Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

罕王
HANKING

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

(incorporated in the Cayman Islands with limited liability)

(Stock code: 03788)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2017:

- revenue from the Group's continuing operations amounted to approximately RMB1,091,034,000, representing an increase of approximately RMB278,817,000 or 34.33% as compared to the corresponding period of last year;

- the profit for the year of the Group's continuing operations was approximately RMB99,959,000 (2016: a loss of RMB220,150,000), and the EBITDA was approximately RMB481,388,000 (2016: RMB185,604,000), representing an increase of approximately 159.36% from that of the same period of last year. The profit margin of EBITDA was approximately 44.12%, representing an increase of approximately 21 percentage points as compared with that of last year;

- the disposal of the equity interests in the SXO Gold Project of the Group was completed in April 2017, and the Company received an investment gain of approximately RMB763,223,000;

- earnings per Share were RMB47.9 cents, as compared to loss per Share of RMB11.3 cents recorded for the corresponding period of last year. Earnings per Share from continuing operations were RMB6.2 cents, as compared to loss per Share of RMB11.7 cents recorded for the corresponding period of last year; and

- the Board proposed a final dividend of HK$0.01 per Share (2016: nil).

The board (the "**Board**") of directors (the "**Directors**") of China Hanking Holdings Limited (the "**Company**" and its subsidiaries, the "**Group**") hereby announced the audited consolidated results of the Group for the year ended 31 December 2017 (the "**2017 Annual Results**"). The 2017 Annual Results have been audited by Deloitte Touche Tohmatsu, the auditor of the Company, and have been reviewed by the audit committee of the Company (the "**Audit Committee**"), and have been approved by the Board on 20 March 2018.

OPERATION REVIEW

1. Substantial increase in the output of iron ore from Maogong Mine

Through continuous technology improvements, Maogong Mine of the Group has achieved steady growth in output, leading to continuous increase in the output of iron ore concentrates. The output of Maogong Mine amounted to approximately 1,129 thousand metric tons in 2017 (2016: 846 thousand metric tons), representing a year-on-year increase of approximately 33.45%, which accounted for 64.01% of the Group's output of iron ore concentrates.

2. Significant increase in the value of the gold business

By seizing favorable market conditions, the Company closed a deal for acquisition of the SXO Gold Project's assets at the price of AUD19.7 million in 2013. Through rational exploration and development, the SXO Gold Project was successfully put into commercial production and achieved substantial growth in its market values. Again the Company used a favorable market window to sell the SXO Gold Project at an enterprise value of AUD330 million in 2017. The Company realized an investment gain of approximately RMB763,223,000 within a 4-year investment cycle.

3. Resumption of production and sales of the nickel business

In light of the demands for nickel ore in Indonesia, the nickel business of the Company initiated preparatory works to resume production in early 2017. PT Konutara Sejati ("**KS**"), a non-wholly owned subsidiary of the Company, and PT Karyatama Konawe Utara ("**KKU**"), a non-wholly owned subsidiary of the Company, joined hand with independent third parties to develop nickel resources in accordance with the cooperation agreements entered into among them. The nickel business resumed production in August 2017. In 2017, the nickel business produced in aggregate approximately 259 thousand metric tons, and sold approximately 223 thousand metric tons of nickel ore.

IRON ORE BUSINESS

In 2017, the price of imported iron ore in China went up before heading down, showing an overall trend of declining amid fluctuations and rising troughs. According to the Platts Price Index, in 2017, the imported price of iron ore concentrates at a grade of around 62% surged rapidly from US$78.35/metric ton on the first trading day of the year to the peak of the year at US$95.05/metric ton on 21 February 2017, and then, after a period of fluctuation and consolidation, landed at US$79.35/metric ton on 22 August 2017 which represented the peak for the second half of the year, and finally closed at US$74.35/metric ton for 2017.

1. Operation review

The iron ore business of the Company mainly produced iron ore concentrates with a grade of around 69%. In 2017, the main strategy of the iron ore business was to significantly increase the iron ore concentrate output of its key mine, Maogong Mine, continue to carry out production technology improvement to improve the grade of iron ore concentrates and lower impurities. In 2017, the output of Maogong Mine amounted to approximately 1,129 thousand metric tons (2016: 846 thousand metric tons), representing a year-on-year increase of approximately 33.45%, and the average grade of iron ore concentrates was around 68.60%. Therefore, the Company's output of iron ore concentrates increased to approximately 1,764 thousand metric tons in 2017 (2016: 1,749 thousand metric tons), representing an increase of approximately 0.86% over last year.

Table 1 – Output and sales volume of iron ore

	For the year ended 31 December		
	2017	2016	Change
	(thousand metric tons)		
Stripping amount	**2,892**	6,458	-55.22%
Output of iron ore	**5,736**	5,573	2.92%
Output of iron ore concentrates	**1,764**	1,749	0.86%
Sales volume of iron ore concentrates	**1,768**	1,790	-1.23%

In 2017, the sales volume of iron ore concentrates amounted to approximately 1,768 thousand metric tons (2016: 1,790 thousand metric tons), and the revenue of the iron ore business was approximately RMB1,055,763,000 (2016: RMB812,217,000), representing a year-on-year increase of 29.99%. The average selling price of iron ore concentrates was approximately RMB597 per metric ton (2016: RMB453 per metric ton), representing a year-on-year increase of approximately 31.79%.

In 2017, the iron ore business enhanced analysis and study on the market trend and reopened negotiation with its customers for long-term supply agreement in respect of our high-grade iron ore concentrate products. In January 2018, the iron ore business entered into the 2018 Iron Ore Concentrates Sale Agreement with a major customer. Given the greater economic value created by the Company's high-grade iron ore concentrates (at a grade of around 69%) for its customers, the mark-up rates of the prices in respect of the grade and other factors have been increased under the 2018 Iron Ore Concentrates Sale Agreement. Generally, the selling price of per metric ton of iron ore concentrates under the new agreement will increase by approximately RMB21 as compared with the agreed pricing method under the 2017 Iron Ore Concentrates Sale Agreement.

In 2017, the average cash operation costs of per metric ton of iron ore concentrates was approximately RMB284 (2016: RMB260), representing a year-on-year increase of approximately 9.23%. The increase in cash operation costs was attributable to: (1) the increase in mining costs due to the increase of drivage quantity in an effort to prepare for the production expansion for the coming year; (2) the significant increase in tax expense as a result of substantial increase in unit price in 2017 as compared to that of 2016 while the resource tax was levied based on the unit price; and (3) the increase in mine management expense due to the further increase in expenditure for greening and security efforts in 2017.

Table 2 – Cash operation costs of the iron ore business

	For the year ended 31 December		
	2017	2016	
	(RMB/metric ton of iron ore concentrate)	*(RMB/metric ton of iron ore concentrate)*	Change
Mining	**128**	111	15.32%
Processing	**77**	76	1.32%
Transportation	**19**	21	-9.52%
Tax	**36**	32	12.50%
Mine management	**24**	20	20.00%
Total	**284**	260	9.23%

In 2017, benefiting from the increase in the price of iron ore concentrates, the gross profit of the iron ore business was approximately RMB480,546,000 (2016: RMB238,500,000), the gross profit rate was approximately 45.52% (2016: 29.36%), the net profit was approximately RMB168,699,000 (2016: a loss of RMB167,396,000), net profit rate was approximately 15.98% (2016: -20.61%), with an EBITDA of approximately RMB519,769,000 (2016: RMB205,541,000). The profit margin of EBITDA was approximately 49.23% (2016: 25.31%), representing an increase of approximately 23.92 percentage points as compared with the previous year.

In 2017, the iron ore business focused on the construction of the underground mining works of Maogong Mine. As of 31 December 2017, the capital expenditure of iron ore business was RMB176,391,000 (2016: RMB146,445,000), mainly including expenditure for acquisition of property, plant and equipment amounting to RMB141,006,000. The capital commitment amounted to RMB65,388,000 (2016: RMB146,915,000).

2. Operating mines

(a) Maogong Mine

Maogong Mine is located in the township of Shiwen, Fushun County, Fushun City, and is operated by the Company through its subsidiary Maogong Mining. Maogong Mine owns mining licenses covering areas totaling 2.37 km^2 and exploration permits covering areas totaling 8.85 km^2, and has extensive infrastructures including paved roads, water and electricity supplies.

Maogong Mine was engaged in both open-pit mining and underground mining. In 2017, the phase one project of the underground mining works has passed the acceptance inspection, with an annual production capacity of 3 million metric tons of iron ore. The phase two project was also under construction, which is scheduled to be put into use by the end of 2018. Based on the technology improvement in 2015 and 2016, the Company implemented phase three technology improvement on the processing plant of Maogong Mine in 2017. By taking measures to optimize the production process and enhance equipment maintenance, the Company improved the utilization rate of equipment and achieved steady increase in output, with the processing costs significantly decreasing by approximately 17.60%.

Table 3 – Operation breakdown of Maogong Mine

Maogong Mine	**For the year ended 31 December**		
	2017	2016	Change
Output of iron ore concentrates (thousand metric tons)	**1,129**	846	33.45%
Sales volume of iron ore concentrates (thousand metric tons)	**1,129**	852	32.51%
Mining costs (RMB per metric ton of iron ore concentrate)	**182**	191	-4.71%
Of which, underground mining by contractor *Note 1*	**131**	98	33.67%
Processing costs (RMB per metric ton of iron ore concentrate) *Note 2*	**103**	125	-17.60%
Government tax (RMB per metric ton of iron ore concentrate) *Note 3*	**40**	31	29.03%
Freight on sales (RMB per metric ton of iron ore concentrate) *Note 4*	**10**	11	-9.09%

Notes:

1. The increase of underground mining cost for per metric ton of iron ore concentrates by contractor was mainly due to the increase of drivage quantity.

2. The decrease was mainly attributable to the substantial increase in output and technology improvement.

3. The unit selling price in 2017 was higher than that of the corresponding period of last year, and the resource tax was provided at 5% of the income, thus leading to the increase in government tax;

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

(b) Aoniu Mine

Aoniu Mine is located in the township of Hou'an, Fushun County, Fushun City, and is operated by the Company through its subsidiary Aoniu Mining. Aoniu Mine owns mining licenses covering areas totaling 1.8911 km^2 and has extensive infrastructures including paved roads, water and electricity supplies. Aoniu Mine was awarded the title of National Green Mine Pilot Enterprise.

In 2017, Aoniu Mine was engaged in both open-pit mining and underground mining. An independent third party was engaged to undertake the underground mining works. Mining operation was mainly carried out at the 265 m level, and preparation for mining was carried out at the 215 m level. In September 2017, mining operation at the No. 5 open-pit mining area was closed, and rehabilitation work for the mining area was commenced, leading to a decrease in iron ore output from the open-pit. Full stripping operation at the No. 2 open-pit mining area commenced in December 2017. Aoniu Mine has two processing plants. In 2017, through technology improvement and commissioning of the existing crushing equipment, production at these processing plants maintained stable performance. The average grade of iron ore concentrates produced in 2017 was approximately 69.46%.

Table 4 – Operation breakdown of Aoniu Mine

Aoniu Mine	For the year ended 31 December 2017	2016	Change
Output of iron ore concentrates (thousand metric tons)	**635**	903	-29.68%
Sales volume of iron ore concentrates (thousand metric tons)	**639**	906	-29.47%
Mining costs (RMB per metric ton of iron ore concentrate)	**161**	130	23.85%
Of which, underground mining by contractor *Note 1*	**59**	47	25.53%
Processing costs (RMB per metric ton of iron ore concentrate) *Note 1*	**131**	100	31.00%
Government tax (RMB per metric ton of iron ore concentrate) *Note 2*	**29**	33	-12.12%
Freight on sales (RMB per metric ton of iron ore concentrate) *Note 3*	**34**	31	9.68%

Notes:

1. Open-pit mining was closed in 2017. The open-pit mining operation had shifted into residual mining as it had reached the tail of the ore body where ore and rock are interbedded with change in the interburden, leading to decrease in magnetic iron grade of ores and decline in output, and hence resulting in increase in mining costs and processing costs.

2. In 2017, Aoniu Mine was entitled to taxation preferential policy in respect of resource tax, which led to a decrease in government tax.

3. The transportation service was provided by independent third parties. In 2017, some of the iron ore concentrates were sold from Aoniu Mine to new customers which were located at a greater distance and required more cost of transportation.

(c) Shangma Mine

Shangma Mine is located at the center of the iron ore belt in Fushun City, which is situated between Aoniu Mine and Xingzhou Mine, serving as a link connecting the two major mines. Production at Shangma Mine was suspended in 2017. However, we conducted surface survey, in-depth exploration drilling and systematic sampling at the area where Shangma Mine is located, which will provide geographic evidence support for subsequent resource development and expansion of mining area.

(d) *Xingzhou Mine*

On 13 April 2017 (after trading hours), Aoniu Mining, a wholly-owned subsidiary of the Company, entered into the equity interest transfer agreement with the purchaser to dispose of all its equity interest in Xingzhou Mining. The total consideration of the disposal is RMB360,000,000 with reference to the unaudited total assets of Xingzhou Mining as at 28 February 2017 and the shareholder's loan. Aoniu Mining will receive RMB360,000,000 in cash as a result of the disposal, including the recovery of the shareholder's loan at a sum of RMB340,000,000 and the equity consideration of RMB20,000,000. As at the date of this announcement, the purchaser has paid the consideration in an amount of RMB230,000,000 in accordance with the equity interest transfer agreement, while the remaining RMB130,000,000 remained unpaid as the Company hadn't completed the registration procedures for change of the mining right certificate of Xingzhou Mine. Thus both parties haven't completed registration procedures for change of shareholding, and Xingzhou Mining has still been accounted in the consolidated financial statements of the Group as assets held for sale.

3. Iron ore resources and reserves

In 2017, Shangma Mine completed a total of 22 surface drilling holes and drilled 10,325.01 meters, and completed a 1:10,000 scale medium-gradient IP survey over 11.38 km^2 for the first time, with 1,625 points IP sounding (pole-dipole). Aoniu Mine completed 6 drilling holes and drilled 1,909.82 meters. Exploration expenditure was approximately RMB7,916,000.

As of the end of 2017, the Group owned approximately 225 million metric tons[1] of iron ore resources.

[1] Includes the resources of Xingzhou Mine. The mineral resources of Xingzhou Mine is classified as assets held for sale.

Table 5 – Iron ore resources as at the end of 2017

Mines	Resources category	Increased amount for 2017 (metric ton)	Resources amount at the end of 2017 (metric ton)	TFe (%)
Aoniu Mine	Indicated[2]	0	14,774,818	31.60
	Inferred[3]	0	20,610,590	31.89
Subtotal of Aoniu Mine		0	35,385,408	31.75
Maogong Mine	Indicated	1,665,000	26,898,591	32.29
	Inferred	0	6,587,107	30.15
	Inferred*	0	217,700	22.47
Subtotal of Maogong Mine		1,665,000	33,703,398	31.72
Xingzhou Mine	Indicated	0	32,956,373	30.88
	Inferred	0	27,779,010	30.65
	Indicated*	0	63,722,270	22.76
Subtotal of Xingzhou Mine		0	124,457,653	26.67
Shangma Mine	Indicated	0	8,122,403	31.07
	Inferred	0	23,727,200	30.56
Subtotal of Shangma Mine		0	31,849,603	30.73
Total[4]	Indicated	1,665,000	82,752,185	31.65
	Inferred	0	78,703,907	30.95
	Indicated*	0	63,722,270	22.76
	Inferred *	0	217,700	22.47
Total resources		1,665,000	225,396,062	30.42

* *Represents low-grade ore body*

2 The resources amount at the end of 2017 includes approximately 11,364 thousand metric tons of the resources amount which does not show on the mining licenses.

3 The resources amount at the end of 2017 includes approximately 16,163 thousand metric tons of the resources amount which does not show on the mining licenses.

4 The resources amount at the end of 2017 includes portion of the resources amount which does not show on the mining licenses.

Notes:

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

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

As of the end of 2017, the Group owned 148 million metric tons[5] of JORC Code-compliant iron ore reserves.

Table 6 – Iron ore reserves as at the end of 2017

Mines	**Reserves category**	**Increased amount for 2017 (metric ton)**	**Reserves at the end of 2017 (metric ton)**	**TFe (%)**
Aoniu Mine	Probable Ore Reserve	0	3,410,779	25.69
Maogong Mine	Probable Ore Reserve	1,007,215	26,898,591	26.93
	Probable Ore Reserve*	0	72,567	22.47
Xingzhou Mine	Probable Ore Reserve	0	42,216,043	26.49
	Probable Ore Reserve*	0	63,722,270	19.45
Shangma Mine	Probable Ore Reserve	0	12,440,303	25.90
Subtotal	Probable Ore Reserve	1,007,215	84,965,716	26.31
	Probable Ore Reserve*	0	63,794,837	22.47
Total	Probable Ore Reserve and Probable Ore Reserve*	1,007,215	148,760,553	25.25

* *Represents low-grade ore body*

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

5 Includes the reserves of Xingzhou Mine. The resources of Xingzhou Mine is classified as assets held for sale.

4. Industry chain extension of iron ore business – development of new business

The Company has been actively exploring the intensive processing of high-grade iron ore concentrates and the effective and integrated utilization of iron ore resources, with an aim to extend its business to cover the overall industry chain of iron ore resources. In 2017, the project using iron tailings to produce green building materials – foamed ceramics was approved by the Board and put into implementation, which will mainly produce lightweight partition boards and integrated-insulation-and-decoration boards. We planned to invest RMB120 million to build the production line with the phase I annual production capacity of 120,000 m^3, which is expected to be completed and put into trial production in the second half of 2018. In 2017, the foamed ceramics project group completed the pilot test, project establishment, feasibility study, process design, plant construction and other preparatory works, and had applied for five invention patents. Foamed ceramics falls within the category of priority industries under the national "13th Five-Year" development plan, and is also necessary building materials for prefabricated constructions, with great development potential in recent years.

As the main raw material for production of foamed ceramics is iron tailings, thus the launch of the foamed ceramics project will reduce land occupation of the tailings storage facility, lower the production costs of the iron ore concentrates produced by the existing iron ore business and bring in an additional source of income, creating synergetic development with the Company's existing businesses, which is a useful attempt to extend industry chain and cater to the changes of trend in the market.

GOLD BUSINESS

In 2017, the performance of gold price remained volatile within narrower range, which can be divided into two phases. The first phase, covering January to September 2017, saw a continuous rising trend in spot gold, with the London gold price increasing from US$1,155/ounce to the peak of the year at US$1,357/ounce. The second phase witnessed the pullback of gold price since September 2017, with the gold price declining from the peak of the year of US$1,357/ounce to US$1,236/ounce. With the announcement of the third interest hike by the Federal Reserve Board on 14 December 2017, the declining trend in gold price was halted the same night, and the gold price rallied and then surged to US$1,302/ounce on 29 December 2017.

1. Disposal of the equity interests in the SXO Gold Project

In 2013, the Company seized the favorable market conditions to acquire the SXO Gold Project at the price of AUD19.7 million. After completion of the acquisition, and through team re-building, extensive exploration and asset maintenance, the Company commenced open-pit mining and stripping operation at the Cornishman gold mine in August 2014, and carried out underground mining in December of the same year. The SXO Gold Project had extensive infrastructures, and its own processing plant was located in the middle area of the mining site. Through technology improvement, the processing plant had an annual ore processing capacity of 2.4 million metric tons.

The SXO Gold Project produced the first gold pour in February 2015 and started commercial production in August. The project produced 58,887 ounces (1.89 metric tons) of gold during 2015 with a net profit of RMB50,276,000. In 2016, the SXO Gold Project achieved substantial increase in gold output through optimizations of production plan. The total gold production for 2016 was 121,456 ounces, representing a year-on-year increase of 106.25%, while the sales volume registered a year-on-year increase of 115.96%. Furthermore, the Company secured a good selling price for part of the products using hedges, so as to reduce the risks on gold production and operation arising from fluctuations in gold price.

By cooperating with the contractors and independent consultants, and through continuous exploration programs on the existing and new gold mines, the SXO Gold Project achieved substantial increase in the resources and reserves. As of the end of 2016, the total JORC Code-compliant gold resources of the Company increased to approximately 34,720 thousand metric tons with an average grade of around 4.1 gram/ton, containing approximately 4,570 thousand ounces of gold, representing an increase of approximately 90.02% than that at the time of the acquisition. The JORC Code-compliant reserves increased to approximately 8,740 thousand metric tons with an average grade of around 3.4 gram/ton, containing approximately 960 thousand ounces of gold, representing a year-on-year increase of approximately 62.16%.

On 15 February 2017, the Company and the other vendors entered into a share sale agreement with the purchaser (Shandong Tianye Group Bid Co Pty Ltd) and the guarantor (Shandong Tianye Real Estate Development Group Co., Ltd., the ultimate holding company of the purchaser), to sell 100% of the shares in Hanking Australia Pty Ltd (which held the SXO Gold Project and its assets) at an enterprise value of AUD330 million.

The net proceeds from the disposal of such equity interest was RMB893,573,000, coupled with the received internal loans of RMB273,178,000, totaling RMB1,166,751,000, which will be used to further develop the Group's business and improve the financial position, in particular: (1) approximately RMB323,000,000 will be used for repayment of bank borrowings; (2) approximately RMB448,000,000 will be used to further expand its existing iron ore and nickel businesses as well as to explore new business opportunities; and (3) RMB319,774,000 has been paid as a special dividend to the shareholders, representing HK$0.2 per share.

The disposal of all the equity interests in the SXO Gold Project was completed in April 2017, and the closing base date agreed by both parties was 31 March 2017. Therefore, the accounts of Hanking Australia Pty Ltd and its subsidiaries will no longer be consolidated into the accounts of the Group after 1 April 2017.

During January to March 2017, the mines of the gold business included an open-pit mine (Axhandle Gold Mine) and an underground mine (Nevoria Gold Mine), and the ores mined was transported to its own processing plant – Marvel Loch Processing Plant for further processing. During the aforesaid process, the total gold output amounted to 26,917 ounces, and the sales volume was 27,598 ounces at an average selling price of approximately AUD1,612/ounce, with the C1 direct cash costs amounting to AUD958/ounce. Revenue of the gold business amounted to approximately RMB212,702,000, and the profit before tax was approximately RMB29,626,000.

The capital expenditure of the gold business for 2017 amounted to approximately RMB84,322,000 (2016: RMB53,884,000), and the capital commitment was approximately RMB0 (2016: RMB25,088,000).

2. Other business in Australia

After completion of the disposal of the SXO Gold Project, the Company held some equity interests in several listed companies in Australia through Hanking Australia Investment Pty Ltd ("**Hanking Australia Investment**"). As at 31 December 2017, the fair value of these equity interests in these listed companies amounted to approximately RMB21,778,000, representing a year-on-year increase of approximately 10.95%. Hanking Australia Investment is mainly engaged in investments in Australia.

(a) Investment in CZN

Hanking Australia Investment and Corazon Mining Limited, a company listed on the Australian Securities Exchange (ASX: CZN) ("**CZN**"), after friendly consultation, have entered into a strategic cooperation agreement on 16 August 2017. Pursuant to such agreement, Hanking Australia Investment has agreed to subscribe for 120 million new shares issued by CZN at a price of AUD0.014 per share and a total consideration of AUD1.68 million. Upon completion of the subscription, Hanking Australia Investment became a strategic cornerstone shareholder of CZN holding approximately 11.5% of CZN's shares. Hanking Australia Investment has also been granted the options to subscribe for a further 85 million shares of CZN at an exercise price of AUD0.03 per share within two years. Upon completion of the subscription, Dr. Qiu Yumin will join the board of CZN as a non-executive director. On 31 January 2018, Hanking Australia Investment participated in the placing proposal of CZN at a price of AUD0.015 per share. Upon completion of the placing, the Company still held approximately 11.5% equity interests of CZN.

Headquartered in Perth Australia, CZN owns two projects: the Lynn Lake Ni-Cu project in Canada and the Mt Gilmore high-grade Co-Cu-Au project in Australia. While CZN's projects are still at the exploration stage, it has a unique high-grade sulfide cobalt project with high recovery rate but lower capital expenditure, and also has the exploration potential for sulfide Ni, Cu and Au. The laterite nickel projects owned by the Company in Indonesia with the JORC Code-compliant nickel resources of over 4.5 million metric tons, coupled with the Company's investment in CZN, marked a strategic step by the Company to tap the metal resources in the new energy industry.

(b) Investment in PGO

The Company has been the single largest shareholder of Primary Gold Limited (a company listed on the Australian Securities Exchange (ASX: PGO)) ("**PGO**") since 2014 and has a shareholding of approximately 8.4% of PGO. Dr. Qiu Yumin, an executive Director of the Company, has been serving on PGO's board of directors as a non-executive director since 2014.

On 20 February 2018, Hanking Australia Investment, a subsidiary of the Company, and PGO, through friendly negotiations, have entered into (i) a bid implementation agreement (BIA), under which the Company has agreed to make a recommended conditional takeover bid for all of the issued shares of PGO at an offer price of AUD0.0575 cash per share; and (ii) in conjunction with the BIA, the loan and facility agreement, pursuant to which Hanking Australia Investment has agreed to provide PGO with an AUD1.5 million unsecured loan facility to assist PGO fund its short term working capital needs and other approved project activities during the offer period. For details, please refer to the Company's announcement dated 20 February 2018. Based on 614.2 million PGO shares in issue as at the date of the aforesaid announcement, and assuming all unlisted options of PGO as at the date of the aforesaid announcement are fully exercised and the offer is accepted in full, the aggregate offer price to be paid by Hanking Australia Investment will amount to approximately AUD34.5 million.

Hanking Australia Investment's bidder's statement has been lodged with the Australian Securities and Investment Commission and despatched to the shareholders of PGO in early March 2018. The deadline for PGO shareholders to accept the offer is 17 April 2018.

PGO is an Australian listed gold company with interests in the Coolgardie gold project in Western Australia and the Mt Bundy gold project in the Northern Territory in northern Australia. The Coolgardie gold project is located about 40 km to the west of Kalgoorlie in Western Australia and the Mt Bundy Project is located 110 km south of Darwin in the Northern Territory. Both projects are exploration and development projects with Toms Gully of the Mt Bundy Project having a processing plant which is on care and maintenance. PGO has JORC 2012 compliant resource of approximately 2 million ounces at an average grade of 1.1 gram/ton gold and ore reserve of approximately 0.23 million ounces at an average grade of 3.9 gram/ton gold. Based on the above, the Company considers the offer to be consistent with its vision to develop a sustainable long term Australian gold business. Through its expertise and financial capability, the Company considers itself well placed to maximize the potential of PGO's projects.

NICKEL BUSINESS

In 2017, the domestic nickel market showed a trend of rising after decline. Nickel price registered slight increase in 2017. LME nickel price began the year at US$10,295/metric ton, and then surged to US$12,645/metric ton at the end of the year, representing an increase of approximately 23%. For the performance of nickel price for the whole year, it began to surge in early June 2017, and reached the peak of the year at US$12,680/metric ton on 3 November 2017, hitting a new high for the last two years.

1. Operating mines

The Company acquired the 52.5% equity interests of laterite nickel project located in North Konawe Regency, Southeast Sulawesi, Indonesia (the "**Nickel Project**") in the first half of 2013. Since the acquisition, the Company has made strenuous efforts to enhance its mining capacity and infrastructure construction, currently with an annual mining capacity of 5 million metric tons of ore.

On 12 January 2014, the Ministry of Energy and Mineral Resources (the "**ESDM**") issued a Minister of ESDM Regulation (No. 1 of 2015) (the "**Regulation**") to increase domestic minerals' additional value through domestic processing and refining, which imposed restrictions on export of extracted mineral products including from nickel mines in Indonesia. Since then, production from the nickel project has been suspended. Since the implementation of the Regulation, a number of companies in Indonesia began to operate nickel smelting plants to process nickel products in Indonesia. The rapid expansion of production capacity of nickel smelting has stimulated the demand for local nickel ore in Indonesia. In view of the above, the nickel business initiated the preparatory works to resume production in early 2017. KS and KKU joined hands with independent third parties to develop nickel resources in accordance with the cooperation agreement entered into among them. The nickel business resumed production in August 2017. The mining area of KS covers the southern exploration probable area of D mining zone. The mining area of KKU covers the western exploration proved area of K mining zone. As at the end of 2017, the output and sales volume of the nickel business amounted to approximately 259 thousand metric tons and approximately 223 thousand metric tons respectively, with the cash operation costs of approximately RMB55.72/metric ton. With the increasing capacity of the local smelting plants in Indonesia, the Company will continue to improve the production capacity and sales revenue of the nickel ores, and the value of the Nickel Project is expected to grow.

With the resumption of production of the nickel business, revenue of the nickel business was approximately RMB35,271,000 in 2017 (2016: RMB0), representing a year-on-year increase of approximately 100%. The gross profit was approximately RMB19,339,000, the gross profit rate was 54.83%, and the net loss was RMB30,102,000 (2016: RMB24,271,000), with an EBITDA of approximately RMB-10,612,000 (2016: RMB-6,744,000). The capital expenditure amounted to approximately RMB10,000 (2016: RMB16,741,000), and the capital commitment was approximately RMB0 (2016: RMB0).

2. Nickel ore resources and reserves

As of the end of 2017, the Company owned JORC Code-compliant resources of 350.6 million metric tons of laterite nickel ore with nickel grade higher than 1%.

Table 7 – Laterite nickel resources with nickel grade higher than 1%

Category	Resources amount at the end of 2017 (thousand metric tons)	Ni (%)	Metal content in Ni (thousand metric tons)
Measured	85,435.87	1.51	1,289.48
Indicated	182,071.20	1.35	2,457.31
Inferred	83,104.00	1.26	1,047.11
Measured + Indicated	267,507.07	1.40	3,743.71
Measured + Indicated + Inferred	350,611.07	1.37	4,801.89

Note: Data shown in the table above was based on the independent technical report submitted by CSA Global Pty Ltd on 12 June 2013, less the mining amount and loss amount calculated by our in-house experts.

As the Company did not produce nickel ores with high TFe and low Ni, as of the end of 2017, the amount of laterite nickel resources with nickel grade lower than 1% and iron grade higher than 45% of the Company remained 89.78 million metric tons, with a TFe grade of 50.27%.

FINANCIAL REVIEW

1. Revenue, Cost of Sales, Gross Profit

For the year of 2017, revenue from the Group's continuing operations was approximately RMB1,091,034,000, representing an increase of approximately RMB278,817,000 or 34.33% over the corresponding period of last year, mainly due to: (a) an increase of RMB144/metric ton in the selling price of iron ore concentrates over the corresponding period of last year, resulting in an increase in revenue of approximately RMB253,626,000; and (b) the commencement of sales in nickel business from November 2017, achieving revenue of approximately RMB35,271,000.

For the year of 2017, cost of sales incurred by the Group's continuing operations amounted to approximately RMB591,149,000, representing an increase of approximately RMB17,432,000 or 3.04% over the corresponding period of last year, mainly attributable to the commencement of sales in nickel business from November 2017, leading to an increase of approximately RMB15,932,000 in cost of sales.

For the year of 2017, gross profit of the Group's continuing operations was approximately RMB499,885,000, representing an increase of approximately RMB261,385,000 or 109.60% over the corresponding period of last year. As compared to the corresponding period of last year, gross profit margin of the Group's continuing operations increased from 29.36% to 45.82% in 2017.

Table 8 – Analysis on the revenue by major products

	For the year ended 31 December					
	2017			2016		
	RMB'000			*RMB'000*		
	Iron ore	**Nickel ore**	**Total**	Iron ore	Nickel ore	Total
Revenue	**1,055,763**	**35,271**	**1,091,034**	812,217	–	812,217
Cost of sales	**575,217**	**15,932**	**591,149**	573,717	–	573,717
Gross profit	**480,546**	**19,339**	**499,885**	238,500	–	238,500
Gross profit margin	**45.52%**	**54.83%**	**45.82%**	29.36%	–	29.36%

2. Other Income, Other Gains and Losses

For the year of 2017, other income from the Group's continuing operations was approximately RMB6,493,000, representing a decrease of approximately RMB4,922,000 or 43.12% over the corresponding period of last year. Other income mainly represented interest income. The decrease was mainly due to the decrease in bank borrowings deposit of the Company in 2017.

For the year of 2017, other losses of the Group's continuing operations were approximately RMB5,965,000, representing a decrease of approximately RMB133,709,000 or 95.73% over the corresponding period of last year, which was mainly attributable to a loss of approximately RMB47,194,000 recognised on disposal of Benxi Mining in 2016 and the provision for long-term asset impairment loss of approximately RMB61,197,000, while there is no provision for asset loss, nor there is loss from disposal of subsidiaries in 2017. Other losses mainly consisted of provision for asset impairment, foreign exchange losses, gain on disposal of available-for-sale investments, net gain/loss from disposal of properties, plants and equipment, charity donation and other overheads.

3. Distribution and Selling Expenses, Administrative Expenses

For the year of 2017, the distribution and selling expenses of the Group's continuing operations were approximately RMB42,193,000, representing an increase of approximately RMB4,590,000 or 12.21% as compared to the corresponding period of last year, which was mainly due to the increase of approximately RMB7,727,000 in distribution and selling expenses as a result of the commencement of sales in nickel business from November 2017. Selling and distribution expenses consisted of transportation expenses, labour expenses and others.

For the year of 2017, the administrative expenses of the Group's continuing operations were approximately RMB158,625,000, representing a decrease of approximately RMB4,543,000 or 2.78% as compared to the corresponding period of last year. Administrative expenses included remuneration paid to the Group's management and administrative staff, depreciation and amortization, leasing and office expenses, business development expenses, professional consultation and service expenses, taxation expenses, bank charges, inventory depreciation reserves, accrued doubtful debt reserves and others.

4. Finance Costs and Income Tax Expense

For the year of 2017, the finance costs of the Group's continuing operations were approximately RMB118,739,000, representing a decrease of approximately RMB3,927,000 or 3.20% as compared to the corresponding period of last year. Finance costs included bank borrowing interest expenses, discount expenses and other finance expenses and the amortization of the long-term payable discount charges. The decrease was mainly due to a decrease of approximately RMB31,401,000 in interest expenses as a result of a decrease in bank borrowings, an increase of approximately RMB16,048,000 in discount interest expenses as a result of an increase in discounting of bank acceptance bills, and an increase of approximately RMB11,426,000 in amortization of long-term payable discount charges as compared to last year.

For the year of 2017, the income tax expense of the Group's continuing operations was approximately RMB77,889,000, representing an increase of approximately RMB70,935,000 or 1,020.06% over the corresponding period of last year, which was due to the substantial increase in the profit for the year. Income tax expense included the total amount of current tax payable and deferred tax.

5. Gain and Loss on Changes in Fair Values of Available-for-Sale Investments

For the year of 2017, gains on changes in fair value of available-for-sale investments of the Group were approximately RMB1,111,000 and were recognised in other comprehensive income. The available-for-sale investments of the Group represented the equity interests in Australian listed companies and the unlisted managed investment fund measured at fair value.

6. Profit and Total Comprehensive Income for the Year

Based on the reasons mentioned above, the profit for the year of the Group's continuing operations for the year of 2017 was approximately RMB99,959,000, as compared to a loss of approximately RMB220,150,000 recorded for the corresponding period of last year.

Profit for the year of the discontinued operations was approximately RMB765,028,000, which mainly represented the profit made in the first half of 2017 before the disposal of the SXO Gold Project and the gains from the disposal of the SXO Gold Project.

Based on the profit for the year, and affected by the gain/loss on changes in fair values of available-for-sale investments, foreign currency translation and so on, the total comprehensive income for the year of 2017 was approximately RMB888,138,000, representing an increase of approximately RMB1,057,261,000 or 625.14% as compared to the corresponding period of last year.

7. Property, Plant and Equipment and Inventories

As of 31 December 2017, the net value of property, plant and equipment of the Group was approximately RMB865,421,000, representing a decrease of approximately RMB515,943,000 or 37.35% as compared to the end of the previous year, which was mainly due to the disposal of the SXO Gold Project in the current year.

As of 31 December 2017, the inventories of the Group were approximately RMB89,669,000, representing a decrease of approximately RMB55,110,000 or 38.06% as compared to the end of the previous year, which was mainly due to the disposal of the SXO Gold Project in the current year.

8. Trade and Other Receivables, Trade and Other Payables, Bills Receivables and Bills Payables

As of 31 December 2017, trade receivables of the Group were approximately RMB217,444,000, representing a decrease of approximately RMB40,170,000 over the end of last year, mainly attributable to the decrease in balance of accounts receivable of the iron ore concentrates.

As of 31 December 2017, bills receivables of the Group (bank acceptance bills) were approximately RMB423,072,000, representing an increase of approximately RMB392,572,000 over the end of last year, of which undiscounted bank acceptance bills were approximately RMB177,908,000, which was mainly because that given the sufficient funds of the Group for 2017, the Group did not discount the bank acceptance bills. Such bills can be discounted at any time to satisfy the need for cash.

As of 31 December 2017, other receivables of the Group were approximately RMB179,819,000, representing an increase of approximately RMB11,875,000 over the end of last year which was mainly due to an increase of approximately RMB25,328,000 in deposit for resource tax.

As of 31 December 2017, trade payables of the Group were approximately RMB25,959,000, representing a decrease of approximately RMB107,402,000 over the end of last year. As of 31 December 2017, bills payables of the Group were approximately RMB28,500,000, representing an increase of approximately RMB22,740,000 over the end of last year. As of 31 December 2017, other payables of the Group were approximately RMB449,628,000, representing an increase of approximately RMB120,716,000 over the end of last year, which was mainly due to the charge of deposit for the disposal of Xingzhou Mine of RMB230,000,000.

9. Cash Use Analysis

The summary of the Group's consolidated statement of cash flows for the year of 2017 is set out below.

	For the year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Net cash flows from operating activities	**344,134**	748,424
Net cash flows from investing activities	**845,280**	(721,163)
Net cash flows from financing activities	**(851,862)**	(59,977)
Net increase/(decrease) in cash and cash equivalents	**337,552**	(32,716)
Cash and cash equivalents at the beginning of the year	**70,162**	99,223
Assets reclassified as held for sale	**(6,113)**	–
Effect of changes in foreign exchange rate on cash and cash equivalents	**(6,690)**	3,655
Cash and cash equivalents at the end of the year	**394,911**	70,162

The net cash inflow from operating activities during the year of 2017 was approximately RMB344,134,000. The amount was mainly attributed to the profit before tax of approximately RMB942,876,000, together with depreciation and amortization of approximately RMB233,298,000, an increase of approximately RMB240,970,000 in payables and bills payables and finance costs of approximately RMB120,805,000, which were offset by gain from disposal of subsidiaries of approximately RMB763,223,000 and an increase of approximately RMB413,142,000 in receivables and bills receivables.

For the year of 2017, the net cash inflow from investing activities amounted to approximately RMB845,280,000. The amount mainly included the amount of approximately RMB259,678,000 used in the acquisition of new plants and equipment, etc. and acquisition of properties in order to expand production capacity and improve technology, the total amount of approximately RMB1,166,751,000 received from the disposal of subsidiaries and the settlement of advance to the disposed subsidiaries, the amount of approximately RMB25,986,000 used in the acquisition of intangible assets and the amount of approximately RMB12,918,000 used in the acquisition of land.

For the year of 2017, the net cash outflow from financing activities was approximately RMB851,862,000, which was mainly from the newly added bank borrowings of approximately RMB1,292,136,000, the repayment of loans of approximately RMB1,743,091,000, the settlement of loan interest of approximately RMB79,374,000 and the payment of dividend of approximately RMB319,774,000.

10. Cash and Borrowings

As of 31 December 2017, bank balance and cash of the Group amounted to approximately RMB394,911,000, together with pledged bank deposits of approximately RMB45,451,000 and restricted deposits of approximately RMB3,797,000, representing an increase of approximately RMB313,251,000 or 239.29% as compared to the end of last year.

As of 31 December 2017, the balance of borrowings of the Group was approximately RMB1,607,307,000, representing a decrease of approximately RMB565,692,000 as compared to the end of last year. In addition to the information disclosed above or otherwise in this report, the Group has no outstanding mortgage, pledge, debentures or other loan capital issued or agreed to be issued, bank overdrafts, borrowing, liabilities under acceptance or other similar liabilities, hire purchase and finance lease commitments, or any guarantees or other material contingent liabilities. The Directors have confirmed that, save as disclosed above, there was no material change in the debts and contingent liabilities of the Group since 31 December 2017.

11. Gearing Ratio

The gearing ratio, as calculated by dividing total liabilities by total assets, of the Group decreased from approximately 79.25% on 31 December 2016 to approximately 64.35% on 31 December 2017.

12. Major Risks

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

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

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

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

13. Pledge of Assets and Contingent Liabilities

Some of the bank borrowings of the Group are secured by the mining rights certificates. As of 31 December 2017, the aggregate net carrying value of the pledged mining rights amounted to approximately RMB276,506,000 (including the pledged mining rights certificate of Xingzhou Mine, which has been classified as assets held for sale).

As of 31 December 2017, the Group had no material contingent liabilities.

14. Capital Commitment

As at 31 December 2017, the capital commitment of the Group was approximately RMB65,388,000, representing a decrease of approximately RMB106,775,000 or 62.02% over that of last year. The capital commitment mainly consisted of the amount of approximately RMB36,463,000 for the underground mining works of Maogong Mine and the construction work of the Processing Plant and the amount of approximately RMB28,925,000 for the underground mining works of Shangma Mine.

15. Capital Expenditure

The Group's capital expenditure increased from approximately RMB217,070,000 in 2016 to approximately RMB260,723,000 in 2017. Expenditure incurred in 2017 mainly included (i) expenditure for acquisition of plants, machine equipments and properties amounting to approximately RMB220,570,000; (ii) expenditure for acquisition of intangible assets amounting to approximately RMB39,750,000; (iii) expenditure for acquisition of land amounting to approximately RMB403,000.

16. Significant Foreign Investments Held

Save for the equity interests in three companies listed on Australian Securities Exchange held by the Group, the Group did not hold any other significant investments as of 31 December 2017.

17. Material Acquisitions and Disposals of Subsidiaries and Associated Companies

On 15 February 2017, the Company and the other vendors entered into a share sale agreement with the purchaser (Shandong Tianye Group Bid Co Pty Ltd) and the guarantor (Shandong Tianye Real Estate Development Group Co., Ltd., the ultimate holding company of the purchaser), to sell 100% of the shares in Hanking Australia (which held the SXO Gold Project and its assets) at an enterprise value of AUD330 million. The disposal of all the equity interests in the SXO Gold Project was completed in April 2017, and the closing base date agreed by both parties was 31 March 2017. Therefore, the results of Hanking Australia and its subsidiaries will no longer be consolidated into the consolidated financial statements of the Group after 1 April 2017. Through the disposal, the Company recorded an investment gain of approximately RMB763,223,000.

Aoniu Mining, a wholly-owned subsidiary of the Company, entered into an equity interest transfer agreement with an independent third party on 13 April 2017 to dispose of all its equity interests in Xingzhou Mining. The total consideration of the disposal was RMB360,000,000 with reference to the unaudited total assets of Xingzhou Mining as at 28 February 2017 and the shareholder's loan. Aoniu Mining will receive RMB360,000,000 as a result of the disposal, including the recovery of the shareholder's loan at a sum of RMB340,000,000 and the equity consideration of RMB20,000,000. As of 31 December 2017, as the pledge of some equity interests has not yet been released, and the assets and liabilities attributable to Xingzhou Mining have been classified as a disposal subsidiary held for sale and are separately presented in the consolidated statement of financial position.

Save as aforesaid, the Group had no other material acquisitions or disposals of subsidiaries and associated companies during the year of 2017.

18. Significant Subsequent Events

On 20 February 2018, Hanking Australia Investment, a subsidiary of the Company, and PGO, an independent third party which is a company listed on the Australian Securities Exchange, through friendly negotiations, have entered into (i) a bid implementation agreement (the "**BIA**"), under which the Company has agreed to make a recommended conditional takeover bid for all of the issued shares of PGO at an offer price of AUD0.0575 cash per share; and (ii) in conjunction with the BIA, the loan and facility agreement, pursuant to which Hanking Australia Investment has agreed to provide PGO with an AUD1.5 million unsecured loan facility to assist PGO fund its short term working capital needs and other approved project activities during the offer period. Please see "Investment in PGO"above for details.

The offer and any contract resulting from the acceptance of the offer are subject to, among others, certain conditions. It is expected that PGO may become a subsidiary of the Company and the results, assets and liabilities of PGO will be consolidated into the accounts of the Group, if the offer will be accepted and closed successfully.

PROSPECT AND COUNTERMEASURES

In 2018, the Group plans to produce 1,700 thousand metric tons of iron ore concentrates, 24,000 m^3 of foamed ceramics and 1,500 thousand metric tons of nickel ores. The Board would like to emphasize that due to the uncertainties in metal prices, the domestic raw materials market and the production environment, the above plan is made solely on the basis of the current market situation and the existing conditions of the Group. The Board may adjust the relevant production plan according to the changes of the situation.

Looking forward to 2018, the Group will endeavor to stabilize the production capacity and optimize processing technology, strengthen corporate governance, improve the recycle rate of metal, reduce the production costs and extend the industry chain for resource utilization, with an aim to improve the economic benefits and general operational efficiency of the Group. Meanwhile, it will strengthen analysis and studies on the movement of international and domestic metal market prices and implement acquisition and merger strategy based on its actual situation and funding capability.

SAFETY, ENVIRONMENTAL PROTECTION, EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2017, due to the adjustment in structure of the Company, the number of employees of the Group dropped to 978 (as at 31 December 2016: a total of 1,265 employees).

For the year ended 31 December 2017, the aggregate remuneration expenses and other employee benefits costs of the Group amounted to approximately RMB136,785,000 (2016: RMB115,439,000). Employee costs included basic salary, commission and bonus, housing allowance, pension, medical insurance, occupational injury insurance and other insurances required by the government. In accordance with the remuneration policy of the Company, income of employees is related to the performance of individual employee and the operation performance of the Company. The Company carried out performance assessment to stimulate employee in initiatives, so as to enhance the operation performance of the Company.

In order to improve the overall quality and professional skills of the employees, the Group has developed and implemented the Administrative System on Training. During the reporting period, the Group has organized a number of internal and external trainings for its employees. For further details on this aspect, please refer to the Environmental, Social and Governance Report issued by the Company for the year 2017.

OTHERS

1. Dividend

The Board recommended the payment of the final dividend for the year ended 31 December 2017 to the shareholders of the Company, with HK$0.01 per share of the Company (the "**Share**"). The payment of the dividend will be conditional upon the approval of the shareholders at the annual general meeting of the Company to be held on Thursday, 24 May 2018.

2. Closure of Register of Members

The annual general meeting of the Company is scheduled to be held on Thursday, 24 May 2018. The register of members of the Company will be closed from Wednesday, 16 May 2018 to Thursday, 24 May 2018 (both days inclusive) to determine the entitlement to attend and vote at the annual general meeting during which period no transfer of shares will be registered. In order to attend and vote at the 2018 annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 15 May 2018.

In order to determine the shareholders who are entitled to receive the final dividend, the register of members of the Company will also be closed from Friday, 1 June 2018 to Tuesday, 5 June 2018, both days inclusive, during which period no transfer of shares will be registered. For unregistered Shareholders who wish to be eligible to receive the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Thursday, 31 May 2018. Shareholders whose names appear on the register of members of the Company on Tuesday, 5 June 2018 will be entitled to receive the final dividend.

3. Management Contracts

For the year ended 31 December 2017, there is no contract entered into by the Company relating to its management and administration or subsisting during the year which is substantial to the entire or any part of the business of the Group.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2017.

5. Non-competition Agreement Compliance

The Company signed a non-competition agreement (the "**Non-Competition Agreement**") with the controlling shareholders on 16 June 2011. In accordance with the Non-Competition Agreement, the independent non-executive Directors of the Company are responsible for reviewing and considering whether to exercise such option and pre-emptive right, as well as entitled to conduct annual review of implementation of the agreement on behalf of the Company. During the year of 2017, each controlling shareholder of the Company has made annual confirmation of compliance of the Non-Competition Agreement, and the independent non-executive Directors of the Company have also reviewed the implementation of the Non-Competition Agreement, and confirmed that the controlling shareholders of the Company have fully abided by the agreement without any breach of the agreement.

6. Compliance with Corporate Governance Code

Save as disclosed herein, during the period from 1 January 2017 to 31 December 2017, the Company has fully complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), meanwhile, the Company has complied with most of the best practices as recommended therein.

For the extraordinary general meeting held on 14 April 2017, the Company issued the notice convening the above meeting on 31 March 2017, failing to comply with Rule E.1.3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules that the notice of the general meeting shall be released at least ten business days in advance. The Company has reviewed and enhanced the procedures for convening the general meetings, with an aim to ensure strict compliance with the rules in convening general meetings in future.

7. Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made to all the Directors of the Company and all Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2017.

8. Significant Legal Proceedings

For the year ended 31 December 2017, the Group has not been involved in any significant legal proceedings or arbitration. To the knowledge of the Directors of the Company, there are no significant legal proceedings or claims pending or threatened.

9. Audit Committee

The audit committee under the Board of the Company has reviewed the announcement for Annual Results for 2017 and the consolidated financial statements for the year ended 31 December 2017.

10. Auditor

The consolidated financial statements for the year ended 31 December 2017 have been audited by Deloitte Touche Tohmatsu with unqualified opinion.

11. Publication of Annual Report

The 2017 annual report of the Company containing all applicable information required by the Listing Rules, together with the Environmental, Social and Governance Report, will be dispatched to shareholders of the Company and published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.hankingmining.com in due course.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	NOTES	Year ended 31/12/2017 RMB'000	Year ended 31/12/2016 RMB'000 (Restated)
Continuing operations			
Revenue	2	**1,091,034**	812,217
Cost of sales		**(591,149)**	(573,717)
Gross profit		**499,885**	238,500
Other income	3	**6,493**	11,415
Distribution and selling expenses		**(42,193)**	(37,603)
Administrative expenses		**(158,625)**	(163,168)
Other gains and losses	4	**(5,965)**	(139,674)
Other expense		**(3,008)**	–
Finance costs	5	**(118,739)**	(122,666)
Profit (loss) before tax	6	**177,848**	(213,196)
Income tax expense	7	**(77,889)**	(6,954)
Profit (loss) for the year from continuing operations		**99,959**	(220,150)
Discontinued operation			
Profit for the year from discontinued operation	8	**765,028**	6,273
Profit (loss) for the year		**864,987**	(213,877)
Other comprehensive income (expense)			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit pension plans		**(79)**	(30)
Items that may be reclassified subsequently to profit or loss:			
Fair value gain on available-for-sale investments		**6,306**	10,442
Reclassification adjustment for cumulative gain included in investments revaluation reserve upon disposal of available-for-sale investments		**(10,229)**	(4,300)
Reclassification adjustment for cumulative loss included in investments revaluation reserve upon impairment of available-for-sale investments		**5,034**	–
Exchange differences arising on translation of foreign operations		**2,175**	38,642
Reclassification of cumulative translation reserve upon disposal of a foreign operation to profit or loss		**19,944**	–
		23,230	44,784
Other comprehensive income for the year, net of income tax		**23,151**	44,754
Total comprehensive income (expense) for the year		**888,138**	(169,123)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ***(Continued)***

FOR THE YEAR ENDED 31 DECEMBER 2017

	NOTE	Year ended 31/12/2017 RMB'000	Year ended 31/12/2016 RMB'000 (Restated)
Profit (loss) for the year attributable to owners of the Company			
– from continuing operations		**113,527**	(213,929)
– from discontinued operation		**763,636**	6,521
Profit (loss) for the year attributable to owners of the Company		**877,163**	(207,408)
Profit (loss) for the year attributable to non-controlling interests			
– from continuing operations		**(13,568)**	(6,221)
– from discontinued operation		**1,392**	(248)
Loss for the year attributable to non-controlling interests		**(12,176)**	(6,469)
		864,987	(213,877)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**901,811**	(164,409)
Non-controlling interests		**(13,673)**	(4,714)
		888,138	(169,123)
EARNINGS (LOSS) PER SHARE	*11*		
From continuing and discontinued operations			
Basic and diluted (RMB cents)		**47.9**	(11.3)
From continuing operations			
Basic and diluted (RMB cents)		**6.2**	(11.7)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	NOTES	31/12/2017 RMB'000	31/12/2016 RMB'000
Non-current Assets			
Property, plant and equipment		**865,421**	1,381,364
Intangible assets		**676,437**	995,487
Prepaid lease payments		**137,314**	245,263
Available-for-sale investments		**21,778**	19,628
Deferred tax assets		**10,189**	16,942
Loan receivable		**11,300**	11,300
Deposit on acquisition of property, plant and equipment		**49,199**	33,668
Restricted deposits		**3,797**	17,054
		1,775,435	2,720,706
Current Assets			
Inventories		**89,669**	144,779
Prepaid lease payments		**29,761**	38,760
Trade and other receivables	12	**397,263**	425,558
Bills receivables	12	**423,072**	30,500
Tax recoverable		**339**	4,198
Available-for-sale investments		**406,794**	402,007
Pledged bank deposits		**45,451**	43,692
Bank balances and cash		**394,911**	70,162
		1,787,260	1,159,656
Assets classified as held for sale	13	**369,955**	–
		2,157,215	1,159,656
Current Liabilities			
Trade and other payables	14	**475,587**	462,273
Bills payables	14	**28,500**	5,760
Borrowings	15	**1,151,887**	1,341,599
Consideration payable		**65,180**	68,006
Tax liabilities		**84,614**	27,272
		1,805,768	1,904,910
Liabilities associated with assets classified as held for sale	13	**23,687**	–
		1,829,455	1,904,910
Net Current Assets (Liabilities)		**327,760**	(745,254)
Total Assets less Current Liabilities		**2,103,195**	1,975,452

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
AS AT 31 DECEMBER 2017

	NOTES	**31/12/2017** **RMB'000**	31/12/2016 RMB'000
Capital and Reserves			
Share capital	*16*	**149,137**	149,137
Reserves		**1,066,320**	452,939
Equity attributable to owners of the Company		**1,215,457**	602,076
Non-controlling interests		**186,381**	203,093
Total Equity		**1,401,838**	805,169
Non-current Liabilities			
Borrowings	*15*	**455,420**	831,400
Consideration payable		**241,100**	226,228
Rehabilitation provision		**1,580**	110,628
Retirement benefit obligations		**1,558**	1,525
Deferred tax liabilities		**1,699**	502
		701,357	1,170,283
		2,103,195	1,975,452

1. GENERAL

China Hanking Holdings Limited (the "**Company**") is a limited company incorporated in the Cayman Islands on 2 August 2010 and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its parent and ultimate parents are Bisney Success Limited, Tuochuan Capital Limited and China Hanking (BVI) Limited. Its ultimate controlling shareholders are Mr. Yang Jiye, who is also the chairman and executive Director of the Company, and Ms. Yang Min, who resigned as the executive Director on 18 March 2016 (collectively, the "**Controlling Shareholders**"). The address of the registered office of the Company in Cayman Islands is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of principal place of business of the Company in Hong Kong is 36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

The shares of the Company have been listed on the Stock Exchange with effect from 30 September 2011.

The Company is an investing holding company. In term of continuing operations, the Company and its subsidiaries (the "**Group**") is engaged in two principal activities:

(i) iron ore exploration, mining, processing and sale; and

(ii) nickel ore exploration, mining, smelting and sale.

During the year ended 31 December 2017, the Group's gold exploration, mining, processing, smelting and sale ("**Gold Business**"), was discontinued upon disposal of Hanking Australia Pty Ltd ("**Hanking Australia**") and its subsidiaries.

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

2. REVENUE

Revenue analysed by major products of the Group are as follows:

	Year ended 31/12/2017 *RMB'000*	Year ended 31/12/2016 *RMB'000* (Restated)
Continuing operations		
Sales of iron ore concentrates	**1,054,975**	810,234
Sales of nickel	**35,271**	–
Sales of raw and leftover materials	**788**	1,983
	1,091,034	812,217

3. OTHER INCOME

	Year ended 31/12/2017 *RMB'000*	Year ended 31/12/2016 *RMB'000* (Restated)
Continuing operations		
Bank interest income	**3,097**	8,862
Income from leasing of machinery and equipment	**1,767**	–
Government grants *(note)*	**762**	1,915
Others	**867**	638
	6,493	11,415

Note: Government grants represent unconditional incentive subsidies granted by the People's Republic of China ("**PRC**") local government authorities.

4. OTHER GAINS AND LOSSES

	Year ended 31/12/2017 *RMB'000*	Year ended 31/12/2016 *RMB'000* (Restated)
Continuing operations		
Gain on disposal of property, plant and equipment	**584**	1,000
Gain on disposal of available-for-sale investments	**10,229**	4,300
Net foreign exchange loss	**(9,930)**	(30,651)
Loss on disposal of subsidiaries	**–**	(47,194)
Impairment loss on property, plant and equipment, intangible assets and prepaid lease payments	**–**	(61,197)
Impairment loss on available-for-sale investments reclassified from investments revaluation reserve	**(5,034)**	–
Others	**(1,814)**	(5,932)
	(5,965)	(139,674)

5. FINANCE COSTS

	Year ended 31/12/2017 *RMB'000*	Year ended 31/12/2016 *RMB'000* (Restated)
Continuing operations		
Interests on bank and other borrowings	**79,730**	111,131
Interests on bills discounted	**25,963**	9,915
Imputed interest of consideration payable	**13,046**	1,620
	118,739	122,666

6. PROFIT (LOSS) BEFORE TAX

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

	Year ended 31/12/2017 *RMB'000*	Year ended 31/12/2016 *RMB'000* (Restated)
Continuing operations		
Cost of inventories recognised as an expense	**530,242**	520,150
Auditors' remuneration	**2,244**	2,500
Release of prepaid lease payments	**28,244**	28,215
Reversal of allowance on inventories (included in cost of sales)	**–**	(4,708)
Impairment loss on other receivables recognised	**–**	1,189
Depreciation of property, plant and equipment	**106,520**	143,856
Amortisation of intangible assets (included in cost of sales and administrative expenses)	**45,003**	46,385
Total depreciation and amortisation	**151,523**	190,241
Capitalised in inventories	**(5,508)**	(3,184)
	146,015	187,057
Salary and other benefits	**85,802**	88,038
Retirement benefits scheme contributions	**16,982**	16,752
Share-based payment	**3,523**	2,936
Total staff costs (including directors)	**106,307**	107,726
Capitalised in inventories	**(3,263)**	(2,783)
	103,044	104,943

7. INCOME TAX EXPENSE

	Year ended 31/12/2017 *RMB'000*	Year ended 31/12/2016 *RMB'000* (Restated)
Continuing operations		
Current tax		
PRC enterprise income tax ("**EIT**") – current	**66,723**	3,896
Under provision in prior years	**4,895**	668
	71,618	4,564
Deferred tax		
Deferred tax – current year	**6,271**	2,390
Total income tax expense recognised in the current year	**77,889**	6,954

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

Certain subsidiaries located in Hong Kong and Indonesia are subject to tax rates of 16.5% and 25% respectively. Other than PRC EIT, no provision for corporate tax for other jurisdictions has been made as there were no assessable profits for both years.

8. DISCONTINUED OPERATION

On 15 February 2017, the Company and the non-controlling shareholders (the "**Other Vendors**") of a subsidiary, Hanking Australia, entered into a binding agreement with Shandong Tianye Group Bid Co Pty Ltd (the "**Purchaser**"), an independent third party, pursuant to which the Company and the Other Vendors conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, 100% of the shares in Hanking Australia and its subsidiaries, which carried out all of the Group's Gold Business. The disposal was completed during the year ended 31 December 2017.

The consolidated profit for the year from the discontinued Gold Business is set out below. The comparative figures in the consolidated statement of profit or loss have been restated to re-present the Gold Business as a discontinued operation.

	For the period from 1 January 2017 to date of disposal	For the year ended 31 December 2016
	RMB'000	*RMB'000*
Profit of Gold Business for the period/ year	**29,626**	6,273
Gain on disposal of Gold Business	**763,223**	–
Acceleration of share-based payment charged to profit or loss due to disposal of Hanking Australia *(note 17)*	**(27,821)**	–
	765,028	6,273

The results of Gold Business for the period from 1 January 2017 to date of disposal, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	For the period from 1 January 2017 to date of disposal	For the year ended 31 December 2016
	RMB'000	*RMB'000*
Revenue	**212,702**	894,981
Cost of sales	**(195,219)**	(837,901)
Other income	**23,740**	3,053
Administrative expenses	**(15,197)**	(18,880)
Other gains and losses	**5,666**	(19,070)
Finance cost	**(2,066)**	(15,910)
Profit before tax	**29,626**	6,273
Income tax expense *(note)*	**–**	–
Profit for the period/ year	**29,626**	6,273

Note: There was no income tax expense for the current period and last year as Hanking Australia and its subsidiaries had adequate unrecognised tax loss brought forward.

Profit before tax from discontinued operation has been arrived at after charging (crediting):

	Year ended 31/12/2017 *RMB'000*	Year ended 31/12/2016 *RMB'000* (Restated)
Cost of inventories recognised as an expense	**195,219**	837,901
Auditors' remuneration	**276**	1,019
Depreciation of property, plant and equipment	**43,446**	245,339
Amortisation of intangible assets (included in cost of sales and administrative expenses)	**10,085**	61,975
Total depreciation and amortisation	**53,531**	307,314
Capitalised in inventories	**–**	(5,271)
	53,531	302,043
Salary and other benefits	**2,487**	6,670
Retirement benefits scheme contributions	**170**	1,043
Share-based payment	**27,821**	-
Total staff costs (including directors)	**30,478**	7,713
Capitalised in inventories	**–**	(2,264)
	30,478	5,449

Cash flows from (used in) Gold Business:

	For the period from 1 January 2017 to date of disposal *RMB'000*	For the year ended 31 December 2016 *RMB'000*
Net cash flows from operating activities	**42,252**	394,978
Net cash flows used in investing activities	**(65,258)**	(333,820)
Net cash flows used in financing activities	**(7,826)**	(87,372)
Net cash flows	**(30,832)**	(26,214)

The carrying amounts of the assets and liabilities of Gold Business at the date of disposal are disclosed in note 9.

9. DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2017

As referred to note 8, the Group discontinued its Gold Business carried out by Hanking Australia and its subsidiaries during the year ended 31 December 2017. Details relating to the Gold Business on the date of disposal were as follows:

Consideration

	RMB'000
Consideration received:	
Cash received	1,277,579

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

	RMB'000
Property, plant and equipment	535,737
Intangible assets	136,972
Restricted deposits	17,637
Inventories	60,008
Trade and other receivables	30,437
Bank balances and cash	2,096
Trade and other payables	(140,769)
Borrowings	(406,087)
Rehabilitation provision	(134,731)
Net assets disposed of	101,300

Gain on disposal of Gold Business

	RMB'000
Consideration received *(note a)*	1,277,579
Less: net assets disposed of	(101,300)
Add: non-controlling interests	3,039
Less: transaction costs *(note b)*	(68,289)
Less: capital gain tax *(note c)*	(327,862)
Less: reclassification of cumulative translation reserve upon disposal of a foreign operation to profit or loss	(19,944)
Gain on disposal	763,223

Net cash inflow arising on disposal of Gold Business:

	RMB'000
Cash consideration received	1,277,579
Add: receipt of advance previously made to Hanking Australia on date of disposal	273,178
Less: bank balances and cash disposed of	(2,096)
Less: transaction costs paid	(68,289)
Less: capital gain tax paid	(313,621)
	1,166,751

Notes:

(a) The final consideration is agreed by the Purchaser, the Company and Other Vendors, after certain working capital adjustments and repayment of all borrowings of Hanking Australia, pursuant to the share sale agreement.

(b) Transaction costs comprised professional fee of RMB44,994,000, payment to settlement of mining rights disputation of RMB14,254,000 and bonus for this transaction to staff of RMB9,041,000.

(c) Given the Company's capital gain tax to the Australia tax authority exceeded 10% of the purchase price, according to the Australia Tax ACT 1953, the Purchaser was required to deduct 10% of the total purchase price as withholding tax and pay to the Australia tax authority directly on behalf of the Company. This 10% withholding tax was the partial payment of the capital gain tax that the Company need to pay to the Australia tax authority. The taxable capital gain was calculated by deducting cost base from the consideration received. Cost base consisted of investment of the Company and transaction cost directly attributable to the disposal. The Australia capital gain tax rate is 30% of capital gain.

For the year ended 31 December 2016

In 2016, the Group entered into a share transfer agreement with an independent third party for disposal of its entire 100% equity interest in a subsidiary, Benxi Mining, at a cash consideration of RMB1 (the "**Disposal**"). The Disposal was completed on 7 July 2016, on which date the Group lost control of Benxi Mining.

Analysis of assets and liabilities over which control was lost over the subsidiary in 2016 was presented below:

	RMB'000
Property, plant and equipment	76,614
Intangible assets	15,517
Prepaid lease payments	6,912
Inventories	2,894
Trade and other receivables	7,137
Bank balances and cash	91
Trade and other payables	(54,727)
Tax liabilities	(7,244)
Net assets disposed of *(note)*	47,194
Loss on disposal of a subsidiary	
Consideration received	–
Net assets disposed of	(47,194)
Loss on disposal	(47,194)
Net cash outflow arising on disposal:	
Cash consideration	–
Bank balances and cash	(91)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(91)

Note: In arriving at the net assets of Benxi Mining, an amount of RMB43,330,000, represented balance due to the Group, was waived by the Group entities upon the Disposal.

10. DIVIDENDS

During the current year, a special dividend (the "**Special Dividend**") of HK$0.2 per share amounting to HK$366,000,000 (equivalent to RMB319,774,000) in aggregate in respect of the disposal of Gold Business was declared and paid to the owners of the Company whose names appear in the register of members on 26 May 2017.

Apart from the Special Dividend, no dividend was paid or proposed for ordinary shareholders of the Company during the both years ended 31 December 2017 and 2016.

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2017 of HK$0.01 per ordinary share, in an aggregate amount of HK$18,300,000, has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

11. EARNINGS (LOSS) PER SHARE

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

From continuing and discontinued operations

	Year ended	
	31/12/2017	31/12/2016
	RMB'000	*RMB'000*
		(Restated)
Profit (loss) for the year from continuing and discontinued operations attributable to owners of the Company	**877,163**	(207,408)
Less: profit for the year from discontinued operation attributable to owners of the Company	**(763,636)**	(6,521)
Profit (loss) for the period from continuing operations attributable to owners of the Company, for the purposes of basic earnings per share	**113,527**	(213,929)

	Number of shares 2017 and 2016
Number of ordinary shares for the purposes of basic earnings per share	1,830,000,000

From discontinued operation

Basic earnings per share for the discontinued operation is RMB41.7 cents per share (2016: RMB0.4 cents per share), based on the profit for the year from the discontinued operation of RMB763,636,000 (2016: RMB6,521,000) and the denominators detailed above for basic earnings per share.

Diluted earnings (loss) per share presented is the same as basic earnings (loss) per share as the Company did not have dilutive potential ordinary shares in issue for the years ended 31 December 2017 and 2016.

12. TRADE AND OTHER RECEIVABLES, AND BILLS RECEIVABLES

(A) Trade and other receivable

	31/12/2017	31/12/2016
	RMB'000	*RMB'000*
Trade receivables		
Related parties	**142,607**	124,741
Third parties	**74,837**	132,873
	217,444	257,614
Other receivables		
Deposit for resource tax	**102,726**	77,398
Deposits *(note)*	**44,590**	22,871
Advance to suppliers	**8,830**	13,750
Staff advances	**6,739**	8,342
Other tax recoverable	**1,107**	3,258
Value-added tax recoverable	**5,475**	22,402
Others	**10,352**	19,923
	179,819	167,944
Total trade and other receivables	**397,263**	425,558

Note: The amount represented various environment protection deposits required under the relevant PRC regulations for fulfilling the environment obligation during the mining process and other deposits related to the iron mining operations of the Group.

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

	31/12/2017	31/12/2016
	RMB'000	*RMB'000*
Within 7 days	**85,560**	70,378
8 days to 90 days	**130,311**	113,053
91 days to 1 year	**1,573**	74,183
	217,444	257,614

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

Movement of the allowance for trade receivable

	2017	2016
	RMB'000	*RMB'000*
1 January	**182**	182
Eliminated upon transfer to assets classified as held for sale	**(182)**	–
31 December	**–**	182

According to the credit period policy of the Group, the trade receivables for sales to related and third parties on sales of iron ore concentrates and nickel ore which have an ageing over the credit period for sales of iron ore concentrates and gold were regarded as past due.

Ageing of trade receivables which are past due but not impaired is analysed as follows:

	31/12/2017	31/12/2016
	RMB'000	*RMB'000*
Related parties		
8 days to 90 days	**90,600**	38,448
91 days to 1 year	**1,573**	51,230
	92,173	89,678
Third parties		
8 days to 90 days	**39,711**	74,605
91 days to 1 year	**–**	22,953
	39,711	97,558

The Group did not provide an allowance on the remaining past due receivables due from related parties and third parties as there has not been a significant change in credit quality and the amounts are still considered recoverable based on the historical experience and settlements collected subsequent to the year end date. The Group does not hold any collateral over these balances. The related parties are those controlled by Ms. Yang Min and Mr. Yang Jiye, who are the Controlling Shareholders of the Group, and have a long history of business transactions with the Group. Settlements are collected on a regular basis. The management is closely monitoring the settlement position and those receivables are still considered collectible as Mr. Yang Jiye, a director of the Company, is able to exert control over these companies.

Movement of allowance for doubtful debts on other receivables

	2017	2016
	RMB'000	*RMB'000*
1 January	**9,931**	8,742
Impairment losses recognised	**–**	1,189
Eliminated upon transfer to assets classified as held for sale	**(2,378)**	–
31 December	**7,553**	9,931

No allowance for doubtful debts was recognised as at 31 December 2017. As at 31 December 2016, included in the allowance for doubtful debts was individually impaired other receivable with balance of RMB1,189,000 that arose from provision for a receivable from an independent third party related to Xingzhou Mining.

(B) Bills receivables

	31/12/2017	31/12/2016
	RMB'000	RMB'000
Bills receivables	**423,072**	30,500

When the trade receivables become due, certain of the Group's customers would arrange settlement by issuing bills to the Group. The Group would then analyse its working capital needs, and consider certain amount of which to be discounted to the banks as to obtain immediate funding for the Group's general working capital purpose or to endorse the bills to settle the Group's trade payables.

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

	31/12/2017	31/12/2016
	RMB'000	*RMB'000*
Within 6 months	**293,072**	30,500
6 months to 1 year	**130,000**	–
	423,072	30,500

Included in the Group's bills receivables are amounts of RMB245,164,000 (2016: RMB9,000,000) as at 31 December 2017, being transferred to certain banks by discounting the bills on a full recourse basis. If the bills receivables are not paid on maturity, the banks have the right to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to the bills receivables, it continues to recognise the full carrying amount of the bills receivables and has recognised the cash received as bank borrowings from discounting of the bills receivables with full recourse. The financial asset is carried at amortised cost in the consolidated statements of financial position. Such bills of the Group had been pledged as securities for obtaining the bank borrowings as at 31 December 2017 and 2016,

13. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

On 13 April 2017, the board of the Company announced that Aoniu Mining, a wholly-owned subsidiary of the Company, entered into a conditional equity interest transfer agreement with an independent third party to dispose of the Group's 100% equity interest in Xingzhou Mining. Aoniu Mining will receive RMB360,000,000 as a result of the proposed disposal.

Up to 31 December 2017, the Group received cumulative balances of RMB230,000,000 from the independent third party as refundable earnest deposit in respect of this proposed disposal, and such amount has been included as "other payables" in note 14.

The assets and liabilities attributable to Xingzhou Mining, which are expected to be sold within twelve months, have been classified as assets and liabilities associated with assets classified as held for sale and are separately presented in the consolidated statement of financial position.

Assets and liabilities of Xingzhou Mining classified as held for sale are as follows:

	RMB'000
Property, plant and equipment	55,492
Intangible assets	173,507
Prepaid lease payments	89,051
Inventories	8,165
Trade and other receivables	33,429
Tax recoverable	4,198
Bank balances and cash	6,113
Total assets classified as held for sale	369,955
Total liabilities associated with assets classified as held for sale	
Trade and other payables	23,687

There was no balance relating to Xingzhou Mining has been recognised in other comprehensive income and included in equity.

14. TRADE AND OTHER PAYABLES, AND BILLS PAYABLES

	31/12/2017	31/12/2016
	RMB'000	*RMB'000*
Trade payables		
Related parties	**357**	354
Third parties	**25,602**	133,007
	25,959	133,361
Other payables		
Refundable deposits received *(note (a))*	**235,227**	–
Payable for acquisition of property, plant and equipment	**75,451**	144,518
Other tax payables	**44,252**	44,515
Loans from independent third parties *(note (b))*	**20,274**	–
Outsourced service payable	**14,569**	3,829
Payable for mining rights	**13,764**	–
Accrued expenses	**7,975**	57,498
Salary and bonus payables	**6,788**	24,871
Transportation fee payable	**6,609**	11,703
Payable for acquisition of prepaid lease payments	**6,243**	18,758
Interest payable	**1,644**	2,192
Advance from a customer	**127**	149
Others	**16,705**	20,879
	449,628	328,912
Total trade and other payables	**475,587**	462,273

Notes:

(a) The refundable deposits included mainly the interest-free earnest deposit of RMB230,000,000 received in respect of the Group's proposed disposal of Xingzhou Mining as at 31 December 2017.

(b) The loans were advanced by the independent third parties to KS and KKU, which are unsecured, interest-free and repayable on demand. The loans are provided to the Group in order to support the resumption of the Group's nickel business in Indonesia during the year ended 31 December 2017.

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

	31/12/2017	31/12/2016
	RMB'000	*RMB'000*
Within 90 days	**13,307**	123,501
91 days to 1 year	**10,385**	6,987
1 year to 2 years	**971**	1,423
2 years to 3 years	**439**	270
Over 3 years	**857**	1,180
	25,959	133,361

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

	31/12/2017	31/12/2016
	RMB'000	*RMB'000*
Within 6 months	**14,000**	5,760
6 months to 1 year	**14,500**	–
	28,500	5,760

15. BORROWINGS

	31/12/2017	31/12/2016
	RMB'000	*RMB'000*
Bank loans	**1,579,454**	2,056,836
Other loans *(note a)*	**27,853**	116,163
	1,607,307	2,172,999
Secured	**1,427,307**	1,815,910
Unsecured	**180,000**	357,089
	1,607,307	2,172,999
Fixed-rate	**1,579,454**	1,735,089
Floating-rate	**27,853**	437,910
	1,607,307	2,172,999
Carrying amount repayable *(note b)*:		
Due within one year	**1,151,887**	1,341,599
More than one year, but not more than two years	**455,420**	176,101
More than two years, but not more than five years	**–**	655,299
	455,420	831,400
	1,607,307	2,172,999

Notes:

(a) It represents loans advanced from a government authority for purchase of mining rights. The loan carries interest at the benchmark interest rate issued by the People's Bank of China ("**PBOC**") and is repayable within five years.

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

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

	2017	2016
	%	%
Fixed-rate borrowings	**4.35-6.09**	4.83-6.09
Variable-rate borrowings	**4.75**	3.70-4.75

At 31 December 2017, the Group had variable rate borrowings which carried interest based on the benchmark interest rate issued by PBOC. At 31 December 2016, the Group had variable rate borrowings which carried interest based on the benchmark interest rate issued by PBOC or London Interbank Offered Rate ("**LIBOR**") and interest was reset monthly or quarterly.

The unsecured bank borrowings of approximately RMB180,000,000 (2016: RMB357,089,000) at 31 December 2017 were jointly and severally guaranteed by the Controlling Shareholders of the Group and the companies controlled by them.

Save as the assets pledged as security for bank borrowings, the Controlling Shareholders, together with the companies controlled by them, provided guarantee to secured bank borrowings of the Group of approximately RMB690,000,000 (2016: RMB1,129,277,000).

16. SHARE CAPITAL

The amount as at 31 December 2017 and 2016 represented the issued share capital of the Company. Details of movement of share capital of the Company are as follows:

	Number of shares		**Share capital**	
	2017	2016	**2017**	2016
	'000	*'000*	***RMB'000***	*RMB'000*
Ordinary shares of HK$0.1 each				
Authorised				
At 1 January and 31 December	**10,000,000**	10,000,000	**1,000,000**	1,000,000
Issued and fully paid				
At 1 January and 31 December	**1,830,000**	1,830,000	**149,137**	149,137

All shares in issue rank pari passu in all respects.

17. SHARE-BASED PAYMENT TRANSACTIONS

Pursuant to an agreement dated 23 June 2016 entered into between the Company, Hanking Australia, a wholly-owned subsidiary of the Company and Dr. Qiu Yumin ("**Dr. Qiu**"), an executive Director and chief executive officer of Hanking Australia and an executive Director of the Company, Hanking Australia agreed to allot and issue to Dr. Qiu (or his nominee(s)) 6,185,567 new shares of Hanking Australia (the "**Subscription Shares**"), of which (i) 4,123,711 new shares of Hanking Australia shall be issued at cash consideration of AUD610,825 (equivalent to RMB3,075,000); and (ii) 2,061,856 new shares of Hanking Australia will be awarded to Dr. Qiu as a gift by Hanking Australia after having considered the contribution of Dr. Qiu in the acquisition of the gold mine in Western Australia and his continuous efforts in developing and expanding the Group's Gold Business in Australia. Upon completion of the Agreement, the total number of issued shares of Hanking Australia will be held by the Company and Dr. Qiu as to approximately 97% and 3%, respectively.

Dr. Qiu and/or his nominee(s) who hold(s) the Subscription Shares is/are prohibited from (i) disposing any of the Subscription Shares for a period of three years from the completion date of the agreement (the "**Escrow Period**"); and (ii) disposing of more than one-third of the total number of the subscription shares in any given year after the Escrow Period has expired (collectively referred to as the "**Restrictions**"). When Hanking Australia is the subject of a takeover offer or scheme of arrangement or when prior written approval is obtained from Hanking Australia to dispose the Subscription Shares, Dr. Qiu and/or his nominee(s) will not be subject to the aforementioned restrictions.

The Subscription Shares were allocated and issued to Dr. Qiu on 4 August 2016, which was taken as the completion date of this Subscription Shares transaction.

The total fair value of the Subscription Shares less the cash consideration of approximately AUD611,000 (equivalent to RMB3,075,000) received by Hanking Australia on completion of the Subscription Shares was estimated to be approximately AUD6,809,000 (equivalent to RMB34,280,000), which was determined by reference to the enterprise value of Hanking Australia.

Since the disposal of Hanking Australia has been completed during the year, the Restrictions to Dr. Qiu and/or his nominee(s) were no longer applicable, resulting to the acceleration of the unamortised share-based payment of RMB27,821,000 charged to profit or loss on the disposal date of Hanking Australia. Accordingly, total amount of share-based payment for the current year amounted to RMB31,344,000. The cumulative balance of RMB34,280,000 recorded in share-based payment reserve had been transferred to retained earnings upon disposal of Hanking Australia during the year ended 31 December 2017.

APPRECIATION

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

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

Shenyang, the PRC, 20 March 2018

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