaranteed by the related parties Ms. Yang Ming and Hanking Industrial Group Co., Ltd.. At 31 December 2013, bank borrowings of RMB330,000,000 were secured by bank deposits of RMB460,000,000.

30. LOANS PAYABLE TO A NON-CONTROLLING INTEREST OF A SUBSIDIARY

The amount of RMB3,173,000 as at 31 December 2014 (31 December 2013: RMB3,873,000) are interest free, unsecured and repayable on demand.

31. CONSIDERATION PAYABLE

	31/12/2014 **RMB'000**	31/12/2013 RMB'000
Analysed for the reporting purpose as:		
Current portion	**82,683**	86,943
Non-current portion	**206,652**	355,261
	289,335	442,204

The amount as at 31 December 2014 and 2013 represented:

(a) Denway Development Limited, a subsidiary of Hanking Indonesia, acquired 75% equity interest of PT Konutara Sejati ("KS") and PT Karyatama Kona Utara ("KKU") from the independent third parties during the year of 2011. City Globe Limited, which is also a subsidiary of Hanking Indonesia, acquired 75% equity interest of PT Konutara Prima ("KP") from the independent third parties during the year of 2012. KS, KKU and KP are established in Indonesia.

As at 31 December 2014, the consideration payable for acquisition of KS, KKU and KP of RMB277,665,000 (31 December 2013: RMB250,393,000) was recognised at amortised cost using the effective interest method at the date of acquisition. According to the acquisition agreements, it will be repaid on installment basis by reference to the progress of mining development with last payment fall due in the year of 2032. The amount of RMB71,013,000 (31 December 2013: RMB86,943,000) repayable within the next twelve months is classified under current portion which is calculated based on directors' estimation on the project development progress.

(b) The remaining balance of RMB11,670,000 at 31 December 2014 (31 December 2013: RMB191,811,000) represented the consideration payable to Evergreen Mining Limited arising from the acquisition of 70% equity of Hanking Indonesia. The amount should be repayable within the next twelve months, accordingly, the amount is classified as non-current portion.

32. REHABILITATION PROVISION

	31/12/2014 RMB'000	31/12/2013 RMB'000
At 1 January	**71,115**	833
Acquisition	**–**	59,851
Unwind of discount	**1,134**	1,122
Provisions made during the year	**994**	9,485
Effect of foreign currency exchange differences	**(5,153)**	(176)
At 31 December	**68,090**	71,115

33. SHARE CAPITAL

The amount as at 31 December 2014 and 2013 represented the issued share capital of the Company. Details of movement of share capital of the Company are as follow:

	Number of shares		Share capital	
	2014 '000	2013 '000	**2014 RMB'000**	2013 RMB'000
Ordinary shares of HK$0.1 each				
Authorised				
At 1 January and 31 December 2014	**10,000,000**	10,000,000	**N/A**	N/A
Issued				
At 1 January and 31 December 2014	**1,830,000**	1,830,000	**149,137**	149,137

All shares in issue rank pari passu in all respects.

34. CAPITAL COMMITMENTS

	2014 RMB'000	2013 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**423,914**	340,455

35. OPERATING LEASES

The Group as lessee

	2014 RMB'000	2013 RMB'000
Minimum lease payments paid under operating leases during the year:		
– Plant and machinery	**5,229**	5,781
– Premises	**5,380**	5,829
	10,609	11,610

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2014 RMB'000	2013 RMB'000
Within one year	**890**	875
In the second to fifth years inclusive	**56**	2,133
	946	3,008

36. RETIREMENT BENEFIT PLANS

The employees of the Group in the PRC are members of a state-managed retirement benefits scheme operated by the PRC government. The Group is required to contribute a specified percentage of its payroll costs to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions under the scheme.

The amounts of contributions made by the Group in respect of the retirement benefit scheme are disclosed in Note 12.

37. RELATED PARTY TRANSACTIONS

During the year, save as disclosed elsewhere in the consolidated financial statements, the Group had the following related party transactions:

	2014 RMB'000	2013 RMB'000
Sales of goods to		
Dalian Huaren Trade Co., Ltd.		
大連華仁貿易有限公司 (note a & d)	**105,832**	286,979
撫順德山貿易有限公司 (note c & d)	**120,995**	–
	226,827	286,979
Material purchased from		
Shanghai Hanking International Trade Co., Ltd.		
上海罕王國際貿易有限公司 (note a)	**–**	1,400
Fushun Hanking Department Store.		
撫順罕王商場有限公司 (note a)	**–**	4
	–	1,404
Processing fee charged by:		
Benxi Hanking Iron Processing Co. Ltd.		
本溪罕王鐵選有限公司 (note a)	**28,045**	32,071
Rental expense charged by:		
Shenyang Shengtai Property Management Co., Ltd.		
瀋陽盛泰物業管理有限公司 (note a)	**3,761**	4,190
Transportation fee charged by:		
Fushun Mingyang Transport Co., Ltd.		
撫順名揚運輸有限公司 (note b)	**24,037**	25,926

Note:

(a) These companies are the related parties which are controlled by Ms. Yang Min.

(b) Fushun Mingyang Transport Co., Ltd. is wholly owned by Mr. Yang Xinhuan, the nephew of Ms. Yang Min.

(c) Fushen Deshan Trade Co., Ltd. is wholly owned by Mr. He Baoxian, the father-in-law of Mr. Yang Jiye.

(d) Dalian Huaren Trade Co., Ltd. and Fushun Deshan Trade Co., Ltd. acted as an agent of Fushun Hanking D.R.I Co., Ltd. to purchase the iron ore concentrates from the Group.

Except those disclosed in Notes 14 and 15 for directors and employees' emoluments, no compensation was made to other key management personnel of the Group.

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

General information of subsidiaries

Details of the Group's subsidiaries at the end of the reporting period are set out below.

Name of subsidiary	Principal activity	Place of Incorporation/ establishment and operation	Issued and fully paid up share capital/ registered capital	Proportion of ownership interest and voting power held by the Group	
				31 December 2013 %	31 December 2014 %
Directly held:					
Hanking Investment	Investment holding	The British Virgin Island ("BVI")	Ordinary shares USD1.00	100.00	100.00
Hanking Australia Pty Ltd	Investment holding	Australia	Ordinary shares AUD100.00	100.00	100.00
Hanking Indonesia	Investment holding	BVI	Ordinary shares USD10	70.00	70.00
Indirectly held:					
Hanking HK	Investment holding	Hong Kong	Ordinary shares HK$1.00	100.00	100.00
Hanking International	Investment holding	BVI	Ordinary shares USD1.00	100.00	100.00
STSU (公用設施)	Sales of iron ore mining products	PRC	Registered and paid-in capital USD84,000,000	100.00	100.00
Shenyang Yuanzheng (瀋陽元正)	Sales of iron ore mining products	PRC	Registered and paid-in capital RMB5,000,000	100.00	100.00
Aoniu Mining (傲牛礦業)	Sales of iron ore mining products	RPC	Registered and paid-in capital RMB100,000,000	100.00	100.00
Maogong Mining (毛公礦業)	Sales of iron ore mining products	PRC	Registered and paid-in capital RMB5,000,000	100.00	100.00
Xingzhou Mining (興洲礦業)	Sales of iron ore mining products	PRC	Registered and paid-in capital RMB2,000,000	100.00	100.00
Hanking Mining (Hongkong) Limited (罕王礦業(香港)有限公司)	Investment Holding	Hong Kong	Ordinary shares USD9,900,000	100.00	100.00
Yingkou Xingwang (營口鑫旺)	Sales of nickel metal products	PRC	Registered and paid-in capital RMB11,110,000	55.00	55.00
Benxi Mining (本溪礦業)	Sales of iron ore mining products	PRC	Registered and paid-in capital RMB20,000,000	100.00	100.00

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(CONTINUED)*

General information of subsidiaries *(continued)*

Name of subsidiary	Principal activity	Place of Incorporation/ establishment and operation	Issued and fully paid up share capital/ registered capital	Proportion of ownership interest and voting power held by the Group	
				31 December 2013 %	31 December 2014 %
Shangma Mining (上馬礦業)	Sales of iron ore mining products	PRC	Registered and paid-in capital RMB5,000,000	100.00	100.00
Agriculture and Forestry Development	Sales of agricual and forestry products	PRC	Registered and paid-in capital RMB500,000	N/A	100.00
City Globe Limited	Investment Holding	Hong Kong	Ordinary shares HKD10,000	70.00	70.00
PT Konutara Prima	Investment holding	Indonesia	Ordinary shares IDR27,600,000,000	52.50	52.50
Denway Development Limited	Investment Holding	Hong Kong	Ordinary shares HKD10,000	70.00	70.00
PT Konutara Sejati	Sales of nickel ore mining products	Indonesia	Ordinary shares IDR66,800,000,000	52.50	52.50
PT Karyatama Kona Utara	Investment Holding	Indonesia	Ordinary shares IDR66,800,000,000	52.50	52.50
Harvest Globe Limited	Investment Holding	Hong Kong	Ordinary shares HKD10,000	52.50	52.50
Harvest (Shenyang) Trading Limited	Sales of nickel ore mining products	PRC	Ordinary shares USD2,000,000	52.50	52.50
PT Hanking Makmur Nickel Smelt	Metal processing	Indonesia	Ordinary shares IDR28,177,500,000	N/A	75.00
Hanking Gold Mining Pty Ltd.	Investment holding	Australia	Ordinary shares AUD100.00	100.00	100.00

Notes:

(a) Wholly-owned foreign enterprise.

(b) Private owned enterprise with limited liability.

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(CONTINUED)*

General information of subsidiaries *(continued)*

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of Subsidiary	Place of Incorporation and principle place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interest		Accumulated non-controlling interests	
		31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013
				RMB'000	RMB'000	RMB'000	RMB'000
Hanking Indonesia (Note)	BVI Indonesia	30%	30%	(14,353)	(19,083)	226,482	253,772
Individually immaterial subsidiaries with non-controlling interests						1,976	5,502
						228,458	259,274

Note: The principle activity of Hanking Indonesia and its subsidiaries is sales and mine of nickel ore.

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38. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(CONTINUED)*

General information of subsidiaries *(CONTINUED)*

Details of non-wholly owned subsidiaries that have material non-controlling interests *(continued)*

The summarised financial information in respect of the Group's subsidiary that has material non-controlling interests, namely Hanking Indonesia at the end of the reporting period are set out below. The summarised financial information below represents amounts before intragroup elimination.

Hanking Indonesia and its subsidiaries

	31/12/2014 RMB'000	31/12/2013 RMB'000
Current assets	**67,305**	117,950
Non-current assets	**773,860**	739,565
Current liabilities	**347,855**	296,710
Non-current liabilities	**–**	–
Equity attributable to owners of the Company	**381,183**	438,619
Non-controlling interests	**112,127**	122,186

	For the year ended 31/12/2014 RMB'000	For the year ended 31/12/2013 RMB'000
Revenue	**12,615**	71,662
Expenses	**(74,679)**	(147,145)
Loss for the year	**(62,064)**	(75,483)
Other comprehensive loss	**(5,432)**	(10,111)
Total comprehensive loss	**(67,496)**	(85,594)
Loss attributable to owner of the Company	**(47,845)**	(60,522)
Loss attributable to non-controlling interests	**(14,219)**	(14,961)
	(62,064)	(75,483)
Total comprehensive Loss attributable to owner of the Company	**(57,436)**	(74,834)
Total comprehensive income attributable to non-controlling interests	**(10,060)**	(10,760)
	(67,496)	(85,594)
Dividends paid to non-controlling shareholders	**–**	–

39. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	31/12/2014 RMB'000	31/12/2013 RMB'000
Non-current Assets		
Amounts due from subsidiaries	**1,221,565**	1,233,529
Property, plant and equipment	**46**	54
	1,221,611	1,233,583
Current Assets		
Bank balances and cash	**3,197**	147,894
Others receivables	**4,243**	3,361
	7,440	151,255
Current Liabilities		
Borrowings	**508,727**	405,444
Consideration Payable (see note 31)	**11,670**	191,811
Others payables	**2,776**	2,455
Net Current Liabilities	**(515,733)**	(448,455)
Total Assets less Current Liabilities	**705,878**	785,128
Capital and Reserves		
Share capital (see note 33)	**149,137**	149,137
Reserves	**267,058**	343,340
Total equity	**416,195**	492,477
Non-current Liabilities		
Borrowings	**289,683**	292,651
	705,878	785,128

Note: As of 31 December 2014 and 2013, the Company had investment of one ordinary share of USD$1 each in Hanking Investment.

39. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(CONTINUED)*

Movement in reserve

	Share capital RMB'000	Special reserve RMB'000	Share premium and retained earnings RMB'000	Total RMB'000
At 1 January 2013	149,137	175,960	236,161	561,258
Profit and total comprehensive income for the year	–	17,104	(49,285)	(32,181)
Dividends	–	–	(36,600)	(36,600)
At 31 December 2013	149,137	193,064	150,276	492,477
Loss and total comprehensive expense for the year	–	–	(39,682)	(39,682)
Dividends	–	–	(36,600)	(36,600)
At 31 December 2014	**149,137**	**193,064**	**73,994**	**416,195**

DEFINITIONS

"Aoniu Mine"	located at Hou'an Town, Fushun City, an iron mine operated through Aoniu Mining, a subsidiary of the Company
"Aoniu Mining"	Fushun Hanking Aoniu Mining Limited (撫順罕王傲牛礦業股份有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
"Articles of Association"	the articles of association approved by the Company at the general meeting held on 16 September 2012, effective as from the time when the trading of the Company's shares commenced on the Stock Exchange of Hong Kong Limited and as amended from time to time
"AUD"	the lawful currency of Australia
"Australia"	The Commonwealth of Australia
"Australia Gold Project"	the Southern Cross Operation Gold Project located at the center of Yilgarn goldfield in Western Australia and operated through the Company's subsidiary Hanking Gold
"Benxi Iron Processing"	Benxi Hanking Iron Processing Co., Ltd. (本溪罕王鐵選有限公司), a limited liability company established in the PRC
"Benxi Mine"	located at Benxi City, an iron mine operated through Benxi Mining, a subsidiary of the Company
"Benxi Mining"	Benxi Hanking Mining Co., Ltd. (本溪罕王礦業有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
"Board"	the board of Directors of the Company
"BSM"	PT Bhumi Swadaya Mineral, a limited company established in Indonesia, which operates Jetty BSM owned by itself
"China" or "PRC"	the People's Republic of China. For the purpose of this report, references in this report to the PRC or China do not include Hong Kong, Macau Special Administrative Region and Taiwan
"City Globe"	City Globe Limited, a limited liability company incorporated in Hong Kong which holds 75% equity interest in KP

DEFINITIONS

"Companies Ordinance"	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong (as amended from time to time)
"the Company" or "our Company" or "we"	China Hanking Holdings Limited
"Controlling Shareholders"	has the meaning ascribed to it in the Listing Rules and unless the context requires otherwise, refers to Ms. Yang Min, Mr. Yang Jiye, China Hanking (BVI) Limited, Bisney Success Limited and Best Excellence Limited
"Dalian Huaren"	Dalian Huaren Trade Co., Ltd. (大連華仁貿易有限公司), a limited liability company established in the PRC
"Denway Development"	Denway Development Limited, a limited liability company incorporated in Hong Kong which holds 75% equity interest in KS and KKU
"Directors"	the directors of the Company
"EBITDA"	the abbreviation of earnings before interest, taxes, depreciation and amortization
"Evergreen Mining"	Evergreen Mining Limited, a limited liability company incorporated in the BVI on 23 November 2012, an indirectly wholly-owned subsidiary of Hanking Group
"Fushun Hanking D.R.I."	Fushun Hanking D.R.I. Co., Ltd. (撫順罕王直接還原鐵有限公司), a limited liability company established in the PRC
"Fushun Shangma"	Fushun Hanking Shangma Mining Company Limited, a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
"the Group" or "Hanking"	China Hanking Holdings Limited and its subsidiaries
"Hanking Australia"	Hanking Australia Pty Ltd, a limited liability company established in Australia and a wholly-owned subsidiary of the Company
"Hanking Gold"	Hanking Gold Mining Pty Ltd, a limited liability company established in Australia and a wholly-owned subsidiary of the Company

DEFINITIONS

"Hanking Group"	Hanking Group Co., Limited (罕王實業集團有限公司), a limited liability company established in the PRC on 4 April 1996, whose shares are held by Ms. Yang Min (60.67%) and Mr. Yang Jiye (28.29%) and other individuals. Hanking Group is a holding company and is controlled by the Controlling Shareholders
"Hanking Indonesia"	Hanking (Indonesia) Mining Limited, a limited company established in the BVI and a non wholly-owned subsidiary of the Company
"Hanking Mining (Hong Kong)"	Hanking Mining (Hong Kong) Limited, a limited company established in Hong Kong and a wholly-owned subsidiary of the Company
"Harvest Globe"	Harvest Globe Limited, a limited liability company established in Hong Kong, a non wholly-owned subsidiary of Denway Development
"HMNS"	PT Hanking Makmur Nickel Smelt (罕王富域鎳冶煉有限公司), a limited company established in Indonesia and a non wholly-owned subsidiary of the Company
"HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Indicated Resource"	an indicated resource is one which has been sampled by drill holes or other sampling procedures at locations too widely spaced to ensure continuity, but close enough to give a reasonable indication of continuity and where geoscientific data are known with a reasonable level of reliability
"Inferred Resource"	an inferred resource is one where geoscientific evidence from drill holes or other sampling procedures is such that continuity cannot be predicted with confidence and where geoscientific data may not be known with a reasonable level of reliability
"Indonesia"	The Republic of Indonesia
"Indonesia nickel ore project"	laterite nickel project operated by the Company through KKU, KP and KS in North Konawe, the South-East Sulawesi of Indonesia
"Indonesian Rupiah"	the lawful currency of Indonesia

DEFINITIONS

"JORC"	Australasian Joint Ore Reserves Committee
"JORC Code"	JORC Code, 2012 Edition
"KKU"	PT Karyatama Konawe Utara, a limited company established in Indonesia, an indirectly non wholly-owned subsidiary of the Company
"km"	kilometers
"km^2"	square kilometers
"KP"	PT Konutara Prima, a limited company established in Indonesia, an indirectly non wholly-owned subsidiary of the Company
"KS"	PT Konutara Sejati, a limited company established in Indonesia, an indirectly non wholly-owned subsidiary of the Company
"Latest Practicable Date"	14 April 2015, being the latest practicable date for the purpose of ascertaining certain information contained in this annual report prior to its publication
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Maogong Mine"	located at Shiwen Town, Fushun City, an iron mine operated through Maogong Mining, a subsidiary of the Company
"Maogong Mining"	Fushun Hanking Maogong Mining Co., Ltd. (撫順罕王毛公鐵礦有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
"Mingcheng Transportation"	Fushun Mingcheng Transportation Co., Ltd. (撫順名城運輸有限公司), a limited liability company established in the PRC
"Mingyang Transport"	Fushun Mingyang Transport Co., Ltd. (撫順名揚運輸有限公司), a limited liability company established in the PRC, an affiliate of Fushun Mingcheng Transportation Co., Ltd. (撫順名城運輸有限公司)
"Northeastern Lion"	Northeastern Lion Limited, a limited company established in the BVI and currently renamed as Hanking (Indonesia) Mining Limited, which indirectly holds 75% equity interest in KKU, KS and KP
"Prospectus"	the prospectus of the Company published on 20 September 2012

DEFINITIONS

"Measured Resource"	a measured resource is one which the geologic feature, shape of the ore, occurrence, scale, ore quality, grade, as well as the mining technology condition and the continuity of the ore body have been ascertained according to the accuracy of prospecting in the mining area, the data that mineral deposit depended on is elaborate enough; and the one has high reliability
"RMB"	Renminbi Yuan, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended from time to time)
"Shangma Mine"	located at Fushun Shangma, an iron mine operated through Fushun Shangma, a subsidiary of the Company
"Share(s)"	ordinary share(s) of nominal value of HK$0.1 each in the share capital of the Company
"Shareholder(s)"	the holder(s) of the Share(s)
"Shengtai Property"	Shenyang Shengtai Properties Management Co., Ltd (瀋陽盛泰物業管理有限公司), a limited liability company established in the PRC
"SXO"	located at the center of Yilgarn goldfield in Western Australia (Southern Cross Operation, abbreviated as SXO)
"United States"	the United States of America
"US$" or "US dollars"	United States dollars, the lawful currency of the United States
"STSU"	Shenyang Toyo Steel Utility Co., Ltd (瀋陽東洋煉鋼公用設施有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
"Xingzhou Mine"	located at Dongzhou District, Fushun City, an iron mine operated through Xingzhou Mining, a subsidiary of the Company
"Xingzhou Mining"	Fushun Hanking Xingzhou Mining Limited (撫順罕王興洲礦業有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company