中國罕王控股有限公司

CHINA HANKING HOLDINGS LIMITED

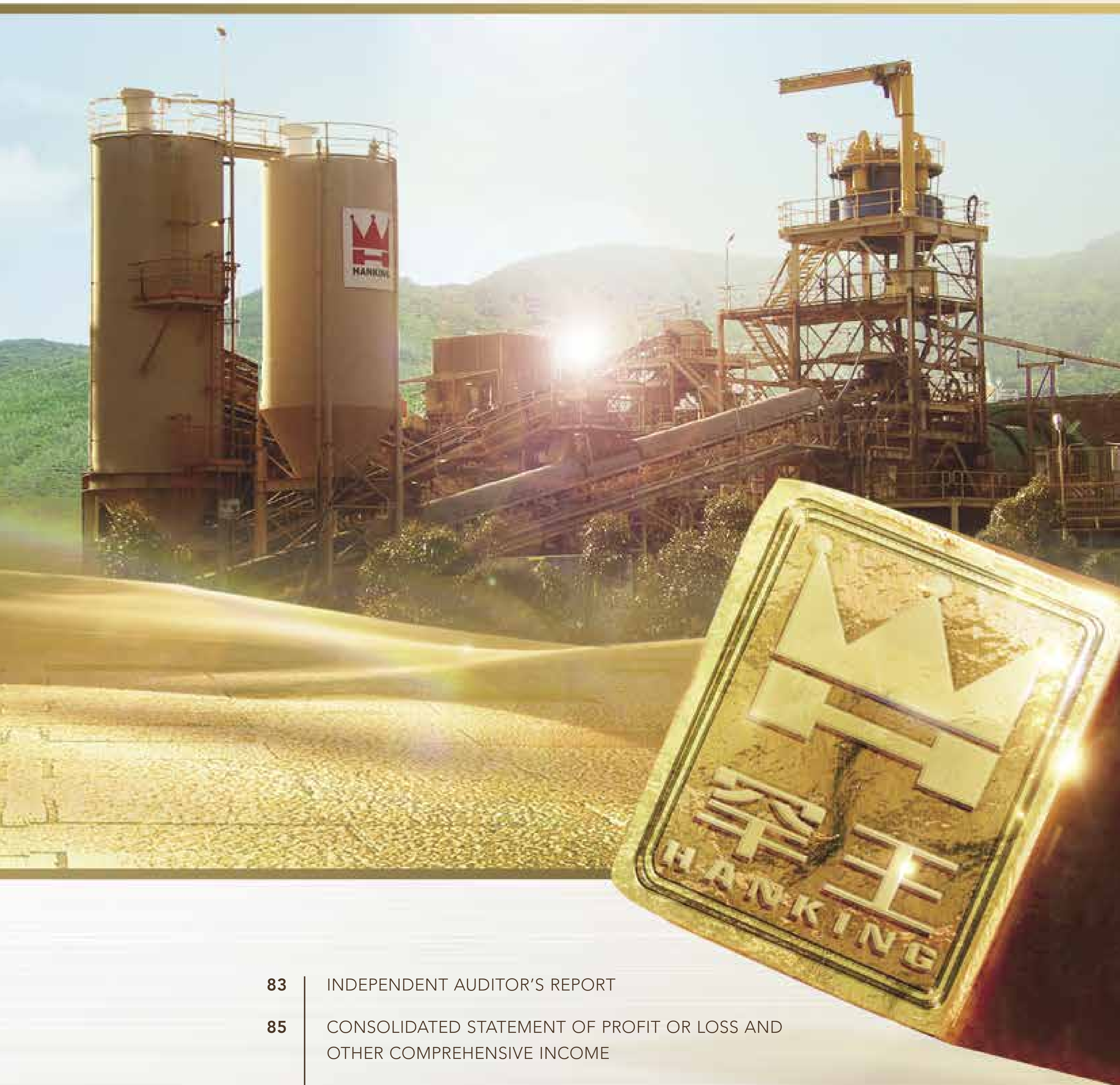
(Incorporated in the Cayman Islands with limited liability)

Stock Code: 03788

Annual Report 2015


MISSION
As Emerging Key Player
VALUE
Always Beyond Expectations

CONTENTS


HANKING

CORPORATE INFORMATION

CORPORATE INTRODUCTION

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

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

Gold business

The Company operates the SXO Gold Project located in the Yilgarn goldfield of Western Australia through its wholly-owned subsidiary Hanking Gold, which has 237 mining licenses and full infrastructure facilities for mining, transportation, and processing. The annual processing capacity of the self-owned processing plant reaches 2.4 million metric tons. In 2015, the SXO Gold Project officially commenced operation. As of 31 December 2015, the output of the SXO Gold Project amounted to 58,887 ounces gold. In 2016, the Company plans to integrate the surrounding mining areas, so as to improve the utilization rate of the existing infrastructure facilities and further expand the production capacity of the gold business.

Iron ore business

The iron ore business is located in the Anshan-Benxi iron ore belt of Liaoning Province, China. The Company operates five mines, namely Aoniu Mine, Maogong Mine, Benxi Mine, Xingzhou Mine and Shangma Mine, through its five subsidiaries Aoniu Mining, Maogong Mining, Benxi Mining, Xingzhou Mining and Fushun Shangma, respectively, and is engaging in the exploration, mining, processing and sales of iron ores. The Company produces iron ore concentrates at an average grade of 69%. The overall annual iron ore processing capacity of our iron ore business reaches 10 million metric tons.

Nickel business

The Company owns a laterite nickel project located in North Konawe Regency, South East Sulawesi Province, Indonesia through three project companies (i.e. KKU, KS and KP). The Company has JORC Code-compliant laterite nickel resources with nickel grade higher than 1% of 350,925,000 metric tons and laterite nickel resources with nickel grade lower than 1% and iron grade higher than 45% (i.e. resources with high TFe and low Ni) of 90,540,000 metric tons. Being affected by policy prohibiting raw ore export promulgated by the Indonesia government, the project had no production in 2015.

COMPANY'S CHINESE NAME

中國罕王控股有限公司

COMPANY'S ENGLISH NAME

China Hanking Holdings Limited

STOCK CODE

03788

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JOINT COMPANY SECRETARIES

Mr. Xia Zhuo
Ms. Mok Ming Wai

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CORPORATE INFORMATION

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DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. Kenneth Jue Lee

Independent Non-executive Directors

Mr. Wang Ping
Mr. Wang Anjian
Mr. Ma Qingshan

AUDIT COMMITTEE

Mr. Wang Ping (Chairman)
Mr. Wang Anjian
Mr. Kenneth Jue Lee

REMUNERATION COMMITTEE

Mr. Wang Ping (Chairman)
Mr. Kenneth Jue Lee
Mr. Ma Qingshan

NOMINATION COMMITTEE

Mr. Yang Jiye (Chairman)
Mr. Wang Anjian
Mr. Ma Qingshan

HEALTH, SAFETY, ENVIRONMENTAL PROTECTION AND COMMUNITY COMMITTEE

Dr. Pan Guocheng (Chairman)
Mr. Wang Anjian
Mr. Yang Jiye

FINANCIAL HIGHLIGHTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
Revenue	**1,219,751**	1,368,652	1,455,505	1,397,240	1,726,488
Cost of sales	**(929,221)**	(887,981)	(663,501)	(648,440)	(585,846)
Gross profit	**290,530**	480,671	792,004	748,800	1,140,642
Investment and other income	**33,389**	24,328	7,676	14,626	30,297
Other expenses and losses	**(292,763)**	(49,066)	(38,711)	(11,085)	(24,627)
Distribution and selling expenses	**(38,386)**	(44,678)	(50,726)	(55,853)	(23,847)
Administrative expenses	**(230,786)**	(264,678)	(309,557)	(247,136)	(173,241)
Finance costs	**(169,319)**	(113,364)	(123,178)	(86,787)	(278,549)
(Loss) profit before tax	**(407,335)**	33,213	277,508	362,565	670,675
Income tax expense	**5,657**	(56,102)	(123,919)	(128,744)	(240,771)
(Loss) profit for the year	**(401,678)**	(22,889)	153,589	233,821	429,904
The owners of the Company	**(381,596)**	8,990	192,661	296,742	439,052
Non-controlling interests	**(20,082)**	(31,879)	(39,072)	(62,921)	(9,148)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
Current assets	**1,965,913**	1,594,903	1,522,613	1,187,076	1,375,708
Non-current assets	**2,956,871**	2,849,963	2,792,162	2,209,850	1,716,471
Current liabilities	**3,399,258**	2,179,767	1,903,451	1,643,219	1,291,497
Non-current liabilities	**555,191**	865,365	911,107	185,927	221,258
Equity attributable to owners of the Company	**764,163**	1,171,276	1,240,943	1,381,522	1,368,927
Non-controlling interests	**204,172**	228,458	259,274	186,258	210,497

SELECTED FINANCIAL RATIOS

	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
Gross profit margin	**23.82%**	35.12%	54.41%	53.59%	66.07%
Net profit margin	**(32.93%)**	(1.67%)	10.55%	16.73%	24.90%
Gearing ratio	**80.33%**	68.51%	65.23%	53.85%	48.92%
Return ratio of total assets	**(5.08%)**	3.35%	10.39%	13.85%	40.69%

CHAIRMAN'S STATEMENT

Mr. Yang Jiye
Chairman of the Board

Dear shareholders,

Following the previous sharp fall, the prices of bulk mineral products further went down in 2015, with the prices of iron ore, nickel metal and gold decreasing by 23.5%, 42.2% and 15.4% respectively. The year 2015 marked the most difficult year for the Group since its listing. The iron ore price plunged to the bottom level, which presented a significant challenge to the Group's traditional business, resulting in the first loss in our overall operating results. In addition, the tightening of credit by some banks in order to avoid risks caused great liquidity pressure to the Group. Despite all these challenges, Hanking adhered to the multi-mineral operation strategy and vigorously promoted the development of gold business to achieve commercial production of the gold mine in Western Australia, which helped to hedge risks from volatility in the market of single mineral product to a certain degree. On behalf of the Board of China Hanking Holdings Limited, I am pleased to present to you the audited annual results of the Company as of 31 December 2015.

RESULTS HIGHLIGHTS

In 2015, with the ongoing weakness in the global macro economy and the marked slowdown in the PRC economy, GDP growth rate for the year (6.9%) fell below 7% for the first time since 1991, further weakening the demand of China for mineral products. The United States, as the biggest economy in the world, saw its economy recovering slowly and announced an interest rate hike in the middle of last December, leading to a stronger US dollar, which continued to exert pressures on prices of mineral products denominated in US dollar. Last year, crude steel production in China amounted to 804 million metric tons, which represented a decrease of 2.3% on a year-on-year basis, registering the first negative growth in the last 34 years. This remarkable development implied that China's steel and iron sector entered into a downward path, and that China hardly maintained its role as a powerhouse for driving the growth in demand for iron ores and other bulk mineral products. The pessimistic sentiment of the downturn in the mining industry would continue. Against the backdrop of a sluggish market for the mining sector, the Group vigorously promoted the implementation of its strategy for diversification on mineral types, drove the development of its gold mine project and continued to reduce costs and improve operation efficiency, in an effort to achieve best returns for the Shareholders.

1. Operation Overview

In 2015, the spotlight of the Group's operation was the commencement of production of the SXO Gold Project, which produced the first gold pour on 17 February 2015 and was put into commercial production in August and has gradually reached its full production level within the last several months. The commencement of production of gold mine marked the leap-forward development of the Group, indicating the transformation of Hanking from a supplier of single traditional iron ore products into group companies engaged in production and sales of diversified mineral products with iron ore concentrate, gold dore and nickel ore. Through restructuring and reducing headcounts for improving efficiency, the Group largely cut the various production and personnel costs, so as to offset the adverse impact of falling iron ore price to the largest extent. The Group reasonably utilized its iron ore processing capacity so as to maximize profits. The output of iron ore concentrates (containing 66-69% iron) of 2.035 million metric tons, representing a year-on-year increase of 7.07%, mainly attributable to the technology improvement at Maogong Processing Plant. During the reporting period, the Group recorded revenue of RMB1,219,751,000, representing a decrease of 10.88% as compared to last year, which was mainly attributable to the decline in the iron ore price. During the reporting period, the Group recorded a loss of RMB401,678,000, which was mainly attributable to the dramatic plunge in the iron ore price (a year-on-year decrease of 23.5%), resulting in impairment on the iron ore assets.

CHAIRMAN'S STATEMENT

2. Project Development

a) Gold business

Through adjusting its operation philosophy, the Australian SXO Gold Project designed and implemented the strategy of low-cost development and operation, i.e. realizing low-cost production through the lowest input and commencement of production through synchronized exploration of several mines. The Group has established a competent and efficient team with a full suite of professional skills for gold mine operations, laying a solid foundation for the long-term growth of Hanking's gold business. By developing the open-pit mines at Cornishman and jointly developing the underground mines at Nevoria, the gold business produced its first gold pour in last February, and was put into commercial production in August, with an output of 58,887 ounces gold (1.89 metric tons) for the year. Measures were taken to control the production costs, with net profit amounting to RMB50,276,000. Feasibility studies on the Axehandle Gold Mine and the Cornishman North Mine were completed, and infrastructural stripping commenced in October. In addition, the Group conducted hedging transactions to reduce volatility risk in gold price.

b) Iron ore business

In 2015, the Group continued to implement the mining technology improvement and capacity expansion plan. The technology improvement for the processing plant and the underground mining project of Maogong Mine were the key points of our work. Through optimization of the production process of the processing plant, the output of Maogong Mine grew by 70.34% on a year-on-year basis last year, becoming the new point of growth of the iron ore business. The output of Aoniu Mine continued to reach a new high, with the output of iron ore concentrates amounting to 1,092,000 metric tons last year, which represented an increase of 7.16% on a year-on-year basis. Maogong Mine continued to implement the construction plan for underground project in an effort to enhance its ore mining capability, so as to achieve design capacity as soon as possible to become the second modern mine of Hanking with a iron ore concentrate output of over 1 million metric tons.

c) **Nickel business**

Since the implementation of the law prohibiting raw ore export promulgated by the Indonesia government, the focus of the Indonesia Nickel Project of the Group had been shifted to the planning and financing for the construction of the smelting project. Meanwhile, the Group carried out extensive discussions and negotiations with a number of investment institutes and enterprises, and has entered into several letters of intent regarding cooperation for the power supply and other projects. In addition, geotechnical exploration for the proposed blast furnace plant and oceangraphic surveys for the proposed jetty at the BSM mining area were completed in 2015. Boundary surveys and other preparatory works for the forest permit of the BSM mining area were also completed. Furthermore, application for IUP license for Central Sulawesi limestone was completed.

3. Resource and Reserves

In 2015, the Group conducted mineral exploration activities within and in the surrounding area of the existing mines as planned, and have achieved good results. The JORC Code-compliant ore resources of Hanking's gold business in Australia have been increased to 25,770 thousand metric tons at an average grade of 3.7 g/t for 3.034 million ounces of contained gold, representing an increase of 1.13% as compared with the year before. Meanwhile, efforts in exploration have partially upgraded gold resources with an increase in the reserves in the proved category and an extended mining life of such reserves. The iron ore sector had a net increase of 23,414 thousand metric tons of ore from the surroundings of existing mining license areas in China, which significantly exceeded the annual depletion through mining last year, achieving net growth in iron ore resources for five successive years.

COMPANY MANAGEMENT AND CONTROL

In 2015, the Group continued to maintain high standard of corporate governance, and tried its best to maintain transparency and openness to the Shareholders and the market. The Group followed the principle of prudent financial management and control, continuously enhanced internal control, raised comprehensive budget management level, reinforced the regulation and control measures on its environmental protection and safety, and upgraded cost accounting standards and performance appraisal. Under the leadership of the Audit Committee, the Group placed emphasis on the core task of internal auditing in accordance with the plan for the year, focusing on inspection on the stringency and execution of risk management and control process on the connected transactions, legal and tax affairs, significant engineering projects and internal control. Through budget and office information platform, the Group continued to optimize its internal control process including budget management, production and operation and decision making on investments, in an effort to further improve its internal control.

In 2015, in response to the challenging market environment of the mining industry, the Group adjusted the original management structure to combine the original iron mining headquarter and the original holding company headquarter, in an effort to optimize the management system. The Group also streamlined management hierarchy and relevant post setting by removing or merging part of the business departments, building a more capable and efficient business team. Through measures such as removal, retirement, dismissal and salary cuts, the staff headcount of the iron ore business decreased by 22%, resulting in a decrease of over 12.95% in the overall labour cost. Through simplification and optimization of internal control process, the Group improved the efficiency of production management and decision-making, optimized material life cycle management and implemented the "Zero Inventory" ore management mode, so as to refine operation control. Due to the continuous production suspension of the Indonesian nickel ore project, the Group further cut down the number of rear personnel and some management staff. The rapid expansion of the gold business team reinforced the production operation and management strength.

CHAIRMAN'S STATEMENT

During the reporting period, under the leadership of the HSEC Committee, the Group continued to maintain high management and control standard of safety and environmental protection, as well as strictly oversaw the performance of health, safety, environmental protection and community and other social responsibilities by each business segment. With the joint efforts of all staff, the Group's safety and environmental protection management performed fairly satisfactory. Except one staff casualty reported in the Australian gold mine, there were no other major production accidents or environmental pollution events occurred. Moreover, the Group completed the mine land reclamation task in accordance with the plan set at earlier the year and the governmental requirements. The community efforts by each business segment were basically pushed ahead smoothly, maintaining an excellent mutual support relationship with communities at all levels.

FUTURE STRATEGY

2015 was the year of "severe winter" for the mining industry, thus the Company will face great challenges and opportunities in the coming two years. Against the backdrop of continuous slowdown in the PRC economy and weak economic recovery in the U.S. and European countries, the market demand of bulky mineral products will remain sluggish, and the prices of major mineral products will hover at low levels. The low product prices have double effects. On one hand, it may squeeze growth in profitability of mining enterprises, leading to shrinking return for their shareholders, while on the other hand, the assets of the mining industry will be undervalued, offering opportunities for mergers and acquisitions at low prices. The development of gold business makes the transformation of Hanking from a traditional iron ore enterprise into an international mining company focusing on gold and iron ore business. To ride through the market downturn and seek for further development, we must embrace on innovation, reduce costs and identify growth areas, and vigorously promote the industrial transformation and upgrade of the Group:

1. Enhancement of capital efficiency. The low prices of mineral products provide a good opportunity for capital operation. By integrating all elements including assets, resources and capital, the Group will conduct low-cost capital operation to enhance the value of the Group's assets. We intend to seize the opportunity at a time when the resources are undervalued to lift the value of the assets from a low level to the top through mergers, acquisitions, restructuring and capital operation, so as to vigorously push ahead the industrial upgrade of the Group. The Group will continue to accelerate the expansion and restructuring of the gold business, improve the contribution of the gold business, and promote the transformation of business structure and further optimization of product mix, so as to reinforce its capability to resist market volatility risk. Apart from the implementation of the value strategy, we will reduce the overall debt level through equity financing and asset restructuring, with an aim to improve debt structure and current ratio.

2. Development strategy of the gold business. According to the Group's 2016 operation plan, the gold business will become the Company's important business, and strive to achieve its goal of low-cost and sustainable development. Seizing the opportunities arising from short-term price trough in a volatile market and centering on the processing plant of the SXO Gold Project, we intend to actively seek and identify target assets or projects surrounding the mining area that are in line with the Company's development strategy to carry out M&A, integration and restructuring, so as to promote the resource expansion and value appreciation of the gold business. While carrying out production operation, we will step up efforts in exploration to further increase and upgrade resources and extend the mine life.

3. Development strategy of the iron ore business. Despite the sharp decline in iron ore price, the iron ore business remains one of the Group's key businesses, which will continue to make revenue contribution to the Company. In light of the situation of excessive supply in the market will not change in the short term, the Group will not seek to maximize output. Instead, the Group will focus on profitability and implement strict control over capital investment, in an effort to develop low-cost mines. The Group will implement the strategy of "ultra-low cost, ultra-high quality and ultra-high efficiency", that is to continue to reduce the costs to ensure a gross profit of over 20%, to produce high-end (69-70%) iron ore concentrates to increase added value and to reform the management process to shorten the operation process. Along with the enhancement of its core competitiveness of ultra-low-cost, the profit margin per metric ton of products will increase. Furthermore, the Group will seize opportunities to push ahead asset restructuring and optimization, so as to promote capital appreciation and create new growth.

4. Development strategy of the nickel business. There is huge room for development of our nickel ore assets, which contain prominent potential for value growth. We will make proper overall planning for project development, finalize phase-by-phase investment plan and manage the scale of investment. Fully leveraging on the world-class laterite nickel ore resources which are rich in nickel, iron, cobalt and other rare metals in Indonesia, we intend to develop an industrial park with extensive production infrastructures and community service functions that is engaged in nickel ore smelting and steel smelting activities to produce ferronickel, stainless steel blanks and other iron and steel products, metal cobalt and other rare metal products by capitalizing the nickel ore resources and based on the nickel smelting and processing industrial cluster, featuring integration and recycling utilization of regional resources in about five to seven years.

5. Development strategy of new projects. According to the strategic positioning, the Group will stick to the principle of "excellent quality, low cost and quick return" and continue to seek new point of growth of core business. Gold assets will remain the priority choice for the Company's merger and acquisition investment. In particular, the Group will focus on the significantly undervalued mine assets and quality exploration projects. The Group will carry out merger and acquisition of new projects on the best endeavour basis. According to the established strategy, the Group will seize the opportunities to integrate the quality gold resources around the SXO Gold Project, and continue to increase resources and reserves and expand the production scale, with an aim to achieve continuing growth in gold mines' output and profitability.

MARKET OUTLOOK

In 2015, the PRC economy recorded a GDP growth rate of 6.9%, falling below 7% for the first time in more than two decades, which implied that the PRC economy had entered into a new development phase featuring a mid-to-high rate of growth. With the slowdown in macro economy, the driver for the global major mineral product market gradually diminished and the market prices of these products will continue to hover around low levels, drawing an end to the "golden ten years" of the mining industry. In 2016, the overall market demand will remain challenging due to the expected strength of the US dollar, continuous slowdown in the PRC economy, slow recovery in the European and Japanese economies and weak growth of the other emerging economies. Facing many uncertainties, the Group will, on the principle of "stringent cost control, prudent investment strategy, reducing debts to lower the burden and optimizing business structure", continue to seek opportunity for assets restructure, effectively improve the efficiency in the use of funds and take proactive measures to reduce debt level in the year ahead, so as to ensure the safety of assets and capital.

CHAIRMAN'S STATEMENT

1. Gold market

Gold is a special metal, with triple tributes of "currency, investment and commodity". The gold price has been driven by the US dollar index, risk aversion and cost structure. Given the stronger U.S. dollar against other currencies due to the interest hikes by the U.S. Federal Reserve, the gold price will maintain a range bound pattern and continue to hover at a low level in 2016. The US dollar index is the most direct structural factor for gold price volatility, and risk aversion is the short-term driving force for changes in gold price, while production cost decides the floor price of gold. As the cash cost of gold mining enterprises averaged at USD1,000 per ounce, there is little room for cost cut, leaving many gold manufacturers at marginal or meager profit. From the short run, the gold price will be driven by risk aversion in the market, thus it is most likely that the gold price will remain above USD1,200 per ounce recently. As for the Company, apart from the gold price, the exchange rate of Australia dollar against the U.S. dollar will exert greater and more direct impact on the Company as a weaker Australia dollar will be beneficial to the Company.

2. Iron ore market

According to the statistics from relevant authorities, in 2015, China's output of crude steel was 804 million metric tons, representing a year-on-year decrease of 2.3%, while the growth in China's steel output had shifted to the negative territory. This remarkable development implied that China's crude steel output entered into a downward path, and that China was losing steam as a powerhouse for driving the growth in global demand for iron ore. According to the forecast issued by the relevant authority, China's depletion of iron ore in 2015 amounted to 1.12 billion metric tons, representing a year-on-year decrease of 0.4%, and demand for iron ore in 2016 will amount to 1.073 billion metric tons, representing a year-on-year decrease of 4.2%. Therefore, the supply of iron ore will remain excessive. Given the sharp fall in iron ore price many iron ore mines in China and other iron ore production regions with high operation cost are facing suspension or shutdown. With the deepening of the supply-side reform in China, some backward steel production capacity will be forced out of the market, providing support to the prices of iron and steel products and driving the iron ore price to rise from the bottom level in 2016, which is expected to exceed the price of the second half year in 2015.

3. Nickel market

The nickel metal price experienced huge volatility last year, decreasing by 42.2% from USD15,252 per metric ton at the beginning of the year to USD8,809 per metric ton at the year-end, which exceeded the forecasts made by many experts. There are two reasons, one is that China's ferronickel output did not fall sharply as expected by the experts, while the main reason is that the nickel ore imported from the Philippines offset to a great degree the adverse impact of significant decrease in ore exports in Indonesia after the implementation of the law prohibiting raw ore export. The impact of Indonesian policy prohibiting raw ore export on nickel metal supply will become apparent gradually, and will eventually drive up the nickel metal price over the medium-to-long term. According to the statistics data, China's stainless steel output amounted to 21.56 million metric tons last year, which represented a decrease of 0.6% on a year-on-year basis, posting the first decrease since 2008. Under the de-capacity situation, the stainless steel output in China will continue to decrease, and the growth in market demand for nickel metal will remain sluggish. Adhering to the strategy of "One Belt and One Road", the trading relationship between China and Association of Southeast Asian Nations ("ASEAN") will become increasingly important, creating a favourable environment for the development of Hanking's Indonesian projects.

SOCIAL RESPONSIBILITY

The Group places great emphasis on its social responsibilities. Under the leadership of the HSEC Committee, the Group reviewed, assessed and streamlined the management structure of each business sector in 2015 with an aim to improve the management systems regarding health of the employees, safety production, environmental protection and harmonious community-enterprise relationship as well as enhance the Company's ability in performing its social responsibilities, so as to ensure the implementation of the business philosophy of "safety, harmony and green mine" and provide a solid foundation for promoting the Group's established development strategy.

In 2015, the Group organized a number of special conferences to discuss and assess the safety production and environmental protection responsibility system of the mines. Through business training and practice drill, the Group continued to improve the construction of soft environment of the mines, enhance the employees' awareness of safety, environmental protection and social responsibilities, eliminate major or serious accidents and environmental pollution incidents, and maintain good records of safety and environmental protection. While making efforts in maintaining a good relationship with the communities and governments, the Group was also actively involved in welfare activities of the communities, and provided assistance to the communities within its power.

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

APPRECIATION

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

Yang Jiye
Chairman of the Board

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW[1]

1. Commencement of commercial production of the gold business to record profit

The SXO Gold Project commenced to produce gold in February 2015 and was put into commercial production in August 2015. As of 31 December 2015, the gold business recorded a profit of RMB50,276,000.

2. Hedging by the gold business to reduce volatility risk in gold price

By entering into the Gold Price Hedging Agreement with Mitsui & Co. Precious Metals Inc. ("MPM") Hong Kong branch, Hanking Gold sold 20,000 ounces of gold to MPM at a price of AUD1,670/ounce. The hedging price was significantly higher than the market spot price then, delivering higher margin profit to the Group and also reducing the impacts on the production and operation of the gold business arising from volatility in gold price.

3. Continuous increase in output and sales of iron ore concentrates

In 2015, production capacity was further realized through optimization of processing facilities of Maogong Mine and continuous improvement of processing technology of other iron ore mines. In 2015, the output of iron ore concentrates of the Group amounted to 2,035 thousand metric tons, representing an increase of 7.07% as compared with the year before.

In light of the market condition, the Company further realized the quality and grade of iron ore concentrates and adjusted sales strategies, which ensured the smooth and orderly production, sales and operation. In 2015, the sales amount of iron ore concentrates reached 2,022 thousand metric tons (2014: 1,940 thousand metric tons), exceeding the target of 2 million metric tons for the first time and representing an increase of 4.23% as compared with the year before.

4. Continuous increase in resources

In 2015, through exploration and integration of resources around the SXO Gold Project, the JORC Code-compliant gold resource of the SXO Gold Project under the gold business of the Company has been increased to 25,770 thousand metric tons (after mining depletion during the year) at an average grade of 3.7 g/t for 3.034 million ounces of contained gold, representing an increase of 1.13% as compared with the year before. Meanwhile, the JORC Code-compliant reserve of the gold business increased by 62.6% on a year-on-year basis to 6,319 thousand metric tons at an average grade of 2.9 g/t for 592 thousand ounces of contained gold, representing an increase of 62.6% as compared to that at the end of 2014. The resources of the iron ore business of the Company had a net increase of 23,414 thousand metric tons of ore from the surroundings of existing mining license areas. As of the end of 2015, the JORC Code-compliant iron ore resources of the iron ore business of the Company amounted to 243,980 thousand metric tons, at a TFe grade of 28.7%.

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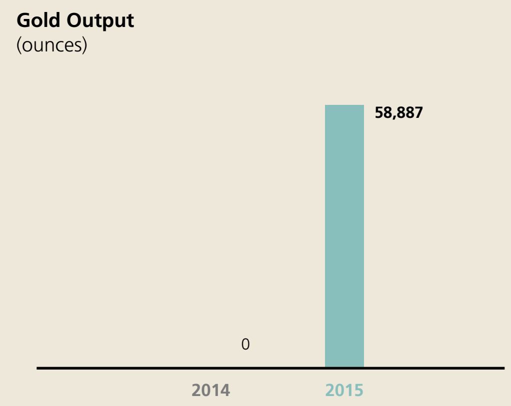
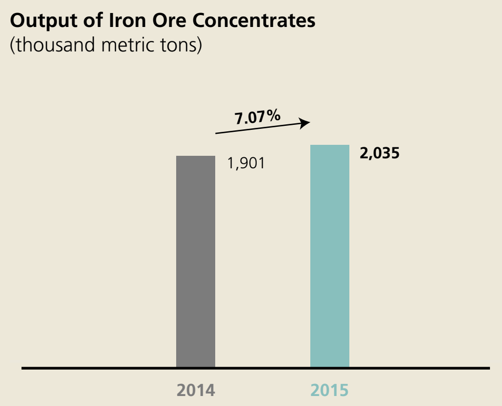
1 In this report: 1) cost data is unaudited as they are not disclosure required to be made in accordance with the International Accounting Standard; 2) for conversion of AUD into RMB, data in the balance sheet was converted at an exchange rate of 4.7276 as recorded on 31 December 2015, while the other data was converted at an average exchange rate of 4.8725.





GOLD BUSINESS

In 2015, the international gold price moved in a range bound pattern and hovered at a low level, which was likely to bottom out soon. Against the backdrop of the rising US Dollar Index, gold price was under significant pressure. Meanwhile, the investment appeal of gold receded as the investment cost grew higher driven by the rising effective market interest rates and strong performances of the capital markets such as the equity markets. Importantly, China has gained increasing influence in the international gold market with increased participation. With the acceleration of Renminbi internationalization, the PRC government continuously increased its gold reserve. As of 31 December 2015, the gold reserves of China amounted to 56.66 million ounces (equivalent to 1,762 metric tons).

In 2015, the international gold spot market opened at USD1,184.3/ounce and closed at USD1,060.5/ounce, with a decrease of 10.45%. The highest and lowest gold prices recorded during the period were USD1,307.8/ounce and USD1,042.7/ounce respectively, fluctuating within a range of USD265.1.

As the Company's gold business is located in Australia and most of the cost incurred was paid in Australian dollars, the gold price denominated in AUD is in closer correlation with the operating results of the Company. In 2015, the international gold spot market opened at AUD1,470.7/ounce and closed at AUD1,456.4/ounce, with a decrease of 0.97%. The highest and lowest gold prices recorded during the period were AUD1,651.1/ounce and AUD1,440.4/ounce respectively, fluctuating within a range of AUD210.7. As the AUD exchange rate went down, the gold price denominated in AUD was relatively strong.

In 2013, the Company acquired the 100% equity interests of the SXO Gold Project, which is 360 km east of Perth, Western Australia with extensive infrastructures including highways, railways, airport, water and electricity supplies, and wholly owns the Marvel Loch Processing Plant (the "Processing Plant"). It owns mining licenses covering an area of 942 km^2, which included the gold ore belt with a length of 150 km.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Production Review

Through the hard work of the gold business team, the Company's gold business has achieved break-through progresses in 2015:

1) In 2015, the sales revenue of the gold business amounted to RMB292,532,000, of which sales revenue of gold amounting to RMB291,947,000 and sales revenue of silver amounting to RMB585,000. Net profit amounted to RMB50,276,000, representing a net profit margin of 17.19%. The EBITDA of the gold business was RMB136,955,000, and the profit margin of EBITDA was 46.82%.

2) The gold business produced the first gold pour in February 2015 and was put into commercial production in August. In 2015, the gold business had three operating mines, while the rest were under maintenance[2], of which Cornishman Gold Mine and Great Victoria Gold ("GVG") Mine adopting open-pit mining and Nevoria Mine adopting underground mining. All ore mined were transported to the Processing Plant for further processing.

3) By entering into the Gold Price Hedging Agreement with MPM Hong Kong branch, Hanking Gold pre-sold 20,000 ounces of gold to MPM at a price of AUD1,670/ounce. The gold hedging price was significantly higher than the market spot price then, guaranteed higher margin profit to the Group and also reducing the impacts on the production and operation of the gold business arising from volatility in gold price.

4) In accordance with the accounting policies of Hanking Gold, the gold sales during dry commissioning and capital construction was used to offset the capitalised mining costs of the relevant mines, while the gold sales from the gold output after the commercial production was accounted as sales revenue. As of 31 December 2015, Hanking Gold sold 38,805 ounces of gold.

	Gold (ounces)	**Average unit selling price** (AUD/ounce)	**Sales revenue** (RMB'000)
Future trade	9,444	1,662	76,479
Spot trade	29,361	1,510	216,052
Total	38,805	1,547	292,532

5) The direct cash costs (C1) of the gold business were RMB3,715/ounces, and the all-in sustaining costs (AISC) were RMB4,774/ounce. Hanking Gold strictly enforced the annual budget through various cost control measures and conducted analysis on each actual cost on a monthly basis to promptly solve the problems emerged from production and operation.

The breakdown of C1 direct cash costs is as follows:

	Unit Cost (AUD/ounce)	
	2015	2014[3]
Open-pit mining	**523**	N/A
Underground mining	**174**	N/A
Processing and maintenance	**330**	N/A
Mine management costs (including costs for production safety and environmental protection)	**105**	N/A
Cash cost adjustments[4]	**(370)**	N/A
Adjusted C1 Cash costs (AUD)	**762**	N/A
Adjusted C1 Cash costs (RMB)	**3,715**	N/A

[2] Stripping at Axehandle Gold Mine commenced in November 2015.

[3] The SXO Gold Project owned by the Company was put into operation in 2015.

[4] Mainly adjustments made in respect of stripping adjustment during capital construction period.

- **Cornishman Gold Mine**

  Cornishman Gold Mine is located in the middle of the SXO Gold Project[5] and is 26 km away from the Processing Plant, with extensive infrastructures such as highways, electricity and water supplies. There are three mining areas currently in operation, namely Cornishman Middle, North and South, which are all open-pit mines. Hanking Gold engaged Watpac Limited ("Watpac"), an independent third party mining company, to provide open-pit mining services such as drilling, blasting, loading, unloading and hauling. The ores mined were transported by an independent third party transportation company to the Processing Plant for further processing. The services shall comply with the requirements of the Australian laws regarding production safety and environmental production. As of 31 December 2015, a total of 638,901 metric tons of ores were mined, and the mining cost per metric ton was AUD76.

Figure 1: Mining Rights and Major Gold Mines of SXO Gold Project

- **GVG Gold Mine**

  GVG Gold Mine is located at the south of the SXO Gold Project[6] and is 12 km away from the Processing Plant, with extensive infrastructures such as highways, electricity and water supplies. Open-pit mining is adopted for GVG Gold Mine, and an independent third party mining company was engaged to provide open-pit mining services. The ores minded were transported to the Processing Plant by an independent third party transportation company for further processing. As of 31 December 2015, a total of 179,304 metric tons of ores were mined, and the mining cost per metric ton was AUD4.89 as no stripping was conducted.

SXO Gold Project – Cornishman Gold Mine Open Pit

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5 Please refer to Figure 1

6 Please refer to Figure 1

MANAGEMENT DISCUSSION AND ANALYSIS

- **Nevoria Gold Mine**

  Nevoria Gold Mine is located in the middle of the SXO Gold Project[7] and is 11 km away from the Processing Plant, with extensive infrastructures such as highways, electricity and water supplies. Hanking Gold collaborated with Pit n Portal Mining Service Pty Ltd. ("PNP", an independent third party) and set up a partnership named "Hanking Gold Mining Alliance". PNP provided underground mining services for Nevoria Gold Mine, while Hanking Gold provided aboveground management including logistics and gold ore processing. Profit was distributed between both parties on a profit-sharing basis, of which 80% was for Hanking Gold and 20% was for PNP. The ores mined were transported to the Processing Plant by an independent third party transportation company for further processing. As of 31 December 2015, a total of 216,885 metric tons of ores were mined, and the mining cost per metric ton was AUD56.

SXO Gold Project - Nevoria Gold Mine

- **Processing Plant**

  The Processing plant is located in the middle of the SXO Gold Project[8] and is wholly-owned by Hanking Gold, which has extensive infrastructures such as highways, railways, electricity and water supplies, with an annual ore processing capacity of 2.4 million metric tons. The Processing Plant adopted the industry-proven carbon in pulp (CIP) production technique, and the gold will be moulded into gold dores at the smelting room of the Processing Plant before being delivered to Perth Mint to be refined for sale. The Processing Plant completed the refurbishment of processing in 2014 and started commissioning in January 2015. As of 31 December 2015, the Processing Plant processed a total of 993,360 metric tons of ores with a recovery rate of 90%, producing a total of 58,887 ounces of gold at the mining cost of AUD24.18/metric ton of ores.

The Processing Plant

[7] Please refer to Figure 1

[8] Please refer to Figure 1

2. Continuous Increase in Gold Resources and Reserves

(1) Resources

By integrating resources of the surrounding mines, Hanking Gold entered into an agreement to acquire the 100% equity interests of Redwing Gold Deposit. Redwing Gold Deposit has JORC Code-compliant resources of 1.4 million metric tons of ores with an average grade of 2.4 g/t for 108 thousand ounces gold. The resource is defined by a drilling with 150 drill holes, and includes multiple gold lodes. The ore bodies are near surface and suitable for open-pit mining.

At the beginning of 2015, exploration drilling activities at Axehandle Gold Mine were completed by Hanking Gold, with a total of 85 drilling holes amounting to an aggregate length of 11,460m. CSA Global Pty Ltd, an independent Australian technology consulting firm, was engaged by Hanking Gold to carry out resources estimation based on the data derived from the 200 drilling holes previously drilled. According to their report, the 2012 JORC Code-compliant resources at Axehandle Gold Mine were increased to 3,760 thousand metric tons with an average grade of 2.5 g/t for a total of 301 thousand ounces gold, of which 90% were measured or indicated resources.

Thus, through exploration and integration of the resources in the surrounding areas, the JORC Code-compliant ore resources of our SXO Gold Project (after mining depletion during the year) were increased to 25,770 thousand metric tons with an average grade of 3.7 g/t for a total of 3,034,000 ounces of gold resources, representing a year-on-year increase of 1.13%.

JORC Code-compliant gold resources statistical table of Hanking Gold (as of 31 December 2015)

	Cut On Grade (g/t)		Measured			Indicated			Inferred			Total		
Deposit	Open-pit	Underground-pit	Ore tonnage (thousand metric tons)	Grade (g/t)	Gold contained (thousand ounces)	Ore tonnage (thousand metric tons)	Grade (g/t)	Gold contained (thousand ounces)	Ore tonnage (thousand metric tons)	Grade (g/t)	Gold contained (thousand ounces)	Ore tonnage (thousand metric tons)	Grade (g/t)	Gold contained (thousand ounces)
Marvel Loch	2.2	N/A	287	3.1	2.9	2,930	3.2	299	1,400	2.5	112	4,617	3.0	440
Nevoria	0.6	2	–	–	–	3,513	3.4	381	328	4.0	42	3,841	3.4	423
Transvaal	Note	2.6	–	–	–	1,630	4.7	249	1,800	4.9	286	3,430	4.8	535
Jaccoletti	2.6	2.6	–	–	–	–	4.6	–	715	5.5	126	715	5.5	126
Axehandle	0.7	N/A	2,330	2.6	193	990	2.5	78	440	2.2	31	3,760	2.5	301
Cornishman	0.9	2.5	878	4.4	124	627	4.6	92	460	5.3	79	1,965	4.7	295
Edwards Find	0.7	0.7	–	–	–	381	3.1	38	363	2.6	30	744	2.8	68
Frasers	Note	Note	–	–	–	1,117	4.6	165	1,474	6.1	289	2,591	5.5	454
Yilgarn Star	4	4	–	–	–	385	6.6	82	–	–	–	385	6.6	82
Redwing	0.5	–	–	–	–	–	–	–	1,400	2.4	108	1,400	2.4	108
Others	Note	Note	367	1.0	12	1,610	2.7	140	345	4.5	50	2,322	2.7	202
Total			3,862	2.9	358	13,183	3.6	1,524	8,725	4.1	1,153	25,770	3.7	3,034

Note: Data shown in the table above cover data of various deposits of the SXO Gold Project, among which, data of the Redwing Gold Deposit are extracted from the resource estimate report signed by Mr. J F Brigden, the resource geologist of Sons of Gwalia Ltd., who is the competent person for the JORC Code-compliant resource estimate; data of Frasers and Cornishman are extracted from the resource estimate report signed by Dr. Shi Bielin, a senior resource geologist of CSA Global Pty Ltd., in accordance with the JORC Code. Dr. Shi Bielin is a member of both of AusIMM and AIG, and has extensive experience in such type of gold mines at the SXO Gold Project. Data of other mines are extracted from the resource estimate report issued by St Barbara Mining Ltd. ("SBM") in 2012. The report was signed by Mr. Phillip Uttley, the chief geologist of SBM, in accordance with the JORC Code. Mr. Phillip Uttley is a member of AusIMM and has extensive experience in such type of gold mines at the SXO Gold Project.

(2) Reserves

Hanking Gold conducted pit optimization design and feasibility study on Axehandle Gold Mine and the open-pit gold mine of Cornishman North in the first half of 2015. According to the results, the reserves of such open-pit mining project at Axehandle amounted to 2,660 thousand metric tons with an average grade of 2.4 g/t for a total of 207 thousand ounces gold, of which 78% were proved reserves. The JORC Code-compliant reserves of the open-pit gold mine of Cornishman North were increased by 321 thousand metric tons of ores for 21 thousand ounces gold, of which 17 thousand ounces were the proved reserves and 4 thousand ounces were the probable reserves[9]. As at the end of 2015, stripping at Axehandle Gold Mine commenced.

As of the end of 2015, the JORC Code-compliant reserves of the gold business had been increased by 62.6% on a year-on-year basis amounting to 6,319 thousand metric tons of ores at an average grade of 2.9 g/t for 592 thousand ounces of gold, representing an increase of 62.6% as compared to that of the end of 2014.

JORC Code-compliant open-pit gold reserves at Axehandle and Cornishman North

Mine	**Reserve Category**	**Ore tonnage** (thousand metric ton)	**Grade** (g/t)
Axehandle Mine	Proved	2,083	2.4
	Probable	577	2.5
	Total	2,660	2.4
Cornishman North	Proved	241	2.2
	Probable	80	1.8
	Total	321	2.1

3. Developments of gold mines

- **Redwing Gold Deposit**

Hanking Gold reached an agreement with Audax Minerals Pty Ltd, an Australia company, after amicable negotiation, pursuant to which, Hanking Gold acquired 100% equity interest of Redwing Gold Deposit at a consideration of AUD700,000 in cash. Redwing Gold Deposit is located at the south of the metallogenic belt of the SXO Gold Project, approximately 50 km away from the Processing Plant which is 100% owned by Hanking Gold, enjoying convenient transportation. Ore from Redwing Gold Deposit could be transported to and processed by the Processing Plant. Redwing Gold Deposit has JORC Code-compliant resources of 1.4 million metric tons of ores at an average grade of 2.4 g/t for 108,000 ounces gold. The resource is defined by a drilling with 150 drill holes, and includes multiple gold lodes. The ore bodies are near surface and suitable for open-pit mining. Redwing Gold Deposit is in a 5 km^2 exploration license area and Hanking Gold has applied an exploration license for 67 km^2 area around it. Hanking Gold has made the full payment of AUD700,000 and completed the relevant legal procedures for the acquisition. The successful acquisition of Redwing Gold Deposit extended the strike length of the metallogenic belt of the SXO Gold Project to 150 km. It was an important step in the implementation of the Company's regional consolidation strategy, which was beneficial for the full utilization of the infrastructures like Hanking Gold's own Processing Plant and the achievement of synergies and scale effects. With the existing mining rights and resources, the Company planned to carry out resource upgrade and feasibility studies to convert more underground resources into JORC Code-compliant reserves for development, so as to maximize the value of mines.

[9] Please refer to the table below.

- **Axehandle Gold Mine**

  Axehandle Gold Mine is located at the south of the current open-pit gold mine of Cornishman. It is on the side of the Company's haul road to the Processing Plant and is 22 km away from the Processing Plant, with excellent condition for development and extensive infrastructures such as highways, railways, electricity and water supplies. In July 2015, Hanking Gold completed the pit optimization design and reserve estimation of Axehandle Gold Mine. Stripping at Axehandle Gold Mine commenced at the end of 2015, and Watpac, an independent third party mining company, was engaged to provide open-pit mining services. As of 31 December 2015, the stripping amount was 1,714,814 cubic meters.

As of 31 December 2015, the capital expenditure of the Group's gold business amounted to RMB366,994,000 (31 December 2014: RMB130,971,000), and the capital commitment was RMB21,274,000 (31 December 2014: RMB23,487,000).

IRON ORE BUSINESS

In 2015, due to the continuous slowdown in the growth of fixed asset investments in the PRC, output of steel and iron in China recorded a decrease for the first time, while supply of iron ore continued to increase (especially the significant increase in the output of Rio Tinto in 2015), resulting in a constant overcapacity in the iron ore market. Another factor affecting the iron ore price was the decrease in production costs of the major iron ore suppliers due to an overall plunge in the price of bulk commodities such as crude oil driven by substantial appreciation of the US Dollar during 2015. Given the overcapacity in the market and the decreasing production costs of the suppliers, the iron ore price continued to show an overall decline trend in 2015. Platts Fe 62% (CFR) opened at 71.75 and closed at 43.25 in 2015, representing a decline of 39.7%, which was lower than that recorded in 2014 with two noticeable rallies.

1. Operation review

In 2014, the iron ore business adjusted its production layout and completed the processing technological upgrading projects of all the mines other than Maogong Mine, effectively improving the production output structure. In 2015, the production capacity was further improved through continuous optimization of processing facilities of Aoniu Mine and technology upgrading of the processing plant of Maogong Mine. In 2015, output of iron ore concentrates of the Group amounted to 2,035 thousand metric tons, representing an increase of 7.07% as compared with the previous year.

In 2015, the price of iron ore continued to fall, mainly due to the oversupply resulting from the mass production of iron ore around the world. The tightening of financing and shortage in cash position for the iron ore industry also led to the plunge in iron ore prices. In light of these market conditions, the Company adjusted its production layout on the principle of "efficiency first" and suspended the production of Shangma Mine and Xingzhou Mine to effectively improve the production output structure, and also improved the quality and grade of iron ore concentrates to ensure the smooth and orderly production. In 2015, against the backdrop of continuous decline in the price of iron ore concentrates, the Company adopted various measures to cut costs and improve efficiency. The sales amount of iron ore concentrates amounted to 2,022 thousand metric tons (2014: 1,940 thousand metric tons), representing a year-on-year increase of 4.23%. The average selling price of iron ore concentrates was RMB458 per metric ton (2014: RMB691 per metric ton), representing a year-on-year decrease of 33.72%.

MANAGEMENT DISCUSSION AND ANALYSIS

	For the year ended 31 December (thousand metric tons)		
	2015	2014	**Change**
Stripping amount	**9,083**	15,078	-39.76%
Output of iron ore	**5,925**	7,305	-18.90%
Output of iron ore concentrates	**2,035**	1,901	7.07%
Sales amount of iron ore concentrates	**2,022**	1,940	4.23%

In light of the downturn in the iron ore industry, the Group adjusted its production layout and exerted strict cost control, which resulted in substantial decrease in the production and management costs of the iron ore business, representing a year-on-year decrease of 13.99% and 28.30% respectively. As the Group improved the grade and recovery rate of the products through optimization of production structure and technology upgrading and adopted various measures to control costs such as lowering the unit contract price for underground mining works, reducing workforce and staff salaries and cutting costs and expenses, the average cash operation costs of iron ore concentrates per metric ton decreased significantly to RMB317 (2014: RMB389), which represented a year-on-year decrease of 18.51%, enabling the Group to maintain its core competitiveness with low costs in the industry.

	Cash operation costs of iron ore mines (RMB/metric ton of iron ore concentrate)		
	2015	2014	**Change**
Mining	**140**	153	-8.50%
Processing	**94**	117	-19.66%
Transportation	**19**	21	-9.52%
Tax[10]	**34**	62	-45.16%
Mine management	**30**	37	-18.92%
Total	**317**	389	-18.51%

In 2015, the revenue of iron ore business of the Company was RMB927,219,000 (2014: RMB1,349,784,000), representing a year-on-year decrease of 31.31%, with an EBITDA[11] of RMB212,352,000 (2014: RMB497,879,000), representing a year-on-year decrease of RMB285,527,000, which was mainly due to the decrease in the price of iron ore concentrates. The profit margin of EBITDA was 22.90% (2014: 36.89%), representing a decrease of 13.98 percentage points as compared with the previous year.

10 The tax included in the cash operating costs in 2015 decreased by RMB28/metric ton as compared to that of 2014, which was mainly attributable to the decrease of resource tax from RMB12 per metric ton of iron ore to RMB6 per metric ton in May 2015, and also the decrease in surcharge due to the decrease in selling price.

11 The calculation of the EBITDA of iron ore business was based on earnings before taxes, plus depreciation and amortization, interest and provision for impairment.

2. Operating mines

1) **Aoniu Mine**

Aoniu Mine is located in the township of Hou'an, Fushun County, Fushun City, and is operated by the Company through its subsidiary Aoniu Mining. Aoniu Mine owns mining licenses covering areas totalling 1.8911 km^2 and has extensive infrastructures including paved roads, water and electricity supplies, and etc. Through enhancement of management and adequate production arrangement, the output of Aoniu Mine in 2015 reached a record high, amounting to 1,092 thousand metric tons, representing a year-on-year increase of 7.16%.

In 2015, Aoniu Mine was engaged in both open-pit mining and underground mining. The open-pit mining works were mainly located along Traverses 104-101 at the peak of the original Waibogou, with a length of 300m and mining elevations varying from 368m to 308m. Dilution and loss control were carried out through the mining process, with monthly optimization of pit shell. An independent third party was engaged to undertake the underground mining establishment/development works and underground mining, which was inspected for acceptance stage by stage. During the first half of 2015, the inspection and acceptance procedures for the underground mining works below the 320m level were completed. Underground mining was carried out at the 320m and 265m level, while drift development, mining and exploration were carried out above the 265m level and at the 215m level. In 2015, Aoniu Mine and the underground mining contractor entered into a new agreement, resulting in a decrease of 35.19% in the undergrounding mining service charge by contractors, and hence the underground mining cost was decreased by 14.00%.

Aoniu Mine has two processing plants. After completion of technology upgrading in 2014, the average grade of iron ore concentrates produced in 2015 was improved to 69.4%. Benefiting from the technology upgrading and decrease in the costs of raw materials, the processing costs per metric ton of iron ore concentrates decreased by 15.79% as compared with the previous year. Efforts were made to improve product quality and strengthen cost control, so as to better meet the market needs.

MANAGEMENT DISCUSSION AND ANALYSIS

Aoniu Mine	For the year ended 31 December		
	2015	2014	**Change**
Output of iron ore concentrates (thousand metric tons)	**1,092**	1,019	7.16%
Sales amount of iron ore concentrates (thousand metric tons)	**1,081**	1,045	3.44%
Mining costs (RMB per metric ton of iron ore concentrate)	**129**	150	-14.00%
Of which, underground mining by contractor	**35**	54	-35.19%
Processing costs (RMB per metric ton of iron ore concentrate)	**96**	114	-15.79%
Government tax (RMB per metric ton of iron ore concentrate) (Note 1)	**33**	62	-46.77%
Freight on sales (RMB per metric ton of iron ore concentrate) (Note 2)	**27**	29	-6.90%

Note 1: The decrease was mainly attributable to the decrease of resource tax from RMB12 per metric ton of iron ore to RMB6 per metric ton in May 2015, and also the decrease in surcharge due to the decrease in selling price.

Note 2: The transportation service was provided by third parties.

In 2015, the capital expenditure of Aoniu Mine was RMB8,189,000, of which investments for infrastructure projects amounted to RMB718,000, expenditure for acquisition of lands amounted to RMB468,000, and expenditure for plant buildings and equipment amounted to RMB7,003,000. The capital commitment amounted to RMB50,000.

2) **Maogong Mine**

Maogong Mine is located in the township of Shiwen, Fushun County, Fushun City, and is operated by the Company through its subsidiary Maogong Mining. Maogong Mine owns mining licenses covering areas totalling 2.37 km^2, and has extensive infrastructures including paved roads, water and electricity supplies. Through optimization of production process and upon completion of production commissioning, the output of Maogong Mine amounted to 649 thousand metric tons, representing a substantial increase of 70.34% as compared with the previous year.

In 2015, Maogong Mine was engaged in both open-pit mining and underground mining. In 2015, open-pit mining was carried out to mine Orebody No. 23, and efforts were made to fine-tune the mining plan, soil dumping plan and blasting work for orebodies No. 3, 9 and 10. An independent third party was engaged to undertake the shaft and drift development of the underground mining works and the mining at the stage of infrastructure construction. As of the end of 2015, the work of shaft and drift development of the underground mining works amounted to 228,668.43 cubic meters, with an accumulated investment of RMB99,857,000. The construction of the main shaft headframe amounted to 72m, with an accumulated investment of RMB8,000,000.

The processing plant of Maogong Mine has an annual processing capacity of 3 million metric tons. The technology upgrading of the processing plant has been completed in June 2015. The upgraded technique of "high-pressure grinding rolls + laminated high-frequency fine screen + selected wash mills" was applied to control the iron, silicon and impurity content in the iron ore concentrates and the particle size range of the products, so as to adjust the product specification according to market needs in a timely basis. After completion of the technology upgrading, the grade of iron ore concentrates was improved to 67%, with substantial increase in output and a significant decrease of 26.63% in processing costs.

MANAGEMENT DISCUSSION AND ANALYSIS

Maogong Mine	**For the year ended 31 December**		
	2015	2014	**Change**
Output of iron ore concentrates (thousand metric tons)	**649**	381	70.34%
Sales amount of iron ore concentrates (thousand metric tons)	**652**	387	68.48%
Mining costs (RMB per metric ton of iron ore concentrate)	**208**	209	-0.48%
Of which, underground mining by contractor	**88**	N/A	N/A
Processing costs (RMB per metric ton of iron ore concentrate)	**135**	184	-26.63%
Government tax (RMB per metric ton of iron ore concentrate) (Note 1)	**30**	67	-55.22%
Freight on sales (RMB per metric ton of iron ore concentrate) (Note 2)	**11**	9	22.22%

Note 1: The decrease was mainly attributable to the decrease of resource tax from RMB12 per metric ton of iron ore to RMB6 per metric ton in May 2015, and also the decrease in surcharge due to the decrease in selling price.

Note 2: The transportation service was provided by third parties. The increase in freight on sales was mainly attributable to detour of transportation routes selected by Maogong Mine and the increase in transportation distance of certain customers during the year.

In 2015, Maogong Mine focused on the shaft and drift development of the underground mining works, the construction of the main shaft headframe and ore bin and the auxiliary facilities as well as the installation of equipments for the main shaft and headframe. As of 31 December 2015, the capital expenditure of Maogong Mine was RMB113,099,000, of which the investment for construction projects amounted to RMB60,851,000, expenditure for investment to expand exploration coverage amounted to RMB34,750,000, expenditure for acquisition of lands amounted to RMB210,000, and expenditure for plant buildings and equipment amounted to RMB17,288,000. The capital commitment amounted to RMB137,603,000.

3) Benxi Mine

Benxi Mine is located in Pingshan District, Benxi City, and is operated by the Company through its subsidiary Benxi Mining. Benxi Mine owns mining licenses covering areas of 0.25 km^2, and has extensive infrastructures including paved roads, water and electricity supplies. As production at Benxi Mine was suspended for two months at the end of 2015 due to the market price of iron ore concentrates, the output for the year amounted to 242 thousand metric tons, representing a decrease of 10.37% as compared with the previous year.

An independent third party was engaged by Benxin Mine to undertake the underground mining. In 2015, in view of the market condition, Benxi Mine and the independent third party negotiated and reached agreement to reduce the mining service costs. Coupled with the decrease in ratio of concentration in processing, the mining costs per metric ton of iron ore concentrates recorded a year-on-year decrease of 8.61%. Benxi Mine engaged Benxi Hanking Iron Processing Co., Ltd. ("Benxi Iron Processing"), a related party to provide iron ore processing service. In 2015, after negotiation between the two parties, the processing service costs per metric ton of iron ore concentrates was reduced to RMB19 (excluding tax). Coupled with the completion of optimization of the production process, the processing costs recorded a year-on-year decrease of 8.43%. For details of the connected transaction, please refer to the section "Non-exempt Continuing Connected Transactions" of this report.

Benxi Mine	**For the year ended 31 December**		
	2015	2014	**Change**
Output of iron ore concentrates (thousand metric tons)	**242**	270	-10.37%
Sales amount of iron ore concentrates (thousand metric tons)	**237**	273	-13.19%
Mining costs (RMB per metric ton of iron ore concentrate)	**488**	534	-8.61%
Of which, underground mining by contractor	**146**	252	-42.06%
Processing costs (RMB per metric ton of iron ore concentrate)	**152**	166	-8.43%
Of which, ore processing by a contractor	**95**	104	-8.65%
Government tax (RMB per metric ton of iron ore concentrate) (Note 1)	**44**	55	-20.00%
Freight on sales (RMB per metric ton of iron ore concentrate) (Note 2)	**N/A (Note 2)**	N/A (Note 2)	N/A (Note 2)

Note 1: The decrease was mainly attributable to the decrease of resource tax from RMB12 per metric ton of iron ore to RMB6 per metric ton in May 2015, and also the decrease in surcharge due to the decrease in selling price.

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

In 2015, the capital expenditure of Benxi Mine was RMB20,351,000, of which expenditure for investment to expand exploration coverage amounted to RMB18,465,000, investment for construction projects amounted to RMB1,531,000 and expenditure for property, plant and equipment amounted to RMB355,000. The capital commitment amounted to RMB0.

MANAGEMENT DISCUSSION AND ANALYSIS

4) Xingzhou Mine

Xingzhou Mine is located in Dongzhou District, Fushun City, and is operated by the Company through its subsidiary Xingzhou Mining. Xingzhou Mine owns mining licenses covering areas of 0.94 km^2, and has extensive infrastructures including paved roads, water and electricity supplies. Xingzhou Mine has two processing plants with an annual iron ore processing capacity of 1.5 million metric tons. Against the backdrop of continuously decreasing price of iron ore concentrates and in order to improve productivity and facilitate sustainable development, the Company launched the overall project planning for the processing plant of Xingzhou Mine in 2015, and production at Xingzhou Mine was suspended for the whole year.

5) Shangma Mine

Shangma Mine is located at the center of the iron ore belt in Fushun City, which is situated between Aoniu Mine and Xingzhou Mine, serving as a link connecting the two major mines. Shangma Mine owns mining licenses covering areas of 4.98 km^2. Given the large areas of land taken by open-pit mining and the higher mining costs of Shangma Mine, the Company closed the open pits in 2015 and launched the overall project planning for the processing plant of Shangma Mine in the second half of 2015, and production at Shangma Mine was suspended in November of 2015.

Shangma Mine	**For the year ended 31 December**		
	2015	2014	**Change**
Output of iron ore concentrates (thousand metric tons)	**53**	154	-65.75%
Sales amount of iron ore concentrates (thousand metric tons)	**53**	158	-66.62%
Mining costs (RMB per metric ton of iron ore concentrate)	**367**	341	7.75%
Of which, underground mining by contractor	**120**	N/A	N/A
Processing costs (RMB per metric ton of iron ore concentrate)	**164**	192	-14.52%
Government tax (RMB per metric ton of iron ore concentrate) (Note 1)	**47**	69	-31.88%
Freight on sales (RMB per metric ton of iron ore concentrate) (Note 2)	**15**	28	-46.07%

Note 1: The decrease was mainly attributable to the decrease of resource tax from RMB12 per metric ton of iron ore to RMB6 per metric ton in May 2015, and also the decrease in surcharge due to the decrease in selling price.

Note 2: The transportation service was provided by third parties.

As of 31 December 2015, the capital expenditure of Shangma Mine was RMB26,259,000, of which, expenditure for underground shaft and drift development amounted to RMB14,847,000 and expenditure for property, plant and equipments amounted to RMB11,412,000. The capital commitment amounted to RMB0.

3. Iron ore resources and reserves

1) Iron ore resources and reserves

In 2015, the Group achieved remarkable exploration results. By conducting exploration works in the surroundings and the depth extension of the existing mines, 23,414 thousand metric tons of iron ore resources has been defined in the surrounding areas of the mining licenses, with a resources increase of 16,152 thousand metric tons for Aoniu Mine and 4,312 thousand metric tons for Shangma Mine respectively.

Details of exploration works in 2015 conducted at each mine are as follows:

Mines	**Drilling holes completed**	**Meters drilled (meter)**	**Drill hole diameter (mm)**	**Exploration expenditure (RMB'000)**	
				2015	2014
Shangma Mine	36	10,948.88	75	**3,758**	4,053
Benxi Mine	0	0	0	**0**	0
Maogong Mine	0	0	0	**0**	0
Aoniu Mine	21	8,750.37	75	**3,733**	3,179
Xingzhou Mine	0	0	0	**0**	0
Total	57	19,699.25	N/A	**7,491**	7,232

As of the end of 2015, the Group owned 244 million metric tons of iron ore resources. By conducting exploration activities in 2015, the resources had a year-on-year increase of 18,865 thousand metric tons from the surrounding areas of existing mining licenses. The increased amount of iron ore resources through exploration activities for each mine as at the end of 2015 and the quantity of iron ore resources of each mine as at the end of 2015 were as follows:

MANAGEMENT DISCUSSION AND ANALYSIS

Mines	Resources Category	Increased Amount for 2015 (metric ton)	Resources Amount at the end of 2015 (metric ton)	TFe (%)
Aoniu Mine	Indicated	12,037,000	19,429,299	31.60
	Inferred	4,115,000	20,610,590	31.89
Subtotal of Aoniu Mine		16,152,000	40,039,889	31.75
Maogong Mine	Indicated	0	29,664,951	32.29
	Inferred	0	9,135,050	30.15
	Inferred*	0	217,700	22.47
Subtotal of Maogong Mine		0	39,017,701	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
Benxi Mine	Indicated	217,790	1,966,470	26.68
	Inferred	2,732,723	4,897,983	26.68
	Inferred*	0	1,750,310	20.35
Subtotal of Benxi Mine		2,950,513	8,614,763	23.62
Shangma Mine	Indicated	1,385,000	8,122,403	31.07
	Inferred	2,927,000	23,727,200	30.56
Subtotal of Shangma Mine		4,312,000	31,849,603	30.73
Total	Indicated	13,639,790	92,139,496	31.21
	Inferred	9,774,723	86,149,833	30.78
	Indicated*	0	63,722,270	22.76
	Inferred*	0	1,968,010	22.47
Total resources		23,414,513	243,979,609	28.70

* Represents low-grade ore body

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

As of the end of 2015, the Group owned 172 million metric tons of JORC Code-compliant iron ore reserves. The increased amount of iron ore reserves for each mine as at the end of 2015 and the quantity of iron ore reserves of each mine as at the end of 2015 were as follows:

Mines	Reserves Category	Increased Amount for 2015 (metric ton)	Reserves at the end of 2015 (metric ton)	TFe (%)
Aoniu Mine	Probable Ore Reserve	3,238,483	15,169,979	25.69
Maogong Mine	Probable Ore Reserve	0	32,709,968	26.93
	Probable Ore Reserve*	0	72,567	22.47
Xingzhou Mine	Probable Ore Reserve	0	42,216,043	26.49
	Probable Ore Reserve*	0	63,722,270	19.45
Benxi Mine	Probable Ore Reserve	2,950,513	5,882,040	20.91
Shangma Mine	Probable Ore Reserve	0	12,440,303	25.9
Sub-total	Probable Ore Reserve	6,188,996	108,418,333	26.05
	Probable Ore Reserve*	0	63,794,837	19.45
Total	Probable Ore Reserve+Probable Ore Reserve*	6,188,996	172,213,170	23.72

* Represents low-grade ore body

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

NICKEL BUSINESS

In 2015, London Metal Exchange nickel metal market price opened at USD15,075/metric ton and closed at USD8,820/metric ton, with a decrease of 41.5%. The overall market showed a dramatic decline trend, recording the biggest decrease among the top six base metals, which was mainly attributable to several factors including the slowdown in the stainless steel output in the PRC, the persistently high inventory of nickel and the strength in the US dollars.

MANAGEMENT DISCUSSION AND ANALYSIS

With the commencement of operation of the nickel smelting projects in Indonesia, nickel trading activities in Indonesia gradually picked up. According to incomplete statistics, the production capacity of nickel projects expected to commence production by June 2017 will amount to 348,000 metric tons of metal nickel, with an annual consumption of laterite nickel containing 1.8% nickel of over 30 million metric tons. For the current year, the nickel business will resume mining production according to the conditions of the nickel ore market.

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. As of the end of 2015, the nickel business of the Company has a JORC Code-compliant resources of 350,925 thousand metric tons of laterite nickel ore resources at the cut-off nickel grade of 1%, with an average nickel grade of 1.37%. Resource with nickel grade lower than 1% and iron grade higher than 45% (i.e. resources with high TFe and low Ni) amounted to 90,540 thousand metric tons, with an average TFe grade of 50.27%. 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.

In order to develop the abundant nickel resources of the Nickel Project, the Company must, in accordance with Indonesian laws, construct smelting plant to manufacture nickel products in Indonesia. The Indonesia Nickel Project Company actively carried out negotiations with the relevant parties in seeking a solution to make efficient utilization of the nickel resources. During 2015, in respect of mining and smelting of nickel ore, the following preparatory works were carried out by the Nickel Project Companies:

- Geotechnical engineering exploration for the proposed blast furnace plant and oceangraphic surveys for the proposed jetty at the BSM mining area were completed; Information on the water supply for the smelting plants from Molore and Langgikima River was obtained; Boundary surveys and other preparatory works for the forest permit of the BSM mining area were completed;

- Construction of dormitories, storages, plants and other structures with a gross floor area of 2,670 m^2 was completed;

- Existing roads of 11.5 km were maintained, and cofferdams of 670m were newly built or repaired;

- Application for IUP license for Central Sulawesi limestone was completed; and

- Efforts were made to fine-tune the planning of industrial park for comprehensive development of nickel resources, and preliminary letters of intent in relation to investments in the industrial park were entered into with a number of renowned enterprises. Adjustments were made to the construction plan of the Phase 1 smelting project to better fit the China's development strategy of "One Belt and One Road" and the target of "Going-global" of the equipment manufacturing industry. The Company has approached potential partners and reached letters of intent for investments. The Company has made strenuous efforts to approach domestic and overseas financial institutions, paving ways for financing of the project.

In 2015, being affected by the Export Bans, production for the Group's nickel business was suspended. The Group's loss of nickel business was RMB41,843,000, representing a year-on-year decrease of 41.96%. The capital expenditure amounted to RMB22,334,000 (2014: RMB41,818,000), and the capital commitment was RMB0 (2014: RMB69,119,000).

SAFETY, ENVIRONMENTAL PROTECTION, EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2015, the Group had a total of 1,837 employees (as at 31 December 2014: a total of 2,323 employees).

As of 31 December 2015, the aggregate remuneration expenses and other employee benefits costs of the Group amounted to RMB154,581,000 (2014: RMB177,587,000). Employee costs included basic salary, commission and bonus, housing allowance, pension, medical insurance, occupational injury insurance and other insurances required by the government. In accordance with the remuneration policy of the Group, income of employees is related to the performance of individual employee and the operation performance of the Group. The Group carried out performance assessment to stimulate employee 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 2015.

FINANCIAL REVIEW

1. Income, Cost of Sales and Gross Profit

For the year of 2015, the Group's revenue was RMB1,219,751,000, representing a decrease of RMB148,901,000 or 10.88% over the corresponding period of last year, mainly due to (i) a decrease of RMB477,578,000 in revenue from iron ore concentrates as compared to last year as a result of a decline in sales price thereof; (ii) an increase of RMB55,560,000 in revenue from iron ore concentrates as compared to last year as a result of an increase in sales volume thereof; and (iii) the forgoing being offset by revenue of RMB292,532,000 from the commercial production of gold business commencing in August 2015.

For the year of 2015, the Group's cost of sales was RMB929,221,000, representing an increase of RMB41,240,000 or 4.64% over the corresponding period of last year, mainly attributable to an increase of RMB207,763,000 in cost of sales of gold business after commercial production and a year-on-year decrease of RMB196,653,000 or 22.42% in cost of sales of iron ore business as a result of refined cost management via technology improvement.

For the year of 2015, the Group's gross profit was RMB290,530,000, representing a decrease of RMB190,141,000 or 39.56% over the corresponding period of last year. Gross profit margin of the Group declined from 35.12% to 23.82%, which was mainly due to the slipping of the average sales price of iron ore concentrates.

2. Other Income and Expenses

For the year of 2015, the Group's other income was RMB33,389,000, representing an increase of RMB9,061,000 or 37.25% over the corresponding period of last year. Other income mainly included interest income.

For the year of 2015, the Group's other expenses were RMB292,763,000, representing an increase of RMB235,788,000 or 413.84% over the corresponding period of last year. For the main reasons for such increase, please refer to paragraph 5 "Provision for Asset Impairment" as set out in this section. Other expenses consisted of provision for asset impairment, foreign exchange losses, losses from disposal of properties, plants and equipment, charity donation and other overheads.

3. Selling and Distribution Expenses and Administrative Expenses

For the year of 2015, selling and distribution expenses of the Group were RMB38,386,000, representing a decrease of RMB6,292,000 or 14.08% over the corresponding period of last year, which was mainly due to a fall in freight rates. Selling and distribution expenses consisted of transportation expenses, labour expenses and others.

For the year of 2015, administrative expenses of the Group were RMB230,786,000, representing a decrease of RMB25,983,000 or 10.12% over 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. Financing Costs and Income Tax Expense

For the year of 2015, financing costs of the Group were RMB169,319,000, representing an increase of RMB55,955,000 or 49.36% over the corresponding period of last year. The increase was mainly due to an increase of RMB34,746,000 in interest expenses as a result of an increase in borrowings and an increase of RMB19,691,000 in discount interest expenses as a result of the discounting of bank acceptance bills. Financing costs included bank borrowing interest expenses, discount expenses and other financing expenses and the amortization of long-term payable discount charges.

For the year of 2015, the income tax expenses of the Group was RMB-5,657,000, representing a decrease of RMB61,759,000 or 110.08% over the corresponding period of last year, mainly attributable to a decrease in profit for the year. Income tax expenses included the total amount of current tax payable and deferred tax.

5. Provision for Asset Impairment

For the year of 2015, the provision for asset impairment of the Group was RMB238,631,000, representing an increase of RMB198,638,000 over the corresponding period of last year, mainly because the future recoverable amount of the relevant assets is expected to be lower than their carrying value due to a continuous decline in the market price of iron ore concentrates. The provision for asset impairment mainly included the provision for impairment on non-current assets of Shangma Mine of RMB24,178,000, that of Xingzhou Mine of RMB122,263,000 and that of Benxi Mine of RMB81,092,000.

6. Gains and Losses on Changes in Fair Values of Available-for-Sale Financial Assets

For the year of 2015, gains on changes in fair values of available-for-sale financial assets of the Group amounted to RMB5,066,000 and were recognised in other expenses under the comprehensive income. Such gains were mainly attributable to gains on changes in value of the shares of the Australian listed company and gains on changes in value of the financial products held by the Group of RMB2,271,000 and RMB2,795,000, respectively.

7. Profit and Total Comprehensive Income for the Period

Based on the reasons mentioned above, the loss of the Group for the period was RMB401,678,000, representing an increase of RMB378,789,000 over the corresponding period of last year.

Based on the loss for the period, and affected by the changes in fair values of available-for-sale financial assets and foreign currency translation, the total comprehensive losses for the year of 2015 was approximately RMB429,544,000, representing an increase of RMB365,661,000 or 572.39% over the corresponding period of last year.

8. Properties, Plants and Equipment and Inventories

As of 31 December 2015, properties, plants and equipment of the Group were RMB1,510,095,000, representing an increase of approximately RMB59,111,000 or 4.07% over the end of last year. The increase was mainly due to the increase in the infrastructural stripping amount of the open-pit mining of the gold mines, which was offset by the provision for impairment and depreciation.

As of 31 December 2015, inventories of the Group were RMB147,606,000, representing an increase of approximately RMB10,300,000 or 7.5% over the end of last year, mainly due to an increase in gold ore, materials and inventories of gold in circuit after the entry into commercial production of the gold business.

9. Trade and Other Receivables and Trade and Other Payables

As of 31 December 2015, trade receivables of the Group were RMB428,749,000, representing an increase of RMB93,972,000 over the end of last year, mainly attributable to the extension of payback cycle as affected by the condition of the iron ore concentrate market.

For the year of 2015, other receivables of the Group were RMB218,608,000, representing a decrease of RMB18,634,000 over the end of last year.

As of 31 December 2015, trade payables of the Group were RMB110,001,000, representing a decrease of RMB10,414,000 over the end of last year. As of 31 December 2015, other payables of the Group were RMB425,571,000, representing an increase of RMB120,127,000 over the end of last year, mainly due to an increase in project funds payable and guarantee.

MANAGEMENT DISCUSSION AND ANALYSIS

10. Cash Use Analysis

The summary of the Group's consolidated statement of cash flows for the year of 2015 is set out below.

	For the twelve months ended 31 December	
	2015	2014
	RMB'000	RMB'000
Net cash flows from operating activities	**159,626**	150,104
Net cash flows from investing activities	**(566,152)**	(483,787)
Net cash flows from financing activities	**201,213**	285,120
Net increase in cash and cash equivalents	**(205,313)**	(48,563)
Cash and cash equivalents at the beginning of the period	**299,587**	369,995
Effect of changes in foreign exchange rate on cash and cash equivalents	**4,949**	(21,845)
Cash and cash equivalents at the end of the period	**99,223**	299,587

The net cash inflow from operating activities during the year of 2015 was RMB159,626,000. The amount was mainly attributed to the loss before tax of RMB407,335,000, together with depreciation and amortization of RMB311,922,000, the provision for asset impairment of RMB223,534,000, the increase of RMB60,808,000 in accounts payable, non-cash financial cost of RMB12,292,000, foreign exchange losses of RMB46,073,000 and losses from disposal of properties, plants and equipment of RMB12,777,000 and was partially offset by an increase of RMB72,418,000 in accounts receivable and interest income of RMB27,685,000.

For the year of 2015, the net cash outflow from investing activities amounted to RMB566,152,000. The amount mainly included the amount of RMB346,315,000 used in the acquisition of new plants and machine equipments, acquisition of properties and infrastructural stripping in order to expand production capacity and improve technology, the amount of RMB86,781,000 used as consideration for the acquisition of intangible assets, the amount of RMB25,357,000 used in the acquisition of land and the amount of RMB108,769,000 used in the payment for available-for-sale financial assets.

For the year of 2015, the net cash inflow from financing activities was RMB201,213,000. The amount was mainly from the newly added bank borrowings of RMB1,680,400,000 and was offset by the repayment of bank borrowings of RMB1,067,855,000 and the payment of bank loan deposit of RMB411,332,000.

11. Cash and Borrowings

As of 31 December 2015, cash balance of the Group, including bank loan deposit of RMB913,785,000, amounted to RMB1,013,008,000, representing an increase of RMB210,968,000 or 26.30% over the end of last year.

As of 31 December 2015, the balance of bank borrowings of the Group was RMB2,973,352,000, representing an increase of RMB747,184,000 over the end of last year. Apart from the information disclosed above or otherwise in this report, the Group has no outstanding mortgage, pledge, debentures or other loan capital issued or agreed to be issued, bank overdrafts, borrowings, liabilities under acceptance or other similar liabilities, hire purchase and finance lease commitments, or any guarantees or other material contingent liabilities. The Directors have confirmed that, save for the information disclosed above, there have been no material changes in the indebtedness and contingent liabilities of the Group since 31 December 2015.

12. Gearing Ratio, Interest Rate Risk and Foreign Exchange Risk

The gearing ratio, as calculated by dividing total liabilities by total assets, of the Group increased from 68.52% on 31 December 2014 to 80.33% on 31 December 2015.

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.

Up to now, 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. Meanwhile, the Group acquired mining assets in Indonesia and Australia in 2013. Their assets and liabilities are denominated in Indonesian Rupiah and AUD respectively, which are 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. Assets Securities and Contingent Liabilities

Some of bank borrowings of the Group were secured by mining rights certificates. As of 31 December 2015, the aggregate net carrying value of the mining rights used as securities amounted to RMB359,651,000.

As of 31 December 2015, the Group had no material contingent liabilities.

14. Capital Commitments

In 2015, capital commitments of the Group were RMB159,901,000, representing a decrease of RMB264,013,000 or 62.28% over last year. The capital commitments mainly consisted of the amount of RMB137,603,000 for the underground mining works of Maogong Mine, the amount of RMB50,000 for the underground mining works of Aoniu Mine, the amount of RMB974,000 for the power works of Xingzhou Mine and the government charges of RMB21,274,000 for gold exploration.

15. Capital Expenditure

The Group's capital expenditure increased from approximately RMB483,787,000 in 2014 to approximately RMB559,217,000 in 2015. Expenditure incurred in 2015 mainly included (i) expenditure for acquisition of plants, machine equipment and properties and infrastructural stripping amounting to RMB466,900,000; (ii) expenditure for acquisition of intangible assets amounting to RMB76,501,000; and (iii) expenditure for land compensation, underground mining development and others amounting to RMB15,815,000.

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 significant investments as of 31 December 2015.

17. Material Acquisitions and Disposals of Subsidiaries and Associated Companies

On 28 February 2015, the Group sold its subsidiary Yingkou Xinwang Alloy Furnace Charge Co., Ltd. (營口鑫旺合金爐料有限公司) to an independent third party at nil consideration, resulting in loss on disposal of a subsidiary in an amount of RMB2,266,000. Save as aforesaid, the Group had no material acquisitions or disposals of subsidiaries and associated companies during the year of 2015.

18. Future Plan regarding Significant Investments, Acquisition or Capital Assets

As disclosed in the announcement of the Company dated 8 April 2015, the Company entered into a memorandum of understanding on 8 April 2015 regarding investment, construction and operation of the Nickel Smelter Construction Project developed by Indonesia Hanking Makmur Nickel Smelting Co., Ltd. For further information, please refer to the announcement of the Company dated 8 April 2015. As at the Latest Practicable Date, no final agreement was entered into by the Company and the Company was negotiating with relevant parties on the terms of cooperation.

As disclosed in the announcements of the Company dated 3 July 2015 and 14 August 2015, the Company entered into a memorandum of understanding (which was amended by the parties on 14 August 2015) to acquire equity interest of a company incorporated in the Indonesia on 3 July 2015. Such company owns and operates a nickel mining project in Southeast Sulawesi, Indonesia and holds all the necessary approvals, licenses, permits and certificates for operating its mining business in the Indonesia. For further information, please refer to the announcements of the Company dated 3 July 2015 and 14 August 2015. As at the Latest Practicable Date, no final agreement was entered into by the Company.

On 1 March 2016, the Company negotiated with an independent third party in relation to the acquisition of certain gold mines by the Company. The acquisition, if implemented, may constitute a discloseable transaction of the Company under the Listing Rules. As at the Latest Practicable Date, no final agreement was entered into by the Company. The Company will continue to seek for business opportunities that are in the interests of the Company and the shareholders as a whole.

Save as disclosed above, as at the Latest Practicable Date, the Group did not have any other plan regarding significant investments or acquisition.

REPORT OF THE DIRECTORS

1. PRINCIPAL ACTIVITIES

The Group is mainly engaged in three principal activities, i.e. gold exploration, mining, processing and sale; iron ore exploration, mining, processing and sale; and nickel ore exploration, mining, smelting and sale. Details of the principal subsidiaries of the Company are set out in note 42 to the consolidated financial statements.

2. BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the future business development are provided in the section headed "Chairman's Statement" on pages 6 to 13 of this annual report. Description of possible risks and uncertainties that the Group may be facing can also be found in the section headed "Chairman's Statement" on pages 6 to 13. Also, the financial risk management objectives and policies of the Group can be found in note 6(b) to the consolidated financial statements. Particulars of important events affecting the Group that have occurred from the end of this annual report to Latest Practicable Date are provided in paragraph 18. "Subsequent Events" on pages 46 of this report. A financial summary of the Group is provided on page 5 of this annual report, setting out an analysis of the Group's performance during the year using key financial performance indicators. In addition, discussions on the Group's environmental policies, relationships with its stakeholders and the Group's compliance with the relevant laws and regulations which have a significant impact on the Group are contained in the section headed "Chairman's Statement" on pages 6 to 13, the section headed "Corporate Governance Report" on pages 59 to 76 and the section headed "Report of the Directors" on pages 41 to 58 respectively, which can also be found in the Environmental, Social and Governance Report of the Company.

3. RESULTS

The profit of the Group for the year ended 31 December 2015, and the position of the Company and the Group as at that date are set out on pages 85 to 87 of this annual report.

4. PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group and the Company for the year ended 31 December 2015 are set out in note 18 to the consolidated financial statements.

5. SHARE CAPITAL

As at 31 December 2015, the total number of authorized shares of the Company was 10,000,000,000 shares with a par value of HK$0.1 each, the total authorized capital was HK$1,000,000,000, and the number of shares in issue was 1,830,000,000 shares. During the year, there was no change in the share capital of the Company.

6. PRE-EMPTION RIGHT

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

7. RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out on page 159 of this annual report, among which, details of reserves distributable to the equity holders of the Company are set out on page 88 of this annual report.

8. DIVIDENDS

The Board did not recommend the payment of the final dividend for the year ended 31 December 2015 to the Shareholders.

Closure of Register of Members

The annual general meeting of the Company is scheduled to be held on Friday, 27 May 2016. The register of members of the Company will be closed from Friday, 20 May 2016 to Friday, 27 May 2016 (both days inclusive) to determine the entitlement to attend and vote at the annual general meeting, during which period no transfer of shares shall be registered. In order to attend and vote at the 2016 annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 19 May 2016.

9. 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 2015.

10. MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2015, the purchase from the Company's five largest suppliers in aggregate accounted for 42.08% of the Company's total purchase for the year. In particular, the total purchase from the largest supplier accounted for 22.63% of the Company's total purchase for the year.

For the year ended 31 December 2015, the sales to the Company's five largest customers in aggregate contributed 91.16% to the Company's total sales for the year. In particular, the sales to the largest customer contributed 37.75% to the Company's total sales for the year.

So far as the Directors are aware, except for Fushun Hanking D.R.I (details of which are set out in paragraph 23. "Connected Transactions" of this section), none of the Directors and associates (as defined in the Listing Rules) of the Directors or shareholders of the Company (who, to the knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the five largest suppliers or customers during the year.

11. BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Group as of 31 December 2015 are set out in note 30 to the financial statements.

12. DIRECTORS AND SENIOR MANAGEMENT

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

Name	Position in the Company	Date of Appointment/ Re-election	Position and Date of Resignation
Yang Min	Executive Director and Chairlady of the Board	31 May 2013 Re-designated from non-executive Director to executive Director and appointed as Chairlady of the Board on 28 May 2015	Resigned as executive Director and Chairlady of the Board on 18 March 2016
Yang Jiye	Executive Director and Chairman of the Board	29 May 2014 Re-designated from executive Director to non-executive Director on 17 December 2015 Re-designated from non-executive Director to executive Director and appointed as Chairman of the Board on 18 March 2016	Resigned as Chief Executive Officer and President on 28 May 2015

REPORT OF THE DIRECTORS

Name	Position in the Company	Date of Appointment/ Re-election	Position and Date of Resignation
Pan Guocheng	Executive Director, Chief Executive Officer and President	31 May 2013 Appointed as Chief Executive Officer and President on 28 May 2015	Resigned as Chairman of the Board on 28 May 2015
Xia Zhuo	Executive Director, Vice President, president of Hanking (Indonesia) and Joint Company Secretary	29 May 2014	N/A
Qiu Yumin	Executive Director, Vice President and chief executive officer and president of Hanking Australia and Hanking Gold	29 May 2014	N/A
Zheng Xuezhi	Executive Director and Chief Financial Officer	Re-elected as executive Director on 31 May 2013 Appointed as Vice President on 1 April 2015 and ceased to be the Chief Financial Officer Re-designated from executive Director to non-executive Director and resigned as Vice President on 16 July 2015 Appointed as executive Director and Chief Financial Officer on 18 March 2016	Resigned as non-executive Director on 15 October 2015
Liao Pin-tsung	Executive Director and Chief Financial Officer	16 July 2015 Appointed as Chief Financial Officer on 1 April 2015	Resigned as executive Director and Chief Financial Officer on 18 March 2016
Kenneth Jue Lee	Non-executive Director	28 May 2015	N/A
Lan Fusheng	Non-executive Director	28 May 2015	Resigned as non-executive Director on 17 December 2015
Johnson Chi-King Fu	Independent non-executive Director	21 May 2012	Retired as independent non-executive Director on 28 May 2015
Wang Ping	Independent non-executive Director	31 May 2013	N/A
Wang Anjian	Independent non-executive Director	29 May 2014	N/A
Ma Qingshan	Independent non-executive Director	30 March 2016	N/A
Jiang Zhouhua	Independent non-executive Director	28 May 2015	Resigned as independent non-executive Director on 18 March 2016
Victor Yang	Independent non-executive Director	28 May 2015	Resigned as independent non-executive Director on 19 January 2016
Chen Yanshao	Vice President	14 March 2014	Resigned as Vice President on 1 April 2016
Huang Jinfu	Chief executive officer and president of Aoniu Mining General Manager of Aoniu Mine	20 August 2014 9 October 2015	Resigned as chief executive officer and president of Aoniu Mining on 9 October 2015

According to the requirement under Article 84(1) of the Articles of Association, at each annual general meeting, one third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The retiring Directors, being eligible, may offer themselves for re-election. Mr. Yang Jiye, Mr. Xia Zhuo and Mr. Wang Ping will retire as Directors at the annual general meeting to be held on 27 May 2016 and, being eligible, will offer themselves for re-election as Directors.

In accordance with Article 83(3) of the Articles of Association, the Board shall have the right to appoint any person to be a Director from time to time and at any time either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy on the Board shall only hold office until the first general meeting after his appointment and shall be eligible for re-election at such meeting, and any Director appointed by the Board as an addition to the existing Board shall only hold office until the next annual general meeting of the Company and shall be eligible to offer himself for re-election at such meeting.

In accordance with Article 83(3) of the Articles of Association, Mr. Zheng Xuezhi and Mr. Ma Qingshan will retire from office at the annual general meeting to be held on 27 May 2016 and, being eligible, offer themselves for re-election as Directors.

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

13. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Detailed biographies of Directors and senior management are set out on pages 77 to 82 of this annual report.

14. DIRECTORS' SERVICE CONTRACT

The Company has entered into a director service contract and letter of appointment with each of the Directors, the major terms of which is that the service contracts and the letters of appointment shall be: (1) for a term of three years commencing from 17 March 2015 (in the case of Mr. Yang Jiye, Mr. Pan Guocheng, Dr. Qin Yumin, Mr. Xia Zhuo, Mr. Kenneth Jue Lee, Mr. Wang Ping and Mr. Wang Anjian), 18 March 2016 (in the case of Mr. Zheng Xuezhi) or 30 March 2016 (in the case of Mr. Ma Qingshan); and (2) terminated or renewed in accordance with their respective contract terms.

The Company has received the written confirmation of their independence of 2015 from each of the independent non-executive Directors and considered them to be independent of the management and free of any relationship that could materially interfere with the exercise of their independent judgment.

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

15. REMUNERATION FOR DIRECTORS AND TOP 5 HIGHEST PAID EMPLOYEES

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

For the year ended 31 December 2015, none of the Directors has agreed with the Company to waive any remuneration.

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

16. DIRECTOR'S INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in paragraph 18, "Subsequent Events" and paragraph 23, "Connected Transactions" of this report, during the year ended 31 December 2015, the Company has not directly or indirectly concluded contracts of significance, in which any Director had material interests, and which were relevant to the business of the Company and remained valid at any time during the year or at the end of the year.

17. INDEMNITIES MADE TO THE DIRECTORS

The Company has purchased appropriate directors and senior management liabilities insurance for the Directors and senior management of the Group.

18. SUBSEQUENT EVENTS

On 21 March 2016, the Group obtained conditional banking facilities amounted to RMB1,200,000,000 for working capital purpose for a term of 2 years.

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

(1) Excluded Businesses

Benxi Iron Processing

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

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

At the extraordinary general meeting held on 29 November 2013, the processing agreement entered into between Benxi Mining and Benxi Iron Processing was approved for a term of three years to 31 December 2016, pursuant to which Benxi Iron Processing will provide processing services to Benxi Mining. As Benxi Iron Processing is an associate (as defined under the Listing Rules) of Hanking Group, the entering into of the processing service agreement constitutes a continuing connected transaction for the Group. Please refer to the paragraph headed "Non-exempt Continuing Connected Transactions" under paragraph 23, "Connected Transactions" of this report for details of the processing service agreement.

Financial Information of the Excluded Businesses for the past three years (RMB million) (audited):

	As of 31 December 2015	As of 31 December 2014	As of 31 December 2013
Total assets	**37.16**	37.35	51.1
Total liabilities	**25.99**	24.61	38.7
Revenue	**23.04**	28.05	32.1
Profit/loss	**-1.57**	0.3	3.4

REPORT OF THE DIRECTORS

(2) Hanking Group

Ms. Yang Min holds 88.96% of the equity interests in Hanking Group. Hanking Group holds 100% equity interests in Benxi Iron Processing.

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

As at 31 December 2015, save as disclosed below, the Directors and their associates did not hold any interests in any business which competes, either directly or indirectly, or is likely to compete against the business of the Group:

Name of Directors	Positions in the Company	Positions in Competing Business
Yang Min (resigned on 18 March 2016)	Chairlady of the Board and executive Director	Chairlady of the board of directors of Hanking Group
Yang Jiye (re-designated to executive Director and appointed as Chairman of the Board on 18 March 2016)	Vice Chairman of the Board and non-executive Director	Vice chairman of the board of directors of Hanking Group
Xia Zhuo	Executive Director, Vice President and Joint Company Secretary	director of Hanking Group

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

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

So far as the Company is aware, as at 31 December 2015, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO) or was recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or was otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Interests in the shares of the Company:

Name of Director and Chief Executive	Status/Nature of Interest	Number of Shares Held	Approximate Percentage of Shareholding
Yang Min[1] (resigned on 18 March 2016)	Interest in controlled corporation	760,525,000 (long positions)	41.56%
	Founder of discretionary trust	13,820,166 (long positions)	0.76%
Yang Jiye[2]	Founder of discretionary trust	424,360,500 (long positions)	23.19%
Xia Zhuo[3]	Interest in controlled corporation	19,796,589 (long positions)	1.08%
	Beneficial owner	60,000 (long positions)	0.01%
Pan Guocheng[4]	Beneficial owner	4,200,000 (long positions)	0.23%

Notes:

1. Ms. Yang Min holds 100% interest in China Hanking (BVI) Limited and serves as settlor and beneficiary of management trust which holds the entire issued share capital of Best Excellence Limited. As a result, Ms. Yang Min is deemed to hold interest in 760,525,000 shares of the Company held by China Hanking (BVI) Limited and 13,820,166 shares of the Company held by Best Excellence Limited.

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

3. Mr. Xia Zhuo holds 48.9% interest in Splendour Ventures Limited. As a result, Mr. Xia Zhuo is deemed to hold interest in 19,796,589 shares of the Company held by Splendour Ventures Limited. The accurate percentage of the 60,000 shares of the Company beneficially owned by Mr. Xia Zhuo is 0.00327869%.

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

Save as disclosed above, as at 31 December 2015, none of the Directors and chief executives of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position taken or deemed to have under such provisions of the SFO), or which was required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which was otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

REPORT OF THE DIRECTORS

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

As at 31 December 2015, as far as the Directors, having made all reasonable enquires, are aware, the following persons (other than the Directors and chief executives of the Company) owned interests or short positions in the shares or underlying shares of the Company which shall be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholders	Capacity/Nature of Interest	Number of shares	Percentage of Issued Share Capital
China Hanking (BVI) Limited	Beneficial owner	760,525,000 (long positions)	41.56%
Bisney Success Limited	Beneficial owner	424,360,500 (long positions)	23.19%
Le Fu Limited	Interest in controlled corporation	424,360,500 (long positions)	23.19%
UBS Trustees (BVI) Limited	Trustee	424,360,500 (long positions)	23.19%
Industrial and Commercial Bank of China Limited	Person having a security interest in Shares	208,000,000 (long positions)	11.37%

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

22. MANAGEMENT CONTRACTS

For the year ended 31 December 2015, there is no contract entered into by the Company relating to its management and administration or subsisting during the year which is substantial to the entire or any part of business of the Company.

23. CONNECTED TRANSACTIONS

All the connected transactions disclosed in note 40 to the consolidated financial statements also constitute connected transactions or continuing connected transactions for the Company as defined in the Listing Rules. Details of these transactions have been disclosed in accordance with Chapter 14A of the Listing Rules.

The annual transaction amount caps and actual transaction amounts of the continuing connected transactions in 2015 are as follows:

	Items of Continuing Connected Transactions	Connected Person	2015 Annual Transaction Amount Cap (RMB)	2015 Actual Transaction Amount (RMB)
(a)	Benxi Iron Processing Service	Benxi Iron Processing	35,000,000	23,005,756
(b)	Sales of Iron Ore Concentrates	Fushun Hanking D.R.I. and Dalian Huaren	480,000,000	230,104,841
(c)	Transportation Services	Mingcheng Transportation or its affiliated companies	27,600,000	3,026,709
(d)	Lease of Properties and Properties Management	Shengtai Property	4,000,000	3,550,512
(e)	Sale and Purchase of Indonesian Laterite Nickel Ore	Harvest Globe	65,000,000	0
(f)	Purchase Framework Agreement	Benxi Iron Processing	4,000,000	1,422,727

During the year ended 31 December 2015, the Group carried out certain non-exempt continuing connected transactions. The details are as follows:

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

a. Benxi Iron Processing Service

Benxi Mining is an indirect wholly-owned subsidiary of the Company, specializing in iron ore mining. Benxi Iron Processing is a wholly-owned subsidiary of Hanking Group, specializing in iron ore processing. According to Rule 14A.11 of the Listing Rules, Benxi Iron Processing is a connected person of the Company. Benxi Mining and Benxi Iron Processing signed an agreement for the provision of iron processing services on 16 June 2011. According to the agreement, Benxi Iron Processing will provide iron ore processing services and process the iron ore provided by Benxi Mining, and deliver the iron ore concentrates produced to Benxi Mining for a term of three years commencing from the listing date. On 15 October 2013, Benxi Mining entered into a new processing service agreement with Benxi Iron Processing for a term of three years commencing from 1 January 2014 and ending on 31 December 2016. The annual transaction amount cap for each of the three years is RMB35,000,000. On 28 May 2015, Benxi Mining entered into the Amendment Agreement with Benxi Iron Processing. Under the Amendment Agreement, Benxi Iron Processing and Benxi Mining agreed that the iron ore processing fee payable by Benxi Mining of RMB21.5 per metric ton of iron ores (tax exclusive) shall be revised to RMB19.0 per metric ton of iron ores (tax exclusive), with effect from 1 January 2015. All the other terms of the New Benxi Iron Processing Service Agreement, including term of the agreement and proposed annual caps, remained the same. The actual transaction amount of the continuing connected transaction for 2015 was RMB23,005,756.

b. Sales of Iron Ore Concentrates

Fushun Hanking D.R.I. is a wholly-owned subsidiary of Hanking Group, specializing in producing direct reduced iron and pig iron and selling iron ore concentrates, iron ores and steel. According to Rule 14A.11 of the Listing Rules, Fushun Hanking D.R.I. is a connected person of the Company. The Company concluded a procurement agreement with Fushun Hanking D.R.I. on 16 September 2011. According to the agreement, the Company will, through its subsidiaries, including Aoniu Mining and STSU, provide iron ore concentrates to Fushun Hanking D.R.I. for a term of three years commencing from the listing date. On 15 October 2013, the Company entered into a new agreement on the sale of iron ore concentrates with Fushun Hanking D.R.I. and Dalian Huaren (as an agent of Fushun Hanking D.R.I.) for a term of three years commencing from 1 January 2014 and ending on 31 December 2016. The annual transaction amount cap for each of the three years is RMB480,000,000. The actual transaction amount of the continuing connected transaction for 2015 was RMB230,104,841.

c. **Transportation Services**

Both Mingcheng Transportation and Mingyang Transport specialize in transportation of common goods and mass goods by road. Mr. Yang Xinhuan, a nephew of Yang Min, the Controlling Shareholder of the Company, owned 100% interest in Mingcheng Transportation and 70% interest in Mingyang Transport. According to Rule 14A.11 of the Listing Rules, both Mingcheng Transportation and Mingyang Transport were connected persons of the Company. Aoniu Mining concluded an agreement on transportation of iron ore concentrates with Mingcheng Transportation on 16 September 2011. According to the agreement, Aoniu Mining engaged Mingcheng Transportation or its affiliated companies to provide transportation services for a term of three years commencing from the listing date. On 15 October 2013, the Company entered into a new transportation service agreement with Mingcheng Transportation for a term of three years commencing from 1 January 2014 and ending on 31 December 2016. The annual transaction amount cap for each of the three years is RMB27,600,000. On 28 January 2015, the equity interests in Mingyang Transport were transferred to an independent third party. Though Aoniu Mining continued to engage Mingyang Transport to provide transportation service for iron ore concentrates, the agreement entered into between Aoniu Mining and Mingyang Transport ceased to constitute a continuing connected transaction with effect from 28 January 2015. The actual transaction amount of the continuing connected transaction for 2015 was RMB3,026,709 (the amount accrued from 1 January 2015 to 28 January 2015).

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

Given the fact that 100% of interest in Shengtai Property is indirectly held by the Controlling Shareholder of the Company, Shengtai Property is a connected person of the Company in accordance with Rule 14A.11 of the Listing Rules. Aoniu Mining, STSU and Shengtai Property concluded a lease agreement on 16 September 2011. According to the agreement, Aoniu Mining and STSU continued to lease office premises located at No. 227, Qingnian Street, Shenhe District, Shenyang City, Liaoning Province, with a leased area of approximately 3,193.8m^2 from Shengtai Property, leased advertising sites in the same building, and engaged Shengtai Property to provide properties management service for a term of three years commencing from the listing date. On 15 October 2013, Aoniu Mining and STSU entered into a new lease agreement with Shengtai Property for a term of three years commencing from 1 January 2014 and ending on 31 December 2016. The annual transaction amount cap for each of the three years is RMB4,000,000. The actual transaction amount of the continuing connected transaction for 2015 was RMB3,550,512.

REPORT OF THE DIRECTORS

(2) The following non-exempt continuing connected transactions were exempted from approval of independent Shareholders:

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

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

f. **Purchase Framework Agreement**

The Company has published the relevant announcement on 29 May 2015. On 28 May 2015, Aoniu Mining Group entered into a purchase framework agreement (the "Purchase Framework Agreement") with Benxi Iron Processing. Pursuant to the Purchase Framework Agreement, Aoniu Mining Group agreed to sell and Benxi Iron Processing agreed to purchase the idle equipment, spare parts and raw materials of Aoniu Mining which are derived from continuing mining technology improvement, for a term with effect from 28 May 2015 (i.e. the date on which the Purchase Framework Agreement took effect) to 31 December 2017. During the term of the Purchase Framework Agreement, both parties agreed that they might enter into further individual purchase agreement(s) from time to time upon and subject to such terms and conditions as may be agreed between both parties, in each case to be negotiated on a case-by-case and arm's length basis and on normal commercial terms. During the term of the Purchase Framework Agreement, the annual transaction amount cap is RMB4,000,000. The actual transaction amount of the continuing connected transaction for 2015 was RMB1,422,727.

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

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

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

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

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

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

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

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

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

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

24. NON-COMPETITION AGREEMENT COMPLIANCE

The Company signed an agreement on avoiding horizontal competition ("Non-competition Agreement") with the Controlling Shareholders on 16 June 2011. Pursuant to the Non-competition Agreement, each Controlling Shareholder of the Company has undertaken to the Company (for itself and for the benefit of its subsidiaries) that, save and except as disclosed in the Prospectus in the Non-competition Agreement, he/she will not, and will procure that his/her associates (except any members of our Group) will not, during the restricted periods set out in the Non-competition Agreement, directly or indirectly, either on his/her own or in conjunction with or on behalf of any person, firm or company, among other things, carry out, participate in or hold interests in any business or activity related to the retained business, or acquire or hold construction, development, operation or management of any business or activity which competes with the Group's core business. The Company would be granted by the Controlling Shareholders of the Company an option and the pre-emptive right to acquire certain interests in certain entities retained by the Controlling Shareholders after the reorganization.

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Pursuant to the Non-competition Agreement, the independent non-executive Directors are responsible for reviewing and considering whether or not to exercise such option and pre-emptive right, as well as entitled to conduct annual review of implementation of the Non-competition Agreement on behalf of the Company. During the year, each Controlling Shareholder of the Company has made annual confirmation of compliance of the Non-competition Agreement, and the independent non-executive Directors have reviewed the implementation of the Non-competition Agreement, and confirmed that the Controlling Shareholders have fully abided by the Non-competition Agreement without any breach of the Non-competition Agreement.

25. RETIREMENT AND EMPLOYEES' BENEFIT PLAN

Detailed information on the retirement and employees' benefit plan of the Company is provided in note 11 to the consolidated financial statements.

26. COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE

The Company consistently commits to maintain high level of corporate governance. During the year ended 31 December 2015, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules, and has complied with most of the best practices as suggested therein. Please refer to Corporate Governance Report in this annual report for details.

27. PUBLIC FLOAT

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

28. SIGNIFICANT LEGAL PROCEEDINGS

For the year ended 31 December 2015, the Group has not been involved in any significant legal proceedings or arbitration. To the knowledge of the Directors, there are no significant legal proceedings or claim pending or threatened.

29. AUDIT COMMITTEE

The Audit Committee has reviewed the Company's results and financial statements for the year ended 31 December 2015.

30. AUDITOR

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

31. FINANCIAL HIGHLIGHTS

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

32. SIGNIFICANT CONTRACTS

Save as disclosed under paragraph 23, "Connected Transactions" of this report, neither the Company nor any of its subsidiaries has signed a significant contract with the Controlling Shareholders of the Company or any of its subsidiaries other than the Group, and no significant contract for delivery of service has been signed between the Group and the Controlling Shareholders of the Company or any of its subsidiaries other than the Group.

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

For the year ended 31 December 2015, the Company has not granted financial assistance and guarantee to its affiliated company.

34. LOAN TO A GIVEN ENTITY

For the year ended 31 December 2015, the Group has granted a loan of RMB11,300,000 to a given entity. Please refer to note 23 to the consolidated financial statements for details.

35. DISCLOSURES PURSUANT TO RULE 13.17 OF THE LISTING RULES

On 17 September 2015, China Hanking (BVI) Limited has pledged 208,000,000 ordinary shares in the issued share capital of the Company (the "Pledged Shares") in favour of Industrial and Commercial Bank of China Limited (the "First Lender") as a security for a term loan facility up to a maximum aggregate amount of RMB160,000,000 provided to Aoniu Mining by the First Lender. The Pledged Shares represent in aggregate approximately 11.37% of the issued share capital of the Company as at 17 September 2015.

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

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

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

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

The term of the Facilities was extended to 30 April 2016 upon expiry with the amount of the loan decreased to US$22,018,716. Ms. Yang Min, the Controlling Shareholder of the Company, has provided a personal guarantee on the Facilities during the term of the Facilities.

37. CHARITABLE DONATIONS

Donations made for charitable purposes by the Group during the year ended 31 December 2015 amounted to RMB33,000.

By order of the Board
Yang Jiye
Chairman of the Board and executive Director

30 March 2016

CORPORATE GOVERNANCE REPORT

The Company believes that good corporate governance provides a framework that is essential for ensuring effective management, business growth and shareholder value. On 19 March 2013, the Board approved and adopted the Corporate Governance Policies developed by the Company. The Corporate Governance Policies of the Company, which is prepared in accordance with the principles, code provisions and certain recommended best practices of the Corporate Governance Code (the "Corporate Governance Code") as set out in Appendix 14 to the Listing Rules, is in the best interest of the Company and its shareholders. During the period from 1 January 2015 to the date of this annual report, the Company has mostly complied with the Corporate Governance Policies as well as the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. Meanwhile, it has also complied with most of the recommended best practices of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. Details of the code provisions adopted and complied by the Company during the period are set out below.

BOARD COMPOSITION

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

During the period from 1 January 2015 to the date of this annual report, the re-designation, retirement, resignation and appointment of Directors are set out as follows:

On 28 May 2015, (1) Mr. Yang Jiye resigned as chief executive officer and president of the Company, but continued to act as the executive Director, vice chairman of the Board and member of the Remuneration Committee; (2) Dr. Pan Guocheng was appointed by the Board as chief executive officer and president of the Company, while continuing to act as the executive Director and chairman of the HSEC Committee and Dr. Pan Guocheng resigned as chairman of the Board and chairman of the Nomination Committee; (3) Ms. Yang Min was appointed by the Board as chairlady of the Board and chairlady of the Nomination Committee, and was re-designated from non-executive Director to executive Director; (4) Mr. Johnson Chi-King Fu retired as an independent non-executive Director at the annual general meeting held on the same day, and did not offer himself for re-election due to his personal commitments on his other business; and (5) Mr. Victor Yang was appointed by the Board as independent non-executive Director as well as members of the Nomination Committee and the Audit Committee.

On 16 July 2015, Mr. Liao Pin-tsung was appointed by the Board as executive Director, while continuing to act as the chief financial officer of the Company. On the same day, Mr. Zheng Xuezhi resigned as vice president and was re-designated from executive Director to non-executive Director.

On 15 October 2015, Mr. Zheng Xuezhi resigned as non-executive Director due to his attention to developing other business.

On 17 December 2015, Mr. Lan Fusheng resigned as the non-executive Director and member of the HSEC Committee due to his intention to develop other business. On the same day, Mr. Yang Jiye was re-designated from executive Director to non-executive Director, and was appointed as members of the Audit Committee and the HSEC Committee, while continuing to act as the vice chairman of the Board and member of the Remuneration Committee.

On 19 January 2016, Mr. Victor Yang resigned as independent non-executive Director due to his intention to develop other business. After resignation of Mr. Victor Yang, the number of the independent non-executive Directors fell below the minimum number as required under Rule 3.10A of the Listing Rules, and the number of members of the Nomination Committee also fell below the minimum number as set out in the terms of reference of such committee.

On 18 March 2016, (1) Ms. Yang Min resigned as executive Director, chairlady of the Board and chairlady of the Nomination Committee; (2) Mr. Liao Pin-tsung resigned as the executive Director and chief financial officer of the Company; (3) Mr. Jiang Zhouhua resigned as independent non-executive Director and members of the Nomination Committee and the Remuneration Committee; (4) Mr. Yang Jiye was re-designated as executive Director, appointed as chairman of the Board and chairman of the Nomination Committee, he also resigned as members of the Remuneration Committee and the Audit Committee, but remained as a member of the HSEC Committee; (5) Mr. Zheng Xuezhi was appointed as executive Director and chief financial officer; (6) Mr. Kenneth Jue Lee was appointed as members of the Remuneration Committee and the Audit Committee and remained as a non-executive Director; and (7) Mr. Wang Anjian was appointed as a member of the Nomination Committee and remained as an independent non-executive Director and members of the Audit Committee and the HSEC Committee. After the resignation of Mr. Jiang Zhouhua, the number of the independent non-executive Directors fell below the minimum number as required under Rules 3.10(1) and 3.10A of the Listing Rules, and the number of members of the Remuneration Committee and the Nomination Committee also failed to satisfy the requirements under Rule 3.25 of the Listing Rules and code provision A.5.1 of the Corporate Governance Code.

On 30 March 2016, the Board appointed Mr. Ma Qingshan as an independent non-executive Director as well as members of the Nomination Committee and Remuneration Committee. Since then, the number of independent non-executive Directors has increased to three, which has been in compliance with the requirements under Rules 3.10(1) and 3.10A of the Listing Rules. In addition, the number of members of the Nomination Committee and the Remuneration Committee also met the requirements under Rule 3.25 of the Listing Rules and code provision A.5.1 of the Corporate Governance Code as set out in the Listing Rules.

Given the above re-designation, resignation and appointment of Directors, details of the Directors for the year 2015 will be presented based on five periods as follows:

During the period from 1 January 2015 to 27 May 2015, the Board consisted of the following twelve members:

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

During the period from 28 May 2015 to 15 July 2015, the Board consisted of the following twelve members:

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

During the period from 16 July 2015 to 14 October 2015, the Board consisted of the following thirteen members:

Non-executive Directors	**Executive Directors**	**Independent non-executive Directors**
Mr. Kenneth Jue Lee	Ms. Yang Min *(Chairlady)*	Mr. Wang Ping
Mr. Lan Fusheng	Mr. Yang Jiye *(Vice Chairman)*	Mr. Wang Anjian
Mr. Zheng Xuezhi	Dr. Pan Guocheng *(Chief Executive Officer and President)*	Mr. Jiang Zhouhua
	Mr. Xia Zhuo	Mr. Victor Yang
	Dr. Qiu Yumin	
	Mr. Liao Pin-tsung	

CORPORATE GOVERNANCE REPORT

During the period from 15 October 2015 to 16 December 2015, the Board consisted of the following twelve members:

Non-executive Directors	Executive Directors	Independent non-executive Directors
Mr. Kenneth Jue Lee	Ms. Yang Min *(Chairlady)*	Mr. Wang Ping
Mr. Lan Fusheng	Mr. Yang Jiye *(Vice Chairman)*	Mr. Wang Anjian
	Dr. Pan Guocheng *(Chief Executive Officer and President)*	Mr. Jiang Zhouhua
	Mr. Xia Zhuo	Mr. Victor Yang
	Dr. Qiu Yumin	
	Mr. Liao Pin-tsung	

During the period from 17 October 2015 to 31 December 2015, the Board consisted of the following eleven members:

Non-executive Directors	Executive Directors	Independent non-executive Directors
Mr. Yang Jiye *(Vice Chairman)*	Ms. Yang Min *(Chairlady)*	Mr. Wang Ping
Mr. Kenneth Jue Lee	Dr. Pan Guocheng *(Chief Executive Officer and President)*	Mr. Wang Anjian
	Mr. Xia Zhuo	Mr. Jiang Zhouhua
	Dr. Qiu Yumin	Mr. Victor Yang
	Mr. Liao Pin-tsung	

During the period from 16 July 2015 to 14 October 2015, due to the appointment of Mr. Liao Pin-tsung as an executive Director, the number of independent non-executive Directors fell below the minimum number as required under Rule 3.10A of the Listing Rules. However, immediately after the resignation of Mr. Zheng Xuezhi as non-executive Director on 15 October 2015, the number of independent non-executive Directors accounted for one third of the members of the Board, thus satisfying the requirement under Rule 3.10A of the Listing Rules.

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

As at 31 December 2015, the Company had four independent non-executive Directors in total, representing one-third of the total number of Directors. Mr. Wang Ping has over 19 years' experience in corporate finance, audit, accounting and taxation; Mr. Wang Anjian has extensive experience in research of resource strategy; Mr. Jiang Zhouhua has rich experience in metallurgy field; and Mr. Victor Yang has over 40 years' experience in legal practice.

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

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

For the year ended 31 December 2015, the following Directors have participated in the following trainings on the roles, functions and duties of a director of a listed company, so as to continuously develop their expertise and professional skills.

Directors	Training Scope Corporate Governance	 Listing Rules	 Business/ management
Non-executive Directors			
Mr. Yang Jiye (re-designated from executive Director to non-executive Director on 17 December 2015 and re-designated from non-executive Director to executive Director on 18 March 2016)	–	✓	✓
Mr. Kenneth Jue Lee	✓	✓	✓
Mr. Lan Fusheng (resigned as non-executive Director on 17 December 2015)	✓	✓	✓
Mr. Zheng Xuezhi (re-designated from executive Director to non-executive Director on 16 July 2015, resigned as non-executive Director on 15 October 2015 and appointed as executive Director on 18 March 2016)	✓	✓	✓
Executive Directors			
Ms. Yang Min (re-designated from non-executive Director to executive Director on 28 May 2015 and resigned as executive Director on 18 March 2016)	✓	✓	✓
Dr. Pan Guocheng	✓	✓	✓
Mr. Xia Zhuo	✓	✓	✓
Dr. Qiu Yumin	✓	✓	–
Mr. Liao Pin-tsung (appointed as executive Director on 16 July 2015 and resigned as executive Director on 18 March 2016)	✓	✓	–
Independent non-executive Directors			
Mr. Wang Ping	✓	✓	✓
Mr. Wang Anjian	✓	✓	✓
Mr. Jiang Zhouhua (resigned as independent non-executive Director on 18 March 2016)	✓	✓	✓
Mr. Johnson Chi-King Fu (retired as independent non-executive Director on 28 May 2015)	✓	✓	–
Mr. Victor Yang (appointed as independent non-executive Director on 28 May 2015 and resigned as independent non-executive Director on 19 January 2016)	✓	✓	✓

In order to gain the latest information of their specialized fields, each of the Directors proactively attended seminars related with various industries. Dr. Pan Guocheng attended various conferences such as the International Mining Conference of China (中國國際礦業大會), the Annual Mines and Money (Hong Kong) Conference and Exhibition (礦業與財富(香港)高峰論壇暨展覽會), the Annual Mines and Money Conference & Exhibition (礦業與財富高峰論壇暨展覽會) and the China-ASEAN Mining Cooperation Forum (中國－東盟礦業合作論壇). Ms. Yang Min attended various conferences such as the "Go Global" seminar (「走出去」專題調研會) organized by the All-China Federation of Industry and Commerce (全國工商聯) and the China Competitive Industries Development Forum (中國優勢產業發展論壇). Mr. Xia Zhuo attended the training course for senior management of the Hong Kong listed Chinese companies and the 34th session intensified and continuous professional development program of joint members organized by the Hong Kong Institute of Chartered Secretaries (7 ECPD learning hours) as well as the advanced training course on corporate governance of overseas listed Chinese companies organized by the Hong Kong Institute of Chartered Secretaries (21 ECPD learning hours).

COMPANY SECRETARY

On 17 March 2015, as Mr. Xia Zhuo, one of the joint company secretaries of the Company, met the requirement to be the sole company secretary under the Listing Rules, Ms. Mok Ming Wai resigned as the joint company secretary of the Company. On 16 July 2015, Ms. Mok Ming Wai was re-appointed as the joint company secretary of the Company, while Mr. Xia Zhuo continued to act as the other joint company secretary of the Company. In order to comply with the Rule 3.29 of the Listing Rules, Mr. Xia Zhuo and Ms. Mok Ming Wai have participated in not less than 15 hours' professional training for the year ended 31 December 2015.

LIABILITY INSURANCE

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

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

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

The appointment of independent non-executive Directors strictly adheres to the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules. The Company has received the written confirmation of their independence of 2015 from each of the independent non-executive Directors and considers them to be independent of the management and free of any relationship that could materially interfere with the exercise of their independent judgment.

During the reporting period, the independent non-executive Directors actively took part in the meetings held by the Board and all specialized committees, during which independent professional comments and suggestions were raised in respect of the business development, significant decisions, risk management and internal control of the Company. On 27 August 2015, the independent non-executive Directors and Chairlady of the Board made a thematic discussion about the non-executive Directors' comments on the operation in 2015 and the recommendations and request in regard to the operation in 2016.

SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, and also formulated the Written Guideline on Dealings in the Securities of the Company by Directors and the Relevant Employees (the "Company Guideline"), which adopted the standards equivalent to the provisions of Appendix 10 to the Listing Rules as the model code regarding dealings in the Company's securities by the Directors and the relevant employees. After making specific enquiries to all Directors and the relevant employees of the Company, all of them have confirmed that they have complied with the Model Code and the Company Guideline throughout the year ended 31 December 2015.

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

The Company has developed the Guidelines regarding the Division of Functions between the Board and Senior Management, so as to separate roles of the Chairlady/Chairman of the Board and chief executive officer. During the period from 1 January 2015 to 27 May 2015, Dr. Pan Guocheng, an executive Director, was the Chairman of the Board, while Mr. Yang Jiye, an executive Director, acted as the Chief Executive Officer of the Company. During the period from 28 May 2015 to 31 December 2015, Ms. Yang Min, an executive Director, was the Chairlady of the Board, while Dr. Pan Guocheng, an executive Director, acted as the Chief Executive Officer of the Company. The Chairlady/Chairman of the Board is responsible for the management of the Board to ensure its effective operation. The chief executive officer is responsible for daily operational activities of the Group and responsible to the Board for the overall operations of the Group. The management shall provide the Directors with information and materials related to the operation on a monthly basis, so as to update them with the latest developments of the Company and facilitate the discharge of duties better.

GENERAL MEETING, BOARD MEETING AND SPECIALIZED COMMITTEE MEETING

In 2015, the Company held one annual general meeting and all the Directors attended this annual general meeting except Mr. Lan Fusheng and Mr. Johnson Chi-King Fu.

The Company has sufficiently promulgated the terms of reference of the Board and the four specialized committees under the Board (namely Audit Committee, Nomination Committee, Remuneration Committee and HSEC Committee) as well as published on the websites of the Hong Kong Stock Exchange and the Company the terms of reference of each of the specialized committees.

CORPORATE GOVERNANCE REPORT

The Company has convened seven Board meetings in total during the year of 2015. During the reporting period, details of Directors' attendance of the Board meetings, specialized committee meetings under the Board and the annual general meeting are as follows:

		Specialized Committees under the Board				
Name of Directors	**Board of Directors**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Health, Safety, Environmental Protection and Community Committee**	**Annual General Meeting**
Non-executive Directors						
Yang Jiye (re-designated from executive Director to non-executive Director on 17 December 2015 and re-designated from non-executive Director to executive Director on 18 March 2016)	7/7	0	3/3	N/A	0	1/1
Kenneth Jue Lee	6/7	N/A	N/A	N/A	N/A	1/1
Lan Fusheng (resigned as non-executive Director on 17 December 2015)	4/7	N/A	N/A	N/A	0/1	0/1
Zheng Xuezhi (re-designated from executive Director to non-executive Director on 16 July 2015, resigned as non-executive Director on 15 October 2015 and appointed as executive Director on 18 March 2016)	6/6	N/A	N/A	N/A	N/A	1/1
Executive Directors						
Yang Min (re-designated from non-executive Director to executive Director on 28 May 2015 and resigned as executive Director on 18 March 2016)	7/7	N/A	N/A	1/1	N/A	1/1
Pan Guocheng	7/7	N/A	N/A	2/2	1/1	1/1
Xia Zhuo	7/7	N/A	N/A	N/A	N/A	1/1
Qiu Yumin	7/7	N/A	N/A	N/A	N/A	1/1
Liao Pin-tsung (appointed as executive Director on 16 July 2015 and resigned as executive Director on 18 March 2016)	4/4	N/A	N/A	N/A	N/A	0
Independent non-executive Directors						
Wang Ping	7/7	2/2	3/3	N/A	N/A	1/1
Wang Anjian	7/7	2/2	N/A	N/A	1/1	1/1
Jiang Zhouhua (resigned as independent non-executive Director on 18 March 2016)	7/7	N/A	3/3	3/3	N/A	1/1
Johnson Chi-King Fu (retired as independent non-executive Director on 28 May 2015)	1/1	1/1	N/A	1/1	N/A	0/1
Victor Yang (appointed as independent non-executive Director on 28 May 2015 and resigned as independent non-executive Director on 19 January 2016)	5/5	1/1	N/A	1/1	N/A	1/1

Note:

As the Company did not convene any other Audit Committee meeting, HSEC Committee meeting or annual general meeting during 2015 after Mr. Yang Jiye was appointed as members of the Audit Committee and the HSEC Committee and Mr. Liao Pin-tsung was appointed as executive Director, thus the attendance of Mr. Yang Jiye and Mr. Liao Pin-tsung at such meetings was zero.

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

(A) Audit Committee

During the period from 1 January 2015 to 27 May 2015, the Audit Committee was comprised of the following members:

Independent non-executive Directors
Mr. Wang Ping *(Chairman)*
Mr. Johnson Chi-King Fu
Mr. Wang Anjian

During the period from 28 May 2015 to 16 December 2015, the Audit Committee comprised of the following members:

Independent non-executive Directors
Mr. Wang Ping *(Chairman)*
Mr. Wang Anjian
Mr. Victor Yang

During the period from 17 December 2015 to 31 December 2015, the Audit Committee comprised of the following members:

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

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

On 17 December 2015, the Board resolved that the Audit Committee should be responsible for the review of the effectiveness of risk management and the internal control system, and formulated the revised Terms of Reference and Operating Mode of the Audit Committee to reflect the authority. The revised Terms of Reference and Operating Mode of the Audit Committee was published on the websites of the Stock Exchange and the Company on 17 December 2015. The terms of reference of the Audit Committee include: to supervise the financial reporting system, risk management and internal control system of the Company; to review the financial control of the Company as well as, unless expressly addressed by a separate risk committee under the Board, or by the Board itself, to review the risk management and internal control system of the Company; to discuss the risk management and internal control system with the management and to ensure that the management has performed its duties in establishing an effective system; to consider major investigation findings on risk management and internal control matters and the response of the management on investigation findings on its own initiative or as delegated by the Board.

During the year of 2015, the Audit Committee held a total of two meetings, at which the Audit Committee reviewed the half-year and annual financial results and financial reports of the Group for the first half of 2015 and the year 2014 respectively, the internal control report, terms of the connected transactions and other issues, and also discussed the appointment of auditors and the determination of their remuneration and the revised Terms of Reference and Operating Mode of the Audit Committee. The external auditors and all members of the Audit Committee have attended the above meetings.

(B) Remuneration Committee

During the period from 1 January 2015 to 31 December 2015, the Remuneration Committee comprised of the following members:

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

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

During the year of 2015, the Remuneration Committee held three meetings:

On 16 March 2015, the Remuneration Committee held its first meeting of 2015, at which the committee mainly reviewed the remuneration policies and structure of the Directors and senior management of the Company and approved the director service agreements of the second session of the Board.

On 28 May 2015, the Remuneration Committee held its second meeting of 2015, at which the committee mainly considered and approved the director service agreements in respect of the changes in the Directors, including the director service agreement of Mr. Victor Yang, a newly-appointed independent non-executive Director, and the supplemental agreements for each of Ms. Yang Min, Mr. Yang Jiye and Dr. Pan Guocheng.

On 16 July 2015, the Remuneration Committee held its third meeting of 2015, at which the committee considered and approved the resolution regarding the director service agreement for the appointment of Mr. Liao Pin-tsung as executive Director and authorized representative of the Company, the resolution regarding the engagement letter of senior management and remuneration, the resolution regarding the remuneration and engagement agreement of Ms. Mok Ming Wai acting as the joint company secretary and authorized representative of the Company and the resolution regarding the supplemental agreement to the director service agreement of Mr. Zheng Xuezhi.

(C) Nomination Committee

During the period from 1 January 2015 to 27 May 2015, the Nomination Committee comprised of the following members:

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

During the period from 28 May 2015 to 31 December 2015, the Nomination Committee comprised of the following members:

Executive Director	**Independent non-executive Director**
Ms. Yang Min (*Chairlady*)	Mr. Jiang Zhouhua
	Mr. Victor Yang

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

During the year of 2015, the Nomination Committee held a total of three meetings:

On 16 March 2015, the Nomination Committee held its first meeting of 2015, at which Mr. Xia Zhuo was nominated as company secretary and authorized representative of the Company and Mr. Liao Pin-tsung was nominated to be appointed as chief financial officer of the Company. Meanwhile, Mr. Zheng Xuezhi was nominated to be appointed as vice president of the Company, and his resignation as chief financial officer was also approved. Dr. Pan Guocheng was re-elected as executive Director, Mr. Kenneth Jue Lee and Mr. Lan Fusheng were re-elected as non-executive Directors, and Mr. Jiang Zhouhua and Mr. Johnson Chi-King Fu were re-elected as independent non-executive Directors. The independence of Mr. Wang Ping, Mr. Johnson Chi-King Fu, Mr. Wang Anjian and Mr. Jiang Zhouhua were assessed. The members, structure and composition of the Board were reviewed, and the sufficiency of time and efforts contributed by the Directors were also discussed.

On 28 May 2015, the Nomination Committee held its second meeting of 2015, at which Ms. Yang Min was nominated to be appointed as chairlady of the Board and the Nomination Committee, and the resignation of Mr. Yang Jiye as chief executive officer and president of the Company was approved. Meanwhile, Mr. Liao Pin-tsung was nominated to be appointed as executive Director and Mr. Victor Yang was nominated to be appointed as independent non-executive Director.

On 16 July 2015, the Nomination Committee held its third meeting of 2015, at which resignation of Mr. Xia Zhuo and Mr. Wang Ping as authorized representatives of the Company were approved, and the re-designation of Mr. Zheng Xuezhi from executive Director to non-executive Director and his resignation as vice president of the Company were also approved. Mr. Liao Pin-tsung was nominated to be appointed as executive Director and authorized representative of the Company, and Ms. Mok Ming Wai was nominated to be appointed as the joint company secretary and authorized representative of the Company.

Diversity Policies

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

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

Measurable Objectives of Diversity Policy

Selection of candidates for Board membership is based on a range of diversity perspectives, and the ultimate decision is based on merit and contribution that the selected candidates will bring to the Board. As at 31 December 2015, the Board comprised eleven Directors, including 1 female and 10 male. There were 1 Director at the age range of 31-40, 4 Directors at the range of 41-50, 3 Directors at the range of 51-60 and 3 Directors aged over 61, of which 5 Directors are from Mainland China, 4 from Hong Kong, 1 from the U.S. and 1 from Australia. All Directors have received tertiary education or above, and four of them have obtained doctorate degree. The Directors have rich experiences in enterprise operation and management, mine site exploration, development, operation and investment, geology and mineral resources, financial, financing, securities and legal affairs, and constantly enhance their professional skills through continuous learning and training. The Nomination Committee has reviewed the members, structure and composition of the Board, and was of the opinion that the extensive experiences and skills of the Directors in various fields and the rational structure of the Board may enable the Company to maintain high standard operation.

Educational and professional background	Number of Directors	Percentage of the total number of Directors
Mine site exploration, development and operation and geology	Totalling three Directors, including Pan Guocheng, Qiu Yumin and Wang Anjian	3/11
Financial, investment, financing and legal affairs	Totalling four Directors, including Liao Pin-tsung, Kenneth Jue Lee, Wang Ping and Victor Yang	4/11
Enterprise management	Totalling three Directors, including Yang Min, Yang Jiye and Xia Zhuo	3/11
Smelting	One Director, namely Jiang Zhouhua	1/11

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

During the period from 1 January 2015 to 16 December 2015, the HSEC Committee comprised of the following members:

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

During the period from 17 December 2015 to 31 December 2015, the HSEC Committee comprised of the following members:

Chairman	Members
Dr. Pan Guocheng *(Executive Director)*	Mr. Wang Anjian *(Independent non-executive Director)* Mr. Yang Jiye *(Non-executive Director)*

In 2015, the HSEC Committee held one meeting, at which the committee considered the preliminary draft of the Environmental, Social and Governance Report of the Company for the year 2014 before submitting the same to the Board.

CORPORATE GOVERNANCE

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

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

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

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

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

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

The Board reviews the Group's corporate governance on a regular basis in 2015.

REMUNERATION OF AUDITORS

The Shareholders approved the resolution for the re-appointment of Deloitte Touche Tohmatsu as the auditor of the Company for 2015 and authorizing the Board to determine its remuneration at the annual general meeting held on 28 May 2015. The Company continued to appoint Deloitte Touche Tohmatsu as the auditor of the Company for the year of 2015 with a term of one year to the date of the 2016 annual general meeting. As of 31 December 2015, details of the audit and non-audit services provided by the auditor for the Company are as follows:

Audit Service	The total fee charged for providing the Company with the interim audit for the financial statements as of 30 June 2015 and annual audit for the financial statements as of 31 December 2015 was RMB2,400,000 (excluding taxation and sundries).
Non-audit Service	Nil.

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

The Directors acknowledged their responsibilities for preparing the financial statements for the year ended 31 December 2015, which gave a true and fair view of the state of affairs of the Group and of the results and cash flows for that year. The Company allocated sufficient resources to prepare the audited accounts. Senior management was required to present and explain the financial reporting and matters that materially affected or may have material impact on the financial performance and operations of the Company to the Audit Committee and the Board and responded to the queries and concerns raised by the Audit Committee and the Board to their satisfaction. The consolidated financial statements have been prepared in accordance with the IFRS. In addition, the financial statements included appropriate disclosure made in accordance with the Listing Rules and the Companies Ordinance. The responsibility of the independent auditor engaged by the Company for the preparation of the financial statements of the Group was set out in the independent auditor's report of this annual report.

INTERNAL CONTROL

The Board has overall responsibility for the internal control system of the Group, including setting management structure and making appropriate authorization, identifying proper accounting policy and providing reliable financial information for internal and external use. The measures above were designed to provide reasonable (but not absolute) assurance against material misstatement or loss, and to manage (but not fully eliminate) risks of failure in operational systems and achievement of the Group's objectives. The Board authorized the Audit Committee to supervise the financial reporting system, risk management and internal control system of the Company; to review the financial control of the Company and to review the risk management and internal control system of the Company; to discuss the risk management and internal control system with the management and to ensure that the management has performed its duties in establishing an effective system; to consider major investigation findings on risk management and internal control matters and the response of the management on investigation findings on its own initiative or as delegated by the Board. The Company carries out an annual review over the risk management and internal control system for each financial year.

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

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

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

In 2015, during the course of internal assessment, the Company underwent full-round review of its internal control systems and procedures, conducting internal control assessment on major functional departments and key business process. By reference to the requirements of the Assessment Guideline of Internal Control, the Company prepared the Self-assessment Report on the Company's Internal Control, which gave a systematical description of the Company's internal control as a whole.

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

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

ARTICLES OF ASSOCIATION

For the year 2015, there were no material changes to the Articles of Association.

COMMUNICATION POLICY WITH SHAREHOLDERS

The Company attached great importance to the communication with shareholders and promoted understanding and communication with shareholders through various channels of general meetings, results announcement conferences, road show activities, receiving guests and telephone counseling. In 2015, the Company organized various road show activities and analysts meetings.

(A) The rights of Shareholders

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

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

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

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

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

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

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

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

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

(C) Shareholders' enquiries

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

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

(D) Investor relations and communication

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

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

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

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

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

1. COMPOSITION OF DIRECTORS

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

Name	Age	Position/Title in the Group	Date of Appointment/ Re-election	Roles and Responsibilities
Mr. Yang Jiye	38	Executive Director and Chairman of the Board	29 May 2014 re-designated from executive Director to non-executive Director on 17 December 2015 re-designated from non-executive Director to executive Director and appointed as Chairman of the Board on 18 March 2016	responsible for the overall operation and development strategy of the Group as well as supervision on the execution and implementation of the strategies by the management
Dr. Pan Guocheng	59	Executive Director, Chief Executive Officer and President	31 May 2013 appointed as Chief Executive Officer and President on 28 May 2015	responsible for the implementation of the overall operation and development strategy and daily operation and management of the Group
Mr. Zheng Xuezhi	46	Executive Director and Chief Financial Officer	appointed as executive Director and Chief Financial Officer on 18 March 2016	responsible for the financial management and accounting of the Group
Dr. Qiu Yumin	53	Executive Director, Vice President and the executive director, chief executive officer and president of Hanking Australia (罕王澳大利亞) and Hanking Gold	29 May 2014	responsible for the daily operation and management of the Group's gold businesses
Mr. Xia Zhuo	50	Executive Director, Vice President, Joint Company Secretary and the president of Hanking (Indonesia)	29 May 2014	responsible for the daily work of the Board of the Group and daily operation and management of nickle business
Mr. Kenneth Jue Lee	48	Non-executive Director	28 May 2015	N/A
Mr. Wang Ping	45	Independent Non-executive Director	31 May 2013	N/A
Mr. Wang Anjian	62	Independent Non-executive Director	29 May 2014	N/A
Mr. Ma Qingshan	37	Independent Non-executive Director	30 March 2016	N/A

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Resignation/Retirement of Directors

Name	Age	Position/Title	Date of Appointment	Date of Resignation/ Retirement	Roles and Responsibilities
Mr. Johnson Chi-King Fu	61	Independent Non-executive Director	21 May 2012	28 May 2015 (retired)	N/A
Mr. Zheng Xuezhi	46	Non-executive Director	31 May 2013	15 October 2015 (resigned)	N/A
Mr. Lan Fusheng	51	Non-executive Director	21 May 2012	17 December 2015 (resigned)	N/A
Mr. Victor Yang	70	Independent Non-executive Director	28 May 2015	19 January 2016 (resigned)	N/A
Ms. Yang Min	61	Executive Director and Chairlady of the Board	31 May 2013	18 March 2016 (resigned)	N/A
Mr. Liao Pin-Tsung	41	Executive Director and Chief Financial Officer	16 July 2015	18 March 2016 (resigned)	N/A
Mr. Jiang Zhouhua	52	Independent Non-executive Director	29 May 2015	18 March 2016 (resigned)	N/A

2. BIOGRAPHY OF NON-EXECUTIVE DIRECTORS

Mr. Kenneth Jue Lee, aged 48, is a non-executive Director of the Company. He has served on the Company's Board of Directors since February 2011. Mr. Lee is a partner at SAIF Partners. Mr. Lee has more than 20 years of experience across private equity investments, corporate finance, and business development in China. He is a non-executive director on the boards of four Chinese portfolio companies publicly listed on the stock exchanges in USA and Hong Kong and a board director for four other private Chinese companies backed by SAIF Partners. Mr. Lee graduated from Amherst College.

3. BIOGRAPHY OF EXECUTIVE DIRECTORS

Mr. Yang Jiye, aged 38, is an executive Director and Chairman of the Board for a term of three years which commenced from 17 March 2015. Meanwhile, he is also the vice chairman of the board of Aoniu Mining, director of Hanking Gold and Hanking Indonesia, and supervisor of KS, KKU, KP and HMNS. Mr. Yang is currently serving as the vice-chairman of the board of directors of Hanking Group and the chairman of the board of directors of Liaoning Hanking Investment Co., Ltd. (遼寧罕王投資有限公司). With his previous and current positions in the Group, he has more than 13 years of experience in corporate governance and management. Over the past three years, he did not hold any directorships in any other listed public companies. Mr. Yang is the son of Ms. Yang Min.

Dr. Pan Guocheng, aged 59, is an executive Director, Chief Executive Officer and President of the Company. Currently, he is the director of Aoniu Mining, STSU, Hanking Australia and Hanking Gold and the supervisor of KS, KKU, KP and HMNS. Being in his previous and current positions in the Group, Mr. Pan has obtained more than 25 years of experience in operation management and project development from mining companies. Over the past three years, he did not hold any directorships in any other listed public companies.

Mr. Zheng Xuezhi, aged 46, is an executive Director and Chief Financial Officer of the Company. He served as (i) a non-executive Director during the period from 16 July 2015 to 15 October 2015 and (ii) an executive Director during the period from 25 February 2011 to 15 July 2015. Mr. Zheng joined the Group in 2008. He is the director of Fushun Hanking Aoniu Mining Limited and the supervisor of PT Konutara Sejati, PT Konutara Prima, PT Karyatama Konawe Utara and PT Hanking Makmur Nickel Smelt, which are the subsidiaries of the Company. Mr. Zheng was responsible for financial management and accounting of the Group. Mr. Zheng is also a director of Liaoning Hanking Investment Co., Ltd. and chairman of the board of directors of Luoyang Precision of Machine Equipment Technology Co., Ltd. (中機洛陽精密裝備科技股份有限公司).

Prior to joining the Group, he held positions in various organisations, including deputy general manager of Zhongxi Certified Public Accountants (中喜會計師事務所) from 2004 to 2007, and manager of audit department at Weifang Yuandu Certified Public Accountants LLP (濰坊鳶都有限責任會計師事務所) from 2001 to 2003. Being in his previous and current positions in the Group, Mr. Zheng has obtained more than 13 years of experience in financing, auditing, taxation and accounting. Mr. Zheng graduated from Northeast University (東北大學) with a master degree of business administration for executives. Mr. Zheng is a certified public accountant in the People's Republic of China (the "PRC").

Dr. Qiu Yumin, aged 53, is an executive Director and Vice President of the Company. He is also an executive director, chief executive officer and president of Hanking Australia and Hanking Gold. He is responsible for the overall business management of the Group's gold project in Australia. Mr. Qiu is a member of Australian Institute of Geoscientists, and has over 18 years of experience in exploration and business development. Currently, save for the directorship in the Company, he is also a non-executive director of Primary Gold Limited (ASX: PGO) and Kimberley Diamonds Limited (ASX: KDL), both companies listed in Australia.

Mr. Xia Zhuo, aged 50, is an executive Director, Vice President and Joint Company Secretary of the Company, and the president of Hanking (Indonesia). He is responsible for daily administrative matters of the Group. He is currently serving as the director and board secretary of Aoniu Mining, the director of STSU, the director and president of Harvest Globe (Shenyang) as well as the chairman of KS, KKU and KP and the supervisor of HMNS. In addition, he also serves as the director of Hanking Group. Mr. Xia has obtained more than 19 years of experience in the mining industry. Over the past three years, he did not hold any directorships in any other listed public companies.

4. BIOGRAPHY OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Ping, aged 45, is an independent non-executive Director. He is a fellow member of the Chinese Institute of Certified Public Accountants. Mr. Wang Ping has over 19 years of experience in corporate finance, audit and accounting. Mr. Wang is currently acting as the independent non-executive director of Chongyi Zhangyuan Tungsten Co., Ltd (SZSE: 002378), Shenzhen Fuanna Bedding and Furnishing Co., Ltd (SZSE: 002327), Sichuan Crun Co., Ltd. (SZSE: 002272), Shihua Development Company Limited (a company listed on the Hong Kong Stock Exchange, SEHK: 485), China Tianrui Group Cement Company Limited (SEHK: 1252) and Jia Yao Holdings Limited (SEHK: 1626). He was also an executive director and chief financial officer of China First Capital Group Limited (formerly known as China Vehicle Components Technology Holdings Limited), a company listed on the Hong Kong Stock Exchange (SEHK: 1269), from April 2014 to December 2015 and from March 2012 to December 2015 respectively. Save as disclosed above, over the past three years, he did not hold any directorships in any other listed public companies.

Mr. Wang Anjian, aged 62, is an independent non-executive Director. Mr. Wang Anjian is currently the director and researcher of the Research Center for Strategy of Global Mineral Resources, Chinese Academy of Geological Sciences, responsible for the organizing, researching and training and he is also the standing director of Chinese Society for Environmental Sciences and the adjunct professor of China University of Geosciences (Beijing). Mr. Wang Anjian has extensive experience in the research of resource strategy. Over the past three years, Mr. Wang Anjian did not hold any directorships in any other listed public companies.

Mr. Ma Qingshan, aged 37, is an independent non-executive Director and has over 14 years of experience in management and consultation. He once served as consulting director of KPMG Advisory (China) Limited and Accenture (China) Co., Ltd. and a partner of Beijing Yucheng Hengsheng Management Consultating Co., Ltd. (北京譽誠恒盛管理諮詢有限公司). He provided management consulting services for fifteen Fortune top 500 companies and a number of listed public companies and fast-growing enterprises. He has extensive experience in company strategic planning, business model and control model, digitalization and internet transformation, post-acquisition integration, enterprise performance management, enterprise investment management, business process optimization and global business development. Mr. Ma Qingshan obtained a bachelor's degree in finance and e-commerce from Peking University, and is qualified as a Chartered Financial Analyst (CFA).

5. SENIOR MANAGEMENT

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

Name	Age	Position/Title	Biography
Pan Guocheng	59	Chief Executive Officer and President	See "Biography of Executive Directors"
Zheng Xuezhi	46	Chief Financial Officer	See "Biography of Executive Directors"
Qiu Yumin	53	Vice President, and executive director, chief executive officer and president of Hanking Australia and Hanking Gold	See "Biography of Executive Directors"
Xia Zhuo	50	Vice President, Joint Company Secretary of the Company and president of Hanking (Indonesia)	See "Biography of Executive Directors"
Huang Jinfu	59	General Manager of Aoniu Mine	See below

Mr. Huang Jinfu, aged 59, is the director of Aoniu Mining and General Manager of Aoniu Mine, responsible for the daily operation and management of the Group's iron ore business. Mr. Huang Jinfu is a mineral processing engineer. He joined the Group in 2008 and has more than 31 years of experience in the mining industry.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

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

Name	Age	Date of Resignation and the Position/Title Resigned	Biography
Yang Jiye	38	Resigned from his positions as Chief Executive Officer and President of the Company on 28 May 2015	See "Biography of Executive Directors"
Zheng Xuezhi	46	Promoted as Vice President of the Company on 1 April 2015 and ceased to serve as Chief Financial Officer with effect from the same day and resigned as Vice President of the Company on 16 July 2015	See "Biography of Executive Directors"
Chen Yanshao	53	Resigned as Vice President of the Company on 1 April 2016	–

6. JOINT COMPANY SECRETARIES

Ms. Mok Ming Wai is a director of KCS Hong Kong Limited (a company secretarial services provider). She is a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom. Ms. Mok has over 20 years of professional experience in the secretarial field of listed companies. She is currently company secretary or joint company secretary of several listed companies. During her term serving as the joint company secretary of the Company, Ms. Mok Ming Wai kept connection with the Company, the Board and the key senior management through close communication with Mr. Xia Zhou, the other joint company secretary of the Company.

Mr. Xia Zhuo is the other joint company secretary of the Company. For details regarding Mr. Xia's experience, please see "Biography of Executive Directors" above.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF CHINA HANKING HOLDINGS LIMITED

（中國罕王控股有限公司）

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Hanking Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 85 to 159, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to note 1(b) to the consolidated financial statements, which states that as at 31 December 2015, the Group's current liabilities exceeded its current assets by RMB 1,433,345,000. In additions, as at 31 December 2015, the Group had capital commitments, contracted for but not provided in the consolidated financial statements, amount to RMB159,901,000 as disclosed in note 36 to the consolidated financial statements. After taking into account of the banking facilities available to the Group as disclosed in note 1(b) to the consolidated financial statements, the directors of the Company consider that the Group will have sufficient working capital to finance its operations and to pay its financial obligations as and when they fall due in the foreseeable future. The consolidated financial statements do not include any adjustments that would result from a failure to materialize the banking facilities as disclosed in noted 1(b) to the consolidated financial statements. These conditions indicate the existence of a material uncertainty that may cast doubt about the Group's ability to continue as a going concern.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2015

	Notes	**2015 RMB'000**	2014 RMB'000
Revenue	7	**1,219,751**	1,368,652
Cost of sales		**(929,221)**	(887,981)
Gross profit		**290,530**	480,671
Investment and other income	8	**33,389**	24,328
Other expenses and losses	9	**(292,763)**	(56,975)
Distribution and selling expenses		**(38,386)**	(44,678)
Administrative expenses		**(230,786)**	(256,769)
Finance costs	10	**(169,319)**	(113,364)
(Loss) profit before tax	11	**(407,335)**	33,213
Income tax expense	12	**5,657**	(56,102)
Loss for the year		**(401,678)**	(22,889)
Other comprehensive income (expense):			
Items that may be subsequently reclassified to profit or loss:			
Fair value gain (loss) on available-for-sale financial assets		**5,066**	(22,174)
Exchange differences on translation of financial statements of foreign operations		**(33,258)**	(18,820)
Remeasurement of defined benefit pension plans		**326**	–
Other comprehensive expense for the year, net of income tax		**(27,866)**	(40,994)
Total comprehensive expense for the year		**(429,544)**	(63,883)
(Loss) profit for the year attributable to:			
Owners of the Company		**(381,596)**	8,990
Non-controlling interests		**(20,082)**	(31,879)
		(401,678)	(22,889)
Total comprehensive expense attributable to:			
Owners of the Company		**(407,113)**	(33,067)
Non-controlling interests		**(22,431)**	(30,816)
		(429,544)	(63,883)
(LOSS) EARNINGS PER SHARE			
– Basic and diluted (RMB cent per share)	17	**(20.9)**	0.5

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2015

	Notes	**31/12/2015 RMB'000**	31/12/2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	18	**1,510,095**	1,450,984
Intangible assets	19	**1,075,186**	1,038,886
Prepaid lease payments	20	**285,636**	314,534
Available-for-sale financial assets	27	**11,362**	8,695
Deferred tax assets	22	**22,694**	8,475
Loan receivable from a third party	23	**11,300**	11,300
Deposit on acquisition of property, plant and equipment		**17,486**	21,770
Restricted bank deposits	24	**23,112**	4,014
		2,956,871	2,858,658
CURRENT ASSETS			
Inventories	25	**147,606**	137,306
Prepaid lease payments	20	**42,873**	63,100
Trade and other receivables	26	**647,357**	572,019
Tax recoverable		**4,342**	11,743
Available-for-sale financial assets	27	**110,727**	–
Pledged bank deposits	28	**913,785**	502,453
Bank balances and cash	28	**99,223**	299,587
		1,965,913	1,586,208
CURRENT LIABILITIES			
Trade and other payables	29	**535,572**	425,859
Borrowings	30	**2,761,947**	1,636,485
Loans payable to non-controlling interest of a subsidiary	31	**–**	3,173
Consideration payable	32	**69,608**	82,683
Tax liabilities		**32,131**	31,567
		3,399,258	2,179,767
NET CURRENT LIABILITIES		**(1,433,345)**	(593,559)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,523,526**	2,265,099

(Continued)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2015

	Notes	31/12/2015 RMB'000	31/12/2014 RMB'000
CAPITAL AND RESERVES			
Share capital	35	**149,137**	149,137
Reserves		**615,026**	1,022,139
Equity attributable to owners of the Company		**764,163**	1,171,276
Non-controlling interests		**204,172**	228,458
TOTAL EQUITY		**968,335**	1,399,734
NON-CURRENT LIABILITIES			
Borrowings	30	**211,405**	589,683
Consideration payable	32	**223,007**	206,652
Rehabilitation provision	33	**115,017**	68,090
Retirement benefit obligations	34	**1,023**	940
Deferred tax liabilities	22	**4,739**	–
		555,191	865,365
		1,523,526	2,265,099

The consolidated financial statements on pages 85 to 159 were approved and authorised for issue by the board of directors on 30 March 2016 and are signed on its behalf by:

Pan Guocheng
Director

Zheng Xuezhi
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2015

	Attributable to owners of the Company											
	Paid-in capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000 (note a)	Future development funds reserve RMB'000 (note b)	Investments revaluation reserve RMB'000	Translation reserve RMB'000	Special reserve RMB'000 (note c)	Actuarial reserve on retirement benefit plan RMB'000	Retained earnings RMB'000	Attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2014	149,137	495,537	84,777	309,974	22,174	(36,947)	(557,161)	–	773,452	1,240,943	259,274	1,500,217
Profit (loss) for the year	–	–	–	–	–	–	–	–	8,990	8,990	(31,879)	(22,889)
Other comprehensive (expense) income for the year	–	–	–	–	(22,174)	(19,883)	–	–	–	(42,057)	1,063	(40,994)
Total comprehensive (expense) income for the year	–	–	–	–	(22,174)	(19,883)	–	–	8,990	(33,067)	(30,816)	(63,883)
Transfer to future development funds reserve, net of utilisation	–	–	–	146,693	–	–	–	–	(146,693)	–	–	–
2013 final dividend	–	–	–	–	–	–	–	–	(36,600)	(36,600)	–	(36,600)
Profit appropriation to surplus reserve	–	–	193	–	–	–	–	–	(193)	–	–	–
Balance at 31 December 2014	149,137	495,537	84,970	456,667	–	(56,830)	(557,161)	–	598,956	1,171,276	228,458	1,399,734
Loss for the year	–	–	–	–	–	–	–	–	(381,596)	(381,596)	(20,082)	(401,678)
Other comprehensive income (expense) for the year	–	–	–	–	5,066	(30,811)	–	228	–	(25,517)	(2,349)	(27,866)
Total comprehensive income (expense) for the year	–	–	–	–	5,066	(30,811)	–	228	(381,596)	(407,113)	(22,431)	(429,544)
Transfer to future development funds reserve, net of utilisation	–	–	–	18,738	–	–	–	–	(18,738)	–	–	–
Disposal of a subsidiary (note 13)	–	–	–	–	–	–	–	–	–	–	(1,855)	(1,855)
Profit appropriation to surplus reserve	–	–	–	–	–	–	–	–	–	–	–	–
Balance at 31 December 2015	149,137	495,537	84,970	475,405	5,066	(87,641)	(557,161)	228	198,622	764,163	204,172	968,335

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2015

Notes:

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

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

(b) Pursuant to regulation in the PRC, certain PRC subsidiaries of the Company are required to transfer an amount to a future development fund at RMB5-10 (2014: RMB23-28) per ton of iron ore mined annually which will be used for enhancement of safety production environment and improvement of facilities. The fund can only be used for the future development of the iron ore mining business and is not available for distribution to shareholders.

The future development fund provided during the year ended 31 December 2015 amounted to RMB46,303,000 (2014: RMB178,928,000). The amount utilized during the year was RMB27,565,000 (2014: RMB32,235,000).

(c) Special reserve mainly represented the contribution from/distribution to the then equity shareholders when the Company has the business combination involving entities under common control in 2013.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2015

	Note	**2015 RMB'000**	2014 RMB'000
OPERATING ACTIBITIES			
(Loss) profit before tax		**(407,335)**	33,213
Adjustments for:			
Finance costs		**169,319**	113,364
Interest income		**(27,685)**	(22,168)
Impairment of property, plant and equipment, intangible assets and prepaid lease payments		**227,533**	7,909
Loss on disposal of property, plant and equipment		**12,777**	10,223
(Reversal of) allowance on inventories		**(4,440)**	7,693
Impairment loss on available-for-sale assets		**441**	21,747
Depreciation of property, plant and equipment		**226,249**	172,527
Release of prepaid lease payments		**32,573**	51,982
Amortisation of intangible assets		**53,100**	15,114
Loss on disposal of a subsidiary		**2,266**	–
Net foreign exchange loss		**46,073**	6,559
Operating cash flows before movements in working capital		**330,871**	418,163
(Increase) decrease in inventories		**(7,159)**	25,309
Increase in trade and other receivables		**(72,418)**	(140,221)
Increase in trade and other payables		**60,808**	45,938
Increase (decrease) in retirement benefit obligations		**409**	(1,140)
Cash generated from operations		**312,511**	348,049
Interest paid		**(157,027)**	(93,044)
Income tax paid		**4,142**	(104,901)
NET CASH FROM OPERATING ACTIVITIES		**159,626**	150,104
INVESTING ACTIVITIES			
Payment of consideration payable for acquisition of a subsidiary		**(11,670)**	(167,212)
Interest received		**22,871**	12,510
Payments for property, plant and equipment		**(350,599)**	(256,564)
Decrease in deposit paid for acquisition of property, plant and equipment		**4,284**	7,144
Disposal of a subsidiary (note 13)		**(571)**	–
Payments for available-for-sale financial assets		**(108,769)**	(6,387)
Dividends received from equity investment		**–**	946
Payments for intangible assets		**(86,781)**	(96,905)
Payments for prepaid lease payments		**(25,357)**	(26,960)
Proceeds on disposal of property, plant and equipment		**9,538**	6,552
(Decrease) increase in restricted deposits		**(19,098)**	43,089
NET CASH USED IN INVESTING ACTIVITIES		**(566,152)**	(483,787)

(Continued)

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2015

	Note	**2015 RMB'000**	2014 RMB'000
FINANCING ACTIVITIES			
Increase in pledged bank deposits		**(411,332)**	(42,453)
Repayment of loans from non-controlling interest of a subsidiary		**–**	(700)
New borrowings raised		**1,680,400**	2,378,838
Repayment of borrowings		**(1,067,855)**	(2,013,965)
Dividend paid to the owners of the Company		**–**	(36,600)
NET CASH GENERATED FROM FINANCING ACTIVITIES		**201,213**	285,120
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(205,313)**	(48,563)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**299,587**	369,995
Effect of foreign exchange rate changes		**4,949**	(21,845)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER represented by bank balances and cash		**99,223**	299,587

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015

1. GENERAL INFORMATION AND BASIS OF PREPARATION

(a) General information

The Company is a limited company incorporated in the Cayman Islands on 2 August 2010 with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30 September 2011.

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

The Company is an investing holding company. The Group is engaged in three principal activities:

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

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

(iii) gold exploration, mining, processing and sale.

Details of the Company's subsidiaries are set out in note 42.

(b) Basis of preparation

The directors of the Company (the "Directors") have given careful consideration to the going concern of the Group in light of the fact that the Group reported as at 31 December 2015 and as of that date, the current liabilities exceeded its current assets by RMB1,433,345,000. In addition, as at 31 December 2015, the Group had capital commitments, contracted for but not provided in the consolidated financial statements, amounting to RMB159,901,000 disclosed in note 36.

As at 31 December 2015, the Group had available conditional banking facilities amounted to RMB688,000,000 and subsequent to the year end date, the Group had further obtained conditional banking facilities for working capital purpose amounted to RMB1,200,000,000 ("Conditional Facilities"). The utilization of these Conditional Facilities are subject to approval on a case-by-case basis. The Directors are confident that the Group would be successful in obtaining approval in respect of these Conditional Facilities. Accordingly, the Directors are of the opinion that, together with the internal financial resources of the Group, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months commencing from the end of the reporting period. Hence, the consolidated financial statements have been prepared on a going concern basis.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and revised IFRSs applied during the year.

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

Amendments to IAS 19	Defined Benefit Plans: Employee Contributions
Amendments to IFRSs	Annual Improvements to IFRSs 2010 – 2012 Cycle
Amendments to IFRSs	Annual Improvements to IFRSs 2011 – 2013 Cycle

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

New and revised IFRSs' in issue but not yet effective.

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

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[3]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[4]
Amendments to IAS 1	Disclosure Initiative[4]
Amendments to IAS 16 and IAS 38	Clarifications of Acceptable Methods of Depreciation and Amortisation[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle[4]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[4]
Amendments to IAS 27	Equity Method in Separate Financial Statements[4]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[4]
Amendments to IAS 7	Disclosure Initiative[2]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2017
3 Effective for annual periods beginning on or after 1 January 2019
4 Effective for annual periods beginning on or after 1 January 2016
5 Effective for annual periods beginning on or after a date to be determined

Except as described below, the new and amendments to IFRSs that have been issued but are not yet effective have had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015

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

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

IFRS 9 Financial Instruments

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

Key requirements of IFRS that are relevant to the Group:

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

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

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

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

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

IFRS 9 Financial Instruments *(continued)*

The directors of the Company anticipate that the application of IFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

IFRS 15 Revenue from Contracts with Customers

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015

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

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

IFRS 16 Leases

IFRS 16, which upon the effective date will supersede IAS 17 Leases, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS 17.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Directors of the Company will assess the impact of the application of IFRS 16. For the moment, it is not practicable to provide a reasonable estimate of the effect of the application of IFRS 16 until the Group performs a detailed review.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement and compliance

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The provision of the new Hong Kong Companies Ordinance (Cap 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with IFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

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

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

Statement and compliance *(continued)*

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015

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

Basis of consolidation *(continued)*

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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

Business combinations

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

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

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

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and

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

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

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

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015

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

Business combinations *(continued)*

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

Merger accounting for business combination involving entities under common control

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

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

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

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

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

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

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

Revenue recognition *(continued)*

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

Leasing

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than its functional currency (foreign currency) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015

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

Borrowing costs

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

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

Government grants

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

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

Retirement benefit costs

Payments to defined contribution retirement benefit plans, state-managed retirement benefit schemes and Mandatory Provident Fund Scheme ("MPF Scheme"), are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by apply the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

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

Retirement benefit costs *(continued)*

The Group presents the first two component of defined benefit costs in profit or loss. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plan. Any surplus resulting from the calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contribution to the plans.

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognised any related restructuring cost.

Short-term and other long-term employee benefits

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

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

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

Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015

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

Taxation *(continued)*

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

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

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

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

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

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

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

Properties in the course of construction for production, supply or administrative purpose (i.e. construction in progress) are carried at cost, less any recognised impairment loss, if any. Costs include professional fees and, for qualifying assets, borrowing costs. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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

Property, plant and equipment *(continued)*

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

Prepaid lease payments

Upfront prepayments made for the land use rights and leasehold land are initially recognised in the consolidated statement of financial position as "prepaid lease payments" and are amortised over the lease term on a straight line base.

Intangible assets

Intangible assets acquired separately

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

Exploration and evaluation assets

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

Exploration and evaluation assets comprise costs directly attributable to:

- Research and analysing existing exploration data;
- Conducting geological studies, exploratory drilling and sampling;
- Examining and testing extraction and treatment methods;
- Compiling pre-feasibility and feasibility studies;

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015

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

Intangible assets *(continued)*

Mining rights

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

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

Impairment losses on tangible and intangible assets

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

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

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

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

Inventories

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

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

Closure and rehabilitation

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015

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

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

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

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

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

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

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

Financial instruments *(continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss. The Group designated listed equity investments and unlisted managed investment funds as available-for-sale financial assets.

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

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

Impairment of financial assets

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

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

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganization.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Financial instruments *(continued)*

Impairment of financial assets *(continued)*

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

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

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

When an Available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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

In respect of available-for-sale equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve.

Financial liabilities and equity instruments

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

Equity instruments

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

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

Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

Financial liabilities

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

Effective interest method

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

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015

4. KEY SOURCE OF ESTIMATION UNCERTAINTY

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

Useful lives of mining rights

As at 31 December 2015, mining rights of RMB990,115,000 (31 December 2014: RMB997,622,000) has been recognised in the Group's consolidated statement of financial position. Mining rights are amortised over the shorter of the unexpired period of the rights or the estimated useful lives of the mines using the units of production method.

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

Useful lives of property, plant and equipment

The Group estimates useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and actions of its competitors. Management will increase the depreciation charge where useful lives are less than previously estimated, or it will record reserve for technically obsolete assets. The carrying amount of property, plant and equipment at 31 December 2015 were RMB1,510,095,000 (31 December 2014: RMB1,450,984,000).

Provision of closure and rehabilitation

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

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

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

Impairment of non-financial assets (property, plant and equipment, intangible assets and prepaid lease payments)

Assets such as property, plant and equipment, intangible assets and prepaid lease payments are reviewed at each balance sheet date to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is recognised.

The recoverable amount of an asset is the greater of its fair value less costs to sell and its present value expected future cash flows. Since a market price of the asset cannot be obtained reliably, the fair value of the asset cannot be estimated reliably. In assessing value in use, significant judgments are exercised over the asset, production, selling price, related operating expenses and discount rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the production, selling price and related operating expenses based on reasonable and supportable assumptions.

Impairment of trade and other receivables

When there is an objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed an initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2015, the carrying amount of trade and other receivables is approximately RMB647,357,000 (net of allowance for doubtful debt of RMB8,924,000) (2014: RMB572,019,000 (net of allowance for doubtful debt of RMB2,975,000)).

Allowance for inventories

The Group reviews the carrying amount of inventories at each balance sheet date to determine whether the inventories are carried at the lower of cost and realisable value. The Group estimates the net realisable value, based on current market situation and historical experience on similar inventories. Any change in the assumption would increase or decrease the amount of inventories allowance or the related reversal. The change in allowance would affect the Group's loss for the year.

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of restricted deposits, pledged bank deposits, bank balances and cash, borrowings, consideration payable and equity which includes capital and reserves.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	31/12/2015 **RMB'000**	31/12/2014 RMB'000
Financial assets:		
Loans and receivables (including cash and cash equivalents)	**1,543,114**	1,211,539
Available-for-sale financial assets	**122,089**	8,695
	1,665,203	1,220,234
Financial liabilities:		
Liabilities measured at amortised costs	**3,746,769**	2,860,350

(b) Financial risk management objectives and policies

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

Market risk

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

Interest risk

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

The Group is also exposed to cash flow interest rate risk in relation to floating-rate bank and other borrowings (see note 30 for details of these borrowings) and floating-rate bank balances.

6. FINANCIAL INSTRUMENTS *(CONTINUED)*

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

Interest risk *(continued)*

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for its floating rate borrowings. The analysis is prepared assuming the floating rate borrowings outstanding at the end of the reporting period were outstanding for the whole year. 50 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2015 would increase/decrease approximately by RMB5,291,000 (2014: increase/decrease approximately by RMB2,665,000). This is mainly attributable to the Group's exposure to interest rates on its floating-rate bank borrowings.

The sensitivity analyses below have been determined based on the exposure to interest rates for its floating rate bank balances. The analysis is prepared assuming the floating rate bank balances outstanding at the end of the reporting period were outstanding for the whole year. 10 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 10 basis points higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2015 would decrease/increase approximately by RMB1,058,000 (2014: decrease/increase approximately by RMB533,000). This is mainly attributable to the Group's exposure to interest rates on its floating-rate bank balances.

Currency risk

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

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

	USD	
	Assets	**Liabilities**
	RMB'000	RMB'000
As at 31 December 2015	43,367	1,352,054
As at 31 December 2014	199,749	798,410

	HKD	
	Assets	**Liabilities**
	RMB'000	RMB'000
As at 31 December 2015	1,140	-
As at 31 December 2014	211	–

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for the year ended 31 December 2015

6. FINANCIAL INSTRUMENTS *(CONTINUED)*

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

Currency risk *(continued)*

	AUD	
	Assets	**Liabilities**
	RMB'000	RMB'000
As at 31 December 2015	17	–
As at 31 December 2014	18	–

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against USD. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates a decrease in post-tax loss where a 5% weakening of RMB against USD. For a 5% strengthen of RMB against USD, there would be an equal and opposite impact on the post-tax loss and the balances below would be negative. The impact of currency risk on HKD and USD is not presented, since the outstanding monetary items denominated in HKD and USD are not significant and their impact is immaterial.

	2015	2014
	RMB'000	RMB'000
USD impact		
– if USD strengths against RMB	**(49,076)**	(22,441)
– if USD weakens against RMB	**49,076**	22,441

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

6. FINANCIAL INSTRUMENTS *(CONTINUED)*

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

Other price risk

Available-for-sale investments

The Group is required to estimate the fair value of its investments in unlisted managed investment funds, which therefore exposed the Group to the price risk as at 31 December 2015. The fair value adjustment will be affected either positively or negatively, amongst others, by the changes in the expected yield of the investments. No sensitivity analysis of other price risk has been prepared as the management estimates the actual yield would not significantly deviate from the expected yield.

Credit risk

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

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

The Group has concentration of credit risk in relation to its trade receivables as follows:

	As At	
	2015	2014
Amount due from the largest debtor as a percentage to trade receivables	**68.14%**	65.49%
Total amounts due from the five largest debtors as a percentage to trade receivables	**99.90%**	100.00%

The Group keeps exploring new customers to diversify and strengthen its customer base to reduce the concentration of credit risk.

The Group managed its concentration of credit risk so as to spread over to various customers. In order to minimise the credit risk, the directors of the Company continuously monitor the level of exposure to ensure that follow-up actions and/or corrective actions are taken promptly to lower exposure or even to recover the overdue debts.

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

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for the year ended 31 December 2015

6. FINANCIAL INSTRUMENTS *(CONTINUED)*

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

Liquidity risk

The directors of the Company have built an appropriate liquidity risk management framework for the management of the Group's short-term and long-term funding and liquidity management requirements. The Group manages liquidity risk by closely and continuously monitoring the Group's consolidated financial position. The directors of the Company maintain the sufficiency of cashflows with availability of unutilized banking facilities as set out in note 1(b) and internally generated funds. The directors of the Company also review the forecasted cashflows on an on-going basis to ensure that the Group will be able to meet its financial obligations falling due and have sufficient capital for operation and expansion. Maturity of financial obligations will be re-negotiated with banks and changes on capital expansion plan will be made should the need arise.

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

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

Liquidity table

	Weighted average interest rate %	On demand or less than 3 months RMB'000	3 months to 1 year RMB'000	1 year to 5 years RMB'000	>5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2015							
Trade and other payables		**401,959**	**–**	**–**	**–**	**401,959**	**401,959**
Consideration payable	**14**	**–**	**95,789**	**120,000**	**517,000**	**732,789**	**292,615**
Borrowings - floating rate	**3.52**	**332,241**	**891,119**	**152,546**	**71,198**	**1,447,104**	**1,410,897**
Borrowings - fixed rate	**6.58**	**404,872**	**1,198,121**	**–**	**–**	**1,602,993**	**1,562,455**
		1,139,072	**2,185,029**	**272,546**	**588,198**	**4,184,845**	**3,667,926**
As at 31 December 2014							
Trade and other payables		341,674	–	–	–	341,674	341,674
Loans payable to non-controlling interests of a subsidiary		3,173	–	–	–	3,173	3,173
Consideration payable	14	–	107,458	120,000	517,000	744,458	289,335
Borrowings – floating rate	2.62	164,258	398,230	294,539	–	857,027	838,410
Borrowings – fixed rate	7.56	412,538	738,210	317,600	–	1,468,348	1,387,758
		921,643	1,243,898	732,139	517,000	3,414,680	2,860,350

6. FINANCIAL INSTRUMENTS *(CONTINUED)*

(c) Fair value of financial instruments

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

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

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

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31/12/2015	31/12/2014				
Listed equity investments	**Listed equity securities in Australia: RMB11,362,000**	Listed equity securities in Australia: RMB8,695,000	Level 1	Quoted bid prices in an active market.	N/A	N/A
Unlisted managed investment funds	**Unlisted managed investment funds in the PRC: RMB110,727,000**	N/A	Level 3	Discounted cash flow was used to capture the present value of the expected future economic benefit that will flow to the Group	Actual yield from the investment	The higher the actual yield, the higher the fair value.

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

7. REVENUE AND SEGMENT INFORMATION

(a) Revenue

Revenue analyzed by major products of the Group during the year ended 31 December 2015 and 2014 are as follows:

	2015 RMB'000	2014 RMB'000
Iron ore concentrates	**925,311**	1,347,329
Gold	**291,947**	–
Silver	**585**	–
Nickel	**–**	15,117
Sales of raw and leftover materials	**1,908**	6,206
	1,219,751	1,368,652

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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7. REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

(b) Segment information

The Group's operating businesses are structured and managed separately according to the geographical information of the operations and products. Following the acquisitions of certain subsidiaries in 2014, where the principal activities of which are nickel ore and gold mining businesses in Indonesia and Australia respectively, the Group has been operating in three mining segments, being iron ore, nickel ore and gold ore. The Group identified an operating segment which is a component of the Group (a) that engages in business activities from which it may earn revenues and incur expenses; and (b) whose operating results are reviewed regularly by the chief executive directors, being the chief operating decision maker (CODM), to make decisions about resources allocation and performance assessment.

Sales of Nickel for prior year represented sales of nickel ore. During the year, the Group did not generate revenue from the sales of nickel ore as the Group intends to undertake mineral processing and refining within the territory of Indonesia for exporting the refined products. As of 31 December 2015, the smelting project is still under construction.

Segment revenues and results

During the year, the Group has commenced commercial production of certain areas of gold bearing ore. The following is an analysis of the Group's revenue and results from continuing operations by reportable and operating segment.

For the year ended 31 December 2015

	Iron RMB'000	Nickel RMB'000	Gold RMB'000	Total RMB'000
Segment revenue (all from external sales)	**927,219**	**–**	**292,532**	**1,219,751**
Segment (loss) profit	**(369,605)**	**(41,843)**	**50,276**	**(361,172)**
Central administration costs and directors' salaries				**(21,266)**
Finance costs				**(19,031)**
Other income and expense				**(5,866)**
Group's profit before tax				**(407,335)**

7. REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

(b) Segment information *(continued)*

Segment revenues and results *(continued)*

For the year ended 31 December 2014

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit earned by/loss from each segment without allocation of investment and other income, other expenses or losses (except for impairment loss on property, plant and equipment, intangible assets and prepaid lease payments), central administration costs and certain finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015

7. REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

(b) Segment information *(continued)*

Segment assets and liabilities

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

Segment assets

	31/12/2015	31/12/2014
	RMB'000	RMB'000
Iron	**3,201,895**	3,019,761
Nickel	**824,891**	850,942
Gold	**741,246**	351,227
Total segment assets	**4,768,032**	4,221,930
Other receivables	**146,169**	219,694
Bank balance and cash	**8,526**	3,196
Property, plant and equipment	**57**	46
Consolidated assets	**4,922,784**	4,444,866

Segment liabilities

	31/12/2015	31/12/2014
	RMB'000	RMB'000
Iron	**2,372,453**	1,829,453
Nickel	**310,937**	299,660
Gold	**433,408**	114,833
Total segment liabilities	**3,116,798**	2,243,946
Borrowings	**829,106**	798,410
Other payables	**8,545**	2,776
Consolidated liabilities	**3,954,449**	3,045,132

7. REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

(b) Segment information *(continued)*

Other segment information

2015

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

	Iron RMB'000	Nickel RMB'000	Gold RMB'000	Total RMB'000
Addition to non-current assets	**259,690**	**22,333**	**354,203**	**636,226**
Depreciation and amortisation	**186,428**	**17,256**	**75,654**	**279,338**
Impairment loss of intangible assets	**66,086**	**–**	**–**	**66,086**
Impairment loss of property, plant and equipment	**119,573**	**–**	**–**	**119,573**
Impairment loss of prepaid lease payments	**41,874**	**–**	**–**	**41,874**
Loss on disposal of property, plant and equipment	**12,777**	**–**	**–**	**12,777**

2014

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015

7. REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

(b) Segment information *(continued)*

Geographical information

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

Revenue from external customers, based on locations of customers, and information about the Group's non-current assets attributable to the Group by geographical areas are as follows:

	Revenue from external customers Year ended		**Non-current assets**	
	31/12/2015 RMB'000	31/12/2014 RMB'000	**31/12/2015 RMB'000**	31/12/2014 RMB'000
PRC	**927,219**	1,356,037	**1,543,012**	1,737,319
Indonesia	**–**	12,615	**752,351**	755,781
Australia	**292,532**	–	**575,555**	311,304
	1,219,751	1,368,652	**2,870,918**	2,804,404

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

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2015 RMB'000	2014 RMB'000
Customer A (revenue from iron ore concentrates sales)	**460,430**	890,171
Customer B (revenue from gold and silver sales)	**292,532**	N/A#
Customer C (revenue from iron ore concentrates sales)	**230,105**	N/A*
Customer D (revenue from iron ore concentrates sales)	**101,740**	194,155

#: The Group's revenue from gold and silver sales only commenced in 2015.

*: The corresponding revenue did not contribute over 10% of the total revenue of the Group.

8. INVESTMENT AND OTHER INCOME

	2015 **RMB'000**	2014 RMB'000
Bank interest income	**27,685**	22,168
Management fee	**3,961**	–
Government grants (note)	**962**	412
Dividends from equity investments	**–**	946
Others	**781**	802
	33,389	24,328

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

9. OTHER EXPENSES AND LOSSES

	2015 **RMB'000**	2014 RMB'000
Net foreign exchange loss	**46,073**	14,557
Loss on disposal of property, plant and equipment	**12,777**	10,223
Impairment loss on financial assets – available-for-sale equity investments	**441**	21,747
Loss on disposal of a subsidiary (note 13)	**2,266**	–
Impairment loss on property, plant and equipment, intangible assets and prepaid lease payments recognised (note 21)	**227,533**	7,909
Others	**3,673**	2,539
	292,763	56,975

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015

10. FINANCE COSTS

	2015 RMB'000	2014 RMB'000
Interests on bank and other borrowings	**131,189**	96,443
Interests on bills discounted	**21,135**	1,444
Imputed interest of consideration payable	**14,950**	14,343
Unwinding of discounts on provisions	**2,045**	1,134
	169,319	113,364

11. (LOSS) PROFIT BEFORE TAX

(Loss) profit before taxation has been arrived at after charging:

	2015 RMB'000	2014 RMB'000
Cost of inventories recognised as an expense	**859,159**	765,997
Auditors' remuneration	**2,400**	2,500
Release of prepaid lease payments	**32,573**	51,982
(Reversal) recognition of allowance for inventories (included in cost of sales)	**(4,440)**	7,693
Impairment loss on other receivables recognised	**5,949**	1,189
Depreciation and amortisation:		
– Property, plant and equipment	**226,249**	172,527
– Intangible assets (included in cost of sales and administrative expenses)	**53,100**	15,114
	279,349	187,641
Staff costs (including directors):		
– Salary and other benefits	**127,098**	155,640
– Retirement benefits scheme contributions	**27,483**	21,947
	154,581	177,587

12. INCOME TAX EXPENSE

	2015 **RMB'000**	2014 RMB'000
Current tax		
PRC enterprise income tax ("EIT") – current	**823**	56,999
Under provision in prior years	**4,128**	1,102
	4,951	58,101
Deferred tax		
Deferred tax – current year (Note 22)	**(10,608)**	(1,999)
Total income tax expense recognised in the current year	**(5,657)**	56,102

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

Certain subsidiaries located in Hong Kong, Australia and Indonesia are subject to tax rates of 16.5%, 30% and 25% respectively. Other than PRC EIT tax, no provision for corporate tax for other jurisdictions has been made as there were no assessable profits for both years.

The tax (credit) charge for the year can be reconciled to the profit (loss) per the consolidated statement of profit or loss and other comprehensive income as follows:

	2015 **RMB'000**	2014 RMB'000
(Loss) profit before tax	**(407,335)**	33,213
Tax at the PRC income tax rate of 25% (2014:25%)	**(101,834)**	8,303
Tax effect of expenses that are not deductible for tax purpose	**18,234**	7,149
Effect of different tax rate of subsidiaries	**1,815**	(526)
Tax effect of tax losses not recognized	**33,055**	22,071
Tax effect of deductible temporary differences not recognised	**45,680**	21,589
Utilisation of tax losses not recognised in prior years	**(6,735)**	(3,586)
Under provision in prior years	**4,128**	1,102
Tax (credit) charge for the year	**(5,657)**	56,102

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015

13. DISPOSAL OF A SUBSIDIARY

During the year, the Group entered into a share transfer agreement with the non-controlling interest for dispose of its entire 55% equity interest in a subsidiary, Yingkou Xinwang Alloy Furnace Charge Co., Ltd ("Yingkou Xinwang"). The disposal was completed on 28 February 2015, on which date the Group lost control of Yingkou Xinwang.

The loss from the disposed subsidiary for the current and preceding year is analysed as follows:

	2 months ended 28/02/2015 RMB'000	Year ended 31/12/2014 RMB'000
Loss of Yingkou Xinwang's operation for the period	**269**	7,347
Loss on disposal of Yingkou Xinwang	**2,266**	–
	2,535	7,347

The results of Yingkou Xinwang for the current and preceding year were as follows:

	2 months ended 28/02/2015 RMB'000	Year ended 31/12/2014 RMB'000
Revenue	**–**	6,252
Cost of sales	**–**	(5,343)
Distribution expenses	**–**	(62)
Other income	**45**	7
Other expenses	**(102)**	(19)
Administrative expenses	**(212)**	(8,182)
Loss for the period/year	**(269)**	(7,347)

13. DISPOSAL OF A SUBSIDIARY *(CONTINUED)*

Analysis of assets and liabilities over which control was lost:

	RMB'000
Property, plant and equipment	8,565
Inventories	1,300
Trade and other receivables	1,893
Bank balances and cash	571
Trade and other payables	(5,035)
Loans payable to non-controlling interest of a subsidiary	(3,173)
Net assets disposed of	4,121
Consideration received	–
Non-controlling interest	1,855
Net assets disposed of	(4,121)
Loss on disposal	(2,266)

Net cash outflow arising on disposal:

	RMB'000
Cash consideration	–
Bank balances and cash	(571)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(571)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the 14 (2014: 13) directors were as follows:

	For the year ended 31 December 2015				
	Directors' fees RMB'000	Retirement benefit scheme contributions RMB'000	Salary, wages and other allowance RMB'000	Performance incentive payments RMB'000	Total RMB'000
Executive directors:					
– Yang Min (note a)	933	–	–	–	933
– Yang Jiye (note b)	326	61	438	438	1,263
– Pan Guocheng (note c)	–	150	3,000	–	3,150
– Xia Zhuo	–	36	1,008	–	1,044
– Qiu Yumin	–	180	1,892	–	2,072
– Liao Pin-tsung (note d)	–	11	1,350	675	2,036
– Zheng Xuezhi (note e)	–	50	426	305	781
Non-executive directors:					
– Yang Min (note a)	667	–	–	–	667
– Kenneth Jue Lee	163	–	–	–	163
– Yang Jiye (note b)	24	–	–	–	24
– Lan Fusheng (note f)	156	–	–	–	156
– Zheng Xuezhi (note e)	41	–	–	–	41
Independent non-executive directors:					
– Wang Ping	203	–	–	–	203
– Wang Anjian	163	–	–	–	163
– Jiang Zhouhua	117	–	–	–	117
– Victor Yang (note g)	119	–	–	–	119
– Johnson Chi-King Fu (note h)	85	–	–	–	85
	2,997	488	8,114	1,418	13,017

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

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

Note:

(a) Yang Min was re-designated from a Non-Executive Director to an Executive Director with effect from 28 May 2015. She was resigned as the Executive Director on 18 March 2016. The directors' fee entitled by Yang Min is for serving as a Director of the Company.

(b) Yang Jiye was the Chief Executive Officer ("CEO") for the period from 26 August 2014 to 28 May 2015. He was re-designated from an Executive Director to a Non-Executive Director with effect from 17 December 2015 and further re-designated as an Executive Director of the Company on 18 march 2016. Other than the directors' fees entitled by Yang Jiye for serving only as an Executive Director, his other emoluments disclosed above include those for services rendered by him as the CEO.

(c) Pan Guocheng was the CEO from 1 January 2014 and resigned as CEO on 26 August 2014. He was re-designated as the CEO with effect from 28 May 2015. His emoluments disclosed above include those for services rendered by him as the CEO.

(d) Liao Pin-tsung was appointed as the Chief Financial Officer ("CFO") with effect from 1 April 2015 and Executive Director with effect from 16 July 2015 and resigned as CFO and Executive Director of the Company on 18 March 2016.

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for the year ended 31 December 2015

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

Note: *(continued)*

(e) Zheng Xuezhi was the CFO from 1 January 2014 and resigned as CFO on 1 April 2015. He was appointed as Vice President of the Company with effect from 1 April 2015 and was re-designated from an Executive Director and Vice President to a Non-Executive Director with effect from 16 July 2015. He was resigned as Non-executive Director on 17 December 2015. His emoluments disclosed above include those for services rendered by him as the CFO and Vice President. He was re-appointed as CFO and Executive Director of the Company on 18 March 2016.

(f) Lan Fusheng was resigned on 17 December 2015.

(g) Victor Yang was appointed on 28 May 2015.

(h) Johnson Chi-King Fu was resigned on 28 May 2015.

(i) Chen Yuchuan was resigned on 26 August 2014.

(j) Jiang Zhouhua was appointed on 30 October 2014 and resigned on 18 March 2016.

The performance related payment is mainly determined on the basis of the Group's and individual performance for each of years ended 31 December 2015 and 2014.

In the year ended 31 December 2015, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any remuneration in the year ended 31 December 2015.

15. EMPLOYEES' EMOLUMENTS

During the year, the five highest paid individuals included 4 directors (2014: 4 directors), details of whose emoluments are set out in Note 14. The emoluments of the remaining one highest paid individual of 2015 were as follows:

	Salaries and other benefits	Share-based payments	Retirements benefits scheme contributions	Performance incentive payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2015	**1,858**	**–**	**33**	**–**	**1,891**
2014	1,365	–	379	10	1,754

15. EMPLOYEES' EMOLUMENTS *(CONTINUED)*

Their emoluments were within the following bands:

	2015 No. of employees	2014 No. of employees
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$2,500,000	**1**	1
HK$2,500,001 to HK$3,000,000	**–**	–
Above HK$3,000,000	**–**	–

16. DIVIDENDS

	2015 RMB'000	2014 RMB'000
Dividends recognised as distribution during the year:		
2014 Final – RMB nil cent per share (2014: 2013 Final – RMB2.0 cents per share)	**–**	36,600

The directors of the Company did not propose final dividend in respect of the year ended 31 December 2015 (2014: final dividend of nil per share in respect of the year ended 31 December 2014).

17. (LOSS) EARNINGS PER SHARE

The calculation of (loss) earnings per share is based on the loss for the year attributable to owners of the Company and the 1,830,000,000 shares in issue during the current year (2014: 1,830,000,000 shares).

Diluted (loss) earnings per share presented is the same as basic earnings per share as the Company did not have dilutive potential ordinary shares in issue in both 2015 and 2014.

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18. PROPERTY, PLANT AND EQUIPMENT

	Freehold lands RMB'000	Buildings RMB'000	Mining structure RMB'000	Plant and machinery RMB'000	Other equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST								
At 1 January 2014	4,530	445,158	253,920	438,277	17,656	229,362	305,506	1,694,409
Additions	–	1,913	–	14,633	4,703	23,576	235,116	279,941
Transfer	–	16,599	11,958	168,861	512	–	(197,930)	–
Disposals	–	(6,466)	(1,742)	(31,894)	(258)	(27,818)	–	(68,178)
Effect of foreign currency exchange differences	(73)	(1,492)	–	(5,428)	(138)	(363)	(810)	(8,304)
At 31 December 2014	4,457	455,712	264,136	584,449	22,475	224,757	341,882	1,897,868
Additions	–	493	292,506	19,905	2,376	3,560	139,217	458,057
Transfer	–	1,072	20,499	109,061	–	–	(130,632)	–
Disposals	–	(18,089)	–	(33,944)	(1,407)	(28,824)	–	(82,264)
Disposals of a subsidiary	–	(4,384)	–	(12,511)	(32)	(82)	(1,824)	(18,833)
Effect of foreign currency exchange differences	(192)	(2,111)	(8,698)	(8,717)	(292)	(662)	(4,766)	(25,438)
At 31 December 2015	4,265	432,693	568,443	658,243	23,120	198,749	343,877	2,229,390
ACCUMULATED DEPRECIATION AND IMPAIRMENT								
At 1 January 2014	–	44,590	7,175	131,265	10,076	125,072	–	318,178
Provided for the year	–	23,693	50,917	57,029	3,659	37,229	–	172,527
Impairment losses recognised in profit or loss	–	3,497	–	3,175	11	128	1,098	7,909
Elimination on disposals	–	(4,037)	–	(22,541)	(235)	(24,590)	–	(51,403)
Effect of foreign currency exchange differences	–	(59)	–	(186)	(41)	(41)	–	(327)
At 31 December 2014	–	67,684	58,092	168,742	13,470	137,798	1,098	446,884
Provided for the year	–	24,418	103,193	62,651	3,747	32,240	–	226,249
Impairment losses recognised in profit or loss (note 21)	–	76,536	10,731	19,891	107	846	11,462	119,573
Impairment eliminated on disposals	–	(3,497)	–	(3,175)	(11)	(128)	(1,098)	(7,909)
Accumulated depreciation eliminated on disposals	–	(7,989)	–	(27,233)	(1,066)	(23,661)	–	(59,949)
Disposal of a subsidiary	–	(405)	–	(1,910)	(15)	(29)	–	(2,359)
Effect of foreign currency exchange differences	–	(243)	(1,393)	(1,302)	(87)	(169)	–	(3,194)
At 31 December 2015	–	156,504	170,623	217,664	16,145	146,897	11,462	719,295
CARRYING VALUES								
At 31 December 2015	4,265	276,189	397,820	440,579	6,975	51,852	332,415	1,510,095
At 31 December 2014	4,457	388,028	206,044	415,707	9,005	86,959	340,784	1,450,984

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

The Group is in the process of applying for the title certificates for certain properties with carrying amount of RMB242,740,000 as at 31 December 2015 (31 December 2014: RMB239,824,000).

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

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

The freehold lands are located in Indonesia.

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

Details of asset impairment are set out in note 21.

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19. INTANGILBE ASSETS

	Software	Mining rights	Exploration and evaluation assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000
COST				
At 1 January 2014	7,746	1,002,352	97,852	1,107,950
Addition	883	88,288	7,734	96,905
Transfer	–	68,544	(68,544)	–
Effect of foreign currency exchange differences	(157)	(7,336)	(50)	(7,543)
At 31 December 2014	8,472	1,151,848	36,992	1,197,312
Addition	388	138,885	26,351	165,624
Transfer	–	(21,361)	21,361	–
Effect of foreign currency exchange differences	(159)	(9,285)	(1,437)	(10,881)
At 31 December 2015	8,701	1,260,087	83,267	1,352,055
AMORTISATION				
At 1 January 2014	3,045	140,300	–	143,345
Amortisation for the year	1,188	13,926	–	15,114
Effect of foreign currency exchange differences	(33)	–	–	(33)
At 31 December 2014	4,200	154,226	–	158,426
Amortisation for the year	1,148	51,952	–	53,100
Impairment provided for the year (note 21)	–	64,488	1,598	66,086
Effect of foreign currency exchange differences	(49)	(694)	–	(743)
At 31 December 2015	5,299	269,972	1,598	276,869
CARRYING VALUES				
At 31 December 2015	3,402	990,115	81,669	1,075,186
At 31 December 2014	4,272	997,622	36,992	1,038,886

19. INTANGILBE ASSETS *(CONTINUED)*

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

Details of the asset impairment are set out in note 21.

As at 31 December 2015, the Company has pledged mining rights of having a net book value of approximately RMB359,651,000 (31 December 2014: RMB284,404,000) to secure the bank borrowings of RMB912,455,000 (31 December 2014: RMB887,758,000).

Exploration and evaluation assets include iron-ore mining located in the PRC and a gold mine located in Australia. Certain areas of gold mine were still in the stage of geological prospecting and the cost was still recorded as exploration and evaluation assets as at 31 December 2015.

20. PREPAID LEASE PAYMENTS

	31/12/2015 RMB'000	31/12/2014 RMB'000
Analysed for the reporting purpose as:		
Current portion	**42,873**	63,100
Non-current portion	**285,636**	314,534
	328,509	377,634

The prepaid lease payments were amortised over the benefit periods from 5 to 50 years. Amount of RMB287,316,000 (31 December 2014: RMB253,225,000), represented the pre-paid rental to various farmers and no land certificates for these pre-paid rental have been obtained.

Details of the asset impairment are set out in note 21.

As at 31 December 2014, the Company had pledged prepaid lease payments with the carrying amount of RMB15,006,000 to secure the advance from customer of RMB30,000,000 (Note 29). The pledge has been released upon utilisation of the advances on purchases of iron ore concentrates during the current year.

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21. IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS

Owing to the continuous drop in the selling price of iron ore concentrates in the international market, the Group assessed the recoverable amount of the assets engaged in the iron segment of the Group. The related assets are being classified into property, plant and equipment, intangible assets and prepaid lease payments in accordance to respective nature of the assets. The impairment loss recognized on these assets during the year are as follows:

	2015	2014
	RMB'000	RMB'000
Property, plant and equipment	**119,573**	7,909
Intangible assets	**66,086**	–
Prepaid lease payments	**41,874**	–
	227,533	7,909

The recoverable amounts of the relevant assets have been determined on the basis of their value in use. The key assumptions for the value in use calculations are related to discounts rates, growth rates, and expected change in selling price of iron ore concentrates and direct cost during the forecast period. Those calculations use cash flow projections based on financial budgets approved by management covering a five-year period and a discount rate of 12%-14%. The cash flow beyond the five-year period are extrapolated using a 2.5% growth rate per annum. The growth rate is based on the growth rate of mining industry and does not exceed the growth rate of the mining industry to average long term.

Cash flow projection during the budget period for the iron segment (Cash-generating Unit "CGU") is based on reasonable expected gross margin and considering the expected changes in the selling price of iron ore concentrates in the international market and the direct costs in the production of iron ore concentrates. The directors of the Company believe that any reasonably possible change in these key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of this CGU.

22. DEFERRED TAXATION

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

Deferred tax liabilities

	Available-for-sale investments RMB'000	Deferred revenue RMB'000	Total RMB'000
At 1 January and 31 December 2014	–	–	–
Charge to profit or loss	932	3,807	4,739
At 31 December 2015	**932**	**3,807**	**4,739**

Deferred tax assets

	Doubtful debts RMB'000	Accelerated accounting depreciation RMB'000	Accrued expenses RMB'000	Tax Loss RMB'000	Total RMB'000
At 1 January 2014	448	3,034	2,227	767	6,476
Credit to profit or loss	297	205	536	961	1,999
At 31 December 2014	745	3,239	2,763	1,728	8,475
Credit to profit or loss	1,486	1,637	1,759	9,533	14,415
Effect foreign currency exchange difference	–	(170)	(13)	(13)	(196)
At 31 December 2015	**2,231**	**4,706**	**4,509**	**11,248**	**22,694**

At 31 December 2015, the Group has unused tax losses of RMB505,907,000 (31 December 2014: RMB421,614,000) available for offset against future profits. Amounts of RMB485,042,000 (31 December 2014: RMB399,951,000) of deferred tax asset has not been recognised due to the unpredictability of future profit streams.

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for the year ended 31 December 2015

22. DEFERRED TAXATION *(CONTINUED)*

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

	31/12/2015 RMB'000	31/12/2014 RMB'000
2015	**–**	4,019
2016	**14,849**	15,211
2017	**39,178**	41,007
2018	**104,978**	116,401
2019	**108,087**	124,417
2020	**140,089**	–
Unlimited	**77,861**	98,896
	485,042	399,951

Except for the above temporary differences, at the end of the reporting period the Group has other deductible temporary differences of RMB182,495,000 (31 December 2014: RMB10,618,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Under EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary difference attributable to accumulated profit of the PRC subsidiaries amounting to RMB1,278 million (2014: RMB1,795 million), as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

23. LOAN RECEIVABLE FROM A THIRD PARTY

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

24. RESTRICTED BANK DEPOSITS

As at 31 December 2015, the restricted deposits of Hanking Australia amounted to RMB4,692,000 (31 December 2014: RMB4,014,000) represented unconditional performance bonds which is administered by the Environment Division of the Department of Mines and Petroleum of Australia as security for mine operators to meet the rehabilitation requirements on its tenements. RMB11,820,000 represented deposits for gold forward contracts. RMB6,600,000 represented reserved account for loans from bank.

25. INVENTORIES

	31/12/2015 RMB'000	31/12/2014 RMB'000
Finished goods	**32,415**	35,135
Work in progress	**57,686**	38,367
Auxiliary materials	**57,505**	63,804
	147,606	137,306

26. TRADE AND OTHER RECEIVABLES

	31/12/2015 RMB'000	31/12/2014 RMB'000
Trade receivables		
Related parties	**98,097**	36,569
Third parties	**238,326**	88,253
	336,423	124,822
Bills receivables	**92,326**	209,955
	428,749	334,777
Other receivables		
Advance to suppliers	**12,992**	17,016
Interest receivable on bank deposits	**15,227**	10,413
Deposits (note)	**30,015**	26,840
Deposit for resource tax	**113,699**	123,912
Value-added tax recoverable	**16,014**	23,079
Staff advances	**8,958**	13,827
Others	**21,703**	22,155
	218,608	237,242
Total trade and other receivables	**647,357**	572,019

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

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for the year ended 31 December 2015

26. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

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

	31/12/2015 RMB'000	31/12/2014 RMB'000
Within 7 days	**49,809**	33,044
8 days to 90 days	**96,328**	91,778
91 days to 1 year	**190,286**	–
	336,423	124,822

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

Movement of the allowance for trade receivable

	2015 RMB'000	2014 RMB'000
Opening and closing balance	**182**	182

According to the credit period policy of the Group, the trade receivables which has an ageing over 7 days for sales of iron ore concentrates and gold, and trade receivables due from third parties on sales of nickel ore which has an ageing over 15 days were regarded as past due. Aging of trade receivables which are past due but not impaired is analysed as follow:

	31/12/2015 RMB'000	31/12/2014 RMB'000
8 days to 90 days	**96,328**	91,778
91 days to 1 year	**190,286**	–
	286,614	91,778

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

26. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

Movement of allowance for doubtful debts on other receivables

	2015 **RMB'000**	2014 RMB'000
Opening balance	**2,793**	1,604
Impairment losses recognised	**5,949**	1,189
Closing balance	**8,742**	2,793

27. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31/12/2015 **RMB'000**	31/12/2014 RMB'000
Non-current		
Listed equity investments, at fair value	**11,362**	8,695
Current		
Unlisted managed investment funds, at fair value	**110,727**	–
	122,089	8,695

The listed equity investments represent the Group's equity interests in three (2014: two) companies listed on Australian Securities Exchange. The investments are measured at fair value at the end of the reporting period.

The unlisted managed investment represents funds advanced to a licensed financial institution in the PRC with fixed maturity and a variable yield based on the financial institution's investments in bonds and notes. The investments are mature in one year and the return of these investments is not guaranteed.

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28. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

Bank balances and cash of the Group comprise cash and short term bank deposits with an original maturity of three months or less. The bank balances carry variable interest rates of 0.35% (2014: 0.35%) per annum.

As at 31 December 2015, pledged bank deposits of RMB333,313,000 were security deposit for bills. The pledged bank deposits carried fixed interest rate of 0.30%-4.85% (2014: 3.30%-4.55%) per annum.

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

	31/12/2015 RMB'000	31/12/2014 RMB'000
USD	**43,367**	199,749
HKD	**1,140**	211
AUD	**17**	18

29. TRADE AND OTHER PAYABLES

	31/12/2015 RMB'000	31/12/2014 RMB'000
Trade payable		
Related parties	**7,186**	6,724
Third parties	**98,265**	77,840
	105,451	84,564
Bills payable	**4,550**	35,851
	110,001	120,415
Other payables		
Advance from customer (note)	**563**	30,000
Other tax payables	**52,211**	14,018
Payable of acquisition of property plant and equipment	**212,332**	153,689
Outsourced service payable	**3,792**	6,586
Transportation fee payable	**11,369**	27,565
Accrued expenses	**80,839**	40,167
Salary and bonus payables	**38,791**	11,727
Interest payable	**2,970**	7,673
Others	**22,704**	14,019
	425,571	305,444
	535,572	425,859

Notes:

The balance in 2014 reprsented customer advance as a guarantee of supplying iron ore concentrates by the Group. It was interest-free and fully utilized in purchase of iron ore concentrates during the year.

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29. TRADE AND OTHER PAYABLES *(CONTINUED)*

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:

	31/12/2015 RMB'000	31/12/2014 RMB'000
0 to 90 days	**95,787**	66,728
91 days to 365 days	**7,935**	14,108
1 year to 2 years	**346**	1,384
2 years to 3 years	**21**	1,528
Over 3 years	**1,362**	816
	105,451	84,564

30. BORROWINGS

	31/12/2015 RMB'000	31/12/2014 RMB'000
Bank loans	**2,894,509**	2,226,168
Other loans (note a)	**78,843**	–
	2,973,352	2,226,168
Secured	**2,603,352**	1,686,168
Unsecured	**370,000**	540,000
	2,973,352	2,226,168
Fixed-rate	**1,562,455**	1,387,758
Floating-rate	**1,410,897**	838,410
	2,973,352	2,226,168
Carrying amount repayable (note b):		
Due within one year	**2,761,947**	1,636,485
More than one year, but not exceeding two years	**146,504**	589,683
More than two years, but not more than five years	**64,901**	–
	211,405	589,683
	2,973,352	2,226,168

Note:

(a) It represents loan 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.

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30. BORROWINGS *(CONTINUED)*

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

	2015	2014
	%	%
Fixed-rate borrowings	**4.83-8.00**	6.27-8.00
Variable-rate borrowings	**1.32-5.00**	1.23-6.46

At 31 December 2015 and 2014, the Group had variable rate borrowings which carried interest based on the benchmark interest rate issued by PBOC or London Interbank Offered Rate ("LIBOR"). Interest was reset every one month, three month, six month or one year.

The unsecured bank borrowings of approximately RMB370,000,000 (2014: RMB540,000,000) at 31 December 2015 were guaranteed by Ms. Yang Min, a controlling shareholder of the company and the companies controlled by Ms. Yang Min.

Save as the assets pledged as security for bank borrowings as set forth in note 39, Ms. Yang Min and Mr. Yang Jiye, son of Ms. Yang Min, together with the companies controlled by them, provided guarantee for secured bank borrowings of the Group of approximately RMB1,715,403,000 (2014: RMB1,137,758,000).

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

The amount of RMB3,173,000 as at 31 December 2014 (2015: nil) were interest free, unsecured and repayable on demand. Details of the disposal of subsidiary are set out in note 13.

32. CONSIDERATION PAYABLE

	31/12/2015	31/12/2014
	RMB'000	RMB'000
Analysed for the reporting purpose as:		
Current portion	**69,608**	82,683
Non-current portion	**223,007**	206,652
	292,615	289,335

32. CONSIDERATION PAYABLE *(CONTINUED)*

The amount as at 31 December 2015 and 2014 represented:

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

As at 31 December 2015, the consideration payable of RMB292,615,000 (31 December 2014: RMB277,665,000) was recognised at amortised cost using the effective interest method at the date of acquisition. According to the acquisition agreements, it will be repaid on installment basis by reference to the progress of mining development with last payment fall due in the year of 2032. The amount of RMB69,608,000 (31 December 2014: RMB71,013,000) repayable within the next twelve months is classified under current portion which is calculated based on directors' estimation on the project development progress.

(b) As at 31 December 2014, the balance of RMB11,670,000 represented the consideration payable to Evergreen Mining Limited arising from the acquisition of 70% equity of Hanking Indonesia.

33. REHABILITATION PROVISION

	31/12/2015 RMB'000	31/12/2014 RMB'000
At 1 January	**68,090**	71,115
Unwind of discount	**2,045**	1,134
Provisions made during the year	**48,815**	994
Effect of foreign currency exchange differences	**(3,933)**	(5,153)
At 31 December	**115,017**	68,090

34. RETIREMENT BENEFIT OBLIGATIONS

The Group provides post-employment benefits for qualifying employees in its subsidiaries located in Indonesia in accordance with Indonesia Labor Law. The number of employees entitled to the benefits are 10 employees in 2015 and 14 employees in 2014.

Amounts of post-employment benefit expenses are recognized in profit and loss as follows:

	31/12/2015 RMB'000	31/12/2014 RMB'000
Current service cost	**379**	250
Interest expense	**73**	37
Reversal of expenses	**–**	(89)
Past service cost	**–**	82
Addition on expense	**–**	77
Total	**452**	357

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34. RETIREMENT BENEFIT OBLIGATIONS *(CONTINUED)*

The post-employment benefits included in the consolidated statement of financial position arising from the Group's obligation in respect of these post-employment benefits are as follows:

	31/12/2015 RMB'000	31/12/2014 RMB'000
Present value of defined benefit obligations	**1,148**	876
Unrecognized actuarial losses	**(125)**	64
Net liabilities	**1,023**	940

Movement in the present value of employee benefits obligation are as follow:

	31/12/2015 RMB'000	31/12/2014 RMB'000
Balance at beginning of year	**940**	597
Expense in current year	**452**	357
Other comprehensive income	**(326)**	–
Effect of foreign currency exchange differences	**(43)**	(14)
Balances at end of year	**1,023**	940

The cost of providing post-employment benefit is calculated by independent actuary for the year ended December 31 2015 and 2014, respectively. The actuarial valuation was carried out using the following key assumptions:

	2015	2014
Discount rate	**0.09**	0.09
Salary increment rate	**0.10**	0.10
Mortality rate	**100% TMI3**	100% TMI3
Morbidity rate	**5% TMI3**	5% TMI3
Resignation rate	**2% per annum until age 30 years, then decreasing**	2% per annum until age 30 years, then decreasing
Normal retirement rate	**1.00**	1.00

35. SHARE CAPITAL

The amount as at 31 December 2015 and 2014 represented the issued share capital of the Company. Details of movement of share capital of the Company are as follow:

	Number of shares		Share capital	
	2015	2014	**2015**	2014
	'000	'000	**RMB'000**	RMB'000
Ordinary shares of HK$0.1 each				
Authorised				
At 1 January and 31 December 2015	**10,000,000**	10,000,000	**1,000,000**	1,000,000
Issued				
At 1 January and 31 December 2015	**1,830,000**	1,830,000	**149,137**	149,137

All shares in issue rank pari passu in all respects.

36. CAPITAL COMMITMENTS

	2015	2014
	RMB'000	RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**159,901**	423,914

37. OPERATING LEASES

The Group as lessee

	2015	2014
	RMB'000	RMB'000
Minimum lease payments paid under operating leases during the year:		
– Plant and machinery	**20**	5,229
– Premises	**5,551**	5,380
	5,571	10,609

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for the year ended 31 December 2015

37. OPERATING LEASES *(CONTINUED)*

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

	2015 **RMB'000**	2014 RMB'000
Within one year	**2,919**	890
In the second to fifth years inclusive	**3,140**	56
	6,059	946

38. RETIREMENT BENEFIT PLANS

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

The amounts of contributions made by the Group in respect of the retirement benefit scheme are disclosed in note 11.

39. PLEDGE OF ASSETS

At the end of reporting period, the Group has pledged certain assets as security for bank borrowings. Details of the pledged assets and the corresponding carrying amounts are set out below:

	Carrying amounts	
	2015 **RMB'000**	2014 RMB'000
Mining rights	**359,651**	284,404
Available-for-sale financial assets	**110,727**	N/A
Trade receivables	**35,304**	N/A
Bank deposits	**913,785**	502,453
Restricted cash deposits	**6,600**	N/A
Prepaid lease payments	**N/A**	15,006

40. RELATED PARTY TRANSACTIONS

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

	2015 RMB'000	2014 RMB'000
Sales of goods to Dalian Huaren Trade Co., Ltd. 大連華仁貿易有限公司 (note a & c)	**230,105**	226,827
Sales of Raw Material to Benxi Hanking Iron Processing Co., Ltd. 本溪罕王鐵選有限公司 (note a)	**1,423**	–
Processing fee charged by: Benxi Hanking Iron Processing Co., Ltd. 本溪罕王鐵選有限公司 (note a)	**23,006**	28,045
Rental expense charged by: Shenyang Shengtai Property Management Co., Ltd. 瀋陽盛泰物業管理有限公司 (note a)	**3,551**	3,761
Transportation fee charged by: Fushun Mingyang Transport Co., Ltd. 撫順名揚運輸有限公司 (note b)	**3,027**	24,037

Note:

(a) These companies are the related parties which are controlled by Ms. Yang Min, a controlling shareholder of the Company.

(b) Fushun Mingyang Transport Co., Ltd. was wholly owned by Mr. Yang Xinhuan, the nephew of Ms. Yang Min, till 28th January 2015. After then, the share holders of Fushun Mingyang has been changed to a third party.

(c) Dalian Huaren Trade Co., Ltd. acted as an agent of Fushun Hanking D.R.I Co., Ltd., which is controlled by Ms. Yang Min, to purchase the iron ore concentrates from the Group.

All compensation paid/payable by the Group for key management personnel has been disclosed in note 14 and 15.

41. SUBSEQUENT EVENT

On 21 March 2016, the Group obtained conditional banking facilities amounted to RMB1,200,000,000 for working capital purpose for a term of 2 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

General information of subsidiaries

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

Name of subsidiary	Principal activity	Place of Incorporation/ establishment and operation	Issued and fully paid up share capital/ registered capital	Proportion of ownership interest and voting power held by the Group 31 December 2015 %	31 December 2014 %
Directly held:					
China Hanking Investment Limited	Investment holding	The British Virgin Island ("BVI")	Ordinary shares USD1.00	100.00	100.00
Hanking Australia Pty Ltd	Investment holding	Australia	Ordinary shares AUD100.00	100.00	100.00
Hanking (Indonesia) Mining Limited	Investment holding	The British Virgin Island ("BVI")	Ordinary shares USD10	70.00	70.00
Indirectly held:					
China Hanking (Hong Kong) Limited	Investment holding	Hong Kong	Ordinary shares HKD1.00	100.00	100.00
China Hanking (BVI) International Limited	Investment holding	BVI	Ordinary shares USD1.00	100.00	100.00
Shenyang Toyo Steel Utility Co., Ltd (公用設施)	Sales of iron ore mining products	PRC	Registered and paid-in capital USD84,000,000	100.00	100.00
Shenyang Yuanzheng Industry Co., Ltd (瀋陽元正)	Sales of iron ore mining products	PRC	Registered and paid-in capital RMB5,000,000	100.00	100.00
Fushun Hanking Aoniu Mining Co., Ltd (傲牛礦業)	Sales of iron ore mining products	RPC	Registered and paid-in capital RMB100,000,000	100.00	100.00
Fushun Hanking Maogong Mining Co., Ltd (毛公礦業)	Sales of iron ore mining products	PRC	Registered and paid-in capital RMB5,000,000	100.00	100.00
Fushun Hanking Xinzhou Mining Co., Ltd (興洲礦業)	Sales of iron ore mining products	PRC	Registered and paid-in capital RMB2,000,000	100.00	100.00

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

General information of subsidiaries *(continued)*

Name of subsidiary	Principal activity	Place of Incorporation/ establishment and operation	Issued and fully paid up share capital/ registered capital	Proportion of ownership interest and voting power held by the Group 31 December 2015 %	31 December 2014 %
Hanking Mining (Hongkong) Limited (罕王礦業(香港)有限公司)	Investment Holding	Hong Kong	Ordinary shares USD9,900,000	100.00	100.00
Yingkou Xingwang Alloy Furnace Charge Co., Ltd (營口鑫旺)	Metal processing	PRC	Registered and paid-in capital RMB11,110,000	–	55.00
Benxi Hanking Mining Co., Ltd (本溪礦業)	Sales of iron ore mining products	PRC	Registered and paid-in capital RMB20,000,000	100.00	100.00
Fushun Hanking Shangma Mining Co., Ltd (上馬礦業)	Sales of iron ore mining products	PRC	Registered and paid-in capital RMB5,000,000	100.00	100.00
Fushun Hanking Forest Farm Co., Ltd.	Sales of agricultural and forestry products	PRC	Registered and paid-in capital RMB500,000	100.00	100.00
City Globe Limited	Investment Holding	Hong Kong	Ordinary shares HKD10,000	70.00	70.00
PT Konutara Prima	Investment holding	Indonesia	Ordinary shares IDR27,600,000,000	52.50	52.50
Denway Development Limited	Investment Holding	Hong Kong	Ordinary shares HKD10,000	70.00	70.00
PT Konutara Sejati	Sales of nickel ore mining products	Indonesia	Ordinary shares IDR66,800,000,000	52.50	52.50
PT Karyatama Kona Utara	Investment Holding	Indonesia	Ordinary shares IDR66,800,000,000	52.50	52.50
Harvest Globe Limited	Investment Holding	Hong Kong	Ordinary shares HKD10,000	52.50	52.50
Harvest (Shenyang) Trading Limited	Sales of nickel ore mining products	PRC	Ordinary shares USD2,000,000	52.50	52.50
PT Hanking Makmur Nickel Smelt	Metal Processing	Indonesia	Ordinary shares IDR28,177,500,000	75.00	75.00
Hanking Gold Mining Pty Ltd.	Investment holding	Australia	Ordinary shares AUD100.00	100.00	100.00

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015

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

General information of subsidiaries *(continued)*

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

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

Name of Subsidiary	Place of Incorporation and principle place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interest		Accumulated non-controlling interests	
		31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
				RMB'000	RMB'000	RMB'000	RMB'000
Hanking Indonesia (Note)	BVI Indonesia	30%	30%	(8,401)	(14,353)	204,172	226,482
Individually immaterial subsidiaries with non-controlling interests						–	1,976
						204,172	228,458

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

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

General information of subsidiaries *(continued)*

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

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

Hanking Indonesia and its subsidiaries

	31/12/2015 RMB'000	31/12/2014 RMB'000
Current assets	**57,413**	67,305
Non-current assets	**767,478**	773,860
Current liabilities	**382,370**	347,855
Non-current liabilities	**–**	–
Equity attributable to owners of the Company	**340,498**	381,183
Non-controlling interests	**102,023**	112,127

	For the year ended 31/12/2015 RMB'000	For the year ended 31/12/2014 RMB'000
Revenue	**–**	12,615
Expenses	**(39,562)**	(74,679)
Loss for the year	**(39,562)**	(62,064)
Other comprehensive loss	**–**	(5,432)
Total comprehensive loss	**(39,562)**	(67,496)
Loss attributable to owner of the Company	**(28,002)**	(47,845)
Loss attributable to non-controlling interests	**(11,560)**	(14,219)
	(39,562)	(62,064)
Total comprehensive loss attributable to owner of the Company	**(28,002)**	(57,436)
Total comprehensive income attributable to non-controlling interests	**(11,560)**	(10,060)
	(39,562)	(67,496)
Dividends paid to non-controlling shareholders	**–**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015

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

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

	31/12/2015 RMB'000	31/12/2014 RMB'000
Non-current Assets		
Property, plant and equipment	**57**	46
Investment in subsidiaries	**376,896**	591,811
Amounts due from subsidiaries	**613,665**	629,754
	990,618	1,221,611
Current Assets		
Others receivables	**–**	4,243
Bank balances and cash	**8,526**	3,197
	8,526	7,440
Current Liabilities		
Borrowings	**829,106**	508,727
Consideration Payable (see note 32)	**–**	11,670
Others payables	**8,544**	2,776
Net Current Liabilities	**(829,124)**	(515,733)
Total Assets less Current Liabilities	**161,494**	705,878
Capital and Reserves		
Share capital (see note 35)	**149,137**	149,137
Reserves	**12,357**	267,058
Total equity	**161,494**	416,195
Non-current Liabilities		
Borrowings	**–**	289,683
	161,494	705,878

Note: As of 31 December 2015 and 2014, the Company had investment of one ordinary share of USD$1 each in Hanking Investment.

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

Movement in reserve

	Share capital	Special reserve	Share premium and retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014	149,137	193,064	150,276	492,477
Loss and total comprehensive expense for the year	–	–	(39,682)	(39,682)
Dividends	–	–	(36,600)	(36,600)
At 31 December 2014	149,137	193,064	73,994	416,195
Loss and total comprehensive expense for the year	–	–	(254,701)	(254,701)
At 31 December 2015	**149,137**	**193,064**	**(180,707)**	**161,494**

DEFINITIONS

"Aoniu Mine"	located at Hou'an Town, Fushun City, an iron mine operated through Aoniu Mining, a subsidiary of the Company
"Aoniu Mining"	Fushun Hanking Aoniu Mining Limited (撫順罕王傲牛礦業股份有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
"Articles of Association"	the articles of association approved by the Company at the general meeting held on 16 September 2012, effective as from the time when the trading of the Company's shares commenced on the Stock Exchange of Hong Kong Limited and as amended from time to time
"AUD"	the lawful currency of Australia
"Audit Committee"	the audit committee of the Board
"Australia"	The Commonwealth of Australia
"Benxi Iron Processing"	Benxi Hanking Iron Processing Co., Ltd. (本溪罕王鐵選有限公司), a limited liability company established in the PRC
"Benxi Mine"	located at Benxi City, an iron mine operated through Benxi Mining, a subsidiary of the Company
"Benxi Mining"	Benxi Hanking Mining Co., Ltd. (本溪罕王礦業有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
"Board"	the board of Directors of the Company
"BSM"	PT Bhumi Swadaya Mineral, a limited company established in Indonesia, which operates Jetty BSM owned by itself
"China" or "PRC"	the People's Republic of China. For the purpose of this report, references in this report to the PRC or China do not include Hong Kong, Macau Special Administrative Region and Taiwan
"City Globe"	City Globe Limited, a limited liability company incorporated in Hong Kong which holds 75% equity interest in KP
"Companies Ordinance"	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong (as amended from time to time)
"the Company" or "our Company" or "we"	China Hanking Holdings Limited

"Controlling Shareholders"	has the meaning ascribed to it in the Listing Rules and unless the context requires otherwise, refers to Ms. Yang Min, Mr. Yang Jiye, China Hanking (BVI) Limited, Bisney Success Limited and Best Excellence Limited
"Dalian Huaren"	Dalian Huaren Trade Co., Ltd. (大連華仁貿易有限公司), a limited liability company established in the PRC
"Denway Development"	Denway Development Limited, a limited liability company incorporated in Hong Kong which holds 75% equity interest in KS and KKU
"Directors"	the directors of the Company
"EBITDA"	the abbreviation of earnings before interest, taxes, depreciation and amortization
"Evergreen Mining"	Evergreen Mining Limited, a limited liability company incorporated in the BVI on 23 November 2012, an indirectly wholly-owned subsidiary of Hanking Group
"Fushun Hanking D.R.I."	Fushun Hanking D.R.I. Co., Ltd. (撫順罕王直接還原鐵有限公司), a limited liability company established in the PRC
"Fushun Shangma"	Fushun Hanking Shangma Mining Company Limited, a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
"the Group" or "Hanking"	China Hanking Holdings Limited and its subsidiaries
"Hanking Australia"	Hanking Australia Pty Ltd, a limited liability company established in Australia and a wholly-owned subsidiary of the Company
"Hanking Gold"	Hanking Gold Mining Pty Ltd, a limited liability company established in Australia and a wholly-owned subsidiary of the Company
"Hanking Group"	Hanking Group Co., Limited (罕王實業集團有限公司), a limited liability company established in the PRC on 4 April 1996, whose shares are held by Ms. Yang Min (88.96%) and other individuals. Hanking Group is a holding company and is controlled by the Controlling Shareholders
"Hanking (Indonesia)"	Hanking (Indonesia) Mining Limited, a limited company established in the BVI and a non wholly-owned subsidiary of the Company
"Hanking Mining (Hong Kong)"	Hanking Mining (Hong Kong) Limited, a limited company established in Hong Kong and a wholly-owned subsidiary of the Company

DEFINITIONS

"Harvest Globe"	Harvest Globe Limited, a limited liability company established in Hong Kong, a non wholly-owned subsidiary of Denway Development
"HSEC Committee"	the health, safety, environmental protection and community committee of the Board
"HMNS"	PT Hanking Makmur Nickel Smelt (罕王富域鎳冶煉有限公司), a limited company established in Indonesia and a non wholly-owned subsidiary of the Company
"HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Indicated Resource"	an indicated resource is one which has been sampled by drill holes or other sampling procedures at locations too widely spaced to ensure continuity, but close enough to give a reasonable indication of continuity and where geoscientific data are known with a reasonable level of reliability
"Inferred Resource"	an inferred resource is one where geoscientific evidence from drill holes or other sampling procedures is such that continuity cannot be predicted with confidence and where geoscientific data may not be known with a reasonable level of reliability
"Indonesia"	The Republic of Indonesia
"Indonesia nickel ore project"	laterite nickel project operated by the Company through KKU, KP and KS in North Konawe, the South-East Sulawesi of Indonesia
"Indonesian Rupiah"	the lawful currency of Indonesia
"JORC"	Australasian Joint Ore Reserves Committee
"JORC Code"	JORC Code, 2012 Edition
"KKU"	PT Karyatama Konawe Utara, a limited company established in Indonesia, an indirectly non wholly-owned subsidiary of the Company
"km"	kilometers
"km^2"	square kilometers

"KP"	PT Konutara Prima, a limited company established in Indonesia, an indirectly non wholly-owned subsidiary of the Company
"KS"	PT Konutara Sejati, a limited company established in Indonesia, an indirectly non wholly-owned subsidiary of the Company
"Latest Practicable Date"	13 April 2016, being the latest practicable date for the purpose of ascertaining certain information contained in this annual report prior to its publication
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Maogong Mine"	located at Shiwen Town, Fushun City, an iron mine operated through Maogong Mining, a subsidiary of the Company
"Maogong Mining"	Fushun Hanking Maogong Mining Co., Ltd. (撫順罕王毛公鐵礦有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
"Mingcheng Transportation"	Fushun Mingcheng Transportation Co., Ltd. (撫順名城運輸有限公司), a limited liability company established in the PRC
"Mingyang Transport"	Fushun Mingyang Transport Co., Ltd. (撫順名揚運輸有限公司), a limited liability company established in the PRC, an affiliate of Fushun Mingcheng Transportation Co., Ltd. (撫順名城運輸有限公司)
"mm"	Millimeters
"m"	Meters
"m^2"	Square meters
"m^3"	Cubic meters
"Nomination Committee"	the nomination committee of the Board
"Northeastern Lion"	Northeastern Lion Limited, a limited company established in the BVI and currently renamed as Hanking (Indonesia) Mining Limited, which indirectly holds 75% equity interest in KKU, KS and KP
"Prospectus"	the prospectus of the Company published on 20 September 2012

DEFINITIONS

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