



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

罕王
HANKING

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 03788



ENVIRONMENTAL, SOCIAL &
GOVERNANCE REPORT
2014

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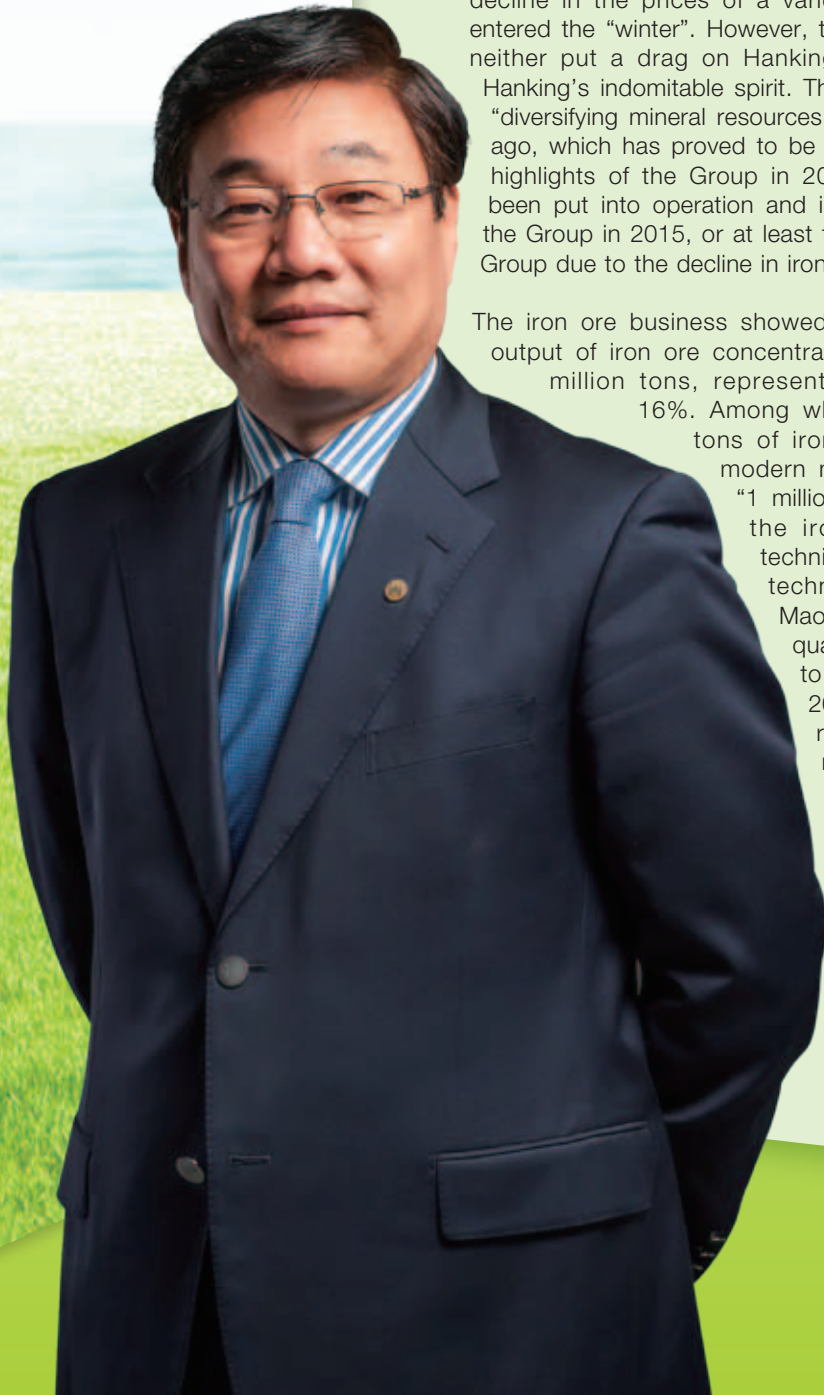
Chairman's Statement

In 2014, global mining market underwent tremendous changes with sharp decline in the prices of a variety of bulk minerals. Mining market has entered the “winter”. However, the dramatic changes in market conditions neither put a drag on Hanking’s steady development, nor weakened Hanking’s indomitable spirit. The Group had implemented the strategy of “diversifying mineral resources and internationalizing business” few years ago, which has proved to be a far-sighted decision. One of the biggest highlights of the Group in 2014 is that our Australian gold mine has been put into operation and is expected to make great contribution to the Group in 2015, or at least to offset part of the adverse impact on the Group due to the decline in iron ore prices.

The iron ore business showed rapid growth momentum. In 2014, the output of iron ore concentrates amounted to the record high of 1.9 million tons, representing a year-on-year increase of nearly 16%. Among which, Aoniu Mine produced 1.02 million tons of iron ore concentrates, becoming the first modern mine of Hanking with an output of over “1 million tons”. In response to market changes, the iron ore business adjusted production technique in a timely manner, and carried out technological transformation at Aoniu Mine, Maogong Mine and Benxi Mine to improve the quality of iron ore concentrates, in an effort to enhance profitability of the products. In 2014, the iron ore business achieved great results in mine exploration, leading to a new discovery of 9.7 million tons in iron ore resources, which contributes to the sustainable development of the Company.

Mr. Pan Guocheng

Chairman of the Board



The nickel business has achieved remarkable progress in project development and planning. As the implementation of the law prohibiting raw ore export promulgated by the Indonesia government, we accelerated the planning and fund raising for the construction of smelting project, while further refining the production process, park planning and site selection. We addressed issue regarding the sea gate of KS by opening up the seaway through the Pacific Ocean from the Jetty Molore. Site preparation for the smelting plant at Phase I of Jetty Molore was basically completed, and a road in length of 16 kilometers was constructed to connect the mine site with the North Park of Jetty BSM, forming a complete internal transportation system. There are also 8 berths for barges of over 3,000 tons at the Jetty BSM, with an annual capacity of over 5 million tons.

The gold business achieved marvelous results in all aspects. The Group has established a competent and efficient team with a full suite of professional skills for gold mine operation, laying a solid foundation for the long-term development of Hanking's gold business. It also completed the preliminary production planning and feasibility study for the Australia Gold Project, and designed and implemented the drilling project of the Cornishman gold mine. As of the end of last year, the total gold resources that complied with the JORC standards of the Australia Gold Project was 2.83 million ounces, an increase of 18% than that on acquisition. In August 2014, the Australian gold mine officially commenced open-pit stripping works of the Cornishman gold mine, with the average mining cost per ton significantly lower than the designed standard from the feasibility study. The production plan has been rolled out as scheduled.

Through top-level design of strategic positioning, cultural guidance and investment decisions, the Group has achieved comprehensive improvement and progress in terms of safety, environmental protection, community, health and other fields. A highly recognized corporate responsibility culture is the prerequisite for fulfilling social responsibilities in an all-round way as well as the basis for the value perception that is consistent and interlinked among the senior management, all employees and numerous partners. Through various means including training and promotion, the Group continues to enhance the culture advocating "corporate citizen responsibility", so that the management and frontline staff may reach consensus on the performance of social responsibility and voluntarily execute and fulfill all the targets set by the Group in term of social responsibility. As regards the development and utilization of resources, the Group, through innovation in concept, management and technology, continues to create new social values, and promotes harmony and mutual prosperity between the Company and investors, employees, customers, suppliers, communities, the public and government or non-governmental organizations, becoming a sophisticated international mining enterprise characterized by strong sense of responsibility, wide recognition and eco-development.

In order to fulfill the long-term enterprise development plan and provide the social environments with positive energy, the Group is developing a comprehensive value system to drive the sustainable development of the enterprise. The Group takes energy conservation, emission reduction and recycling economy into account throughout the processes of corporate strategic decisions, investment activities, business processes and operations management, and treats it as the new competitiveness and the efficiency growth point of the enterprise. The Group



has established the HSEC (health, safety, environmental protection and community) Committee for the macro planning of the Group's fulfillment of social responsibility and the supervision of the fulfillment of major responsibility, and further improved the organizational structure and management system of safety, environmental protection, health and community management.

To create the core value of investment is not only the need of Hanking for survival and development, but also the common aspiration of community and a wide range of stakeholders. The stakeholders include shareholders, employees, customers, governments, communities and business partners, etc. Effective communication with key stakeholders is one of the important parts of the Company's corporate social responsibility. The Investor Relations Department is one of the Company's main channels of external communication, and the management's roadshow is also an effective way to communicate. However, the execution team's communication with communities and governments is also important. In order to carry out effective communication, the Group has developed a comprehensive communication program, while establishing a regular communication mechanism to ensure close contact with key stakeholders related to its corporate social responsibility, with an aim to seek consensus, support and understanding. The Group has identified key areas of work and formulated implementation plans and approaches in respect of different units which will fulfill social responsibilities, and evaluates the effectiveness by assessment. Like other work, the Group will conduct periodic review and evaluation of the performance of all work related to its corporate social responsibility, such as the rationality of preliminary planning, stakeholders' satisfaction, problems arising from the execution of work, various indicators and standards, etc.

During the year of 2014, the Group continued to improve the Board's communication system, implemented reasonable semi-annual results announcement policy; held periodic Board meetings and general meetings, made timely notification about the Group's major policy adjustments and main operating effectiveness; improved the system of human resources and employees labor protection; coordinated to arrange and carry out the notification to and communication with relevant government authorities to strengthen the trust between the Group and the governments; and continued to enhance the mechanism of communication and coordination between mines and communities so as to promote the harmonious and steady development of the mines. The ultimate goal of all these work is to develop the Group into an international enterprise which meets the shareholders' satisfaction, is favored by employees and is trusted by the governments.

Accidents involving production safety and environmental protection occur frequently in mining industry. With the expansion of production scale and operation of gold mine, it has become the Group's usual practice in operation to keep enhancing its management on production safety and environmental protection, which is also the Group's priority in fulfilling its social responsibility. In 2014, the Group improved its production safety management system with effective fulfillment of the mines' production safety responsibility, and also enhanced the employees' awareness of production safety, thus all mines maintained good records of safety and environmental protection. As regards environmental protection and construction of green mines, the Group has done a lot of work and completed mine reclamation and afforestation projects for several hundred mu of forestland. While making efforts in well dealing with the village-enterprise relationship and government-corporate relationship, the Group was also actively involved in welfare activities of the communities, and has carried out "warmth-sending" activities to rural householders in hardship for three consecutive years, initiatively rendering affordable assistance for vulnerable groups of the communities. Guided by the process route of "more crushing and less grinding", Aoniu Mine and Maogong Mine, the two main mines of the Group, carried out technical innovations, introduced the technology of high-pressure grinding rolls and achieved significant results of "Energy Conservation and Efficiency Improvement", constantly improving the utilization of the iron ore resources.

As an important part of corporate social responsibility, the Group attaches great importance to operation compliance, good faith cooperation, cultural integration, employee care, as well as charity and public welfare, and, as a corporate citizen, continuously expands the breadth and depth of social responsibility fulfillment. On the basis of mid- to long-term planning and fulfillment, we will continue to improve the social responsibility working system, strengthen the responsibility governance and responsibility integration, continue with our pioneering innovations and strive for the maximum of the integrated value of economy, society and environment. We will continue to uphold the tenet of "Safe Mines, Harmonious Mines, Green Mines" and make unremitting efforts to protect our homeland of the "Beautiful Earth".



Foreword

About the report



The report is prepared in accordance with Appendix 27 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) – “Environmental, Social and Governance Reporting Guide”. As the second “Environmental, Social and Governance Report” released by the Company, the report mainly summarizes the performance of the Company in respect of corporate social responsibility in 2014, covering the iron ore business, nickel business and gold business owned by the Company and its subsidiaries (the “**Group**”).

The report, words used herein having the same meaning as defined in the “Annual Report 2014” of the Company, should be read in conjunction with the “Annual Report 2014” of the Company. The report shall be published both in Chinese and English. Should there be any discrepancy between the Chinese and the English versions, the Chinese version shall prevail. If you have any doubts or suggestions regarding the content of this report, please contact us by phone or email or regular mail. Our contact details are as follows:

China Hanking Holdings Limited
Investor Relations Department
Address: Room 511-512, Tower 2, Lippo Centre,
89 Queensway, Admiralty, Hong Kong
Tel: 852 3158 0506
Fax: 852 3158 0508
Email: ir@hanking.com
Website: <http://www.hankingmining.com>



Overview

Corporate introduction

China Hanking Holdings Limited (the “**Company**”) 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 business, gold business and nickel business). It is engaged in the exploration, mining, processing, smelting and selling of mineral resources located in the PRC, Indonesia and Australia. Upholding the core value of “people-oriented and business integrity” and adhering to the tenet of “safe mine, harmonious mine and green mine”, the Group actively performs the enterprises’ social responsibilities.

Iron ore business

The iron ore business is the core business of the Group and remains the major profit contributor to the Company. The Company has five operating iron ore mines, including Aoniu Mining, Maogong Mining, Benxi Mining, Xingzhou Mining and Fushun Shangma. Liaoning Province is one of the regions with the largest reserves of magnetite iron ore in the PRC. All the mines of Hanking are located at the famous Anshan-Benxi iron ore belt. The Company is engaged in exploration, mining, processing and selling of iron ore, producing iron ore concentrates at an average grade of 66%-69%. The overall annual iron ore processing capacity of our iron ore business reaches 10 million tons.

Nickel business

The Company operates the laterite nickel mine located in North Konawe Regency, South East Sulawesi, Indonesia through three project companies (i.e. KKU/KS/KP), and is engaged in the exploration, mining, smelting and selling of laterite nickel ore. Affected by the policy prohibiting raw ore export promulgated by the Indonesia government, mining and export activities of our nickel business were suspended in 2014, and focus of our work has been shifted to the construction of Hanking - BMS Industrial Park, where our nickel business is located, so as to lay foundation to promote construction of the smelter for the laterite nickel mine in the future.



Gold business

Hanking Gold operates the Australia gold project located at Yilgarn goldfield in Western Australia, which has sound production, transportation facilities and infrastructures, including a processing plant with an annual gold ore processing capacity of 2.4 million tons. In August 2014, production at the SXO gold mine officially commenced. According to the feasibility study report issued by a professional agency, the Company selected mine bodies that are suitable for mining with lower operation costs to conduct open-pit and underground mining activities, with an aim to maximize ore processing capacity and achieve the expected production capacity target.

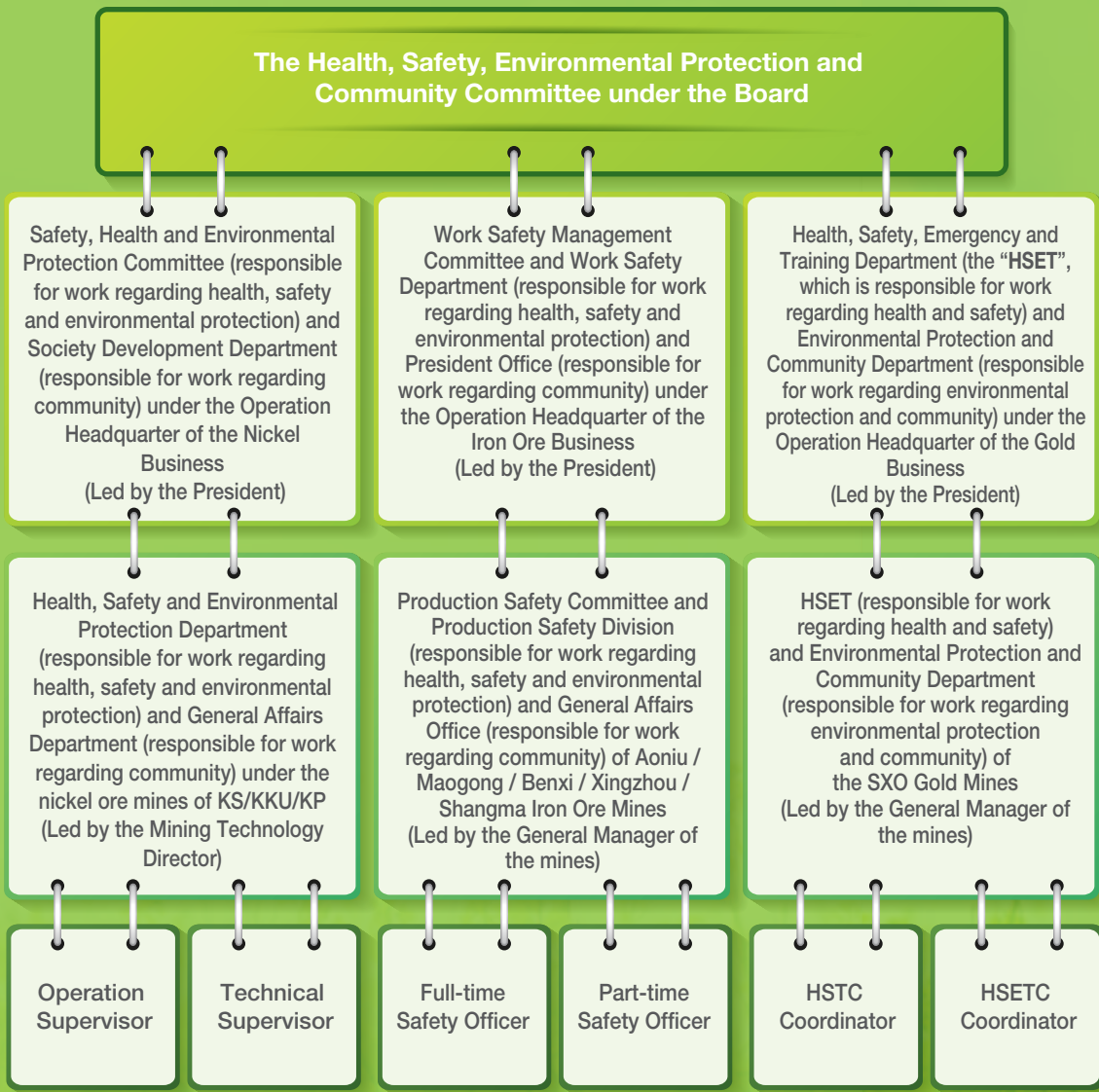
Health, safety, environmental protection and community organization of the Group

The Group has set up the multi-level health, safety, environmental protection and community organization from the Board to the production workshops at each mine. The Health, Safety, Environmental Protection and Community Committee under the Board is responsible for leading the works regarding health, safety, environmental protection and community across the Group, including establishing dedicated management organizations under the operation headquarters of iron ore, nickel and gold businesses to manage issues regarding health, safety, environmental protection and community within each business division, and establishing relevant enforcement organizations and appointing designated staff for each mine and their respective production workshops to enforce and supervise the implementation of relevant policies. In 2014, the health, safety, environmental protection and community organizations of each business division were further improved, forming an organization featured with definite responsibilities, strict implementation and effective supervision.



Health, Safety, Environmental Protection and Community Organization of the Group

The Health, Safety, Environmental Protection and Community Committee under the Board



Stakeholders' Involvement

The Company is committed to creating a win-win community for all parties, with an aim to promote the harmony and mutual prosperity between the Company and the associated organizations and individuals including investors, employees, customers, suppliers, communities, the public and governments (referred to as the **"Stakeholders"**), thereby achieving the maximum of social integrated benefits (including the maximum of enterprise earnings). Therefore, various channels are offered to the Stakeholders for participating in the operation of the Company, as well as understanding and supervising our operation conditions.





In 2014, guided by the tenet of “safe mine, green mine and harmonious mine”, the Group made great efforts to build itself into a new modernized mining enterprise featured with harmony, cooperation, development, health, safety, environmental protection, compliance and responsibility, committed to becoming an excellent enterprise which is satisfied by shareholders, favored by employees and recognized by society.



| The Company's Stakeholders' Involvement in 2014 | | | |
|---|---|---|--|
| Stakeholders | Main goals and focuses | Ways and channels of communication and involvement | The Company's actions |
| Shareholders and investors | To maintain steady operation, gain profits, protect shareholders' interests and ensure information disclosure is true, accurate and timely. | General meetings, investor information sessions and on-site visits, roadshows, information disclosure (including financial statements) and company contact details. | Issued notices of general meeting and proposed resolutions according to regulations, disclosed company information by publishing 36 announcements/circulars and three periodic reports in total in the year. Carried out different forms of investor activities with an aim to improve investors' recognition. Held results briefing twice and multiple roadshows. Disclosed company contact details on website and in reports and ensured all communication channels available and effective. |
| Customers | To assure product quality and quantity and maintain long-term and stable cooperation. | Regular visits and daily communication. | Established QC department by integrating iron ore business division with former lab and other departments, strengthened quality management to ensure stable production and smooth transportation, provided sufficient products, and entered into long-term strategic cooperation agreements. |
| Governments | To operate and pay taxes according to law, ensure production safety and fulfill social responsibilities. | On-site inspections and checks, research and discussion through work conferences, work reports preparation and submission for approval. | Operated, managed and paid taxes according to laws and regulations, strengthened safety management; accepted the government's supervision, inspection and evaluation (e.g. accepted 55 on-site inspections throughout the year), and actively undertook social responsibilities. |

| The Company's Stakeholders' Involvement in 2014 | | | |
|---|--|---|---|
| Stakeholders | Main goals and focuses | Ways and channels of communication and involvement | The Company's actions |
| Employees | To protect their basic rights, offer reasonable welfare and remuneration, provide healthy working environment and development space, ensure occupational health and safety and help to realize their self-value. | Labor unions, communication channels between employees and the management, suggestion boxes, employee activities, training and learning activities. | Established labor unions at all levels to provide communication platforms for employees; pay salaries and benefits in full and in a timely manner, made contributions to social insurance fund pursuant to law; provided a healthy and safe working environment; developed a fair mechanism for promotion; cared for employees by helping those in need and organizing employee activities; established "Hanking Mining Institute" with an aim to build a learning-oriented enterprise. |
| Communities and the public | To create jobs, promote community development, protect ecological environment and provide compensation and assistance. | Exchange visits between villagers and the Company, co-sponsored community activities, charitable assistance, volunteer service and community building activities. | Gave priority to local people seeking jobs from the Company so as to promote community building and development; built roads, protected the communities' ecological environment, and provided compensation and timely assistance; provided volunteer service, kept communication channels open between the Company and the communities and villagers, co-sponsored community activities to promote the building up of harmonious communities. |
| Suppliers and contractors | To invite tenders in a fair manner, maintain long-term and stable cooperation and ensure timely payment. | Tenders meeting, fairs and daily communication. | Invited tenders in a fair manner to select best suppliers and contractors, performed contracts according to agreements, enhanced daily communication, and established long-term cooperation with quality suppliers and contractors. |
| Banks | To repay loans on schedule, monitor operating conditions and risks and operate with honesty and credibility. | Work conferences, on-site visits, post-loan tracking and daily communication. | Repaid loans with interests on schedule, cooperative to the banks' review and supervision on loans. |

| The Company's Stakeholders' Involvement in 2014 | | | |
|---|--|---|---|
| Stakeholders | Main goals and focuses | Ways and channels of communication and involvement | The Company's actions |
| Peers | To stick to fair play, cooperate to develop, share technologies and experiences and promote development of the industry. | Seminars, exchange visits, negotiations and meetings within industry organizations. | Stuck to fair play, cooperated with peers to realize win-win, shared experiences and attended a dozen of seminars of the industry so as to promote sustainable development of the industry. |
| Market regulators | To comply with regulatory requirements, ensure compliant operation and timely information disclosure and reporting. | Consulting, information disclosure, reporting and filing. | Complied with regulatory requirements in a strict manner, disclosed and reported true information in a timely and accurate manner according to law. |

Summary of the Stakeholders' Involvement in 2014

1. Shareholders and investors

In 2014, the Company organized a series of activities regarding investor relations to enhance the communication and understanding between the Company and investors, mainly including:

In March 2014, the Company held "Annual Results Briefing of 2013" in Hong Kong;

In May to June 2014, some potential investors and analysts from investment banks visited our mines, and had in-depth conversations with our management to understand the business development of the Company;

In June 2014, the management of the Company held roadshows for investors and met some potential investors in the Middle East;

In August 2014, the Company held "Interim Results Briefing of 2014" in Hong Kong;

In October 2014, the Company attended the 5th Annual Asia Summit and Macquarie China Commodity Conference held by Jefferies in Hong Kong;

In November 2014, the Company attended the Greater China CEO Summit held by Goldman Sachs in Hong Kong; and

In November 2014, the Company organized field study missions to visit our mines and have in-depth conversations with our management.

2. Customers

The Company is located in close proximity to its key customers, which allows it to connect with customers closely through everyday communications in various forms like phone calls, emails, on-site exchanges and visits. In the meantime, our iron ore business has established dedicated offices in the plant area of its key customers to facilitate direct and instant communications with them, which is beneficial to our stable co-operations for the long run.

3. Governments

In 2014, our iron ore business accepted 32 supervisions, inspections and researches from the government authorities of the PRC, covering works regarding production safety, safety of tailing ponds, operation compliance, land reclamation and other aspects. After the inspections and researches, the Company actively arranged the implementation of the government authorities' opinions and made responses in a timely manner.

In 2014, the relevant government authorities of Western Australia also made nine on-site inspections to our Australian company engaged in gold business and mines, covering works regarding production safety, environmental protection and community, and discussed these issues with Chairman and CEO of the Company and president of Hanking Gold.

In 2014, affected by the policy prohibiting raw ore export promulgated by the Indonesia government, the nickel business suspended mining operation and export. However, the Company continued to perform its social responsibilities and proactively performed its obligation in environmental protection as well as health and safety. The local government authorities carried out 14 inspections and gave their directions, to which the nickel ore project company has made prompt response and handled as directed.

4. Demands from the employees

In 2014, the Group received 10 demands from the employees or employee union, mainly relating to their salary package, holiday arrangement, working and living environment, health and safety protection, provision of training and financial assistance and other aspects, to which the Company had made prompt response and solved the problems in accordance with the actual situation.

5. Communities and the public

Please refer to the section headed "Community Involvement" of this report.

6. Banks / financial institutions

In 2014, the Group held 28 cooperation meetings with a total of 127 representatives from 52 banks and financial institutions, who had carried out 20 site visits to the mines. The Company actively cooperated with the banks and financial institutions in performing follow-ups on the loans by replying their questions promptly and providing any information and data as required.

7. Industry peers

In 2014, the Company actively attended various meetings within the mining industry to reinforce its communications with peers, share its experience, gain insights into industrial dynamics and trends, drive the sustainable growth of the industry and promote the Company. The major exchange activities are set out in the table below:

Exchange activities between the Company and other industry peers in 2014

| Item No. | Date | Industry exchange organizations | Description |
|----------|--------------|--|--|
| 1 | 2014.2.17-18 | The 3rd Indonesia Mining Conference | Dr. Pan Guocheng attended the conference on behalf of the Company and gave a speech on the impacts of the policy prohibiting raw ore export promulgated by the Indonesia government. |
| 2 | 2014.2.25-26 | China Iron Ore Conference 2014 | Dr. Pan Guocheng attended the conference on behalf of the Company and gave a speech to analyze the industry development trend and promote the Company. |
| 3 | 2014.3.27-29 | The Annual Mines and Money (Hong Kong) Conference & Exhibition | Dr. Pan Guocheng attended the conference on behalf of the Company and gave a speech to analyze the industry development trend and promote the Company. |
| 4 | 2014.5.19-21 | The Annual Mines and Money (Beijing) Conference & Exhibition | Dr. Pan Guocheng attended the conference on behalf of the Company and gave a speech to analyze the industry development trend and promote the Company. |
| 5 | 2014.7 | The Ministry of Industry and Information Technology of PRC Private Mine Conference | Mr. Huang Jinfu participated in the research and discussion on the economic outlook of the mining industry in the PRC and gave a speech on behalf of the Company. |
| 6 | 2014.8.3 | Australia Mining Conference 2014 | Dr. Qiu Yumin attended the conference on behalf of the Company and gave a speech to analyze the industry development trend and promote the Company. |
| 7 | 2014.9.21-23 | The Annual Mines and Money (Melbourne) Conference & Exhibition | Dr. Pan Guocheng attended the conference on behalf of the Company and gave a speech to analyze the industry development trend and promote the Company. |

| Item No. | Date | Industry exchange organizations | Description |
|----------|---------------|--|--|
| 8 | 2014.10.15-16 | 121 Mining Investment HK | Dr. Pan Guocheng attended the conference on behalf of the Company and gave a speech to analyze the industry development trend and promote the Company. |
| 9 | 2014.10.17 | The 8th China-Australia Mining Investment Forum | Dr. Chen Yanshao attended the forum on behalf of the Company and gave a speech to analyze the industry development trend and promote the Company. |
| 10 | 2014.10.20-23 | International Mining Conference of China | Dr. Pan Guocheng attended the conference on behalf of the Company and gave a speech to analyze the industry development trend and promote the Company. |
| 11 | 2014.11.28 | The Global Mining Association of China Monthly Meeting | Dr. Pan Guocheng attended the conference on behalf of the Company and gave a speech to analyze the industry development trend and promote the Company. |
| 12 | 2014.12.3-4 | The 4th Global Resource Investment Conference | Dr. Pan Guocheng attended the conference on behalf of the Company and gave a speech to analyze the industry development trend and promote the Company. |

8. Market regulator

In 2014, the Stock Exchange made two enquires with the Company and issued one written notice to the Company. In March 2014, the Company received a letter from the Stock Exchange giving guidelines on how to comply with the disclosure requirements under Chapter 18 of the Listing Rules in our 2012 annual report. In June 2014, the Company received a notice from the Stock Exchange stating the change of contact person of the Stock Exchange who is responsible for supervising the Company. In August 2014, the Stock Exchange requested for supplemental information in relation to our application for exemption on the qualification of the company secretary, to which the Company has made prompt response and submitted the relevant information as required.

Workplace Quality

Health and safety

Upholding the tenet of "Safe Mine", the Group attaches great importance to occupational health and safety. The Group has set up dedicated organizations with specialized personnel, and has developed relevant systems and operating procedures. Through continuous fund investment, technology upgrading and implementation of supervision and appraisals, the Group spared no efforts to enhance safety awareness, so as to ensure health and safety production.

In 2014, the Group continued to enhance management and control over safety and health risks, and achieved the annual target of zero death with the accident rate keeping at a reasonable level.



Breakdown of accidents incurred by the Group

| Production safety indicators | Accidents | Description | Lost days |
|------------------------------|-----------|---|-----------|
| Pollution accidents | 3 | 3 accidents regarding spillover of salt water and diesel oil, imposing little impacts on the environment. | – |
| Fire accidents | 0 | – | – |
| Minor injuries | 5 | Iron ore business: 2 persons suffered from minor injuries, resulting in 120 working days lost. Nickel business: 3 persons suffered from minor injuries, resulting in 16 working days lost. | 136 |
| Serious injuries | 0 | – | – |
| Deaths | 0 | – | – |

Note: the accident data set out in the above table are calculated in accordance with the standards as specified by the local government departments.

The Group has adopted the following occupational health and safety measures as well as the relevant implementation and monitoring approaches, so as to maintain a healthy and safe working environment.

Dedicated organization and personnel

The health and safety working organizations at all levels of the Group from the Board to the production workshops at each mine are responsible for the implementation and monitoring of health and safety work, constituting a multi-level health and safety management system and organizational structure as well as a comprehensive fleet of competent personnel. Please refer to the organizational chart on page 9 of this report for details.

Fire fighting equipments



Safety warning signs at the operating area



Systems and procedures

The Group has developed and strictly implemented several health and production safety management systems, position responsibility systems and operating procedures, so as to institutionalize health and safety management, standardize operating procedures and clarify responsibilities. In 2014, the Company further revised and perfected the original health and production safety management systems and operating procedures, so as to comply with the existing regulations and production practice.

The Group implements occupational health system by providing physical examination for employees every year, especially occupational diseases examination for those exposed to dust, toxic and hazardous materials, and monitoring the occupational health at workplace, so as to provide a scientific basis for the proper prevention and treatment of occupational diseases. Some mines have engaged on-site doctors, while mines without on-site doctors maintain constant touch with local hospitals to ensure timely treatment for injured or sick employees. The Group implements the “three simultaneous” system for occupational health in a construction project (i.e. the occupational diseases prevention facilities in a construction project must be designed, constructed and put into use simultaneously with the main project).

The Company implements “6S Management Provisions” by regularly cleaning and reorganizing offices, workshops and living areas, and prohibiting smoking and drinking liquor in the above areas, with an aim to maintain a clean, tidy, smoke-free, non-toxic, non-hazardous, healthy and safe working environment.

Awareness

In order to enhance the employees’ health and safety awareness, the Group organizes trainings every year, holds regular safety work meetings, reminds employees of safety before work every day, organizes safety knowledge contests and operation skill competition of major jobs, and sets up safe and healthy work bulletin, safety warning signs, banners and slogans, etc. The employees are trained to be aware of “four do not hurt”: do not hurt others, do not hurt themselves, do not be hurt by others and protect others from being hurt.

Our rates of “three-levels” safety education training for newly-recruited employees and all employees, attendance with special operation certificate, implementation of safety instructions and rectification of accident risks have reached 100%.



“Ankang Cup” safety speech contest

In 2014, Aoniu Mine provided training sessions to 564 employees, with 4 and 20 specialized operators attending the initial and review sessions respectively, and 8 and 25 safety managers attending the initial and review sessions respectively. In Maogong Mine, there were 10 and 22 safety managers attending the initial and review sessions respectively, with 4 and 11 specialized operators taking the initial and review sessions respectively. At Fushun Shangma, we conducted training to 12 safety managers, 1 responsible person and 13 specialized operators. Moreover, Aoniu Mine also organized a speech contest under the theme of “Safety in My Mind” to raise the awareness of “red lines”, embedding safety awareness into the mind of employees.

In February and June 2014, Maogong Mine conducted tests on safety education and knowledge among all staff at the mine respectively, with a pass rate of 100%. During the national “month of production safety”, Maogong Mine organized a range of activities to promote production safety among all staff, including “Solicitation of self-created safety slogans”, “Lessons from safety education videos” and “Ankang Cup Safety Speech Contest”, etc., which strengthened employees’ awareness of safety.

Right before the Chinese Lunar New Year of 2015, Shangma Mine highlighted the need for and importance of focus on safety in the form of letters sent to workers in each workshop and their families. This innovative means of publicity deeply moved employees and their families and was effective in reinforcing their awareness of safety. During the month of production safety, Shangma Mine set up safety promotion bulletins across all workshops, added and replaced 150 safety warning signs, 300 flags and 30 banners with safety slogans and distributed new booklets on the “Production Safety Law” provided by the safety supervision authority to employees for their study, which proved to be very effective.

Indonesia nickel project has set up appropriate safety signs such as whistle, bend warning, steep slope, saddle, speed limit, falling objects, intersection, carriageway narrowing, no smoking, fire ban, equipment of labor protection appliances, etc. at the corners of all roads, key locations and workplaces in the industrial park, with a view to enhancing the employees’ health and safety awareness.

Technical measures

The Group protects the employees’ health and safety through the adoption of effective technologies, measures, equipments and other means.

The “Hanking Mining Production Safety Management Information System” for iron ore business has been further improved and applied to other mines.

The “Six Major Systems” for underground operation safety and refuge in respect of the phase one underground mining project of Aoniu Mine and Benxi Mine have been developed and put into use. The “Six Major Systems” can monitor and supervise the underground mining environment, locate and communicate with underground personnel, and, in combination with other refuge and self-help systems, can assist underground personnel in safety, refuge and self-rescue issues, so as to protect their health and safety.



Production control

Aoni Mine prepared for flood prevention ahead of flood period by arranging materials for flood control, repaired the stockyard of the Second Processing Plant, the rubble well in Xiaobeigou open pit, the drainage on the north of the First Processing Plant, the barrage across Aoni River, surrounding No. 1 mining waste dump and Bangze nullah facilities, ensuring the safety of constructions like tailing pond during flood period.

The Company provides employees with labor protection appliances, including safety helmets, safety boots, reflective waistcoats, protective glasses, earmuffs, mouth masks, respirators, work clothes, raincoats, gloves, etc., and safety officers shall supervise and examine the equipment of labor protection appliances of the staff.

Maogong Mine formalized its administration and distribution of labor protection appliances, achieving effective supervision and management on the basis of one card for one person.

The Company promptly backfills the exploration pits and wells and makes marks, equips fire-fighting equipments in flammable sites, and constructs security fences along the roads for ore transportation to prevent accidents.

In early 2014, Maogong Mine purchased 200 sets of new fire service equipment, which were installed in specified location to ensure fire safety.

Regarding gold business, each vehicle of the mine is equipped with emergency medical kits, which can provide emergency rescue for any unexpected situations. In addition, a unified radio communication is used by the staff in the mine to further avoid safety risks.

Supervision and assessment

The Group develops and implements a number of supervision, inspection and assessment systems, conducts regular and unscheduled inspections and assessments, including quarterly, monthly, weekly, daily, occasional and mutual safety inspections, so as to timely detect and effectively rectify all kinds of safety risks. The Company keeps controlling major hazards such as explosives magazines, oil storage and tailing ponds, monitors safety information of all locations of mines (including mining yards, processing plants, workshops, sedimentation tanks, waste dumps, topsoil, etc.), and performs safety oversight over contractors. 2,283 safety inspections have been conducted regarding iron ore business throughout the year, and 44 safety inspections in respect of nickel business. As to gold business, such inspection is done once a month. In addition to self-examinations and checks, the Company actively cooperates with government authorities in health and safety inspections, and regularly reports to the government. All workshops actively ratifies safety risks, which were subject to review by safety inspectors, achieving a rate of safety risk ratification and safety instruction implementation of 100%.

The Group continues to carry out strict safety production responsibility assessment. The Group has implemented the “one-vote veto safety system”. The effectiveness of safety production is linked to individual economic benefits, promotion and appraisals, and the Group strictly implements the provisions of reward and punishment. In 2014, the Company paid the safety assessment reward of RMB466,276 and imposed a fine of RMB41,600 against behaviors violating the safety regulations, of which a total fine of RMB37,900 was imposed on the contractors.

Fund investments

The Group ensures the fund investment in health and safety and sets aside safety measure fees exclusively for health and safety protection purpose. In 2014, the iron ore business invested RMB32,493,847.18 for safety measures, the nickel business invested IDR300 million for safety measures, while the gold business invested RMB5 million for safety measures.

Emergency response drill

In 2014, the Group organized emergency response drill in accordance with the relevant regulations. The iron ore business held nine emergency response drills, and the nickel business held one emergency response drill in respect of the application of fire extinguishers, while the gold business carried out one emergency response drill every month, all achieving the desired effect.

In November 2014, the gold business engaged professional staff to provide two-week training on emergency rescue and medical aid for 13 employees of the Company. After the training, these employees were granted with emergency aid qualification certificates which are accepted by the government. The Company will set up two emergency rescue teams to cope with any emergency situation.

Working Environment

Adhering to the philosophy of “human oriented”, the Group is committed to providing a favorable working environment for employees to protect their health and safety. The Group also encourages the employees to exert their creativity and potential and to align personal development with enterprise growth, so as to promote mutual development between individual employee and the enterprise.

Equal opportunity

The Group provides equal opportunities for employees in all aspects with a view to create a fair and non-discriminatory working environment. Female employees are equally entitled to any opportunities as male employees, and shall not lose their jobs or deserve a pay cut due to maternity. Nobody should be discriminated in term of recruitment and career development due to their religion and race. Furthermore, the Company has adopted a policy since 2014, whereby employees shall abstain from any matter relating to their family relatives, with an aim to create a fair competition environment and to avoid negative impacts of nepotism so as to maintain impartiality of management.

Diversity

The Group has evolved from pure iron ore operation into a diversified business portfolio comprising the iron ore, nickel and gold sectors. With the diversified development of our business, the Group recruited employees with diversified backgrounds. The table below presents the distribution of our employees by nationality or region:

Distribution of our employees by nationality or region in 2014

| Nationality or region of employees | Number of employees | Percentage of total workforce | Loss of employees | Turnover rate |
|------------------------------------|---------------------|-------------------------------|-------------------|---------------|
| Mainland China | 2,137 | 91.99% | 199 | 8.24% |
| Hong Kong, China | 2 | 0.09% | 0 | -- |
| Australia | 39 | 1.68% | 0 | -- |
| Indonesia | 145 | 6.24% | 10 | 0.41% |
| Total | 2,323 | 100% | 209 | 8.65% |

Note: turnover rate = loss of employees (i.e. the number of regular employees voluntarily resigned) ÷ annual average workforce of the Company (2,416)

Recruitment

The Group attracts talents in accordance with the principles of openness, equality, competition and competitive selection. As of 31 December 2014, the Group had a total of 2,323 employees, and all of the positions are assumed by occupational and professional persons.

Breakdown of employees of the Group in 2014 (by employment category)

| Employment category | Number of employees at the end of the year | Percentage of total workforce at the end of the year | Loss of employees | Turnover rate |
|-----------------------|--|--|-------------------|---------------|
| Functional management | 347 | 14.94% | 42 | 1.74% |
| Mining production | 585 | 25.18% | 40 | 1.66% |
| Processing production | 920 | 39.61% | 42 | 1.74% |
| Smelting production | 27 | 1.16% | 2 | 0.08% |
| Others | 444 | 19.11% | 83 | 3.43% |
| Total | 2,323 | 100% | 209 | 8.65% |

Note: turnover rate = loss of employees (i.e. the number of regular employees voluntarily resigned) ÷ annual average workforce of the Company (2,416)

Breakdown of employees of the Group by gender and age in 2014

| Gender and age | Number of employees at the end of the year | Percentage of total workforce at the end of the year | Loss of employees | Turnover rate |
|----------------|--|--|-------------------|---------------|
| Male | | | | |
| 30 and under | 617 | 26.56% | 80 | 3.31% |
| 31-40 | 555 | 23.89% | 38 | 1.57% |
| 41-50 | 536 | 23.08% | 35 | 1.45% |
| 51 and above | 326 | 14.03% | 32 | 1.33% |
| Subtotal | 2,034 | 87.56% | 185 | 7.66% |
| Female | | | | |
| 30 and under | 75 | 3.23% | 13 | 0.54% |
| 31-40 | 105 | 4.52% | 3 | 0.12% |
| 41-50 | 98 | 4.22% | 6 | 0.25% |
| 51 and above | 11 | 0.47% | 2 | 0.08% |
| Subtotal | 289 | 12.44% | 24 | 0.99% |
| Total | 2,323 | 100% | 209 | 8.65% |

Note: turnover rate = loss of employees (i.e. the number of regular employees voluntarily resigned) ÷ annual average workforce of the Company (2,416)

Compensation and benefits

The Group provides attractive salaries and benefits for the employees. The remunerations of employees in the iron ore business comprises expected post-based salary (basic salary and performance-linked salary) and reward (variable bonus and reward/punishment amounts); the remunerations of middle and top level employees in the nickel business comprises basic salary, monthly performance-linked salary and annual bonus while general staff receive fixed salary; the remunerations of senior management in the gold business comprises basic salary and annual bonus while general staff receive fixed salary. The Company adjusts such remunerations in accordance with the operational results, the values of employee positions, individual capability and performance, the level of social development and other factors. The Company pays social insurances as well as providing food, accommodation (non-local employees), transportation and communication subsidies for the employees. In 2014, the total remuneration and benefit paid to the employees of the Group amounted to approximately RMB177,587,000.

In order to enrich the employees' leisure life and enhance their physical and mental health, the Group organizes physical examinations and tours every year and held various cultural, sports and social activities for the employees. The Company also has staff recreation rooms with books, entertainment and fitness facilities, etc.



Worker Skill Competition

In 2014, the Group continued to promote corporate culture with a view to enhance the employees' sense of the corporate mission and the acknowledgement of the operation philosophy of the Company. By organizing cultural and sports activities, arranging meetings between employee representatives and the President, hosting workshops among internal trainers as well as providing seminars through Hanking Mining Institute and holding other exchange activities, the Group enriched the cultural and sports life of the extensive employees, enhanced the cohesion effects of the Company to the employees and broadened the communication channels between management at different levels and front-line employees.

On 7 November 2014, the two-month Competition for Hanking division of the Eighth "Hanking Group Cup" Workers Skill Competition of Fushun City and the second Worker Skill Games of Hanking Group concluded, with Li Gang and Zhang Shouyang from Aoni Mine winning the "Skill Master" title in the Excavator Competition and Electrician Competition respectively, and a number of employees from Aoni Mine, Maogong Mine and Shangma Mine given the "Skill Expert" and "Outstanding Player" titles.

Promotion and dismissal

The Group provides equal promotion opportunities for the employees. The Company has set up paths of promotion for all positions. Combined with the requirements of each position and capabilities of each employee, the Company offers a platform for the ambitious, competent and hardworking employees to demonstrate their talents and make their dreams come true.

The Group fully complies with the applicable laws in terminating any employment, while the employees are entitled to resign from the Group. The Company realizes the importance of talents to the development of an enterprise, and exerts every effort to retain core talents. The iron ore business arranged meetings between the President and the cadre employees on a regular basis, to discuss their career development and planning as well as problems at work, with an aim to prevent loss of the cadre employees.

In 2014, the turnover rate of our employees was 8.65%.

Working hours and holidays

The Group recognizes that a proper balance between work and rest helps employees to realize their full potential. The Company strictly complies with the provisions regarding working hours and holidays under the law of the places where each business operates. The administrative departments adopt a five-day / six-day week working pattern with eight or seven working hours a day. The production departments at each mine work in shifts with consideration of the actual production conditions. The Company provides personal leave, sick leave, marriage leave, compassionate leave, maternity leave, work injury leave, home leave and annual leave for the convenience of the employees to balance their work and life.

IT application

Against the backdrop of internationalization and IT application, the Group is committed to developing IT application. The Company is equipped with its own information center, websites and Office Automation system. The Company provides the employees with computers and mobile devices, and installs information-based devices in major working premises, production process and equipments to achieve timely, accurate and effective management over production and operation and enhance work efficiency through the network.

In 2014, by refining its IT application strategy into developing standardized, digitized, process-based and systematic mines, the Group continued to strengthen the mine digitized construction and used modern software technology to improve three dimensional modeling of reserve trend, woodland and land management, pit condition and processing plant monitoring as well as integrating the monitoring system. Meanwhile, the Group further upgraded the internal network management information system for office operation so as to strengthen information sharing and circulation. Looking ahead, focusing on the established IT application strategy, the Group will gradually build a resources and information sharing platform within the Group with a view to enhancing efficiency.

Construction of Hanking - BMS Industrial Park

The Group's nickel business is located in Hanking - BMS Industrial Park, which is a national industrial park approved by the Chinese and Indonesian governments. After our construction efforts for several years, four camps have been established in the industry park by the end of 2014. Except of the smelting camp which is still under construction, construction of main buildings of the other three camps has been basically completed with living and ancillary facilities available, which has been proved to meet the production and living needs after practical use. Completion of the industrial park has greatly improved the working environment of Indonesian nickel business, laying a good foundation for the long-term and steady development of nickel business.

Construction of buildings

As of the end of 2014, construction of the functional buildings for production, office, living and entertainment purposes in Hanking - BMS Industrial Park was basically completed, details of which are set out in the table below:

| No. | Name of camp | Floor area (m ²) | | | | | | | | | |
|-----|--------------|------------------------------|-----------------------|------------|--------|---------|------------|--------------------|----------------------|--------------|----------------------------------|
| | | Total | Accommodation quarter | | Office | Canteen | Storage | | Maintenance workshop | Sports field | Mosque |
| | | | Number | Floor area | | | Ware house | Oil storage | | | |
| | Total | 17,635 | 25 | 5,925 | 780 | 1,850 | 4,120 | 760 | 950 | 3,100 | 150 |
| 1 | Langgikima | 3,080 | 10 | 1,470 | 150 | 350 | 300 | 60 | 150 | 600 | Aided to build 200m ² |
| 2 | Sarimukti | 5,710 | 6 | 2,060 | 280 | 720 | 1,100 | 200 | 200 | 1,000 | 150 |
| 3 | KKU | 5,715 | 5 | 1,645 | 350 | 600 | 720 | 500 | 400 | 1,500 | To be built |
| 4 | Smelting | 3,130 | 4 | 750 | N/A | 180 | 2,000 | Under construction | 200 | Gravel yard | None |

Construction of laboratory: 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.

Construction of utilities and other ancillary facilities in camps

Water supply: In Langgikima camp, water is pumped from underground; while in Sarimukti camp, water is automatically stored in high level water tanks which supply running water around the clock; in KKU camp, high pressure water distribution for living and fire demand is achieved through pumps by transferring water from water collecting tanks to high level water tanks; and in smelting camp, water is transferred to every water supply location from a small dam which stores water.

Power supply: Currently, the four camps use diesel generators to supply power. Each camp starts generator units according to production and living needs. The power supply can meet those needs.

Roads: Roads in the camps have formed an internal network and connect with the roads outside. Roads in Langgikima camp have been hardened, while those in other camps are paved with gravel, and thus sprinkler shall sprinkle water on the roads to lay the dust as needed.



Camps of Indonesian nickel business

Construction of roads outside the camps:



Development and Training

E-Learning system operated by an online college

Sewer network: All bathrooms in the camps are equipped with water closets. Each accommodation quarter has a separate septic tank. Domestic waste water and waste are discharged in closed pipes, and domestic waste is transported to a designated landfill.

Construction of sedimentation tanks: KS mine has built two sedimentation tanks with a volume of 4,500m³; while KKU mine built five with a volume of 10,500m³; at the bottom of the west side of the mountain in smelting camp, three connected water collecting tanks have been built with a volume of more than 20,000m³, which are also used as sedimentation tanks.

Roads in Langgikima and Sarimukti camps directly connect with the existing roads outside the camps.

KKU camp has built a 16km road for ore transportation with an average width of 10 meters to connect with Jetty BSM within the jurisdiction of Lameruru village. One-sided safety retaining walls and drainage ditches along the road have been completed. Some sections have been optimized. Currently, the road capacity is more than 4 million tons per year. The 19km road heading to the west from KKU camp through Tambakua Village to Langgikima Town used to be a rough road for logging and exploration. Its key sections have been repaired and paved with stones, which can ensure normal passage of a motor vehicle with a weight of less than 5 tons during rainy season. The road has become an alternate supply line of KKU mine.

Under the government's coordination and cooperation, a 5.4km county-level road was built in the mining area of PT. Stargate Pasific Resources and opened to traffic on 29 October 2014, which directly connects the smelting camp with external roads, allowing the free and unimpeded flow of people and resources.

The Company understands that the improvement of the overall quality and professional skills of all staff not only means the improvement of the staff's ability, but also the enhancement of the Group's overall competitiveness. The Group pays much attention to the employees' development and training, and has developed and implemented the training management system, training system and process in respect of its employees, with an aim to promote the improvement of both employees and the Company.

In 2014, the employees of the Group could have access to the E-Learning system operated by an online college for appropriate training courses. Details on trainings received by the staff of the iron ore business through E-Learning system operated by an online college are set out in the table below:

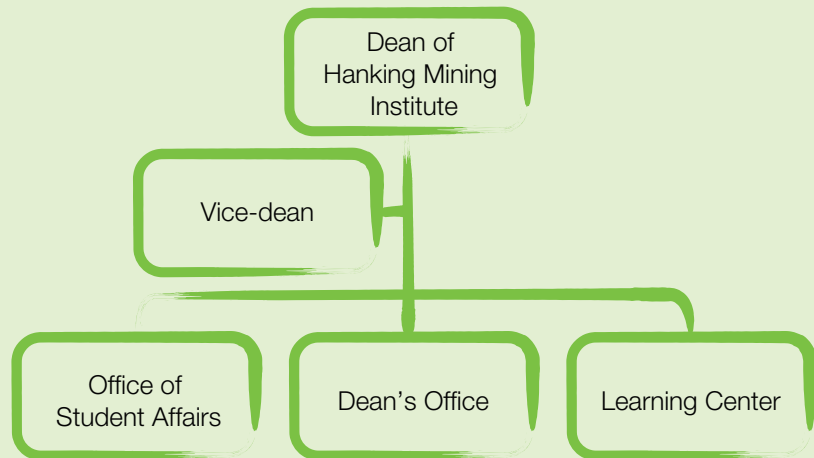
Breakdown on provision of E-Learning system operated by an online college in the iron ore business in 2014

| Name/type of courses | Course content | Cumulative training hours | Cumulative number of participants | Percentage of cumulative number of participants to total workforce |
|----------------------|---|---------------------------|-----------------------------------|--|
| Compulsory courses | Finance, management and overall quality | 387 | 43 | 2.10% |
| Optional courses | Finance, management and overall quality | 531 | 56 | 2.73% |
| Total | | 918 | 99 | 4.83% |

Hanking Mining Institute

On 10 November 2014, the Group established the “Hanking Mining Institute” for the purpose of promoting the accumulation, management, dissemination and updating of knowledge and experience within the Company, so that the employees can learn and gain more knowledge, improve their work efficiency and promote the construction of “four modernizations”, while the in-house communication and understanding can be enhanced, which facilitates the building of a learning-oriented enterprise, and enhances the Company’s core competitiveness and cohesion. Although “Hanking Mining Institute” is a virtual body, it has specific organization and functions. Staff with extensive experience in specific areas act as internal trainers, while other employees accept trainings as students, which not only helps the internal trainers in experience summing-up and self-learning, but also promotes the in-house exchange of knowledge and experience, thus driving company-wide learning. Though the trainers of Hanking Mining Institute are acted by our full-time employees, it is able to provide practical help in learning as those trainers have extensive practice.

Organization Chart of Hanking Mining Institute



Internal trainers

The Company has initiated the construction of an "internal trainer team" in order to support the implementation of the Company's strategies and human resources development plan, develop and utilize the in-house intellectual resources, pass on management and technical experience, disseminate the enterprise culture of Hanking Mining, create an atmosphere of knowledge sharing, further improve the training system, as well as provide staff with a platform to practice and develop. Iron ore business has developed internal trainers system and built a team of internal trainers. With 17 formal internal trainers and 4 candidates for internal trainers, the team can provide courses regarding management, technical skills, legal affairs and production at present. All internal trainers are selected from the Company's key employees and divided into junior, intermediate, senior and honorary internal trainers based on their training capabilities. The Company conducts assessment, training and evaluation on the internal trainers to grant promotion and incentives, and encourages them to improve their capabilities and provide training. In 2014, the internal trainers have provided the following training courses:

| No. | Training courses | Name of internal trainer | Level of internal trainer | Level of training | Training hours/ class | Number of participants | Total training hours (hours) | Feedback (hours) |
|-------|--|--------------------------|---------------------------|-------------------|-----------------------|------------------------|------------------------------|------------------|
| 1 | Crystal Xcelsius | Xue Mei | Junior internal trainer | Level II | 2 | 28 | 56 | 95 |
| 2 | Financial management and accounting of infrastructure projects | Zheng Xuezhi | Honorary internal trainer | Level I | 1.1 | 33 | 36.3 | 94.32 |
| 3 | Construction project management | Song Enmin | Junior internal trainer | Level I | 3 | 37 | 101 | 100 |
| 4 | Contract management and legal risk control | Zhou Shijin | Junior internal trainer | Level I | 3 | 40 | 120 | 96.32 |
| 5 | Standardized management of logistics system | Li Yadong | Junior internal trainer | Level I | 1.5 | 36 | 54 | 98 |
| Total | | | | | 10.6 | 174 | 367.3 | 96.73 (average) |

In 2014, the Group provided its employees with a variety of targeted trainings.

Details on trainings provided to the employees at the headquarters of the Company are set out in the two tables below:

Trainings for employees at the headquarters of the Company in 2014
(by training content)

| Name/type of trainings | Training content | Internal / external trainings | Cumulative training hours | Cumulative number of trainings | Cumulative number of participants | Percentage of cumulative number of participants to total workforce | Whether or not subject to assessment and assessment results |
|------------------------|---|-------------------------------|---------------------------|--------------------------------|-----------------------------------|--|---|
| Induction training | Personnel system, corporate culture and production safety. | Internal | 4 | 2 | 2 | 7.41% | No |
| Professional skills | Post skills, management skills and software application, etc. | Internal | 3 | 1 | 12 | 44.44% | No |
| Total | | | 7 | 3 | 14 | 51.85% | |

Breakdown on trainings for employees at the headquarters of the Company in 2014
(by employee category)

| Employee category | Number of employees trained | Average training hours | Percentage of participants |
|-------------------|-----------------------------|------------------------|----------------------------|
| Senior management | 2 | 3 | 7.41% |
| Middle management | 5 | 3 | 18.52% |
| General staff | 7 | 11 | 25.93% |
| Total | 14 | 17 | 51.86% |

Details on trainings provided by the iron ore business of the Group are set out in the two tables below:

Trainings provided by the iron ore business in 2014
(by training content)

| Name/type of trainings (excluding E-Learning training) | Training content | Internal/ external trainings | Cumulative training hours | Cumulative number of trainings | Cumulative number of participants | Percentage of cumulative number of participants to total workforce | Whether or not subject to assessment and assessment results |
|--|---|------------------------------|---------------------------|--------------------------------|-----------------------------------|--|---|
| Induction training | Personnel system, corporate culture and production safety | Internal | 3.7 | 3 | 21 | 1.02% | Yes, all passed |
| Professional safety education | Safety management training | Internal | 38 | 11 | 171 | 8.34% | Yes, all passed |
| Professional skills | Post skills, management skills and software application, etc. | Internal and external | 146.7 | 35 | 474 | 23.11% | Some subject to assessment |
| Management | Project management and quality management | Internal | 42.1 | 9 | 366 | 17.84% | No |
| Overall quality | Professional etiquette and logistical support | Internal | 12 | 6 | 138 | 6.73% | Some subject to assessment |
| Total | | | 242.5 | 64 | 1,170 | 57.04% | |

Breakdown on trainings provided by the iron ore business in 2014
(by employee category)

| Employee category | Number of employees trained | Average training hours | Percentage of participants |
|-------------------|-----------------------------|------------------------|----------------------------|
| Senior management | 8 | 2.81 | 0.39% |
| Middle management | 176 | 8.2 | 8.58% |
| General staff | 986 | 3.52 | 48.07% |
| Total | 1,170 | 4.84 | 57.04% |

Note: excluding trainings through the E-Learning system operated by an online college

Details on trainings provided by the nickel business of the Group are set out in the two tables below:

Trainings provided by the nickel business in 2014
(by training content)

| Name / type of trainings | Training content | Internal/ external trainings | Cumulative training hours | Cumulative number of trainings | Cumulative number of participants | Percentage of cumulative number of participants to total workforce | Whether or not subject to assessment and assessment results |
|-------------------------------|--|------------------------------|---------------------------|--------------------------------|-----------------------------------|--|---|
| Induction training | Induction safety training | Internal | 24 | 12 | 30 | 14.63% | Yes |
| Professional safety education | Safety management training | External | 42 | 1 | 1 | 0.49% | Yes |
| Professional skills | Skills training for laboratory technicians | External | 24 | 1 | 1 | 0.49% | Granted with certificates |
| Total | | | 90 | 14 | 32 | 15.61% | |

Breakdown on trainings provided by the nickel business in 2014
(by employee category)

| Employee category | Number of employees trained | Average training hours | Percentage of participants |
|-------------------|-----------------------------|------------------------|----------------------------|
| Senior management | 0 | 0 | -- |
| Middle management | 0 | 0 | -- |
| General staff | 32 | 2.81 | 15.61% |
| Total | 32 | 2.81 | 15.61% |

Details on trainings provided by the gold business of the Group are set out in the two tables below:

Trainings provided by the gold business in 2014
(by training content)

| Training topics | Training content | Number of participants | Percentage |
|------------------------------|---------------------------|------------------------|------------|
| Production safety | Firefighter license | 1 | 2.63% |
| Environmental protection | Mine restoration | 1 | 2.63% |
| Personal professional skills | Taxation in Australia | 1 | 2.63% |
| Induction training | Induction safety training | 29 | 76.32% |
| Total | | 32 | 84.21% |

Breakdown on trainings provided by the gold business in 2014
(by employee category)

| Employee category | Number of employees trained | Average training hours | Percentage of participants |
|-------------------|-----------------------------|------------------------|----------------------------|
| Senior management | 1 | 2 | 2.63% |
| Middle management | 0 | 0 | -- |
| General staff | 31 | 6 | 81.58% |
| Total | 32 | 8 | 84.21% |

Labor Standards

The Group strictly complies with the labor standards of the places where each business operates and prohibits the recruitment and use of child or forced labor, so as to protect the health and safety of our employees. The Group has never recruited or used child or forced labor.

Environmental Protection

Upholding the tenet of “green mines”, the Group takes the environmental protection and restoration measures and has made great efforts in reducing the impact of production and operations on the environment by recycling and conserving energy and reducing emissions, striving to build “environment-friendly” mines.



Environment and natural resources

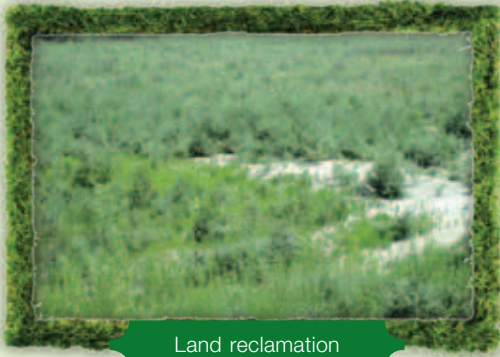
The Group has made great efforts in promoting the construction of the mine environment, strives to build modernized ecological mines, and aims to achieve the targets of energy conservation and emission reduction as well as cleaner production and mitigate impacts of production activities on environment by ways of recycling and technology upgrade. Report on environmental impact assessment is prepared for each operating project which will not commence until such report is reviewed and passed by professional experts, so as to minimize the impact of the operating project on the environment.

To carry out mining activities, the Group needs to occupy part of the land, but after the mining is completed, the Company will restore the land and vegetation through land reclamation and revegetation measures. The Group's mining activities also consume a lot of mineral resources. Therefore, the Company tries to reduce the consumption of mineral resources by improving the rates of resource utilization, extraction and recovery. Meanwhile, the Company keeps discovering new mineral resources through exploration activities, resulting in an increase of our mineral reserves.

The Group complies with all environmental protection laws and regulations of each location where the Group operates, takes necessary environmental protection measures, fulfills the responsibility of restoration of mine environment, and prepares and implements the plans for protecting, restoring and treating the mine environment. The restoration of the geological environment at the mine sites goes well. No major geological disasters have occurred in recent years.



Revegetation and reclamation



Land reclamation

As required by the government, the iron ore business of the Group carries out the construction of “green mountain project”, conducting geological environment treatment in abandoned open pit and waste rock dump within the mining area. The planned targets are outperformed. In 2014, Aoniu Mine invested RMB392,200 in total, completed land reclamation and revegetation with an area of approximately 2.6667 hectares, planted 12,092 trees, sowed grass seeds of 812 kilograms, and covered the land with top soil of 8,622 cubic meters; Shangma Mine invested RMB2.6206 million in total, completed land reclamation and revegetation with an area of approximately 15.6614 hectares, planted 69,106 trees, sowed grass seeds of 5,135 kilograms, back filled mining pits with soil of 16,640 cubic meters, and covered the land with top soil of 50,407 cubic meters; Benxi Mine planted 60,000 camellia and 1,000 locusts, and completed slope revegetation with an area of 8,000 square meters.

The geological environment treatment project resolved the environmental and geological problems of the mines, improved and restored the ecological condition as well as recovered the use value of the land, which in turn improved the living environment for the local residents. Remedy was made to the damaged mine body through backfill and slope protection to ensure slope stability and eliminate potential geological hazard. Site preparation and reclamation were conducted to restore the basic function of the land. Revegetation was carried out to restore the ecological function of the mines, so as to improve the ecological condition of the mines.

In 2014, the nickel business of the Group has invested IDR34,207,000 into revegetation and reclamation. A nursery with an area of nearly 400m² has been built in K KU camp, which has nurtured over 10,000 seedlings, and more than 4,300 of them have been transplanted. Along the roads for ore transportation in K KU camp, trees are planted for 8km sections. In K S mine, the planting area has reached 2 hectares with trees planted along nearly 2km sections of the roads in and outside the mine. The smelting camp has conducted grass trial planting with an area of 200m² for the protection of slopes along the roads in the camp, and planted nearly 100 trees. Langgikima camp has planted different fruit trees, flowers and lawns in all areas except functional spaces, achieving a seamless coverage of vegetation.

In order to mitigate the damage of stripping activities to land surface, the gold business clearly defines in which area the vegetation will be removed to prevent unnecessary removals, and takes necessary measures to reduce the impact on rare plants.

Environment monitoring, management, investigation, assessment and report



Tailings pond and surrounding environment

With respect to gold business, the reclamation of exploration drilling holes and pits at Frasers Mine was completed during the year, including removal of sample bags, backfill of drilling holes, exploration pits and wells, soil covering and loosening the affected area. The Company used the newly excavated topsoil and plant seeds obtained from the neighborhood to conduct reclamation so as to improve the recovery rate of endemic species.

The Group regularly monitors the water quality, air quality and noises in mines, and strengthens the monitoring, investigation, assessment and reporting on the ecosystem of the production operation zones, in order to prevent any environmental accident.

In June 2014, the gold business engaged Recon Environmental, an independent third party, to carry out flora and vegetation survey on Southern Cross Operation. Important floras have been investigated and documented with their changes, impacts and protection being assessed.

Gold business strengthens weed management to prevent the invasion of exotic species and the destruction of ecosystem balance. The Company pays special attention to monitor the emergence of weeds at the reclamation area and affected area to ensure no weeds are introduced to a new area. If there is major change in the number of weeds, special control measures shall be taken.

For the year of 2014, gold business monitored the quality, level, flow and drainage of groundwater as required. The gold business strictly managed water withdrawal, requiring that water withdrawal shall not affect the hydrogeology, water demand of other people and ecosystem. The impact of water withdrawal by gold business on the environment is insignificant. Gold business checked the joint leakage detection system before restarting production so as to minimize the risk of hyperhaline leakage.

On 27 August 2014, gold business carried out an annual safety inspection and management review on its three cells (i.e. Cell TSF1, Cell TSF2 (Cell 1) and Cell TSF2 (extension)) of tailings pond at Marvel Loch Operations.

Iron ore business also carries out regular monitoring on water quality, air quality and noises.

Emergency plans for unexpected environmental accidents

The Company has developed emergency plans for unexpected environmental accidents. In case any environmental accident happens, immediate actions can be taken in accordance with the plans, and the Company can immediately report the nature of the accident, investigate and analyze the cause of accident, propose and implement remedial measures, and assess its effectiveness and impacts on the environment with an aim to prevent any environmental accident and the expansion of negative impact.

Use of resources

For mining companies, mineral resources are their foundation to survive and thrive. The Group values and encourages thrifty and efficient use of resources, while preventing waste of resources by enhancing its effort in recycling.

Use of mineral resources

Mining and processing of mineral resources are the Group's core businesses. The Group strives to improve the recovery rate and the extraction rate of useful metal contained in the ores to reduce consumption of mineral resources, while offsetting such consumption by increasing its mineral reserve.

Improvement of the extraction rate and recovery rate:

The iron ore business minimizes the mining loss rate and dilution rate and maximizes the processing recovery rate by optimizing its mining methods and processing techniques, strengthening the management of on-site operations, and establishing strict technical standards for mining and processing in light of the actual conditions of each mine.

The iron ore business adopts the mining method of "separate mining, explosion and transportation", which can separate rubble and ore at the mining phase; bench mining from the top to the bottom ensures the extraction rate of iron ore at a level over 95%.

In order to fully recover the mineral resources, Maogong Mine utilizes specialized tailing recycling equipment (tailing recovery machine) for the tailings after secondary magnetic separation, tertiary magnetic separation, concentration and magnetic separation, which can recycle more than 40 tons of usable tailings with grades of about 33% TFe every day and reduce grade of the tailing magnet from 0.7%-0.8% to below 0.3%, further improving the recovery rate of iron mineral resources. In addition, useful minerals are recovered from the separated soil, which further improves the recovery rate and reduces waste of mineral resources.

The gold business conducts feasibility studies before kicking off the mining operations and maximizes the extraction rate through grade control and use of smaller sized equipment during the mining process.

Increase of resources:

The Company proactively carried out mine exploration so as to increase mineral reserve. In 2014, the iron ore resources of our iron ore business had an increase of 9,696.5 thousand tons, while the annual output of iron ores amounted to 7,305 thousand tons. Therefore, the newly found iron ore reserve continued to exceed the consumption of resource. The nickel resources of our nickel business did not experience material change in 2014. The gold business successfully completed geological exploration works on Cornishman Gold Mine, which increased our gold resources by 326,000 ounces, bringing the total gold resources of the Group up to 2,830,000 ounces.

Use of other key resources

Besides mineral resources, other key resources used by the Group include water, electricity and diesel. Use of each of these resources and measures for more efficient use of them are summarized below.

Water

Water consumption for production by the Group in 2014

| Business segment | Water consumption (tons) | |
|-------------------|--------------------------|---------------|
| | Underground water | Surface water |
| Iron ore business | -- | 3,389,679 |
| Nickel business | -- | 3,030,000 |
| Gold business | 17,595 | -- |

The Group increases the water recycling rate and reduces water consumption by using water-saving equipment, building water-saving system, adopting water-saving techniques and enhancing the recycle and reuse of water. It also strives to prevent leakage and waste of water through intensive inspection and maintenance of water pipelines and storage facilities, putting up water-saving signage and fostering the habit of saving water.

Recycle of water:

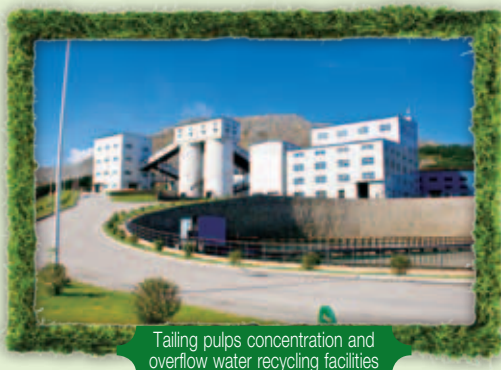
Wastewater emitted from the Company's processing plants is discharged into the tailing pond with tailing pulps. Domestic wastewater treated in septic tanks emitted from the plants and rainwater are also discharged into the tailing pond. After sedimentation and clarification, clean water will flow into the circulation pump station, then pumped back to the processing plant for reuse in processing. In this way, water can be recycled and reused repeatedly in processing.

The gold business used the water in the pit for exploration drilling in the open-pit mining of Cornishman, achieving multiple benefits of reduced costs, less water consumption and reuse of wastewater.

Higher efficiency in water recycling:

Aoniu Mine and Maogong Mine have adopted the new technologies of tailing pulps concentration and overflow water recycling, under which the tailing pulps are concentrated before discharge into the tailing pond, while water in the tailing pulps is recycled in advance for use in processing and production after clarification in the spill pit. This can accelerate the recycle of water, improving the water recycling rate to above 93%. The concentrated tailing pulps will still be discharged into the tailing pond, and water in the tailing pulps is reused in processing after clarification.

Shangma Mine and Benxi Mine have adopted the new dry-type emission technologies for tailings, which separates the water and tailings in tailing pulps, with most water recycled and used for processing and production. Compared with discharging the tailing pulps into the tailing pond for sedimentation and clarification, the new dry-type emission technologies for tailings can accelerate the recycle of water, improving the water recycling rate.



Tailing pulps concentration and overflow water recycling facilities

Electricity

Power consumption for production by the Group in 2014

| Business segment | Power consumption (kWh) |
|-------------------|--|
| Iron ore business | 140,625,519 |
| Nickel business | Measured in terms of diesel instead of electricity as all electricity used is generated by diesel generator. |
| Gold business | 1,500,183 |
| Total | 142,125,702 |



The Group reduces its power consumption by using power-saving facilities, installing new lines of energy-saving transformers and motors, reasonably selecting large equipment, reducing the number of equipment, improving the output per equipment, developing power-saving projects, adopting power-saving technologies, and weeding out obsolete equipment. The Company requires its employees to turn off electric equipment unused for a long time in a timely manner, and raises the awareness of its employees to save electricity by posting promotional signage, so as to prevent unnecessary wastage.

Aoniu Mine has adopted the advanced high-pressure roller mill technology, improving the processing technological flows with more crushing and less grinding and reducing power consumption of grinding. The power consumption per ton of iron concentrates decreased by about 10 kWh.

Aoniu Mine and Maogong Mine use the tailing pulp concentration and overflow water recycling system to increase the concentration of tailing pulps from 8% to 30%, significantly reducing the tailing pulp throughput at the pump station and saving power costs of over RMB3 million every year.

Shangma Mine and Benxi Mine have adopted the new dry-type emission technologies for tailings, which eliminates the need to transport tailing pulps to the tailing pond and reduces related power consumption by 72,000 kWh a month.

The layout of the technological equipment is made as compact as possible, shortening the horizontal transport distance and vertical lift of the pulps, and reducing the transportation and altitude difference of the conveyor. The Group endeavors to realize the self-flow delivery of pulps and tailings so as to lower power consumption.

At the beginning of 2014, the Company launched the initiative of “Go out during lunch breaks, and switch off for one hour” to promote physical exercise and power saving, with all staff responding actively.

Diesel

Diesel consumption by the Group in 2014

| Business segment | Diesel consumption (Liters) | Remarks |
|-------------------|-----------------------------|--|
| Iron ore business | 9,103,892 | Mainly consumed by the production equipments of the Company, not including the diesel oil consumed by the contractors |
| Nickel business | 1,287,000 | Mainly consumed by the production equipments and generators of the Company, not including the diesel oil consumed by the contractors |
| Gold business | 1,249,914 | Mainly used for mining |
| Total | 11,640,806 | |

The Company reduces its diesel consumption by preferring diesel-saving equipment, using diesel-powered equipment reasonably, turning off equipment not running for a long time in a timely manner, and preventing spill when refueling. In the meantime, the Company has enhanced the management of diesel purchase, transport, storage and use, in order to prevent any waste, abuse or loss. Each vehicle used by the gold business is equipped with an electronic control system, which can accurately measure the diesel consumed by every vehicle. Aoni Mine is also piloting an accurate measurement system on diesel consumption to enable the remote monitor and dynamic analysis of diesel consumption by installing consumption sensors on all production vehicles.

Recycling of waste and used materials

The Group encourages the recycling of waste and used materials, with an aim to reduce waste of resources and turn waste into wealth. Dedicated mechanical maintenance department at each mine can revamp abandoned and worn-out equipment for reuse.

In 2014, the iron ore business had recycled approximately 263.5 tons of steel scrap, 3 sets of used equipments, 495 used tires, 15 used batteries and 4 barrels of used engine oil, which were sold at a price of RMB1,760,958.96. The nickel business had recycled 4 tons of used engine oil and 8 tons of steel scrap.

Emissions

The Group has enhanced its management of emissions to reduce the generation and emission of waste by utilizing technologies and recycling. The Group has obtained required emission permit and its emission of industrial “three wastes” has reached the required standards. Emissions from the iron ore business, nickel business and gold business are different, which are detailed below separately:

Emissions from the iron ore business

Types of emission:

A physical magnetic separation process was adopted by the iron ore business to produce iron ore concentrates, so no toxic substances were emitted during production. The mining operation mainly generates separated soil and stone, while the processing operation mainly generates tailing pulps. Noises and dusts will be emitted during the mining and hauling operation at mine sites, as well as the crushing and machine operation at the processing plant. Off-gas will be emitted by running fuel-powered equipment. In addition, there are also domestic wastes. In 2014, the iron ore business had separated about 15.78 million tons of soil and stone and emitted approximately 4.41 million tons of tailing sand in total.

Management of emissions

Management and comprehensive utilization of separated soil and stone:

In the stripping operation, topsoil and waste rocks are stripped and piled at the waste dump separately. The Company manages and monitors, on a daily basis, the piles of waste rock and soil at the waste dump, in order to prevent flying dusts as well as water and soil erosion. Soil and stone separated may be used as filling materials for close of mine and reclamation. Stripped waste rocks may be filled into the bottom of mine pits, while stripped topsoil may be laid on the surface of mine pits, which is helpful for the growth of vegetation and environmental restoration.

Management and comprehensive utilization of tailing sand:

Normally, tailing sand is discharged to the tailing pond along with tailing pulps and settles down at the bottom of the pond over time. The Company manages and monitors, on a daily basis, its tailing ponds, including the volume and height of tailing sand therein, to ensure that the height of tailing dam remains at a safe level. With technical justification, the Company has adopted two excellent solutions to comprehensively utilize tailing sand: (1) using tailing sand to produce non-burnt bricks for construction; (2) using advanced processing techniques to throw out tailing sand, which will be used as construction sand.



Tailings pond

The tailing sand from the processing plant is used in the production of non-burnt bricks for construction, and the comprehensive utilization rate of tailing sand is around 20%.

The processing plant with annual capacity of 3 million tons at Maogong Mine has adopted the advanced high-pressure roller mill and wet pre-concentration process. Materials on the screen after coarse and secondary crushing will undergo dry separation, throwing out 8% of waste rocks, and then go through high-pressure roller mill and wet pre-concentration, throwing out 13.5% of tailing sand, which can be used as construction sand. More than 0.64 million tons of construction sand and dry slag of waste rock can be recycled each year. In 2014, over 0.2 million tons of construction sand had been recycled. The comprehensive utilization of tailing sand not only reduces emissions of tailing sand, but also turns waste into valuable materials, which is crucial to protecting the ecological environment of the mining area.

Dust prevention and removal measures:

At the mining sites and on the roads to these sites, sprinkling trucks and pipelines are used to remove dusts by spraying water. In the grinding workshops at our processing plant, a wet grinding process has been adopted to prevent dusts. Bag filters have been installed across the crushing workshops, screening workshops, waste rock storehouse, main building and other areas of the processing plant, and high level emission has been adopted to eliminate dusts resulting from production, with the dust removal efficiency reaching 99%. In 2014, Maogong Mine introduced 5 new dust removers to remove the dusts at the processing plant. The Company regularly washes the floor at our processing plant, preventing dusts from outside from accumulating and spreading in the air at the plant as workers move around. The Company provides its employees with dustproof masks and requires them to wear the masks so as not to inhale dusts.

Noise reduction measures:

The Company optimizes blasting design, applies structural insulating materials, conducts technical process transformation, uses underground tailing pump stations and low noise equipment, makes interior disposition for high noise sources, installs shock pads on crushers, screening machines and ball grinders, and takes other effective measures to mitigate damages caused by noise, reducing noise from the previous 91 db to approximately 80 db which has met the requirements of “Emission Standard for Industrial Enterprises Noise at Boundary” (GB12348-90).

Recycling of wastewater with zero emission:

Wastewater generated from the Company’s production mainly comprises water carried by tailing pulps emitted from the processing plant. Tailing pulps are discharged into the tailing pond. After sedimentation and clarification, clean water will flow into the circulation pump station, then pumped back to the processing plant for reuse in processing. In this way, wastewater emitted during production at the processing plant is recycled and reused through the tailing pond as a closed cycle, without any external emission. At the same time, domestic wastewater treated in septic tanks emitted from the plants and rainwater are also discharged into the tailing pond for the processing plant to reuse after clarification, without emitting any domestic wastewater or rainwater.

Aoniu Mine and Maogong Mine have adopted the new technologies of tailing pulps concentration and overflow water recycling, under which the tailing pulps are concentrated before discharge into the tailing pond, with the concentration of tailing pulps increased from 8% to 30% and emission of tailing pulps reduced, while water in the tailing pulps is recycled in advance for use in processing and production after clarification, improving the water recycling rate.

Shangma Mine and Benxi Mine have adopted the new dry-type emission technologies for tailings, which separates the water and tailings in tailing pulps, with most water recycled and reused and tailings emitted to the tailing dump in solid form, which achieves zero emission of production wastewater as well.

Reduction of off-gas emissions:

The Company selects and uses diesel-powered equipment compliant with national emission standards in a reasonable fashion, and switches off equipment not running for a long time in a timely manner, so as to reduce its off-gas emissions.

Treatment of domestic waste:

Domestic waste emitted from the accommodation area will be buried after treatment in septic tanks if it is perishable, or removed to the refuse depot for disposition if it is nonperishable. The Company promotes waste sorting and forbids employees to throw away or burn domestic waste at will.

Emissions from the nickel business

In 2014, affected by the policy prohibiting raw ore export promulgated by the Indonesia government, the nickel business suspended its mining activity, while the smelting operation was yet to commence. By taking advantage of the gap, the business undertook some constructions in the park where it is located, without generating any production emission. The primary emissions included dusts along the roads, off-gas from diesel-powered equipment and domestic waste, which were managed in the same way as that adopted by the iron ore business.

The nickel business has installed a water spray pipeline of 8 kilometers, equipped with automatic sprinklers every 15 meters, along the roads in the KKU mining area, which is of great help to the dust removal, air purification and maintenance in respect of the roads connecting the mine.

Emissions from the gold business

In August 2014, the gold business started stripping operation at the mining site, and the mining and processing operations commenced at the end of the year, thus producing a small amount of tailings. The primary emissions included separated soil and stone, noise and dusts at the mining site, dusts along the roads and domestic waste. They were managed in a way similar to how the iron ore business deals with its emissions. In 2014, the gold business had produced 775,120 tons of separated rock and 114,856 tons of stripped topsoil.



Mine stripping

The processing plant of the gold business carried out technological upgrading with adequate equipment and management means for energy saving, emission reduction, dust prevention and noise reduction. For example, sprayers and closed hoods were used to remove dusts, and the quality of underground air was ensured by monitoring inhalable dusts on a weekly basis, keeping ventilation fans running and setting up maintenance plans for the ventilation system.

The underground water in the mining area of the gold business is alkaline, which is likely to cause environmental pollution in case of significant leakage. To prevent leakage, the Company repaved the lining of the Turkey's Nest dam at the Nevoria mine, updated, upgraded and added guiding signs within the mining area to indicate water pipelines for processing, while enhancing the leakage management of tailing pond. The tailing pond of Miracle Lake is now equipped with five operating leakage recycling systems, where infiltrated water will be discharged into the wastewater collecting tank through ditches for recycling leaked wastewater for use in processing. The Company monitors the level and quality of water through 12 monitor holes, while keeping a close eye on the effectiveness of leakage control through its network of monitor holes, with a view to controlling hazardous risks caused by leakage to vegetation.



Operating Practices



Supply chain management

The Group has developed and implemented the Material Procurement Management System to unify the purchase, storage and deployment of the materials required by each mine. On the basis of the material requirement plans developed by the production department and the categories of the materials, the Group generally purchases materials through three methods, namely bidding, price enquiry/comparison and sentinel procurement. Contracts shall be signed for all purchases and the Company strictly supervises and controls the performance of the contracts and the payment of the funds. The Company has a supplier list in place which is regularly evaluated and updated. The Company constantly analyses the inventory of the materials, purchased categories and material consumption. The Company also evaluates the environmental and social risks of the supply chain on a regular basis, so as to ensure the safety of the supply chain.

In 2014, the suppliers of the Group are mainly from China and Australia. Of which, about 64 suppliers are selected through bidding, about 554 suppliers are selected through price enquiry/comparison and about 50 suppliers are selected through sentinel procurement. The selection of suppliers shall be subject to the approval process and supervision procedure of the Company, and shall be supervised by the legal department and audit department of the Group, so as to ensure a fair selection procedure.



Product responsibility

The Group attaches importance to its product quality and reputation. The Group has developed and implemented measures on management of product quality and sales, and enhanced product quality inspections and sales management, so as to ensure that superior products are offered for customers.

Before leaving the production plants at the mines and upon delivery to the customers, the products shall be subject to measurement and quality inspection. The data provided by the Company on the quantity and quality of the products shall be compared with those provided by the customer. If there is a considerable disparity between the results of both parties, the Company and the customer shall solve the dispute through negotiation. If no settlement is reached, the dispute shall be referred to a third-party authoritative organization for review and arbitration.

As our iron ore concentrates have been an ideal choice for our customers due to its high grade and low impurity level, the selling price of our products tends to be higher than those of other competitors in the region. Coupled with our advantage in cost control, the Company enjoys higher profit margin.

In 2014, Aoniui Mine successfully produced iron ore concentrates at a higher grade of 69% through technical transformation and upgrade, which increased the grade of iron ore while significantly reducing contents of silicon, sulfur and other non-iron elements. The resultant product quality was highly praised by our customers with an increase of nearly 10 percentage points in our profit margins for iron ore concentrates per ton.

In 2014, the iron ore business set up the Quality Inspection Department by integrating the original laboratory and other departments, so as to strengthen product quality management and provide quality products for our customers. Meanwhile, the Company enhanced production and operation management, and efforts were made to ensure smooth production and transportation for delivery of products with quality and quantity guaranteed.

In 2014, Aoniui Mine carried out a pilot program on the accurate measurement system for raw materials, fuel consumption and products and equipped all production vehicles with car weighing sensors, fuel sensors and vehicle positioning devices. With system interfaces of Yongyou production management software, the mine can conduct remote weighing monitoring, data query and browsing, fuel consumption remote monitoring and dynamic analysis.

In 2014, the independent laboratory located at the Sarimukti camp operated by the nickel business with a site area of 1 hectare and a floor area of 1,100 m² was completed and put into use. The laboratory is equipped with X-ray



Iron ore concentrate

fluorescence analyzer, which can perform a complete metal composition analysis on minerals, thus significantly improving our quality management over the nickel products.

Anti-corruption

The Group and the employees have strictly complied with the relevant legal regulations and ethnic codes. No legal cases against the Group or our employees concerning corruption, bribery, extortion, fraud or money laundering were filed in 2014, and the audit department of the Company is not aware of nor did it receive any report on such unethical behaviors by the Group or our employees.

The Group has developed and implemented the auditing and offence reporting system, and also has engaged independent auditors to conduct external audits on the Company, with an aim to prevent and control the fraud or wrongdoings within the Company through internal and external audit.

The employees may report any negligence or dereliction of duty, abuse of power, bribe-taking, embezzlement of company property and other irregularities of any employee to the audit department of the Group through official documents, letters, faxes, e-mails, telephones and interviews, etc. The audit department will report it to the audit committee which will conduct investigation, collect evidence, verify and deal with it after coming to a conclusion.

Community Involvement

Community relationship

Adhering to the tenet of “harmonious mines”, the Group attaches importance to the establishment of a harmonious relationship with the local communities. The Company comes to understand their needs by actively participating in community activities, and takes concrete actions to ensure that interests of the communities are taken into consideration in the operations of the Group.



Reinforcing communication with the communities

Upholding the principle of “establishing harmonious relationship between villages and enterprises”, the Group reinforced communication with the local communities, so as to promote harmonious coexistence with the villages. In light of the actual situation, the Company has established a series of systems to understand demands from the local communities and to maintain the relationship between villages and enterprises, so as to ensure smooth communication and active coordination with the local communities. With the support of the local government and villages, the Company established the joint mediation mechanism to promote equal dialogue among the three parties, so as to provide equal coordination and maintain a harmonious and stable relationship between villages and enterprises.

Reception of the local communities and villagers by the iron ore business in 2014

| No. | Date | Communities or villagers | Demands | Response by the Company | Description |
|-----|--------------|--------------------------|---|-------------------------|--|
| 1 | April 2014 | Aoniu Village | To build school bus stations | Agree | To build two school bus stations with shelter at the entrance to Aoniu Village |
| 2 | October 2014 | Aoniu Village | To repair and repave damaged road surface | Agree | To repair and repave damaged road surface located at Lishu Group Aoniu Village |

In 2014, the gold business held nine meetings with West Australia Department of Mines and Petroleum and the local community at the SXO gold mine. Dr. Qiu Yumin (president of Hanking Gold) made detailed presentations in respect of the production plan, future development plan and community relationship construction of Hanking Gold to the local communities in May and July 2014 respectively, and had won the support of the local communities for the production and operation activities of Hanking Gold, establishing sound and solid relationship with the communities.



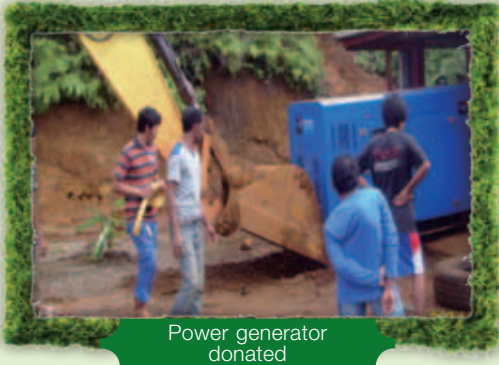
Community construction

As we are part of the community, efforts to construct the community are to improve our living environment. The Group actively supported the community construction and tried to make contributions to the community.

In 2014, the iron ore business invested RMB3,000 and assigned seven staff to repair the damaged section of the road at Aoniu Village for two days.

In 2014, the nickel business repaired 16km road and built 1.4 km road at the Hanking – BMS Industrial Park at an accumulative cost of IDR208,500,000, and donated a set of diesel generator with a capacity of 100KW to Lameruru village, which helped to solve their power supply problem.

In 2014, the gold business provided the local community with 75 tons of stone for the construction of culverts, and also donated 20 tons of scrap iron and steel for community construction. From 1 October to 22 October 2014, the Company contributed AUD24,818.43 for the maintenance and repair of the road with a length of 12km and for the expansion of a road with a length of 350 meters within the community.



Power generator donated

Community environment

The Group actively involved in the environment construction of the local communities, and spared no efforts to raise their awareness towards environmental protection.

On 5 June 2014, Benxi Mine invested RMB500 and joined hands with Beitai Community to hold the Environmental Knowledge Contest. 22 people from both Benxi Mine and Beitai Community participated in the contest, which was designed to promote environmental knowledge and improve public awareness of environmental protection.

During the flood season of 2014, Aoniu Mine invested RMB5,000 and assigned two staff to clear up the 5,000 meter river at Aoniu Village for three days, so as to ensure a smooth and clean river and eliminate the potential risk of flood.

Community care

The Group cares about the local people who are in need of help, and provided them with necessary support. On the eve of every Spring Festival, the iron ore business staff visit the low-income worker families and bring them rice, flour, oil and other necessities. The iron ore business also occasionally organizes some young employees of the Company to clean the houses for the villagers with mobility disabilities and provide assistance within their capacity.

In 2014, being aware of the financial difficulty confronted by an employee of Aoniu Mine, the Company immediately called on the employees to donate money for the employee. The 300 employees in Aoniu Mine donated RMB13,570 in two days to help the employee through hard times.



Yang Jiye, President of the Company, visited the Home for the Aged

On 12 March 2014, Hanking Gold sponsored the charity dinner for the benefit of the indigenous people, and Dr. Qiu Yumin presented at the dinner on behalf of Hanking Gold.

Education

In 2014, Aoniu Mine invested RMB7,000 and assigned three staff to build two school bus stations for the local community for seven days.

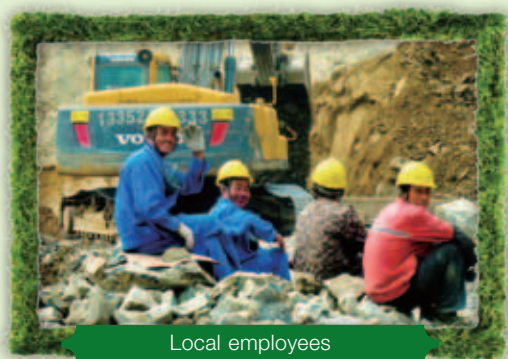
In order to support the development of local education in Indonesia, the nickel business funded an accumulative amount of IDR15,000,000 for the salaries of the local teachers in 2014.

Labor demand

The candidates from the community where the Group runs business enjoy the priority to be recruited, which not only relieves the local employment pressure, increases villagers' income, but also promotes good relationship between villages and enterprises.

The table below presents the employment of local villagers by each mine operated by the iron ore business in 2014:

| Mines | Total number of employees | Number of local employees | Percentage of local employees to total workforce |
|---------------|---------------------------|---------------------------|--|
| Aoniu Mine | 607 | 484 | 79.74% |
| Maogong Mine | 451 | 404 | 89.58% |
| Benxi Mine | 222 | 60 | 27.03% |
| Xingzhou Mine | 287 | 136 | 47.39% |
| Shangma Mine | 362 | 248 | 68.51% |
| Total | 1,929 | 1,332 | 69.05% |



Local employees

The operating camps of the nickel business also employ many local Indonesian staff. In 2014, the distribution of employees at the operating camps of the nickel business by nationality is as follows:

| Number of Indonesian employees | Number of Chinese employees | Number of local employees | Percentage of local employees to total workforce |
|--------------------------------|-----------------------------|---------------------------|--|
| 125 | 27 | 39 | 25.66% |

The gold business recruited three people from the local community as regular employees and five as short-term contract workers.

Culture

The Group attached great importance to participating in the community cultural activities and carried out various forms of cultural exchange activities with the local communities.

In 2014, Aoniu Mine invested RMB3,000 and joined hands with Aoniu Village to hold the line dance contest, which lasted for half day. A total of 30 people from the village and the enterprise participated in the contest, which served to improve the relationship between the village and the enterprise.

In 2014, the gold business assigned two delegates to visit the exhibition on the mining history of the SXO mine for half day, which helped to improve our understanding on the Southern Cross Operation and the development of the local mining industry.

Sports

The Group carried out a variety of sports activities with local villages, including basketball matches, mountain-climbing competitions and football games. These activities were not only conducive to the good health of the employees, but also promoted the harmonious relationship between the villages and our enterprises.

Sport activities participated by the iron ore business in 2014



| Community sport activities | Number of participants | Time | Costs (RMB) | Description |
|-------------------------------|------------------------|----------|-------------|---|
| Basketball match | 10 | Half day | 3,000 | Basketball match between the village and our enterprise |
| Mountain-climbing competition | 140 | Half day | 8,000 | Mountain-climbing competition held by the town government, the village and our enterprise |

The nickel business participated in the football match, sepak takraw match, volleyball match and other matches held at Langgikima on or about the independence day of Indonesia which were organized by the local government, and had won the championship of the football match. The Company contributed IDR5,000,000 to the aforesaid matches.

The gold business encouraged its employees to actively participate in the basketball and football friendly matches on every Friday night with the local residents, so as to enhance understanding of and communication with the local residents.