Annual Report 2017

中國罕王控股有限公司

CHINA HANKING HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 03788

MISSION

As Emerging Key Player

VALUE

Always Beyond Expectations

CONTENTS

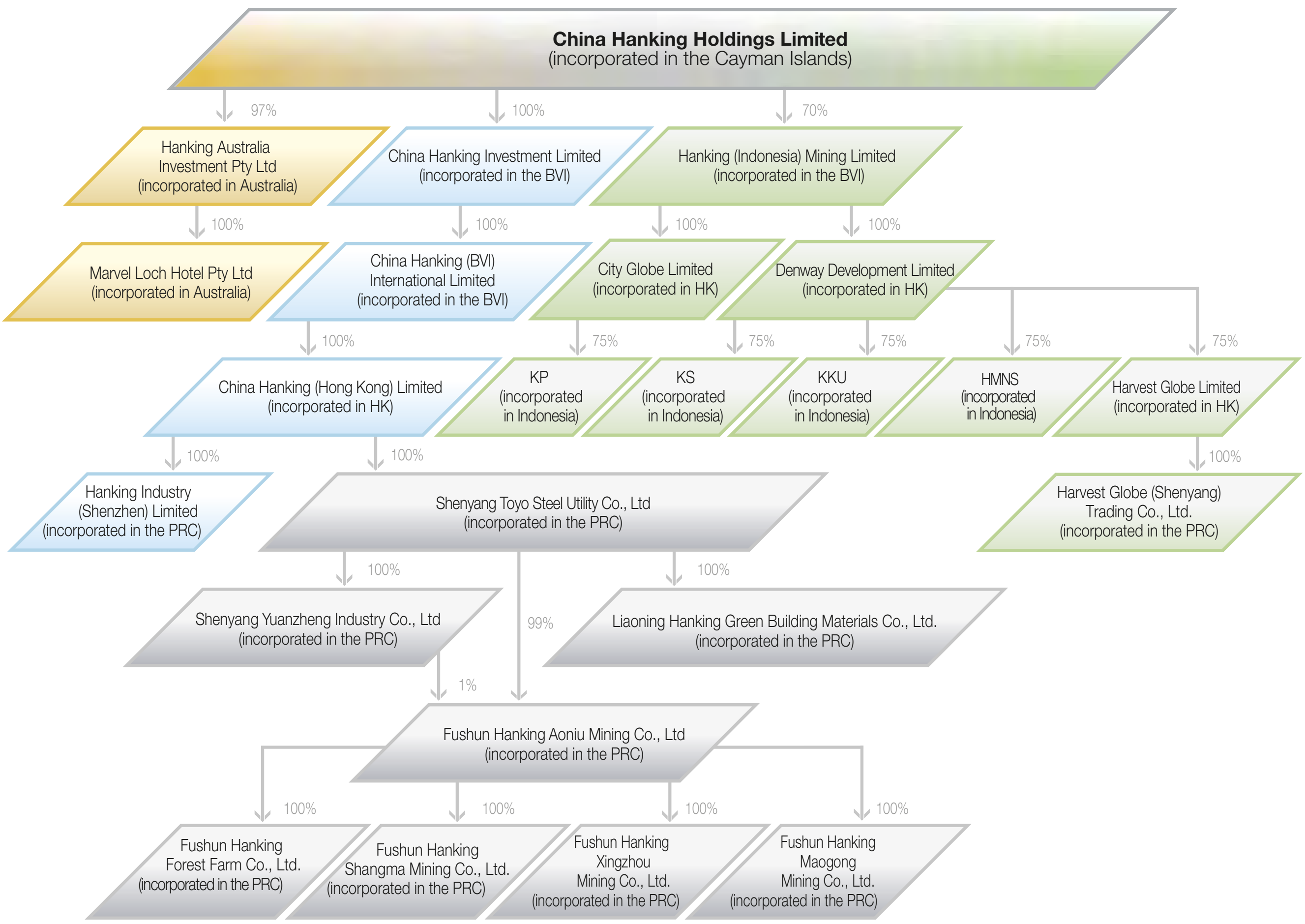
CORPORATE INFORMATION

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).

Hanking is a fast-growing international mining and metals group of companies, mainly engaging in exploitation, mining and processing of mineral resources and marketing of mineral products. With its principal operations of precious metals that supplemented by nickel and other strategic metals, Hanking has invested and developed mine operation projects with long life cycle, low operating costs and scalable operating scope in the most attractive regions around the world.

Upholding the core value of "people-first and business integrity" and adhering to the principles of "safety, community harmony and green mine", the Group actively performs the enterprises' social responsibilities.

Shareholding Structure of the Group Note



Note This shareholding structure chart reflects the Group's shareholding structure as at 31 December 2017.

COMPANY'S STATUTORY CHINESE NAME

中國罕王控股有限公司

COMPANY'S STATUTORY ENGLISH NAME

China Hanking Holdings Limited

STOCK CODE

03788

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HEADQUARTERS IN THE PRC

22nd Floor, Hanking Tower
No. 227, Qingnian Street
Shenhe District
Shenyang 110016
Liaoning Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

36/F, Tower Two, Times Square
1 Matheson Street
Causeway Bay
Hong Kong

AUTHORIZED REPRESENTATIVES

Mr. Zheng Xuezhi
Ms. Mok Ming Wai

JOINT COMPANY SECRETARIES

Mr. Xia Zhuo
Ms. Mok Ming Wai

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F, One Pacific Place
88 Queensway
Hong Kong

HONG KONG LEGAL ADVISOR

Loeb & Loeb LLP
21/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR IN THE CAYMAN ISLANDS

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

CORPORATE INFORMATION

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

INVESTOR INQUIRIES

Investor Hotline: +852 3158 0506
Facsimile: +852 3158 0508
Website: www.hankingmining.com
E-mail: ir@hanking.com

DIRECTORS

Executive Directors

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

Non-executive Directors

Dr. Pan Guocheng
Mr. Kenneth Jue Lee

Independent Non-executive Directors

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

AUDIT COMMITTEE

Mr. Wang Ping *(Chairman)*
Dr. 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)*
Dr. Wang Anjian
Mr. Ma Qingshan

HEALTH, SAFETY, ENVIRONMENTAL PROTECTION AND COMMUNITY COMMITTEE

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

FINANCIAL HIGHLIGHTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000
Continuing Operations:					
Revenue	**1,091,034**	812,217	927,219	1,368,652	1,455,505
Cost of sales	**(591,149)**	(573,717)	(721,459)	(887,981)	(663,501)
Gross Profit	**499,885**	238,500	205,760	480,671	792,004
Other income	**6,493**	11,415	28,562	23,153	15,176
Other expense	**(3,008)**	–	–	–	–
Other gains and losses	**(5,965)**	(139,674)	(277,258)	(26,894)	(32,904)
Selling and distribution expenses	**(42,193)**	(37,603)	(38,386)	(44,678)	(50,726)
Administrative expenses	**(158,625)**	(163,168)	(216,662)	(252,409)	(277,469)
Finance costs	**(118,739)**	(122,666)	(158,737)	(112,229)	(121,941)
Profit (loss) before tax	**177,848**	(213,196)	(456,721)	67,614	324,140
Income tax (expense) credit	**(77,889)**	(6,954)	5,657	(56,102)	(123,919)
Profit (loss) for the year from continuing operations	**99,959**	(220,150)	(451,064)	11,512	200,221
Discontinued operation:					
Profit (loss) for the year from discontinued operation	**765,028**	6,273	49,386	(34,401)	(46,632)
Profit (loss) for the year	**864,987**	(213,877)	(401,678)	(22,889)	153,589
Owners of the Company	**877,163**	(207,408)	(381,596)	8,990	192,661
Non-controlling interests	**(12,176)**	(6,469)	(20,082)	(31,879)	(39,072)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000
Current assets	**2,157,215**	1,159,656	1,965,913	1,594,903	1,522,613
Non-current assets	**1,775,435**	2,720,706	2,956,871	2,849,963	2,792,162
Current liabilities	**1,829,455**	1,904,910	3,399,258	2,179,767	1,903,451
Non-current liabilities	**701,357**	1,170,283	555,191	865,365	911,107
Equity attributable to owners of the Company	**1,215,457**	602,076	764,163	1,171,276	1,240,943
Non-controlling interests	**186,381**	203,093	204,172	228,458	259,274

SELECTED FINANCIAL RATIOS FROM CONTINUING OPERATIONS

	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000
Gross profit margin	**45.82%**	29.36%	22.19%	35.12%	54.41%
Net profit margin	**9.16%**	-27.10%	-48.65%	0.84%	13.76%
Gearing ratio	**64.35%**	79.25%	80.33%	68.51%	65.23%
Return ratio of total asset	**7.59%**	-2.06%	-6.36%	4.11%	20.68%

CHAIRMAN'S STATEMENT

Dear Shareholders,

The year of 2017 witnessed the business rebirth of China Hanking. During this year, China Hanking has achieved remarkable results in production, operation and capital operation, laying a solid foundation for the sustainable development of the Company. On behalf of the Board, I am pleased to present the business performance of the Group for 2017.

Mr. Yang Jiye
Chairman of the Board

Focusing on the exploration, construction, mining, processing and marketing of mining projects, China Hanking has taken various implements to create and enhance the value of every mining project, including rational planning, resource acquisition, technology improvement, output increase, efficiency enhancement and cost cutting. On 20 April 2017, the disposal of all the shares in Hanking Australia (which held the SXO Gold Project and its assets) was completed at an enterprise value of AUD330 million, representing a relatively substantial increase in the project value as compared with the consideration of AUD19.7 million paid for the acquisition of the SXO Gold Project by the Company in 2013. The disposal demonstrated our commitment to value enhancement of mining projects. Through our efforts over the past years, the resources of the SXO Gold Project increased from 2.4 million ounces to 4.6 million ounces, and the project officially commenced production in February 2015, leading to a significant increase in the value of the SXO Gold Project.

The aforesaid disposal well demonstrated our capability in value creation for mining projects, attracting more and more mine business owners, mining companies and financial institutions to seek cooperation opportunities with the Company. The disposal also offered the Company with more resources to develop new mining projects, creating favorable conditions for the sustainable development of the Company.

As to iron ore business, Maogong Mine of the Group invested only RMB1.5 million to further increase the capacity of its processing plant through optimization of production process and replacement of certain equipment. In 2017, the output of iron ore concentrates from Maogong Mine amounted to 1.13 million metric tons, representing a year-on-year increase of 33%. With the completion of the underground mining works of Maogong Mine, the output of iron ore concentrates from Maogong Mine is expected to increase in 2018 and 2019. In 2017, Maogong Mine obtained the exploration permit of an area of 8.85 km^2 in which had a high potential in iron ore exploration, which is expected to further increase the resources of Maogong Mine, extend the mining life and enhancing the value of the mine.

Unlike most of the domestic peers which produce iron ore concentrates with a grade of 65% to 66%, the Group produces iron ore concentrates with a grade of 69%. The higher grade of raw ores helps to reduce unit production cost for steel manufacturers. In 2017, by strengthening analysis on market trend and carrying out negotiations with customers regarding high-grade iron ore concentrates, the mark-up rates of the prices in respect of the grade and other factors have been increased under the 2018 Iron Ore Concentrates Sale Agreement. Generally, the sale price of per metric ton of iron ore concentrates under the new agreement will increase by approximately RMB21 as compared with the agreed pricing method under the 2017 Iron Ore Concentrates Sale Agreement. Such increase in the sale price of iron ore concentrates will not lead to the increase in costs or expenditure, which is expected to have a positive impact on the profitability of the Company.

As to nickel business, the increase in the production capacity of nickel smelting facilities in Indonesia drove the local demands for laterite nickel ore within Indonesia. Therefore, the Company resumed mining of laterite nickel ore in August 2017 and started to deliver laterite nickel ore to the customers in October 2017. The resumption of mining and sales from the Hanking laterite nickel ore project in Indonesia marked a new era of the project, which would again become a new area of earnings growth for the Company.

Apart from the existing mineral resources, the Company also paid a lot of attentions on the resources required for future social and economic development. The rapid growth of new energy industry among many other industries drove the increase in demands for lithium, cobalt and nickel. After analyzing the supply-and-demand conditions and future development directions of these three metals, the Company considered that cobalt had greater growth potential. Therefore, in 2017, the Company became a strategic cornerstone shareholder of Corazon Mining Ltd, which is a junior CO-CU-AU-NI exploration company listed in Australia, taking which as a starting point to tap into the cobalt business.

Maogong Minging

OUTLOOK

In 2018, the global economy will maintain a steady growth. In addition, both developing countries and developed countries intend to boost economic growth potential by constructing and upgrading infrastructure, which will stimulate demands for resources and drive up resource price. The Company will continue improving the operation of its existing businesses and seek more development opportunities in areas including gold, copper and cobalt mine, with an aim to create greater value for our Shareholders.

APPRECIATION

In 2017, the profit from investment on the disposal of the SXO Glod Project was about RMB763,223,000. Besides, the Group achieved substantial gains in continuing operations at about RMB1,091,034,000 and in profit for the year at about RMB99,959,000, which reversed the losses in the prior two consecutive years. Such improvement would not be possible without the efforts of all our staffs and supports from our Shareholders and partners. On behalf of the Board, I hereby wish to express my heartfelt thanks to the management and all staff of the Group for their great efforts and contributions over the past year. Moreover, to reward the Shareholders, further to a special dividend of HK$0.2 per Share distributed in 2017, a final dividend of HK$0.01 per Share for 2017 was proposed by the Board.

Mr. Yang Jiye
Chairman of the Board

MANAGEMENT DISCUSSION AND ANALYSIS

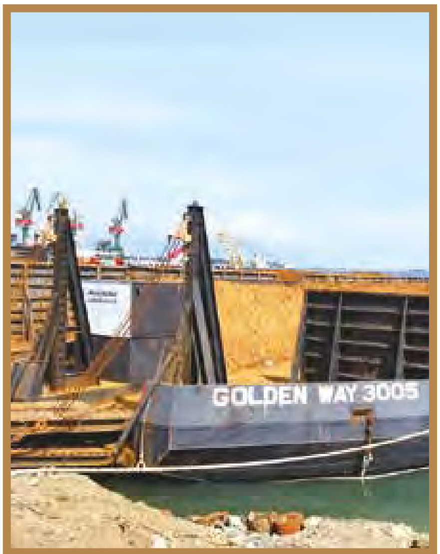

湖南路桥建设工程（集团）有限责任公司
科学管理

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

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

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



Nickel ore being berthed at the port of discharge

2. Significant increase in the value of the gold business

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

3. Resumption of production and sales of the nickel business

   In light of the demands for nickel ore in Indonesia, the nickel business of the Company initiated preparatory works to resume production in early 2017. KS and KKU joined hand with independent third parties to develop nickel resources in accordance with the cooperation agreements entered into among them. The nickel business resumed production in August 2017. In 2017, the nickel business produced in aggregate approximately 259 thousand metric tons, and sold approximately 223 thousand metric tons of nickel ore.

IRON ORE BUSINESS

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

1. Operation review

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

Table 1 – Output and sales volume of iron ore

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

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

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

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

Table 2 – Cash operation costs of the iron ore business

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

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

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

2. Operating mines

(a) Maogong Mine

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

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

Table 3 – Operation breakdown of Maogong Mine

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

Notes:

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

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

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

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

(b) Aoniu Mine

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

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

Table 4 – Operation breakdown of Aoniu Mine

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

Notes:

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

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

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

(c) Shangma Mine

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

(d) Xingzhou Mine

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

3. Iron ore resources and reserves

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

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

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

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

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

* *Represents low-grade ore body*

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

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

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

Notes:

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

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

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

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

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

* *Represents low-grade ore body*

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

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

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

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

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

GOLD BUSINESS

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

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

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

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

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

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

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

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

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

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

2. Other business in Australia

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

(a) Investment in CZN

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

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

(b) Investment in PGO

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

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

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

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

NICKEL BUSINESS

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

1. Operating mines

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

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

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

2. Nickel ore resources and reserves

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

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

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

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

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

Prospect and Countermeasures

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

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

Safety, Environmental Protection, Employee And Remuneration Policy

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

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

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

FINANCIAL REVIEW

1. Revenue, Cost of Sales, Gross Profit

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

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

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

Table 8 – Analysis on the revenue by major products

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

2. Other Income, Other Gains and Losses

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

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

3. Distribution and Selling Expenses, Administrative Expenses

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

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

4. Finance Costs and Income Tax Expense

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

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

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

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

6. Profit and Total Comprehensive Income for the Year

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

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

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

7. Property, Plant and Equipment and Inventories

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

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

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

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

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

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

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

9. Cash Use Analysis

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

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

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

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

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

10. Cash and Borrowings

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

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

11. Gearing Ratio

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

12. Major Risks

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

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

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

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

13. Pledge of Assets and Contingent Liabilities

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

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

14. Capital Commitment

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

15. Capital Expenditure

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

16. Significant Foreign Investments Held

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

17. Material Acquisitions and Disposals of Subsidiaries and Associated Companies

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

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

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

18. Significant Subsequent Events

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

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

REPORT OF THE DIRECTORS

1. PRINCIPAL ACTIVITIES

The Group is a fast-growing international mining and metals group of companies, mainly engaging in exploitation, mining and processing of mineral resources across the globe and marketing. The Group is mainly engaged in exploration, mining and processing of iron, nickel, gold and other strategic metals and marketing of mineral products as well as development of mineral resources. Details of the principal subsidiaries of the Company are set out in note 36 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" of this annual report. Description of possible risks and uncertainties that the Group may be facing can be found in paragraph 12 "Major Risks" of the section headed "Financial Review". Also, the financial risk management objectives and policies of the Group can be found in note 43 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 "Significant Subsequent Events" of the section headed "Financial Review" of this annual 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 "Corporate Governance Report" and the section headed "Report of the Directors" of this annual report 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 2017, and the position of the Company and the Group as at that date are set out on pages 80 to 83 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 2017 are set out in note 18 to the consolidated financial statements.

5. SHARE CAPITAL

As at 31 December 2017, the total number of authorized Shares was 10,000,000,000 Shares with a par value of HK$0.10 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. DISTRIBUTABLE RESERVE

The share premium of the Company is available for paying distributions or dividends to the Shareholders subject to the provisions of the Articles of Association and provided that immediately following the distribution or dividend payment the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Articles of Association, dividends can be distributed out of the profits, special reserve and share premium of the Company. The Company's reserve available to the Shareholders as at 31 December 2017 amounted to approximately RMB265,055,000.

8. DIVIDEND

During the reporting period, after the disposal of the equity interests in the SXO Gold Project, the Company distributed a special dividend of HK$0.2 per Share to the Shareholders, totaling approximately RMB320,000,000, with an aim to share the investment gain from the disposal of the gold project with the Shareholders, details of which are set out in the interim results announcement of the Company dated 23 August 2017.

Subsequent to the end of the reporting period,the Board recommended the payment of the final dividend for the year ended 31 December 2017 to the Shareholders, with HK$0.01 per Share. The payment of the dividend will be conditional upon the approval of the Shareholders at the annual general meeting of the Company to be held on Thursday, 24 May 2018. It is expected that the final dividend will be paid to the Shareholders by 15 June 2018.

Closure of Register of Members

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

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

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 2017.

10. MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2017, according to the Listing Rules, the purchase from the Company's five largest suppliers in aggregate accounted for 53.32% of the Company's total purchase for the year. In particular, the total purchase from the largest supplier accounted for 21.39% of the Company's total purchase for the year.

For the year ended 31 December 2017, the sales to the Company's five largest customers in aggregate contributed 89.33% to the Company's total sales for the year. In particular, the sales to the largest customer contributed 30.50% 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 close associates (as defined in the Listing Rules) of the Directors or Shareholders (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 2017 are set out in note 31 to the consolidated 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 Jiye	Executive Director, Chairman of the Board and Chief Executive Officer and President	Re-elected as executive Director on 27 May 2016 Appointed as Chief Executive Officer and President on 20 March 2018	N/A
Zheng Xuezhi	Executive Director and Chief Financial Officer	Re-elected as executive Director on 27 May 2016	N/A
Qiu Yumin	Executive Director, Vice President and chief executive officer and president of Hanking Australia Investment	Appointed as chief executive officer and president of Hanking Australia Investment on 25 July 2016 Re-elected as executive Director on 22 May 2017	N/A
Xia Zhuo	Executive Director, Vice President, Joint Company Secretary and president of Hanking (Indonesia)	Re-elected as executive Director on 27 May 2016	N/A
Pan Guocheng	Executive Director, Chief Executive Officer and President	Re-elected as executive Director and appointed as Chief Executive Officer and President on 28 May 2015 Re-designated from executive Director to non-executive Director on 20 March 2018	Resigned as Chief Executive Officer and President on 20 March 2018
Kenneth Jue Lee	Non-executive Director	Re-elected as non-executive Director on 22 May 2017	N/A
Wang Ping	Independent non-executive Director	Re-elected as independent non-executive Director on 27 May 2016	N/A
Wang Anjian	Independent non-executive Director	Re-elected as independent non-executive Director on 22 May 2017	N/A
Ma Qingshan	Independent non-executive Director	Re-elected as independent non-executive Director on 27 May 2016	N/A
Huang Jinfu	Director and president of Aoniu Mining	Appointed as president of Aoniu Mining on 15 September 2017	N/A

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. Dr. Pan Guocheng, Mr. Zheng Xuezhi and Mr. Ma Qingshan will retire as Directors at the annual general meeting to be held on 24 May 2018 and, being eligible, will offer themselves for re-election as Directors.

13. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Detailed biographies of Directors and senior management are set out on pages 71 to 73 of this annual report.

14. DIRECTORS' SERVICE CONTRACT

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

The Company has entered into a director service contract and letter of appointment with each of the Directors, the major terms of which are that the service contracts and the letters of appointment shall be: (1) for a term of three years commencing from 17 March 2018 (in the case of Mr. Yang Jiye, Mr. Zheng Xuezhi, Dr. Qiu Yumin, Mr. Xia Zhuo, Mr. Kenneth Jue Lee, Mr. Wang Ping, Dr. Wang Anjian and Mr. Ma Qingshan), or 20 March 2018 (in the case of Dr. Pan Guocheng); and (2) terminated or renewed in accordance with their respective contract terms.

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

15. CONFIRMATION OF INDEPENDENCE

The Company has received the written confirmation of their independence of 2017 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.

16. 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 2017, 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.

17. DIRECTOR'S INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in paragraph 23 "Connected Transactions" of this section, during the year ended 31 December 2017, the Company has not directly or indirectly concluded transactions, arrangements or 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.

18. INDEMNITIES MADE TO THE DIRECTORS

According to Article 164 of the Articles of Association, the Directors shall be entitled to be indemnified out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which may incur or sustain in the execution of their duties. The Company has purchased appropriate directors and senior management liabilities insurance for the Directors and senior management of the Group.

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

(1) Excluded Businesses

All excluded businesses disclosed in the Prospectus were sold to the independent third parties by the controlling shareholders. However, Hanking Group controlled by controlling shareholders acquired Fushun Majuncheng Iron Co., Ltd. ("**Majun Mining**") in 2016. Majun Mining engages in the mining and processing of iron ore, which compete against the businesses of the Company. Nevertheless, the Directors of the Company are of the opinion that the Majun iron ore resources owned by Majun Mining are in lower quality than the iron ore resources of the Company. Therefore, the Company currently does not intend to acquire Majun Mining.

To the best knowledge of the Directors and based on the information available to the Directors, financial information of the excluded businesses for the past three years (RMB'000) (audited) is as follows:

	For the year ended 31 December		
	2017	2016	2015
Total assets	**415,360**	271,460	184,620
Total liabilities	**432,350**	269,500	171,070
Profit/loss	**-18,650**	–11,390	5,610

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

As at 31 December 2017, 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 Jiye	Chairman of the Board and executive Director	Vice chairman of the board of directors of Hanking Group
Xia Zhuo	Executive Director and Joint Company Secretary	director of Hanking Group

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 2017, 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:

(1) Interests in the shares of the Company:

Name of Director and Chief Executive	Status/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding
Yang Jiye[1]	Founder of discretionary trust	494,360,500 (long positions)	27.01%
	Interest in controlled corporation	305,881,000 (long positions)	16.71%
Xia Zhuo[2]	Interest in controlled corporation	19,130,589 (long positions)	1.05%
	Beneficial owner	60,000 (long positions)	Less than 0.01%
Pan Guocheng[3]	Beneficial owner	4,220,000 (long positions)	0.23%
Zheng Xuezhi	Beneficial owner	2,452,000 (long positions)	0.13%

Notes:

1. Mr. Yang Jiye is the founder of management trust which holds the entire issued share capital of Bisney Success Limited and holds 100% interest in Tuochuan Capital Limited. As a result, Mr. Yang Jiye is deemed to hold interest in 494,360,500 Shares held by Bisney Success Limited and 305,881,000 Shares held by Tuochuan Capital Limited.

2. Mr. Xia Zhuo holds 54.38% interest in Splendour Ventures Limited. As a result, Mr. Xia Zhuo is deemed to hold interest in 19,130,589 Shares held by Splendour Ventures Limited. The accurate percentage of the 60,000 Shares beneficially owned by Mr. Xia Zhuo is 0.00327869%.

3. These Shares are held jointly with Ms. Pan Guoying.

(2) Interests in the shares of associated corporations of the Company:

Name of Director and Chief Executive	Name of Associated Corporation	Status/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding
Qiu Yumin	Hanking Australia Investment Pty Ltd	Beneficial owner	3 (long positions)	3.00%

Save as disclosed above, as at 31 December 2017, 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.

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

As at 31 December 2017, as far as the Directors of the Company, 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	Status/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding
Yang Min[1]	Interest in controlled corporation	506,025,000 (long positions)	27.65%
	Founder of discretionary trust	13,820,166 (long positions)	0.76%
China Hanking (BVI) Limited	Beneficial owner	506,025,000 (long positions)	27.65%
Bisney Success Limited	Beneficial owner	494,360,500[2] (long positions)	27.01%
Le Fu Limited	Interest in controlled corporation	494,360,500[2] (long positions)	27.01%
UBS Nominees Limited	Nominee for the Trustee	494,360,500 (long positions)	27.01%
UBS Trustees (BVI) Limited	Trustee	494,360,500 (long positions)	27.01%
Tuochuan Capital Limited	Beneficial owner	305,881,000 (long positions)	16.71%
China Citic Bank Corporation Limited	Person having a security interest in Shares	280,000,000 (long positions)	15.30%
Xinfu Branch, Bank of Fushun Co., Ltd.	Person having a security interest in Shares	500,000,000 (long positions)	27.32%

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. Thus Ms. Yang Min is deemed to have an interest in 506,025,000 Shares held by China Hanking (BVI) Limited and 13,820,166 Shares held by Best Excellence Limited.

2. These 494,360,500 Shares belong to the same group of shares.

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

22. MANAGEMENT CONTRACTS

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

23. CONNECTED TRANSACTIONS

All the connected transactions disclosed in note 45 to the consolidated financial statements also constitute connected transactions or continuing connected transactions for the Group as defined in the Listing Rules.

The annual transaction amount caps and actual transaction amounts of the continuing connected transactions in 2017 are as follows:

Items of Continuing Connected Transactions	Connected Person	2017 Annual Transaction Amount Cap (RMB)	Actual Transaction Amount (RMB)
(a) Sales of Iron Ore Concentrates	Fushun Hanking D.R.I., Dalian Huaren and Fushun Deshan	484,000,000	413,700,000
(b) Lease of Properties and Properties Management	Shengtai Properties	2,500,000	1,894,000
(c) Lease of Land	Hanking Group	1,000,000	526,000

During the year ended 31 December 2017, the Group had carried out certain continuing connected transactions. The details are as follows:

As the transaction under Iron Ore Concentrates Sale Agreement was non-exempt continuing connected transaction, such transaction was subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company has obtained the approval from the independent Shareholders for such continuing connected transaction and its annual transaction amount cap.

As the transactions under properties lease and properties management agreement and land lease agreement were fully-exempt continuing connected transactions, such transactions were exempted from compliance with the independent shareholders' approval, annual review and all the disclosure requirements.

a. Sales of Iron Ore Concentrates

Fushun Hanking D.R.I. is principally engaged in casting of high purity pig iron and ductile pig iron, 99% interest of which is indirectly owned by Mr. Yang Jiye. According to Chapter 14A 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.

On 22 November 2016, the Company, through its subsidiaries, entered into the New Iron Ore Concentrates Sale Agreement with Fushun D.R.I., Dalian Huaren and Fushun Deshan (both are the agents of Fushun D.R.I.) for a term of three years commencing from 1 January 2017 and ending on 31 December 2019. The annual transaction amount cap for each of the three years is RMB345,000,000.

On 26 September 2017 and 10 November 2017 respectively, the Company, through its subsidiaries, entered into the supplemental agreements with Fushun Hanking D.R.I., Dalian Huaren and Fushun Deshan to revise each annual transaction amount cap under the New Iron Ore Concentrates Sale Agreement dated 22 November 2016 to RMB484,000,000. The actual transaction amount of the continuing connected transaction for 2017 was RMB413,700,000.

b. Lease of Properties and Properties Management

Given the fact that 100% of interest in Shengtai Properties is indirectly held by the substantial Shareholder, Shengtai Properties is a connected person of the Company in accordance with Chapter 14A of the Listing Rules. Aoniu Mining, STSU and Shengtai Properties concluded a lease agreement on 16 September 2011. According to the agreement, Aoniu Mining and STSU continued to lease office premises located at No. 227, Qingnian Street, Shenhe District, Shenyang City, Liaoning Province, with a leased area of approximately 3,193.8 m^2 from Shengtai Properties, leased advertising sites in the same building, and engaged Shengtai Properties 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 Properties 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. On 12 November 2016, STSU entered into a new lease agreement with Shengtai Properties for a term of three years commencing from 1 January 2017 and ending on 31 December 2019. The annual transaction amount cap for each of the three years is RMB2,500,000. The actual transaction amount of the continuing connected transaction for 2017 was RMB1,894,000.

c. Lease of Land

In accordance with Chapter 14A of the Listing Rules, Hanking Group is a connected person of the Company. On 16 April 2017, Maogong Mining, a wholly-owned subsidiary of the Company, entered into a land lease agreement with Hanking Group, pursuant to which, Maogong Mining shall lease from Hanking Group the factory land of Jingjia Iron Factory with a total site area of approximately 164,342 m^2. The lease term is three years commencing from 1 May 2017 and ending on 30 April 2020. The annual rent amounts to RMB1,000,000 (tax inclusive), being the annual transaction amount cap of the continuing connected transaction. The actual transaction amount of the continuing connected transaction for 2017 was RMB526,000.

Each of the continuing connected transactions (including annual cap) mentioned above was approved by the Board and/or general meetings.

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

25. RETIREMENT AND EMPLOYEES' BENEFIT PLAN

Detailed information on the retirement and employees' benefit plan of the Company is provided in note 10 to the consolidated financial statements.

26. COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE

Save as disclosed herein, during the period from 1 January 2017 to 31 December 2017, the Company has complied with the remaining code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules, meanwhile, the Company has complied with most of the best practices as recommended therein. Please refer to the Corporate Governance Report of this annual report for details.

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

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 as at the Latest Practicable Date prior to the issue of this annual report, which was in compliance with the requirement of the Listing Rules.

28. SIGNIFICANT LEGAL PROCEEDINGS

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

29. AUDIT COMMITTEE

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

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 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 the section "Connected Transactions" of this report, neither the Company nor any of its subsidiaries have signed a significant contract with the Controlling Shareholders 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 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 2017, 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 2017, 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 AND RULE 13.21 OF THE LISTING RULES

On 11 August 2016, China Hanking (BVI) Limited ("**China Hanking (BVI)**") and Tuochuan Capital Limited ("**Tuochuan Capital**") pledged 80,000,000 and 200,000,000 Shares, respectively, in favour of China Citic Bank Corporation Limited, Dalian Branch ("**China CITIC Bank**") as security for a term loan facility up to a maximum aggregate amount of RMB180,000,000 provided by China CITIC Bank to Aoniu Mining. The above Pledged Shares represented approximately 15.30% of the issued share capital of the Company on 11 August 2016. Details are set out in the announcement of the Company dated 11 August 2016.

On 31 October 2017, (a) the pledge above has been released and discharged by China CITIC Bank; (b) China Hanking (BVI) has transferred 80,000,000 Shares to Tuochuan Capital; and (c) Tuochuan Capital has pledged 280,000,000 Shares, which represented approximately 15.30% of the issued share capital of the Company as at 31 October 2017, in favour of China CITIC Bank as security for a term loan facility up to a maximum aggregate amount of RMB175,000,000 provided by China CITIC Bank to Aoniu Mining. Details are set out in the announcement of the Company dated 31 October 2017.

On 30 June 2017, China Hanking (BVI) pledged 500,000,000 Shares in favour of Xinfu Branch, Bank of Fushun Co., Ltd. ("**Fushun Bank**") as security for certain loans. The above pledged Shares represented approximately 27.32% of the issued share capital of the Company as at 30 June 2017. Details are set out in the announcement of the Company dated 3 July 2017.

36. TAXATION RELIEF

The Company is not aware of any relief from taxation available to Shareholders by reason of their holding of the Shares.

37. DEBENTURES

For the year ended 31 December 2017, the Company did not issue any debentures.

38. EQUITY-LINKED AGREEMENTS

For the year ended 31 December 2017, no equity-linked agreements were entered into by the Company or subsisted at the end of that year.

39. CHARITABLE DONATIONS

The Group made donation for charitable purposes in an aggregate amount of RMB200,000 during the year ended 31 December 2017.

By order of the Board
Mr. Yang Jiye
Chairman of the Board and Executive Director

20 March 2018

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 as set out in Appendix 14 to the Listing Rules, is in the best interest of the Company and the Shareholders. During the period from 1 January 2017 to 31 December 2017, save as disclosed in paragraph 26 "Compliance with Code on Corporate Governance" of the section headed "Report of the Directors" above, the Company has complied with the Corporate Governance Policies as well as the remaining 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 of the Company is collectively responsible to all Shareholders for leading and overseeing the Group's business, and is in charge of operation and decision making. The Board is mainly responsible for formulating the business strategies, objectives, policies and plans of the Company, and monitoring the execution of the Company's strategies. It is also responsible for overseeing and controlling the operational and financial performance of the Company and establishing appropriate risk management policies and procedures in order to ensure that the strategic objectives of the Group are materialized. In addition, the Board is also responsible for improving the corporate governance structure and enhancing communications with the Shareholders. The management team headed by the Chief Executive Officer is responsible to the Board and executes the strategies and plans formulated by the Board, and makes 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 2017 to the date of this annual report, the re-designation, resignation and appointment of Directors are set out as follows:

On 20 March 2018, (1) Dr. Pan Guocheng resigned as Chief Executive Officer and President of the Company due to his other personal commitments which require more of his dedications, while was re-designated from an executive Director to a non-executive Director and would remain as the chairman of the HSEC Committee; and (2) Mr. Yang Jiye was appointed as Chief Executive Officer and President of the Company.

CORPORATE GOVERNANCE REPORT

During the period from 1 January 2017 to 31 December 2017, the Board comprised the following members:

Non-executive Director	Executive Director	Independent non-executive Director
Mr. Kenneth Jue Lee	Mr. Yang Jiye *(Chairman)*	Mr. Wang Ping
	Dr. Pan Guocheng *(Chief Executive Officer and President)*	Dr. Wang Anjian
	Mr. Zheng Xuezhi *(Chief Financial Officer)*	Mr. Ma Qingshan
	Dr. Qiu Yumin	
	Mr. Xia Zhuo	

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

As of 31 December 2017, the Company had three independent non-executive Directors in total, representing one-third of the total number of Directors. Mr. Wang Ping has over 21 years' experience in corporate finance, audit, accounting and taxation; Dr. Wang Anjian has extensive experience in research of resource strategy; and Mr. Ma Qingshan has over 15 years of extensive experience in management and consultation.

Details of the Directors' biographies are disclosed in the "Biographies of Directors and Senior Management" of this annual report. None of the members of the Board has any relationship with other members.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

For the year ended 31 December 2017, Directors have participated in the following trainings on a director of a listed company, so as to continuously develop their expertise and professional skills.

	Training Scope		
Directors	**Corporate Governance**	**Listing Rules**	**Business/ Management**
Non-executive Director			
Mr. Kenneth Jue Lee	✓	✓	✓
Executive Directors			
Mr. Yang Jiye	✓	✓	✓
Dr. Pan Guocheng	✓	✓	✓
Mr. Zheng Xuezhi	✓	✓	✓
Dr. Qiu Yumin	✓	✓	✓
Mr. Xia Zhuo	✓	✓	✓
Independent non-executive Directors			
Mr. Wang Ping	✓	✓	✓
Dr. Wang Anjian	✓	✓	✓
Mr. Ma Qingshan	✓	✓	✓

In order to gain the latest information of their specialized fields, each of the Directors proactively attended seminars related with various industries, including 2017 Meeting of the Prospectors and Developers Association of Canada (PDAC) (2017加拿大勘採與開發者協會(PDAC)大會), 121 Oil & Gas Investment (121礦業投資大會), Meeting of the Association of Mining and Exploration Companies (AMEC) (採礦與勘探公司協會(AMEC)會議), International Steel & Minerals Conference 2017 (2017冶金礦產品國際會議), the 11th China-Australia Resources Investment Forum (第十一屆中國－澳大利亞資源投資論壇), the 19th China International Mining Conference (第十九屆中國國際礦業大會), the "Hong Kong: Superior Business Environment with New Policies, New Opportunities (香港：優越的營商環境，新政策新機遇)" Investment Promotion Seminar, China-Australia Mining Forum (Beijing) (中澳礦業論壇（北京）), Northern Australia Development Forum (澳洲北部大開發論壇), etc..

COMPANY SECRETARY

For the year ended 31 December 2017, the joint company secretaries of the Company were Mr. Xia Zhuo and Ms. Mok Ming Wai and both of them have participated in not less than 15 hours' professional training. Ms. Mok's primary contact person at the Company was Mr. Xia Zhuo.

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 Chairman of the Board as an addition to the existing Board shall hold office only until the next general meeting of the Company and shall then be eligible for re-election.

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 2017 from each of the independent non-executive Directors and considers them to be independent of the management and not having 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 given in respect of the business development, significant decisions, risk management and internal control of the Company. On 22 August 2017, the independent non-executive Directors and Chairman of the Board made a thematic discussion, so as to evaluate the overall operating management capacity of the senior management in 2017.

During the reporting period, no objection was raised by the independent non-executive Directors to the resolutions made by the Board of the Company or the specialized committees.

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 2017.

THE 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 Chairman of the Board and Chief Executive Officer. During the reporting period, Mr. Yang Jiye, an executive Director, was the Chairman of the Board, while Dr. Pan Guocheng, an executive Director, acted as the Chief Executive Officer of the Company. The 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 and the members of the specialized committees under the Board with information and materials related to the operation on a monthly basis, so as to update them with the latest developments of the Company and facilitate the discharge of duties better.

GENERAL MEETING, BOARD MEETING AND SPECIALIZED COMMITTEE MEETING

The Company has sufficiently promulgated the terms of reference of the Board and the four specialized committees under the Board (namely the Audit Committee, Nomination Committee, Remuneration Committee and HSEC Committee), and published on the websites of the Hong Kong Stock Exchange and the Company the terms of reference of each of the specialized committees, which enable these committees to perform their duties and also provide that these four specialized committees should report their decisions and recommendations to the Board.

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

During the reporting period, details of Directors' attendance of the Board meetings, meetings of the specialized committees under the Board and general meetings are as follows:

Name of Directors	Board of Directors	Specialized Committees under the Board Audit Committee	Remuneration Committee	Nomination Committee	HSEC Committee	General Meetings
Non-executive Director						
Kenneth Jue Lee	9/9	2/2	1/1	N/A	N/A	3/3
Executive Directors						
Yang Jiye	9/9	N/A	N/A	1/1	1/1	3/3
Pan Guocheng	9/9	N/A	N/A	N/A	1/1	3/3
Zheng Xuezhi	9/9	N/A	N/A	N/A	N/A	3/3
Qiu Yumin	9/9	N/A	N/A	N/A	N/A	3/3
Xia Zhuo	8/9	N/A	N/A	N/A	N/A	3/3
Independent non-executive Directors						
Wang Ping	9/9	2/2	1/1	N/A	N/A	3/3
Wang Anjian	9/9	2/2	N/A	1/1	1/1	2/3
Ma Qingshan	9/9	N/A	1/1	1/1	N/A	3/3

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 2017 to 31 December 2017, the Audit Committee comprised the following members:

Non-executive Director	Independent non-executive Directors
Mr. Kenneth Jue Lee	Mr. Wang Ping *(Chairman)* Dr. Wang Anjian

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

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 were published on the websites of the Hong Kong Stock Exchange and the Company on 17 December 2015. The terms of reference of the Audit Committee shall at least 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 2017, the Audit Committee held a total of two meetings, at which the Audit Committee reviewed the annual and half-year financial results and financial reports of the Group for the year 2016 and the first half of 2017 respectively, the 2017 audit plan of the Company’s internal audit department, the implementation of non-competition agreement by Controlling Shareholders and the annual statement made by them, terms of the connected transactions and other issues, and also discussed the appointment of auditors and the determination of their remuneration. All members of the Audit Committee have attended the above two meetings and the external auditors have attended the second meeting.

(B) Remuneration Committee

During the period from 1 January 2017 to 31 December 2017, the Remuneration Committee comprised the following members:

Non-executive Director	Independent non-executive Directors
Mr. Kenneth Jue Lee	Mr. Wang Ping *(Chairman)* Mr. Ma Qingshan

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 2017, the Remuneration Committee held one meeting, at which the committee mainly reviewed the remuneration of the Directors and senior management of the Company for the year of 2016 as well as the remuneration policies and structure for the year of 2017.

(C) Nomination Committee

During the period from 1 January 2017 to 31 December 2017, the Nomination Committee comprised the following members:

Executive Director	Independent non-executive Directors
Mr. Yang Jiye *(Chairman)*	Dr. Wang Anjian Mr. Ma Qingshan

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

In 2017, the Nomination Committee held one meeting, at which the retiring Director Dr. Qiu Yumin was nominated for re-election as executive Director, Mr. Kenneth Jue Lee as non-executive Director and Dr. Wang Anjian as independent non-executive Director. The independence of Mr. Wang Ping, Dr. Wang Anjian and Mr. Ma Qingshan was assessed. The members, structure and composition of the Board were reviewed, and the sufficiency of time and efforts contributed by the Directors in relation to the performance of their duties was also discussed.

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 2017, the Board comprised nine Directors, all of them are male. There were two Directors at the age range of 31-40, three Directors at the range of 41-50, two Directors at the range of 51-60 and two Directors aged over 61, of which five Directors are from Mainland China, two from Hong Kong, one from the U.S. and one from Australia. All Directors have received tertiary education or above, and three of them have obtained doctorate degree. The Directors have rich experiences in enterprise operation and management and risk management and control, mine site exploration, development, operation and investment, geology and mineral resources, financial affairs, financing and securities, and constantly enhance their professional skills through continuous learning and training. The Nomination Committee has reviewed the members, structure and composition of the Board, and 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 persons, including Pan Guocheng, Qiu Yumin and Wang Anjian	3/9
Financial, investment and financing	Totalling three persons, including Zheng Xuezhi, Kenneth Jue Lee, and Wang Ping	3/9
Enterprise management and risk management and control	Totalling three persons, including Yang Jiye, Xia Zhuo and Ma Qingshan	3/9

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

During the period from 1 January 2017 to 31 December 2017, the HSEC Committee comprised the following members:

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

In 2017, 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 2016 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 the laws and regulatory requirements;

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

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

The Company compiled the existing corporate governance system and dispatched it to the Directors in 2017. The Board reviews the Group's corporate governance on an annual basis.

REMUNERATION OF AUDITORS

The Shareholders approved the resolution for the re-appointment of Deloitte Touche Tohmatsu as the auditor of the Company for 2017 and authorizing the Board to determine its remuneration at the annual general meeting held on 22 May 2017. The Company continued to appoint Deloitte Touche Tohmatsu as the auditor of the Company for the year of 2017 with a term of one year to the date of the 2018 annual general meeting. As of 31 December 2017, details of the audit and non-audit services provided by the auditor for the Group are as follows:

Audit Service	The total fee charged for providing audit service in 2017 was approximately RMB2,939,000, among which, the total fee charged for providing the Group with the interim review for the financial statements as of 30 June 2017 and annual audit for the financial statements as of 31 December 2017 was RMB2,244,000 (excluding taxation and sundries). The fee charged for providing audit for disposal of the SXO Gold Project was approximately RMB695,000 (excluding taxation and sundries).
Non-audit Service	The total fee charged for providing the Group with the consulting services on taxation was approximately HK$35,500 (excluding taxation and sundries).

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 2017, 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 respond 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.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for the risk management and 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 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 the Information Disclosure Management System, the Administrative Rules Governing Related Party Transactions, and also formulated the Inside Information Disclosure System to identify and process the inside information. The Board has assessed the effectiveness of the procedures of identifying and processing inside information on due course, so as to preserve the confidentiality of inside information prior to the properly approved disclosure and disclose such information in an effective and consistent manner.

The Group has established a specialized internal audit organ ("**Audit Department**"), formulated relevant mechanism, and set up proper internal control procedures to ensure the effectiveness of internal control and risk management and extend its application to all the Group's holding subsidiaries. The Audit Department was directly under the leadership of the Audit Committee, thus the annual audit report and plan of the Audit Department were approved by the Audit Committee. The Audit Department independently carried out the internal audit and monitoring work of the Company. Pursuant to the work program approved by the Audit Committee, based on the internal control, daily monitoring and project monitoring as well as focusing on the probability of risks and impact on the Company's objectives, in 2017, the Audit Department made great efforts in reviewing the risks associated with the corporate governance (including the development strategies, organisational structure, corporate culture, social responsibility, human resources, procurement business, funding activities and overall budget) and expressed its assessment opinions on risk management and internal control.

The internal control assessment procedures of the Company implemented by the Audit Department mainly include: formulation of assessment work plan, implementation of on-site testing, recognition of control defaults, collection of assessment results, preparation of assessment report, etc. During the assessment process, the Audit Department widely collects evidences regarding to the effectiveness of internal control design and operation, fills in the internal control risk assessment paper in a truthful manner and analyses the internal control defaults through a combination of methods and approaches such as individual interview, questionnaire survey, panel discussion, sampling inspection, walk through testing, field inspection and comparative analysis. When recognising internal control defaults by auditing and monitoring the Company's risk management system as well as conducting assessment, the Audit Department takes rectification measures after communication with the management.

By doing so, the Board is of the opinion that the Company has maintained effective internal control over the financial reporting process in all material aspects with reference to the requirements under the enterprise internal control regulation system and the relevant provisions. According to the assessment of deficiency in the internal control over the non-financial reporting process of the Company, as at the reference date of the internal control assessment report, no material defects or major deficiencies in the internal control over the non-financial reporting process were identified.

ARTICLES OF ASSOCIATION

For the year 2017, 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 2017, the Company organised 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/extraordinary general meetings to ensure the high level of accountability and to stay apprised of the Group's strategy and goals.

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

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

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

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

Address:	36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong
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 Chairman of the Board as well as Chairmen of all of the specialized committees of the Company, or in their absence, other members of the respective committees, are available to answer questions at the annual general meeting. The independent 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 of share certificates or dividend cheques, shall be sent or made to Computershare Hong Kong Investor Services Limited, the Company's share registrar in Hong Kong whose contact information is as follows:

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

(D) Investor relations and communication

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

- Articles of Association, the Board and its specialized committees and the biographies of Directors;
- announcements, circulars, regular reports, promotional materials and press releases of the Company;
- financial information and summarized financial information for the respective years of the Company; and
- 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 four executive Directors, two non-executive Directors 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	40	Executive Director, Chairman of the Board and Chief Executive Officer and President	re-elected as executive Director on 27 May 2016 appointed as Chief Executive Officer and President on 20 March 2018	responsible for the formulation and implementation of the overall operation and development strategy of the Group, supervision on the execution and implementation of the strategies by the management and daily operation and management of the Group
Mr. Zheng Xuezhi	48	Executive Director and Chief Financial Officer	re-elected as executive Director on 27 May 2016	responsible for the financial management and accounting of the Group
Dr. Qiu Yumin	55	Executive Director, Vice President and chief executive officer and president of Hanking Australia Investment	re-elected as executive Director on 22 May 2017	responsible for the daily operation management and investment of the Group's business in Australia
Mr. Xia Zhuo	52	Executive Director, Vice President, Joint Company Secretary and the president of Hanking (Indonesia)	re-elected as executive Director on 27 May 2016	responsible for the daily work of the Board of the Group and daily operation and management of the nickel business
Dr. Pan Guocheng	61	Non-executive Director	re-designated from executive Director to non-executive Director on 20 March 2018	N/A
Mr. Kenneth Jue Lee	50	Non-executive Director	re-elected as non-executive Director on 22 May 2017	N/A
Mr. Wang Ping	47	Independent non-executive Director	re-elected as independent non-executive Director on 27 May 2016	N/A
Dr. Wang Anjian	64	Independent non-executive Director	re-elected as independent non-executive Director on 22 May 2017	N/A
Mr. Ma Qingshan	38	Independent non-executive Director	re-elected as independent non-executive Director on 27 May 2016	N/A

Resignation/Retirement of Directors

During the reporting period, none of the Directors has resigned/retired from the Company.

2. BIOGRAPHY OF NON-EXECUTIVE DIRECTORS

Dr. Pan Guocheng, aged 61, is a non-executive Director. Currently, he is the director of Aoniu Mining and STSU and the supervisor of KS, KKU, KP and HMNS. Being in his previous and current positions in the Group, Dr. Pan has obtained more than 27 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. Kenneth Jue Lee, aged 50, is a non-executive Director. He has served on the Company's Board of Directors since 2012. Mr. Lee has more than 21 years of experience across private equity investments, corporate finance and business development in China. He is a partner at SAIF Partners, which manages one of the largest and most successful growth venture private equity investment funds in China that mainly focuses on the Chinese market. He is also a non-executive director of Sinovac Biotech Ltd. (NASDAQ-GM:SVA), a company listed in the USA. He is a board director for four other private Chinese companies backed by SAIF Partners. Mr. Lee graduated from Amherst College in Massachusetts, the USA. He worked at China Polymetallic Mining Limited (HKSE: 02133, a company listed on the Hong Kong Stock Exchange) as a non-executive director during the period from April 2012 to August 2017. Save as disclosed above, over the past three years, he did not hold any directorships in any other listed public companies.

3. BIOGRAPHY OF EXECUTIVE DIRECTORS

Mr. Yang Jiye, aged 40, is an executive Director, Chairman of the Board and Chief Executive Officer and President. Meanwhile, he is also the chairman of Aoniu Mining, director of Hanking Australia Investment, Hanking Green Building Materials 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 15 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, a Controlling Shareholder.

Mr. Zheng Xuezhi, aged 48, is an executive Director and Chief Financial Officer. Mr. Zheng joined the Group in 2008. He is the director of Aoniu Mining and the supervisor of KS, KKU, KP and HMNS. Mr. Zheng is 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). Being in his previous and current positions in the Group, Mr. Zheng has obtained more than 18 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 PRC. Over the past three years, he did not hold any directorships in any other listed public companies.

Mr. Xia Zhuo, aged 52, is an executive Director, Vice President, Joint Company Secretary, 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. In addition, he also serves as the director of Hanking Group. Mr. Xia has obtained more than 21 years of experience in the mining industry. Over the past three years, he did not hold any directorships in any other listed public companies.

Dr. Qiu Yumin, aged 55, is an executive Director and Vice President. He is also the director, chief executive officer and president of Hanking Australia Investment. Dr. Qiu Yumin is a member of Australian Institute of Geoscientists, and has over 20 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 Corazon Mining Ltd (ASX: CZN), both companies listed in Australia. Save as disclosed above, 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 47, is an independent non-executive Director. He is a fellow member of the Chinese Institute of Certified Public Accountants. Mr. Wang has over 21 years of experience in corporate finance, audit and accounting. Mr. Wang is currently acting as the non-executive director of Sichuan Crun Co., Ltd. (SZSE: 002272) and Chongyi Zhangyuan Tungsten Co., Ltd. (SZSE: 002378), both being companies listed on the Shenzhen Stock Exchange, and the independent non-executive director of Shenzhen Zowee Tech. Co., Ltd. (SZSE: 002369) and Yunnan Chuangxin New Material Co., Ltd. (SZSE: 002812), both being companies listed on the Shenzhen Stock Exchange, as well as China Sinostar Group Company Limited (HKSE: 485), China Tianrui Group Cement Company Limited (HKSE: 1252) and Tourism International Holdings Limited (formerly known as "**Jia Yao Holdings Limited**") (HKSE: 1626), all being companies listed on the Hong Kong Stock Exchange. He has been a non-executive director of Bojun Education Company Limited since September 2016. He was also an executive director and chief financial officer of China First Capital Group Limited, a company listed on the Hong Kong Stock Exchange (HKSE: 1269), from April 2014 to December 2015 and from March 2012 to December 2015 respectively. He acted as independent non-executive director of Shenzhen Fuanna Bedding and Furnishing Co., Ltd. (SZSE: 002327) from December 2013 to September 2017, as well as Chongyi Zhangyuan Tungsten Co., Ltd. (SZSE: 002378) from November 2010 to November 2016, both being companies listed on Shenzhen Stock Exchange. Save as disclosed above, over the past three years, he did not hold any directorships in any other listed public companies.

Dr. Wang Anjian, aged 64, is an independent non-executive Director and has extensive experience in research of resource strategy. Dr. Wang Anjian is currently the honorary director and professor of the Research Center for Strategy of Global Mineral Resources, Chinese Academy of Geological Sciences, and he is also the standing director of Chinese Society for Environmental Sciences and the adjunct professor of China University of Geosciences (Beijing). Dr. Wang Anjian is currently acting as the independent non-executive director of Chongyi Zhangyuan Tungsten Co., Ltd. (SZSE: 002378), a company listed on the Shenzhen Stock Exchange. Save as disclosed above, over the past three years, he did not hold any directorships in any other listed public companies.

Mr. Ma Qingshan, aged 39, is an independent non-executive Director and has over 16 years of experience in management and consultation. 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 obtained a bachelor's degree in finance and e-commerce from Peking University, and is qualified as a Chartered Financial Analyst (CFA). Over the past three years, he did not hold any directorships in any other listed public companies.

5. SENIOR MANAGEMENT

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

Name	Age	Position/Title	Biography
Yang Jiye	40	Chief Executive Officer and President	See "Biography of Executive Directors"
Zheng Xuezhi	48	Chief Financial Officer	See "Biography of Executive Directors"
Qiu Yumin	55	Vice President as well as chief executive officer and president of Hanking Australia Investment	See "Biography of Executive Directors"
Xia Zhuo	52	Vice President, Joint Company Secretary of the Company and president of Hanking (Indonesia)	See "Biography of Executive Directors"
Huang Jinfu	61	President of Aoniu Mining	See below

Mr. Huang Jinfu, aged 61, is the director and president of Aoniu Mining responsible for the daily operation and management of the Group's iron ore business. Mr. Huang is a mineral processing engineer. He joined the Group in 2008 and has more than 33 years of experience in the mining industry.

Resignation of Senior Management

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

Name	Age	Date of Resignation and the Position/ Title Resigned	Biography
Pan Guocheng	61	Resigned as Chief Executive Officer and President on 20 March 2018	See "Biography of Non-executive Directors"

6. JOINT COMPANY SECRETARIES

Ms. Mok Ming Wai is a director of TMF 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 and in-house experience in the company secretarial field. Ms. Mok 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 Zhuo, the other Joint Company Secretary of the Company.

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

Deloitte. 德勤

TO THE SHAREHOLDERS OF CHINA HANKING HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

OPINION

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 80 to 179, which comprise the consolidated statement of financial position as at 31 December 2017, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("**the Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment of long-lived assets (including property, plant and equipment, mining rights and prepaid lease payments) *Refer to notes 18 to 21*	
We identified impairment of property, plant and equipment, mining rights and prepaid lease payments, being the major assets engaged in iron ore segment, as a key audit matter because these assets have been impacted by sustained volatility in commodity prices and assessment of impairment involved significant estimations of uncertainty. The management of the Group reviews the recoverable amounts of those assets (which is the higher of its value-in-use and its fair value less cost of disposal) to determine whether there is any impairment loss. The recoverable amounts of those tangible and intangible assets were determined based on a value-in-use calculation and required significant management judgments and forward looking estimates with respect to the discount rate, iron ore selling price and the assumptions adopted in the underlying cash flows of each asset or cash generating unit where such asset belongs. As stated in note 21 to the consolidated financial statements, an impairment loss of RMB61,197,000 for one of the suspended iron ore mines had been recognised for the year ended 31 December 2016. During the year ended 31 December 2017, selling price of iron ore increased, while there was no significant upturn in the operating environment, the management of the Group assessed that there was no significant reversal of impairment previously recognised necessary for the year ended 31 December 2017.	Our procedures in relation to the management's impairment assessment included: • Understanding the management's approach on identification of indicators on the impairment of long-lived assets and checking whether the approach is reasonable and supportable; • Assessing whether the model used by the management in calculating the value-in-use of the individual cash-generating unit was in compliance with IAS 36 *Impairment of Assets*; • Understanding the projected cash flows, evaluating the assumptions related to the production volumes, commodity selling prices, revenue growth rates, market outlook and industry trend, and comparing those inputs against available market data and externally available benchmarks as well as historical performance; and • Agreeing operating and future capital expenditure to the latest approved plans and budgets. Assessing the historical accuracy of the plans and budgets.

KEY AUDIT MATTERS *(CONTINUED)*

Key audit matter *(CONTINUED)*	**How our audit addressed the key audit matter** *(CONTINUED)*
Significant business disposed as discontinued operation *Refer to notes 12 and 13*	
In relation to disposal of the Group's Gold Business (as defined in note 1) during the year ended 31 December 2017, the Group recorded a net gain of RMB763,223,000, which was significant to the Group's overall result. In addition, IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* required the Gold Business to be treated as a discontinued operation in the consolidated financial statements. This resulted in a number of presentational changes and disclosures in the consolidated financial statements, including the restatement required for the corresponding figures of the consolidated statement of profit or loss and other comprehensive income and associated disclosures for the year ended 31 December 2016.	Our procedures in relation to the disposal of Gold Business regarding discontinued operation included: • Reviewing the relevant disposal agreement, understanding the relevant agreement terms and analysing the impact of related accounting treatment; • Auditing the carrying amounts of the net assets at the disposal date, the results and cash flows for the period from 1 January 2017 to the date of disposal; • Reviewing the consideration received by reference to the bank statements; • Involving our internal tax specialists in assessing the capital gain tax in relation to the disposal; and • Reviewing the relevant disclosures to ensure the presentation and related restatements were in compliance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Tse Ming Fai.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
20 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2017

	NOTES	**Year ended 31/12/2017 RMB'000**	Year ended 31/12/2016 RMB'000 (Restated)
Continuing operations			
Revenue	5	**1,091,034**	812,217
Cost of sales		**(591,149)**	(573,717)
Gross profit		**499,885**	238,500
Other income	7	**6,493**	11,415
Distribution and selling expenses		**(42,193)**	(37,603)
Administrative expenses		**(158,625)**	(163,168)
Other gains and losses	8	**(5,965)**	(139,674)
Other expense		**(3,008)**	–
Finance costs	9	**(118,739)**	(122,666)
Profit (loss) before tax	10	**177,848**	(213,196)
Income tax expense	11	**(77,889)**	(6,954)
Profit (loss) for the year from continuing operations		**99,959**	(220,150)
Discontinued operation			
Profit for the year from discontinued operation	12	**765,028**	6,273
Profit (loss) for the year		**864,987**	(213,877)
Other comprehensive (expense) income			
Item that will not be reclassified to profit or loss:			
Remeasurement of defined benefit pension plans		**(79)**	(30)
Items that may be reclassified subsequently to profit or loss:			
Fair value gain on available-for-sale investments		**6,306**	10,442
Reclassification adjustment for cumulative gain included in investments revaluation reserve upon disposal of available-for-sale investments		**(10,229)**	(4,300)
Reclassification adjustment for cumulative loss included in investments revaluation reserve upon impairment of available-for-sale investments		**5,034**	–
Exchange differences arising on translation of foreign operations		**2,175**	38,642
Reclassification of cumulative translation reserve upon disposal of a foreign operation to profit or loss		**19,944**	–
		23,230	44,784
Other comprehensive income for the year, net of income tax		**23,151**	44,754
Total comprehensive income (expense) for the year		**888,138**	(169,123)

(Continued)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2017

	NOTE	**Year ended 31/12/2017 RMB'000**	Year ended 31/12/2016 RMB'000 (Restated)
Profit (loss) for the year attributable to owners of the Company			
– from continuing operations		**113,527**	(213,929)
– from discontinued operation		**763,636**	6,521
Profit (loss) for the year attributable to owners of the Company		**877,163**	(207,408)
Profit (loss) for the year attributable to non-controlling interests			
– from continuing operations		**(13,568)**	(6,221)
– from discontinued operation		**1,392**	(248)
Loss for the year attributable to non-controlling interests		**(12,176)**	(6,469)
		864,987	(213,877)
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**901,811**	(164,409)
Non-controlling interests		**(13,673)**	(4,714)
		888,138	(169,123)
EARNINGS (LOSS) PER SHARE	17		
From continuing and discontinued operations			
Basic and diluted (RMB cents)		**47.9**	(11.3)
From continuing operations			
Basic and diluted (RMB cents)		**6.2**	(11.7)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2017

	NOTES	31/12/2017 RMB'000	31/12/2016 RMB'000
Non-current Assets			
Property, plant and equipment	18	**865,421**	1,381,364
Intangible assets	19	**676,437**	995,487
Prepaid lease payments	20	**137,314**	245,263
Available-for-sale investments	27	**21,778**	19,628
Deferred tax assets	22	**10,189**	16,942
Loan receivable	23	**11,300**	11,300
Deposit on acquisition of property, plant and equipment		**49,199**	33,668
Restricted deposits	24	**3,797**	17,054
		1,775,435	2,720,706
Current Assets			
Inventories	25	**89,669**	144,779
Prepaid lease payments	20	**29,761**	38,760
Trade and other receivables	26	**397,263**	425,558
Bills receivables	26	**423,072**	30,500
Tax recoverable		**339**	4,198
Available-for-sale investments	27	**406,794**	402,007
Pledged bank deposits	28	**45,451**	43,692
Bank balances and cash	28	**394,911**	70,162
		1,787,260	1,159,656
Assets classified as held for sale	29	**369,955**	–
		2,157,215	1,159,656
Current Liabilities			
Trade and other payables	30	**475,587**	462,273
Bills payables	30	**28,500**	5,760
Borrowings	31	**1,151,887**	1,341,599
Consideration payable	32	**65,180**	68,006
Tax liabilities		**84,614**	27,272
		1,805,768	1,904,910
Liabilities associated with assets classified as held for sale	29	**23,687**	–
		1,829,455	1,904,910
Net Current Assets (Liabilities)		**327,760**	(745,254)
Total Assets less Current Liabilities		**2,103,195**	1,975,452

(Continued)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2017

	NOTES	31/12/2017 RMB'000	31/12/2016 RMB'000
Capital and Reserves			
Share capital	35	**149,137**	149,137
Reserves		**1,066,320**	452,939
Equity attributable to owners of the Company		**1,215,457**	602,076
Non-controlling interests	36	**186,381**	203,093
Total Equity		**1,401,838**	805,169
Non-current Liabilities			
Borrowings	31	**455,420**	831,400
Consideration payable	32	**241,100**	226,228
Rehabilitation provision	33	**1,580**	110,628
Retirement benefit obligations	34	**1,558**	1,525
Deferred tax liabilities	22	**1,699**	502
		701,357	1,170,283
		2,103,195	1,975,452

The consolidated financial statements on pages 80 to 179 were approved and authorised for issue by the board of directors on 20 March 2018 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 2017

	Attributable to owners of the Company													
	Share 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	Share-based payment reserve RMB'000	Special reserve RMB'000 (note c)	Actuarial reserve on retirement benefit plan RMB'000	Other reserve RMB'000 (note d)	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2016	149,137	495,537	84,970	475,405	5,066	(87,641)	–	(557,161)	228	–	198,622	764,163	204,172	968,335
Loss for the year	–	–	–	–	–	–	–	–	–	–	(207,408)	(207,408)	(6,469)	(213,877)
Disposal of available-for-sale investments	–	–	–	–	(4,300)	–	–	–	–	–	–	(4,300)	–	(4,300)
Other items of other comprehensive income (expense) for the year	–	–	–	–	11,001	36,319	–	–	(21)	–	–	47,299	1,755	49,054
Total comprehensive income (expense) for the year	–	–	–	–	6,701	36,319	–	–	(21)	–	(207,408)	(164,409)	(4,714)	(169,123)
Transfer to future development funds reserve, net of utilisation	–	–	–	36,693	–	–	–	–	–	–	(36,693)	–	–	–
Ordinary shares of a subsidiary issued (note 39)	–	–	–	–	–	–	–	–	–	–	–	–	3,021	3,021
Effect of share awards	–	–	–	–	–	–	–	–	–	(614)	–	(614)	614	–
Recognition of share-based payment (note 39)	–	–	–	–	–	–	2,936	–	–	–	–	2,936	–	2,936
At 31 December 2016	149,137	495,537	84,970	512,098	11,767	(51,322)	2,936	(557,161)	207	(614)	(45,479)	602,076	203,093	805,169
Profit for the year	–	–	–	–	–	–	–	–	–	–	877,163	877,163	(12,176)	864,987
Disposal of available-for-sale investments	–	–	–	–	(10,229)	–	–	–	–	–	–	(10,229)	–	(10,229)
Impairment loss on available-for-sale investments	–	–	–	–	4,883	–	–	–	–	–	–	4,883	151	5,034
Reclassification of cumulative translation reserve upon disposal of a foreign operation to profit or loss	–	–	–	–	–	19,944	–	–	–	–	–	19,944	–	19,944
Other items of other comprehensive income (expense) for the year	–	–	–	–	6,506	3,599	–	–	(55)	–	–	10,050	(1,648)	8,402
Total comprehensive income (expense) for the year	–	–	–	–	1,160	23,543	–	–	(55)	–	877,163	901,811	(13,673)	888,138
Transfer to future development funds reserve, net of utilisation	–	–	–	40,522	–	–	–	–	–	–	(40,522)	–	–	–
Recognition of share-based payment (note 39)	–	–	–	–	–	–	31,344	–	–	–	–	31,344	–	31,344
Disposal of subsidiaries (note 39)	–	–	–	–	–	–	(34,280)	–	–	–	34,280	–	(3,039)	(3,039)
Special Dividend paid (as defined in note 16)	–	(319,774)	–	–	–	–	–	–	–	–	–	(319,774)	–	(319,774)
Profit appropriation to surplus reserve	–	–	26,111	–	–	–	–	–	–	–	(26,111)	–	–	–
At 31 December 2017	149,137	175,763	111,081	552,620	12,927	(27,779)	–	(557,161)	152	(614)	799,331	1,215,457	186,381	1,401,838

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 capitalisation 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 the regulation of the PRC, Fushun Hanking Aoniu Mining Co., Ltd ("**Aoniu Mining**"), Benxi Hanking Mining Co., Ltd ("**Benxi Mining**"), Fushun Hanking Maogong Mining Co., Ltd, Fushun Hanking Xingzhou Mining Co., Ltd ("**Xingzhou Mining**"), and Fushun Hanking Shangma Mining Co., Ltd, subsidiaries of the Group (as defined in note 1), are required to transfer an amount to a future development fund at RMB5-10 (2016: RMB5-10) 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 2017 amounted to RMB52,264,000 (2016: RMB46,331,000). The amount utilised during the year was RMB11,742,000 (2016: RMB9,638,000).

(c) Special reserve mainly represented the contribution from/distribution to the then equity shareholders when the Company (as defined in note 1) has the business combination involving entities under common control in 2013.

(d) Other reserve represented the dilution impact to the Group's equity interest in Hanking Australia Pty Ltd ("**Hanking Australia**") from 100% to 97% for the year ended 2016 as a result of the share subscription transaction as more fully explained in note 39.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2017

	NOTE	Year ended 31/12/2017 RMB'000	Year ended 31/12/2016 RMB'000
OPERATING ACTIVITIES			
Profit (loss) before tax from continuing and discontinued operations		**1,270,738**	(206,923)
Adjustments for:			
Finance costs		**120,805**	138,576
Interest income		**(3,244)**	(9,427)
Impairment loss on property, plant and equipment, intangible assets and prepaid lease payments		**–**	61,197
Gain on disposal of property, plant and equipment		**(584)**	(1,000)
Reversal of allowance on inventories		**–**	(4,708)
Impairment loss on available-for-sale investments reclassified from investments revaluation reserve		**5,034**	–
Depreciation of property, plant and equipment		**149,966**	389,195
Release of prepaid lease payments		**28,244**	28,215
Amortisation of intangible assets		**55,088**	108,360
(Gain) loss on disposal of subsidiaries before tax	13	**(1,091,085)**	47,194
Gain on disposal of available-for-sale investments		**(10,229)**	(4,300)
Net foreign exchange loss		**4,101**	31,452
Recognition of equity-settled share-based payment		**31,344**	2,936
Operating cash flows before movements in working capital		**560,178**	580,767
(Increase) decrease in inventories		**(16,755)**	4,641
(Increase) decrease in trade and other receivables		**(20,570)**	67,482
(Increase) decrease in bills receivables		**(392,572)**	61,826
Increase in trade and other payables		**218,230**	34,936
Increase in bills payables		**22,740**	1,210
Increase in retirement benefit obligations		**34**	472
Cash generated from operations		**371,285**	751,334
Income tax paid		**(27,151)**	(2,910)
NET CASH FROM OPERATING ACTIVITIES		**344,134**	748,424

(Continued)

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2017

	NOTE	**Year ended 31/12/2017 RMB'000**	Year ended 31/12/2016 RMB'000
INVESTING ACTIVITIES			
Payment of consideration payable for acquisition of subsidiaries		**(1,000)**	–
Interest received		**3,244**	28,954
Purchases of property, plant and equipment		**(259,678)**	(385,613)
Deposit paid for acquisition of property, plant and equipment		**(34,576)**	(16,182)
Net cash inflow arising from disposal of Gold Business (as defined in note 1)	13	**1,166,751**	–
Net cash outflow arising from disposal of Benxi Mining	13	**–**	(91)
Proceeds on disposal of available-for-sale investments		**1,662,734**	107,000
Purchases of available-for-sale investments		**(1,660,996)**	(400,000)
Purchases of intangible assets		**(25,986)**	(64,945)
Payments for prepaid lease payments		**(12,918)**	(7,534)
Proceeds on disposal of property, plant and equipment		**11,192**	11,190
Withdrawal of restricted deposits		**304**	6,058
Placement of restricted deposits		**(3,791)**	–
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**845,280**	(721,163)
FINANCING ACTIVITIES			
Withdrawal of pledged bank deposits in relation to borrowings and credit facilities		**97,795**	913,785
Placement of pledged bank deposits in relation to borrowings and credit facilities		**(99,554)**	(43,692)
New borrowings raised		**1,292,136**	2,370,784
Repayments of borrowings		**(1,743,091)**	(3,149,786)
Interest paid		**(79,374)**	(154,089)
Dividend paid to owners of the Company		**(319,774)**	–
Capital injection from non-controlling interest		**–**	3,021
NET CASH USED IN FINANCING ACTIVITIES		**(851,862)**	(59,977)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**337,552**	(32,716)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**70,162**	99,223
Bank balances and cash of Xingzhou Mining eliminated upon transfer to assets classified as held for sale		**(6,113)**	–
Effect of foreign exchange rate changes		**(6,690)**	3,655
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash		**394,911**	70,162

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017

1. GENERAL

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

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

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

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

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

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

Details of the Company's subsidiaries are set out in note 36.

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

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

Amendments to IFRSs that are mandatorily effective for the current 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 7	*Disclosure Initiative*
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to IFRS 12	*As part of the Annual Improvements to IFRSs 2014-2016 Cycle*

Except as described below, 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.

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

Amendments to IAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 44. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 44, the application of these amendments has had no impact on the Group's consolidated financial statements.

Amendments to IFRS 12 As part of the Annual Improvements to IFRSs 2014-2016 Cycle

The Group has applied the amendments to IFRS 12 included in the *Annual Improvements to IFRSs 2014-2016 Cycle* for the first time in the current year. The amendments to IAS 28 *Investments in Associates and Joint Ventures* included in the annual improvements are not yet mandatorily effective and they have not been early applied by the Group.

IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that except for summarised financial information, all other disclosure requirements under IFRS 12 are applicable.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017

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

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 and the related Amendements*[1]
IFRS 16	*Leases*[2]
IFRS 17	*Insurance Contracts*[4]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[1]
IFRIC 23	*Uncertainty over Income Tax Treatments*[2]
Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[1]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[2]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to IAS 28	*As part of the Annual Improvements to IFRS Standards 2014-2016 Cycle*[1]
Amendments to IAS 40	*Transfers of Investment Property*[1]
Amendments to IFRSs	*Annual Improvements to IFRS Standards 2015-2017 Cycle*[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2021

Except for the new and revised IFRSs mentioned below, the directors of the Company consider that the application of all new and revised IFRSs have no material impact on the consolidated financial statements in the foreseeable future.

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

IFRS 9 Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9, which are relevant to the Group, are:

- all recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. 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 generally measured at fair value through other comprehensive income ("**FVTOCI**"). All other financial assets are measured at their fair value at 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;

- 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 ("IFRSs") *(CONTINUED)*

IFRS 9 Financial Instruments *(continued)*

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company consider the following potential impact on initial application of IFRS 9:

Classification and measurement

- Loan and receivables carried at amortised cost as disclosed in notes 23, 24, 26 and 28 respectively: these are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, the financial asset will continue to be subsequently measured at amortised cost upon the application of IFRS 9;

- Listed equity securities classified as available-for-sale investments carried at fair value as disclosed in note 27: these securities qualified for designation as measured at FVTOCI under IFRS 9, however, the Group plans not to elect the option for the designation and measure these securities at fair value with subsequent fair value gains or losses to be recognised in profit or loss. Upon initial application of IFRS 9, investments revaluation reserve of approximately RMB8,050,000 related to these available-for-sale investments will be transferred to retained earnings at 1 January 2018; and

- All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under IAS 39.

Impairment

In general, the directors of the Company consider that the application of the expected credit loss model of IFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of IFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by Group as at 1 January 2018 would be slightly increased as compared to the accumulated amount recognised under IAS 39 mainly attributable to expected credit losses provision on trade and other receivables, bills receivables, loan receivable, restricted deposits, pledged bank deposits and bank balances and cash. Such further impairment recognised under expected credit loss model would reduce the opening retained profits and increase the deferred tax assets at 1 January 2018.

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

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.

In 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company consider that the application of IFRS 15 in the future may result in more disclosures, however, the directors of the Company do not consider that the application of IFRS 15 have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017

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

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 *Leases* and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Under IAS 17, the Group has already recognised an asset and a related finance lease liability for prepaid lease payments for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of RMB16,519,000 as disclosed in note 38. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of RMB6,901,000 as rights under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

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

IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 addresses how to determine the "date of transaction" for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (for example a non-refundable deposit or deferred revenue).

The interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

The directors of the Company do not consider that the application of IFRIC 22 have a material impact on the foreign currency transactions and advance consideration of the Group.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The interpretation requires an entity to determine whether uncertain tax positions are assessed separately or as a group; and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings.

The directors of the Company do not consider that the application of IFRIC 23 have a material impact on the determination of the accounting tax position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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 ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based* Payment, leasing transactions that are within the scope of IAS 17 *Leases*, 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Basis of consolidation *(continued)*

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 interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

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, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. 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 carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. 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 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Interest income is accrued on a time apportionment 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, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Leasing *(continued)*

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than its functional currency (foreign currencies) are recognised at the rates of exchanges prevailing on 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 carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on 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 the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's 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 rates 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).

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017

3. 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 are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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 and termination benefits

Payments to defined contribution retirement benefit plans, state-managed retirement benefit schemes and the 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 applying 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. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Retirement benefit costs and termination benefits *(continued)*

The Group presents the first two components 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.

Discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan.

When the formal terms of the plans specify that there will be contributions from employees or third parties, the accounting depends on whether the contributions are linked to service, as follows:

- If the contributions are not linked to services (for example contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they are reflected in the remeasurement of the net defined benefit liability (asset).

- If contributions are linked to services, they reduce service costs. For the amount of contribution that is dependent on the number of years of service, the entity reduces service cost by attributing the contributions to periods of service using the attribution method required by IAS 19 paragraph 70 for the gross benefits. For the amount of contribution that is independent of the number of years of service, the entity reduces service cost in the period in which the related service is rendered.

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 recognises any related restructuring costs.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

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. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another IFRS requires or permits their inclusion in the cost of an asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 39.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payment reserve.

When share options are exercised, the amount previously recognised in share-based payment reserve will be transferred to retained earnings.

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 (loss) 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. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Taxation *(continued)*

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, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment

Property, plant and equipment including building and freehold lands held for use in the production or supply of good, 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 lands are carried at cost less any recognised impairment loss.

Properties in the course of construction for production, supply or administrative purposes (i.e. construction in progress) are carried at cost, less any recognised impairment loss. Cost include professional fees in accordance with the Group's accounting policy. 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 assets 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation 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.

Internally-generated intangible assets – 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 statement of financial position as intangible assets within the category of 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 and evaluation assets 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Impairment on tangible and intangible assets other than goodwill

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 relevant 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 asset individually, 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 (or a cash-generating unit) 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. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or 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 immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017

3. 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 and restoration; 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 recognised 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 recognised in finance costs.

Financial instruments

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(continued)*

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.

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 on initial recognition.

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 except for unquoted equity investments whose fair value cannot be reliably measured. Changes in the carrying amount of available-for-sale debt instruments relating to interest income calculated using the effective interest method, and changes in foreign exchange rates are recognised in profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. 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.

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 loan receivable, restricted deposits, trade and other receivables, bills receivables, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(continued)*

Financial assets *(continued)*

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 financial investment have been affected.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security 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 re-organisation.

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 period of 7 days, 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 and bills 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 or bills 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(continued)*

Financial assets *(continued)*

***Impairment of financial assets** (continued)*

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 amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity investments, 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 an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

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.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, bills payables, borrowings and consideration payable are subsequently measured at amortised cost, using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(continued)*

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. 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, 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 have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

Amortisation of mining rights

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 related non-current assets. As at 31 December 2017, the carrying amount of mining rights is RMB642,355,000 (2016: RMB883,100,000).

Depreciation 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. Management will increase the depreciation charge where useful lives are less than previously estimated, or it will record reserve for technically obsolete assets. As at 31 December 2017, the carrying amount of property, plant and equipment is RMB865,421,000 (2016: RMB1,381,364,000).

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

Estimated impairment of long-lived 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 the end of each reporting period 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 higher of its fair value less costs of disposal and value in use, calculated based on its present value of expected future cash flows. In assessing value in use, significant judgments on preparation of future cash flows are exercised over the selling price, the production estimation, related operating expenses and a suitable discount rate to calculate the present value. All relevant information and materials which can be obtained are used for estimation of the recoverable amount, including the selling price, estimation of the production, and related operating expenses based on reasonable and supportable assumptions. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash, a material impairment loss/further impairment loss may arise. On the contrary, a reversal of impairment may become necessary.

As at 31 December 2017, the carrying amount of long-lived assets (property, plant and equipment, intangible assets and prepaid lease payments) is RMB1,708,933,000 (net of accumulated impairment loss of RMB24,176,000) (2016: RMB2,660,874,000 (net of accumulated impairment loss of RMB207,637,000)).

Estimated 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 2017, the carrying amount of trade and other receivables is approximately RMB397,263,000 (net of allowance for doubtful debts of RMB7,553,000) (2016: RMB425,558,000 (net of allowance for doubtful debts of RMB10,113,000)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017

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

Estimated allowance for inventories

The Group reviews the carrying amount of inventories at the end of each reporting period to determine whether the inventories are carried at the lower of cost and net 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 performance for the year. As at 31 December 2017, the carrying amount of inventories is approximately RMB89,669,000 (without allowance for inventories) (2016: RMB144,779,000 (without allowance for inventories)).

Measurement of consideration payable

Consideration payable is measured at amortised cost with the effective interest rate. According to the acquisition agreements, the consideration will be repaid on installment basis by reference to the progress of the mining development subsequent to acquisitions with the final payment to be due in year 2032. The amount of consideration payable is calculated based on the directors' estimation of the future project development progress and a suitable discount rate. Where the actual development progress in the future period is significantly different than expected, or change in facts and circumstances which results in a significant change to the expected progress of the development, a material adjustment on the installment amount to be paid within one year may arise. The current and non-current portion of consideration payable may be significantly changed. As at 31 December 2017, the carrying amount of consideration payable is RMB306,280,000 (2016: RMB294,234,000).

5. REVENUE

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

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

6. SEGMENT INFORMATION

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

No operating segments have been aggregated in arriving at the reportable segments of the Group.

In 2016, the Group did not generate revenue from the sales of raw nickel as the Group intended to undertake mineral processing and refining within the territory of Indonesia for exporting the refined products. In 2017, the Group's nickel project companies, namely PT Konutara Sejati ("**KS**") and PT Karyatama Konawe Utara ("**KKU**"), both were effectively 52.5% owned subsidiaries of the Group, entered into the cooperation agreements with several independent third parties to resume mining production so as to recover revenue from the sales of raw nickel.

An operating segment regarding Gold Business in Australia was discontinued during the year ended 31 December 2017, along with the completion of the Group's disposal of Hanking Australia and its subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017

6. SEGMENT INFORMATION *(CONTINUED)*

Segment revenues and results

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

For the year ended 31 December 2017

Continuing operations

	Iron RMB'000	Nickel RMB'000	Total RMB'000
Segment revenue (all from external sales)	**1,055,763**	**35,271**	**1,091,034**
Segment profit (loss)	**248,591**	**(32,230)**	**216,361**
Unallocated			
Recognition of share-based payment			**(3,523)**
Central administration costs and directors' emoluments			**(19,986)**
Finance costs			**(5,618)**
Other income and other gains and losses			**(9,386)**
Profit before tax from continuing operations			**177,848**

6. SEGMENT INFORMATION *(CONTINUED)*

Segment revenues and results *(continued)*

For the year ended 31 December 2016

Continuing operations

	Iron RMB'000	Nickel RMB'000	Total RMB'000 (Restated)
Segment revenue (all from external sales)	812,217	–	812,217
Segment (loss) profit	(160,365)	(24,956)	(185,321)
Unallocated			
Recognition of share-based payment			(2,936)
Central administration costs and directors' emoluments			(16,529)
Finance costs			(14,667)
Other income and other gains and losses			6,257
Loss before tax from continuing operations			(213,196)

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 incurred from each segment before tax and discontinued operations, without allocation of recognition of share-based payment, central administration costs and directors' emoluments, other income, other gains and losses (except for impairment loss on property, plant and equipment, intangible assets and prepaid lease payments), 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 2017

6. 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

	31/12/2017 RMB'000	31/12/2016 RMB'000 (Restated)
Continuing operations		
Iron	**2,833,932**	2,271,810
Nickel	**852,888**	844,807
Total segment assets	**3,686,820**	3,116,617
Assets relating to discontinued operation	**–**	734,734
Unallocated		
Property, plant and equipment	**1,573**	437
Available for sale investments	**21,778**	19,628
Restricted deposits	**666**	–
Inventories	**85**	–
Trade and other receivables	**1,908**	2,019
Bank balances and cash	**219,820**	6,927
Consolidated assets	**3,932,650**	3,880,362

6. SEGMENT INFORMATION *(CONTINUED)*

Segment assets and liabilities *(continued)*

Segment liabilities

	31/12/2017 RMB'000	31/12/2016 RMB'000 (Restated)
Continuing operations		
Iron	**2,159,062**	2,169,972
Nickel	**352,825**	310,507
Total segment liabilities	**2,511,887**	2,480,479
Liabilities relating to discontinued operation	**–**	430,119
Unallocated		
Other payables	**4,684**	7,125
Borrowings	**–**	157,470
Tax liabilities	**14,241**	–
Consolidated liabilities	**2,530,812**	3,075,193

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than property, plant and equipment, available for sale investments, restricted deposits, inventories, trade and other receivables and bank balances and cash used and held by the headquarter, as well as assets relating to discontinued operation; and

- all liabilities are allocated to operating segments other than other payables, borrowings and tax liabilities liable for by the headquarter, as well as liabilities relating to discontinued operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017

6. SEGMENT INFORMATION *(CONTINUED)*

Other segment information

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

2017

Continuing operations

	Iron RMB'000	**Nickel RMB'000**	**Total RMB'000**
Addition to non-current assets	**176,391**	**10**	**176,401**
Depreciation and amortisation	**171,703**	**7,972**	**179,675**
Gain on disposal of property, plant and equipment	**584**	**–**	**584**

2016

Continuing operations

	Iron RMB'000	Nickel RMB'000	Total RMB'000 (Restated)
Addition to non-current assets	69,654	8	69,662
Depreciation and amortisation	201,850	16,591	218,441
Impairment loss of intangible assets	29,878	–	29,878
Impairment loss of property, plant and equipment	14,355	–	14,355
Impairment loss of prepaid lease payments	16,964	–	16,964
Gain on disposal of property, plant and equipment	950	50	1,000

6. SEGMENT INFORMATION *(CONTINUED)*

Geographical information

The Group's operations are located in 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	
	31/12/2017 RMB'000	31/12/2016 RMB'000 (Restated)	**31/12/2017 RMB'000**	31/12/2016 RMB'000 (Restated)
Continuing operations				
PRC	**1,055,763**	812,217	**963,050**	1,244,269
Indonesia	**35,271**	–	**763,775**	767,114
Australia	**–**	–	**1,546**	395
	1,091,034	812,217	**1,728,371**	2,011,778

Note: Non-current assets excluded available-for-sale investments, deferred tax assets, loan receivable from an independent third party and restricted deposits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017

6. SEGMENT INFORMATION *(CONTINUED)*

Information about major customers

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

	Year ended	
	31/12/2017	31/12/2016
	RMB'000	RMB'000
Continuing operations		
Customer A (revenue from iron ore concentrates sales)	**332,747**	209,430
Customer B (revenue from iron ore concentrates sales)	**237,594**	319,508
Customer C (revenue from iron ore concentrates sales)	**214,075**	216,439

7. OTHER INCOME

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017

8. OTHER GAINS AND LOSSES

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

9. FINANCE COSTS

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

10. PROFIT (LOSS) BEFORE TAX

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017

11. INCOME TAX EXPENSE

	Year ended 31/12/2017 RMB'000	Year ended 31/12/2016 RMB'000 (Restated)
Continuing operations		
Current tax		
PRC enterprise income tax ("**EIT**") – current	**66,723**	3,896
Under provision in prior years	**4,895**	668
	71,618	4,564
Deferred tax		
Deferred tax – current year (note 22)	**6,271**	2,390
Total income tax expense recognised in the current year	**77,889**	6,954

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

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

11. INCOME TAX EXPENSE *(CONTINUED)*

The income tax expense for the year can be reconciled to the profit (loss) before tax from continuing operations per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31/12/2017 RMB'000	Year ended 31/12/2016 RMB'000 (Restated)
Profit (loss) before tax	**177,848**	(213,196)
Tax at the PRC income tax rate of 25% (2016: 25%)	**44,462**	(53,299)
Tax effect of expenses that are not deductible for tax purpose	**26,742**	2,893
Tax effect of income not taxable for tax purposes	**(7,388)**	(2,129)
Tax effect of tax losses not recognised	**12,447**	49,993
Tax effect of deductible temporary differences not recognised	**982**	10,672
Utilisation of tax loss not recognised in prior years	**–**	(1,844)
Utilisation of deductible temporary difference not recognised in prior years	**(2,602)**	–
Under provision in prior years	**4,895**	668
Others	**(1,649)**	–
Income tax expense for the year	**77,889**	6,954

12. DISCONTINUED OPERATION

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017

12. DISCONTINUED OPERATION *(CONTINUED)*

	For the period from 1 January 2017 to date of disposal RMB'000	For the year ended 31 December 2016 RMB'000
Profit of Gold Business for the period/year	**29,626**	6,273
Gain on disposal of Gold Business	**763,223**	–
Acceleration of share-based payment charged to profit or loss due to disposal of Hanking Australia (note 39)	**(27,821)**	–
	765,028	6,273

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

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

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

12. DISCONTINUED OPERATION *(CONTINUED)*

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017

12. DISCONTINUED OPERATION *(CONTINUED)*

Cash flows from (used in) Gold Business:

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

The carrying amounts of the assets and liabilities of Gold Business at the date of disposal are disclosed in note 13.

13. DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2017

As referred to note 12, the Group discontinued its Gold Business carried out by Hanking Australia and its subsidiaries during the year ended 31 December 2017. Details relating to the Gold Business on the date of disposal were as follows:

Consideration

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

13. DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

For the year ended 31 December 2017 *(continued)*

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

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

Gain on disposal of Gold Business

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017

13. DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

For the year ended 31 December 2017 *(continued)*

Net cash inflow arising on disposal of Gold Business:

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

Notes:

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

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

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

13. DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

For the year ended 31 December 2016

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the 9 (2016: 13) directors were as follows:

	For the year ended 31 December 2017					
	Directors' fees RMB'000	Retirement benefit scheme contributions RMB'000	Salary, wages and other allowance RMB'000	Performance incentive payments RMB'000	Share-based payment RMB'000	Total RMB'000
Executive directors (note i):						
– Yang Jiye (note b)	1,600	164	–	21	–	1,785
– Pan Guocheng (note c)	–	120	3,000	–	–	3,120
– Zheng Xuezhi (note e)	–	120	1,200	–	–	1,320
– Xia Zhuo	–	39	960	–	–	999
– Dr. Qiu (as defined in note 39)	–	198	2,082	–	31,344	33,624
Non-executive directors (note j):						
– Kenneth Jue Lee	173	–	–	–	–	173
Independent non-executive directors (note k):						
– Wang Ping	216	–	–	–	–	216
– Wang Anjian	173	–	–	–	–	173
– Ma Qingshan (note g)	104	–	–	–	–	104
	2,266	641	7,242	21	31,344	41,514

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

	For the year ended 31 December 2016					
	Directors' fees RMB'000	Retirement benefit scheme contributions RMB'000	Salary, wages and other allowance RMB'000	Performance incentive payments RMB'000	Share-based payment RMB'000	Total RMB'000
Executive directors (note i):						
– Yang Min (note a)	372	–	–	–	–	372
– Yang Jiye (note b)	1,171	141	–	15	–	1,327
– Pan Guocheng (note c)	–	122	3,000	11	–	3,133
– Zheng Xuezhi (note e)	–	95	945	–	–	1,040
– Xia Zhuo	–	34	855	132	–	1,021
– Dr. Qiu	–	260	2,736	–	2,936	5,932
– Liao Pin-tsung (note d)	–	6	484	134	–	624
Non-executive directors (note j):						
– Yang Jiye (note b)	217	–	–	–	–	217
– Kenneth Jue Lee	173	–	–	–	–	173
Independent non-executive directors (note k):						
– Wang Ping	217	–	–	–	–	217
– Wang Anjian	173	–	–	–	–	173
– Jiang Zhouhua (note h)	28	–	–	–	–	28
– Victor Yang (note f)	11	–	–	–	–	11
– Ma Qingshan (note g)	78	–	–	–	–	78
	2,440	658	8,020	292	2,936	14,346

Notes:

(a) Yang Min was re-designated from a non-executive director to an executive director with effect from 28 May 2015. She resigned as the executive director on 18 March 2016.

(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. The directors' fee entitled by Yang Jiye is for serving as a director of the Company.

(c) Pan Guocheng was the CEO from the listing date of the Company and resigned as CEO and was appointed as the chairman of the board 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017

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

Notes: *(continued)*

(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. His emoluments disclosed above are those for services renders by him as the CFO.

(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. He was re-appointed as CFO and executive director of the Company on 18 March 2016. His emoluments disclosed above include those for services rendered by him as the CFO.

(f) Victor Yang was appointed as independent non-executive director on 28 May 2015 and resigned on 20 January 2016.

(g) Ma Qingshan was appointed as independent non-executive director on 30 March 2016.

(h) Jiang Zhouhua was appointed as independent non-executive director on 30 October 2014 and resigned on 18 March 2016.

(i) The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

(j) The non-executive directors' emoluments shown above were for their services as directors of the Company and its subsidiaries.

(k) The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

The performance incentive payment is mainly determined on the basis of the Group's and individual performance for each of years ended 31 December 2017 and 2016.

During the year, 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 (2016: None). None of the directors has waived any remuneration in the year ended 31 December 2017 (2016: None).

15. FIVE HIGHEST PAID EMPLOYEES

During the year, the five highest paid individuals included 4 directors (2016: 4 directors), details of whose emoluments are set out in note 14. The emoluments of the remaining one (2016: one) highest paid individual of 2017 were as follows:

	Emoluments were within the following bands	Salaries and other benefits RMB'000	Share-based payments RMB'000	Retirements benefits scheme contributions RMB'000	Performance incentive payments RMB'000	Total RMB'000
2017	HK$1,500,001 to HK$2,000,000	**1,153**	**–**	**262**	**165**	**1,580**
2016	HK$1,000,001 to HK$1,500,000	1,060	–	34	48	1,142

16. DIVIDENDS

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017

17. EARNINGS (LOSS) PER SHARE

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

From continuing and discontinued operations

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

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

From discontinued operation

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

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

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 2016	4,265	432,693	568,443	658,243	23,120	198,749	343,877	2,229,390
Additions	–	23	253,559	2,533	1,067	5,080	42,164	304,426
Transfer	–	17,478	59,112	25,374	129	1,440	(103,533)	–
Disposals	–	–	–	(8,851)	(117)	(19,561)	–	(28,529)
Disposal of a subsidiary	–	(20,454)	(201,677)	(51,680)	(968)	(18,167)	–	(292,946)
Exchange adjustments	388	3,769	24,792	14,443	658	1,229	27,003	72,282
At 31 December 2016	4,653	433,509	704,229	640,062	23,889	168,770	309,511	2,284,623
Additions	–	12,342	71,640	5,374	2,164	2,511	126,539	220,570
Transfer	–	135,736	–	19,242	279	–	(155,257)	–
Disposals	(4)	(2,344)	(542)	(7,531)	(1,848)	(15,352)	–	(27,621)
Disposal of Gold Business	–	(20,197)	(664,703)	(201,078)	(2,246)	(4,269)	(12,355)	(904,848)
Reclassified as held for sale	–	(52,660)	–	(40,171)	(1,116)	(4,881)	(32,372)	(131,200)
Exchange adjustments	(305)	(1,308)	31,332	6,548	(307)	(591)	(7,481)	27,888
At 31 December 2017	4,344	505,078	141,956	422,446	20,815	146,188	228,585	1,469,412
DEPRECIATION AND IMPAIRMENT								
At 1 January 2015	–	156,504	170,623	217,664	16,145	146,897	11,462	719,295
Provided for the year	–	21,865	261,684	77,121	3,511	25,014	–	389,195
Impairment loss recognised in profit or loss	–	6,724	–	3,988	9	–	3,634	14,355
Eliminated on disposals	–	–	–	(3,903)	(61)	(14,379)	–	(18,343)
Eliminated on disposal of a subsidiary	–	(65,510)	(103,653)	(30,450)	(794)	(15,925)	–	(216,332)
Exchange adjustments	–	695	9,639	3,990	304	461	–	15,089
At 31 December 2016	–	120,278	338,293	268,410	19,114	142,068	15,096	903,259
Provided for the year	–	22,171	62,304	52,429	2,820	10,242	–	149,966
Eliminated on disposals	–	(33)	–	(3,056)	(1,612)	(12,312)	–	(17,013)
Eliminated on disposal of Gold Business	–	(1,450)	(343,440)	(22,195)	(1,108)	(918)	–	(369,111)
Eliminated upon transfer to assets classified as held for sale	–	(29,926)	–	(28,965)	(840)	(4,829)	(11,148)	(75,708)
Exchange adjustments	–	(541)	16,107	(2,123)	(237)	(608)	–	12,598
At 31 December 2017	–	110,499	73,264	264,500	18,137	133,643	3,948	603,991
CARRYING VALUES								
At 31 December 2017	4,344	394,579	68,692	157,946	2,678	12,545	224,637	865,421
At 31 December 2016	4,653	313,231	365,936	371,652	4,775	26,702	294,415	1,381,364

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 RMB12,894,000 as at 31 December 2017 (2016: nil).

The above items of property, plant and equipment, except for freehold land, mining structure and construction in progress, after taking into account their estimated residual value, are depreciated on a straight-line basis within the following period:

Buildings	8 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 are infrastructures and include mainly the main and auxiliary mine shafts and underground tunnels, and other mining costs 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.

Certain property, plant and equipment of the Group had been pledged as securities for obtaining the bank borrowings as at 31 December 2017 and 2016 and detail of which was summarised in note 41.

19. INTANGIBLE ASSETS

	Software RMB'000	Mining rights RMB'000	Exploration and evaluation assets RMB'000	Total RMB'000
COST				
At 1 January 2016	8,701	1,260,087	83,267	1,352,055
Addition	14	39,564	25,367	64,945
Disposal of a subsidiary	(128)	(63,031)	–	(63,159)
Exchange adjustments	181	8,599	3,611	12,391
At 31 December 2016	8,768	1,245,219	112,245	1,366,232
Addition	279	34,703	4,768	39,750
Disposal of Gold Business	(2,807)	(157,566)	(80,102)	(240,475)
Reclassified as held for sale	–	(284,327)	–	(284,327)
Exchange adjustments	117	7,859	3,672	11,648
At 31 December 2017	6,357	845,888	40,583	892,828
AMORTISATION AND IMPAIRMENT				
At 1 January 2016	5,299	269,972	1,598	276,869
Charge for the year	836	106,576	948	108,360
Impairment loss recognised in the year	–	29,878	–	29,878
Eliminated on disposal of a subsidiary	(128)	(47,514)	–	(47,642)
Exchange adjustments	73	3,207	–	3,280
At 31 December 2016	6,080	362,119	2,546	370,745
Charge for the year	692	49,372	5,024	55,088
Amortisation eliminated upon disposal of Gold Business	(1,111)	(101,982)	(410)	(103,503)
Eliminated upon transfer to assets classified as held for sale	–	(110,820)	–	(110,820)
Exchange adjustments	29	4,844	8	4,881
At 31 December 2017	5,690	203,533	7,168	216,391
CARRYING VALUES				
At 31 December 2017	667	642,355	33,415	676,437
At 31 December 2016	2,688	883,100	109,699	995,487

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017

19. INTANGIBLE 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 under the relevant mining rights using the units of production method. Exploration and evaluation assets are amortised in accordance with the estimated available reserves of the mines using the units of production method.

As at 31 December 2016, exploration and evaluation assets included a gold mine located in Australia and iron-ore mining located in the PRC. As at 31 December 2017, exploration and evaluation assets only include the iron-ore mining located in the PRC, as the gold mine located in Australia has been disposed of during the year ended 31 December 2017 as detailed in notes 12 and 13.

Certain mining rights of the Group had been pledged as securities for obtaining the bank borrowings as at 31 December 2017 and 2016 and detail of which was summarised in note 41.

20. PREPAID LEASE PAYMENTS

	31/12/2017 **RMB'000**	31/12/2016 RMB'000
Analysed for the reporting purpose as:		
Current portion	**29,761**	38,760
Non-current portion	**137,314**	245,263
	167,075	284,023

The prepaid lease payments were amortised over the benefit periods from 5 to 50 years. Amount of RMB127,397,000 (2016: RMB275,095,000) represented the pre-paid rental to various farmers for mining purpose and no land certificates for these pre-paid rental have been obtained.

Certain prepaid lease payments of the Group had been pledged as securities for obtaining the bank borrowings as at 31 December 2017 and 2016 and detail of which was summarised in note 41.

21. IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS

In 2017, selling price of iron ore concentrates in the international market was rising with no other significant upturn in operating environment as compared to 2016, thus the directors of the Company consider that there was no significant reversal of impairment previously recognised necessary for the related tangible and intangible assets during the year ended 31 December 2017.

In 2016, as Xingzhou Mining continued to suspend throughout the year, the directors of the Company considered that the pro-longed suspension would further deteriorate the carrying amount of the assets in Xingzhou Mining. After reviewing the cash flow projection of Xingzhou Mining, an impairment loss of RMB61,197,000 was recognised for the year ended 31 December 2016. Xingzhou Mining was reclassified as "non-current assets classified as held for sale" in the current year as disclosed in note 29, which was then measured at lower of the carrying amount and fair value less cost to sell.

The impairment loss recognised during the year ended 31 December 2016 was as follows:

	Year ended 31/12/2016 RMB'000
Property, plant and equipment	14,355
Intangible assets	29,878
Prepaid lease payments	16,964
	61,197

As at 31 December 2016, the recoverable amounts of the relevant assets had been determined on the basis of their value in use. The key assumptions for the value in use calculations were 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 with a discount rate of 12%-14%. The cash flow beyond the five-year period were extrapolated using a 2.5% growth rate per annum. The growth rate was based on the growth rate of mining industry and did 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**") was 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017

22. DEFERRED TAXATION

The following is the analysis of the deferred tax balances for financial reporting purposes:

	31/12/2017 RMB'000	31/12/2016 RMB'000
Deferred tax assets	**10,189**	16,942
Deferred tax liabilities	**(1,699)**	(502)
	8,490	16,440

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

	Doubtful debts RMB'000	Accelerated accounting depreciation RMB'000	Accrued expenses RMB'000	Tax loss RMB'000	Fair value adjustment RMB'000	Deferred revenue RMB'000	Total RMB'000
At 1 January 2016	2,231	6,106	4,334	9,767	(676)	(3,807)	17,955
(Charge) credit to profit or loss	(343)	(707)	(4,096)	(1,096)	45	3,807	(2,390)
Credit to other comprehensive income	–	–	–	–	329	–	329
Exchange differences	–	402	–	43	101	–	546
At 31 December 2016	1,888	5,801	238	8,714	(201)	–	16,440
Credit (charge) to profit or loss	–	940	(137)	(7,085)	11	–	(6,271)
Charge to other comprehensive income	–	–	–	–	(1,171)	–	(1,171)
Exchange differences	–	(407)	–	(72)	(29)	–	(508)
At 31 December 2017	**1,888**	**6,334**	**101**	**1,557**	**(1,390)**	**–**	**8,490**

At the end of the reporting period, the Group has unused tax losses of approximately RMB377 million (2016: RMB506 million) available for offset against future profits. A deferred tax asset has been recognised in respect of such losses of approximately RMB6 million (2016: RMB35 million). No deferred tax asset has been recognised in respect of the remaining tax losses of approximately RMB371 million (2016: RMB471 million) due to the unpredictability of future profit streams.

22. DEFERRED TAXATION *(CONTINUED)*

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

	31/12/2017 **RMB'000**	31/12/2016 RMB'000
2017	**–**	39,759
2018	**106,692**	106,352
2019	**92,089**	91,988
2020	**85,985**	85,757
2021	**36,626**	99,308
2022	**40,801**	–
Unlimited	**8,988**	48,325
	371,181	471,489

Except for the above temporary differences, at the end of the reporting period the Group has other deductible temporary differences of RMB219,015,000 (2016: RMB225,498,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Under the Law of the PRC on EIT, withholding tax is imposed on dividends declared in respect of profits earned by the 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 RMB1,510 million (2016: RMB1,159 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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017

24. RESTRICTED DEPOSITS

	31/12/2017 RMB'000	31/12/2016 RMB'000
Restricted deposits placed in banks in respect of:		
Unconditional performance bonds (note)	**–**	1,505
Gold forward contracts	**–**	8,479
Bank borrowings	**–**	7,070
Iron mining operations	**3,131**	–
Others	**666**	–
	3,797	17,054

Note: It represented unconditional performance bonds which was 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. Amount was eliminated upon disposal of Hanking Australia during the year ended 31 December 2017.

Certain restricted deposits of the Group had been pledged as securities for obtaining the bank borrowings as at 31 December 2017 and 2016 and details of which were summarised in note 41.

25. INVENTORIES

	31/12/2017 RMB'000	31/12/2016 RMB'000
Finished goods	**35,622**	32,227
Work in progress	**22,292**	50,230
Auxiliary materials	**31,755**	62,322
	89,669	144,779

During the year ended 31 December 2016, there was a reversal of allowance on inventories in full in the amount of RMB4,078,000 as a result of rising of selling price of iron ore concentrates in the international market. No allowance was included in the carrying amount of inventories as at 31 December 2017 and 2016.

26. TRADE AND OTHER RECEIVABLES, AND BILLS RECEIVABLES

(A) Trade and other receivables

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

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

The Group allows an average credit period of 7 days to its customers of iron ore concentrates and nickel ore (2016: 7 days for iron ore concentrates and gold). However, upon maturity of the credit period, the Group would further negotiate with its customers and may consider to accept a repayment to a later date, based on its customer's history of payments and credit quality, on a case-by-case basis. The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting period.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017

26. TRADE AND OTHER RECEIVABLES, AND BILLS RECEIVABLES *(CONTINUED)*

(A) Trade and other receivables *(continued)*

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

Movement of the allowance for trade receivable

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

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

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

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

26. TRADE AND OTHER RECEIVABLES, AND BILLS RECEIVABLES *(CONTINUED)*

(A) Trade and other receivables *(continued)*

Movement of the allowance for trade receivable *(continued)*

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

Movement of allowance for doubtful debts on other receivables

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

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

(B) Bills receivables

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

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

26. TRADE AND OTHER RECEIVABLES, AND BILLS RECEIVABLES *(CONTINUED)*

(B) Bills receivables *(continued)*

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

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

Included in the Group's bills receivables are amounts of RMB245,164,000 (2016: RMB9,000,000) as at 31 December 2017, being transferred to certain banks by discounting the bills on a full recourse basis. If the bills receivables are not paid on maturity, the banks have the right to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to the bills receivables, it continues to recognise the full carrying amount of the bills receivables and has recognised the cash received as bank borrowings from discounting of the bills receivables with full recourse. The financial asset is carried at amortised cost in the consolidated statement of financial position. Such bills of the Group had been pledged as securities for obtaining the bank borrowings as at 31 December 2017 and 2016 and detail of which was summarised in note 41.

27. AVAILABLE-FOR-SALE INVESTMENTS

	31/12/2017 RMB'000	31/12/2016 RMB'000
Non-current		
Listed equity investments, at fair value	**21,778**	19,628
Current		
Unlisted managed investment funds, at fair value	**406,794**	402,007
	428,572	421,635

The listed equity investments represent the Group's equity interests for long-term holding purpose in four (2016: three) companies listed on Australian Securities Exchange, one of which was delisted and provided for a full impairment of RMB5,034,000 during the year ended 31 December 2017 (2016: nil). The investments are measured at fair value at the end of the reporting period.

27. AVAILABLE-FOR-SALE INVESTMENTS *(CONTINUED)*

The unlisted managed investment represents funds advanced to a licensed financial institution in the PRC with fixed maturity and a variable yield based on underlying investments. The investments are short-term in nature and all will be matured in one year, while the return of these investments is not guaranteed.

Certain available-for-sale investments of the Group had been pledged as securities for obtaining the bank borrowings and issue of bills as at 31 December 2017 and 2016 and detail of which was summarised in note 41.

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 ranging from 0.20% to 0.455% (2016: from 0.15% to 0.35%) per annum.

As at 31 December 2017, pledged bank deposits of RMB45,451,000 (2016: RMB38,414,000) were security deposit for the issue of bills. The pledged bank deposits carried fixed interest rate of 0.35% (2016: ranging from 0.35% to 1.95%) per annum.

The bank balances which are denominated in the United States Dollars ("**USD**"), Hong Kong Dollars ("**HKD**") and AUD, foreign currency of the respective group entities, are as follows:

	31/12/2017 **RMB'000**	31/12/2016 RMB'000
USD	**209,449**	6,321
HKD	**9,535**	2,463
AUD	**1,900**	–

29. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

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

Up to 31 December 2017, the Group received cumulative balances of RMB230,000,000 from the independent third party as refundable earnest deposit in respect of this proposed disposal, and such amount has been included as "other payables" in note 30.

The assets and liabilities attributable to Xingzhou Mining, which are expected to be sold within twelve months, have been classified as assets and liabilities associated with assets classified as held for sale and are separately presented in the consolidated statement of financial position. Xingzhou Mining is included in the Group's iron ore business for segment reporting purposes (see note 6).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017

29. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE *(CONTINUED)*

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

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

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

30. TRADE AND OTHER PAYABLES, AND BILLS PAYABLES

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

Notes:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017

30. TRADE AND OTHER PAYABLES, AND BILLS 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:

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

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

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

31. BORROWINGS

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

Notes:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017

31. BORROWINGS *(CONTINUED)*

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

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

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

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

Save as the assets pledged as security for bank borrowings as set forth in note 41, the Controlling Shareholders, together with the companies controlled by them, provided guarantee to secured bank borrowings of the Group of approximately RMB690,000,000 (2016: RMB1,129,277,000).

32. CONSIDERATION PAYABLE

	31/12/2017	31/12/2016
	RMB'000	RMB'000
Analysed for the reporting purpose as:		
Current portion	**65,180**	68,006
Non-current portion	**241,100**	226,228
	306,280	294,234

The amount as at 31 December 2017 and 2016 represented:

Denway Development Limited, a subsidiary of Hanking (Indonesia) Mining Limited ("**Hanking Indonesia**"), acquired 75% equity interest of KS and 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. Hanking Indonesia is 70% owned by the Group.

32. CONSIDERATION PAYABLE *(CONTINUED)*

As at 31 December 2017, the consideration payable of RMB306,280,000 (2016: RMB294,234,000) was recognised at amortised cost with the effective interest rate of 14% (2016: 14%) 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 RMB65,180,000 (2016: RMB68,006,000) repayable within the next twelve months is classified under current portion which is calculated based on directors' estimation on the project development progress.

33. REHABILITATION PROVISION

	2017 **RMB'000**	2016 RMB'000
At 1 January	**110,628**	115,017
Unwind of discount	**527**	2,277
Provisions (reversal) made during the year	**19,047**	(12,739)
Eliminated upon disposal of subsidiaries	**(134,731)**	(635)
Effect of foreign currency exchange differences	**6,109**	6,708
At 31 December	**1,580**	110,628

The risk free discount rates were 1.78%, 2.27%, 2.72% and 3.10% for 2 years, 5 years, 10 years and 15 years, respectively (2016: 1.89%, 2.32%, 2.76% and 3.27%). The inflation rate was 1.90% (2016: 1.70%).

34. RETIREMENT BENEFIT OBLIGATIONS

The Group provides post-employment benefits for qualified employees in its subsidiaries located in Indonesia in accordance with Indonesia Labor Law. The number of employees entitled to the benefits are 28 employees and 38 employees in 2017 and in 2016, respectively.

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

	31/12/2017 **RMB'000**	31/12/2016 RMB'000
Current service cost	**350**	357
Interest expense	**129**	96
Total	**479**	453

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017

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:

	31/12/2017 RMB'000	31/12/2016 RMB'000
Present value of defined benefit obligations	**1,558**	1,408
Unrecognised actuarial losses	**–**	117
Net liabilities	**1,558**	1,525

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

	31/12/2017 RMB'000	31/12/2016 RMB'000
Balance at beginning of year	**1,525**	1,023
Expense in current year	**479**	453
Realisation during the year	**(445)**	–
Other comprehensive expense	**105**	40
Effect of foreign currency exchange differences	**(106)**	9
Balance at end of year	**1,558**	1,525

The cost of providing post-employment benefit is calculated by independent actuary for the year ended 31 December 2017 and 2016, respectively. The actuarial valuation was carried out using the following key assumptions:

	2017	2016
Discount rate	**7.5-8%**	8.75%
Salary increment rate	**10%**	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	**100%**	100%

35. SHARE CAPITAL

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

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

All shares in issue rank pari passu in all respects.

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

General information of subsidiaries

Details of the Group's subsidiaries as at 31 December 2017 and 2016 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 2017 %	31 December 2016 %	Notes
Directly held:						
China Hanking Investment Limited	Investment holding	The British Virgin Island ("**BVI**")	Ordinary shares USD1	100.00	100.00	
Hanking Australia Pty Ltd	Investment holding	Australia	Ordinary shares AUD100	–	97.00	a
Hanking (Indonesia) Mining Limited	Investment holding	BVI	Ordinary shares USD10	70.00	70.00	
Hanking Australia Investment Pty Ltd.	Investment holding	Australia	Ordinary shares AUD100	97.00	97.00	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017

36. 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 2017 %	31 December 2016 %	Notes
Indirectly held:						
China Hanking (Hong Kong) Limited	Investment holding	Hong Kong	Ordinary shares HKD1	100.00	100.00	
China Hanking (BVI) International Limited	Investment holding	BVI	Ordinary shares USD1	100.00	100.00	
Shenyang Toyo Steel Utility Co., Ltd 瀋陽東洋煉鋼公用設施有限公司	Sales of iron ore mining products	PRC	Registered and paid-in capital USD84,000,000	100.00	100.00	
Shenyang Yuanzheng Industry Co., Ltd 瀋陽元正實業有限公司	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 撫順罕王傲牛礦業股份有限公司	Sales of iron ore mining products	PRC	Registered and paid-in capital RMB100,000,000	100.00	100.00	
Fushun Hanking Maogong Mining Co., Ltd 撫順罕王毛公礦業有限公司	Sales of iron ore mining products	PRC	Registered and paid-in capital RMB5,000,000	100.00	100.00	
Fushun Hanking Xingzhou Mining Co., Ltd 撫順罕王興洲礦業有限公司	Sales of iron ore mining products	PRC	Registered and paid-in capital RMB2,000,000	100.00	100.00	
Fushun Hanking Shangma Mining Co., Ltd 撫順罕王上馬礦業有限公司	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. 撫順罕王林場有限公司	Sales of agricultural and forestry products	PRC	Registered and paid-in capital RMB500,000	100.00	100.00	

36. 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 2017 %	31 December 2016 %	Notes
City Globe Limited	Investment holding	Hong Kong	Ordinary shares HKD10,000	70.00	70.00	
KP	Sales of nickel ore mining products	Indonesia	Ordinary shares Indonesian Rupiah ("**IDR**") 27,600,000,000	52.50	52.50	
Denway Development Limited	Investment holding	Hong Kong	Ordinary shares HKD10,000	70.00	70.00	
KS	Sales of nickel ore mining products	Indonesia	Ordinary shares IDR66,800,000,000	52.50	52.50	
KKU	Sales of nickel ore mining products	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.	Sales of gold mining products	Australia	Ordinary shares AUD100	–	97.00	a
Marvel Loch Hotel Pty Ltd	Hotel service	Australia	Ordinary shares AUD100	97.00	97.00	
Hanking Industry (Shenzhen) Limited 罕王實業(深圳)有限公司	Investment holding	PRC	Registered capital RMB10,000,000	100.00	100.00	
Liaoning Hanking Green Building Materials Co., Ltd 遼寧罕王綠色建材有限公司	Manufacture and sales of green construction materials	PRC	Registered capital RMB70,000,000	100.00	–	b

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017

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

General information of subsidiaries *(continued)*

Notes:

(a) These subsidiaries were disposed of during the year ended 31 December 2017.

(b) Hanking Green Building Materials was newly established on 10 October 2017. As at 31 December 2017, Hanking Green Building Materials paid a deposit to related parties of RMB8,542,000 for developing a manufacturing plant as disclosed in note 45, which was expected to manufacture and sell green constitution materials upon completion of development.

None of the subsidiaries had issued any debt securities at the end of both 2016 and 2017.

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	
		31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
				RMB'000	RMB'000	RMB'000	RMB'000
Hanking Indonesia (note)	BVI Indonesia	30%	30%	13,768	6,221	186,000	202,167
Individually immaterial subsidiaries with non-controlling interests						381	926
						186,381	203,093

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

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

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

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

Hanking Indonesia and its subsidiaries

	As At 31/12/2017 RMB'000	As At 31/12/2016 RMB'000
Current assets	**85,680**	59,851
Non-current assets	**772,056**	784,956
Current liabilities	**459,036**	404,656
Non-current liabilities	**–**	–
Equity attributable to owners of the Company	**212,700**	237,984
Non-controlling interests of Hanking Indonesia	**91,157**	101,993
Non-controlling interests of Hanking Indonesia's subsidiaries	**94,843**	100,174

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017

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

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

Hanking Indonesia and its subsidiaries *(continued)*

	Year ended 31/12/2017 RMB'000	Year ended 31/12/2016 RMB'000
Revenue	**35,271**	–
Expenses	**(62,215)**	(24,271)
Loss for the year	**(26,944)**	(24,271)
Loss attributable to owners of the Company	**(13,176)**	(18,050)
Loss attributable to the non-controlling interests of Hanking Indonesia	**(5,647)**	(7,737)
(Loss) profit attributable to the non-controlling interests of Hanking Indonesia's subsidiaries	**(8,121)**	1,516
Loss for the year	**(26,944)**	(24,271)
Other comprehensive (expense) income attributable to owners of the Company	**(12,108)**	17,686
Other comprehensive (expense) income attributable to the non-controlling interests of Hanking Indonesia	**(5,189)**	7,579
Other comprehensive income (expense) attributable to the non-controlling interests of Hanking Indonesia's subsidiaries	**2,790**	(3,364)
Other comprehensive (expense) income for the year	**(14,507)**	21,901
Total comprehensive expense attributable to owners of the Company	**(25,284)**	(364)
Total comprehensive expense attributable to the non-controlling interests of Hanking Indonesia	**(10,836)**	(158)
Total comprehensive expense attributable to the non-controlling interests of Hanking Indonesia's subsidiaries	**(5,331)**	(1,848)
Total comprehensive expense for the year	**(41,451)**	(2,370)
Dividends paid to non-controlling shareholders	**–**	–
Net cash flows (used in) from operating activities	**(4,641)**	18,994
Net cash flows used in investing activities	**(3)**	(15,992)
Net cash flows from (used in) financing activities	**12,034**	(4,496)
Net cash flows	**7,390**	(1,494)

37. CAPITAL COMMITMENTS

	31/12/2017 RMB'000	31/12/2016 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**65,388**	172,163

38. OPERATING LEASES

The Group as lessee

	Year ended 31/12/2017 RMB'000	Year ended 31/12/2016 RMB'000
Minimum lease payments paid under operating leases during the year:		
– Plant and machinery	**8**	8
– Premises	**4,193**	5,100
	4,201	5,108

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:

	31/12/2017 RMB'000	31/12/2016 RMB'000
Within one year	**4,448**	3,148
In the second to fifth years inclusive	**8,167**	5,203
Over five years	**3,904**	–
	16,519	8,351

Operating lease payments represent rentals payable by the Group for certain of its office premises with fixed rental under the leases.

39. SHARE-BASED PAYMENT TRANSACTIONS

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

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

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

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

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

40. 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 34.

41. PLEDGE OF ASSETS

At the end of the both reporting periods, the Group has pledged certain assets as securities for obtaining the bank borrowings and issue of bills. Details of the pledged assets and the corresponding carrying amounts are set out below:

	Carrying amounts	
	31/12/2017	31/12/2016
	RMB'000	RMB'000
Mining rights	**102,999**	248,915
Available-for-sale investments	**400,000**	400,000
Pledged bank deposits	**45,451**	43,692
Restricted deposits	**–**	7,070
Prepaid lease payments	**19,003**	64,271
Property, plant and equipment	**112,836**	196,191
Bills receivables	**245,164**	9,000

At the end of the current reporting period, save as disclosed above, the carrying amounts of mining rights and property, plant and equipment eliminated upon transfer to assets classified as held for sale that were pledged as security for bank borrowings are RMB173,507,000 and RMB27,179,000 respectively.

42. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group entities will be able to continue as a going concern while maximising 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 share capital and reserves.

The management of the Group reviews the capital structure on an annual basis. As part of this review, the management considers the cost of capital and the risks 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

for the year ended 31 December 2017

43. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	31/12/2017 RMB'000	31/12/2016 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**1,150,918**	473,116
Available-for-sale investments	**428,572**	421,635
	1,579,490	894,751
Financial liabilities		
Liabilities measured at amortised costs	**2,358,532**	2,808,233

(b) Financial risk management objectives and policies

The Group's major financial assets and liabilities include loan receivable from an independent third party, restricted deposits, trade and other receivables, bills receivables, pledged bank deposits, bank balances and cash, available-for-sale investments, trade and other payables, bills payables, borrowings and consideration payable. 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, interest risk and other price 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.

43. FINANCIAL INSTRUMENTS *(CONTINUED)*

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

Market risk *(continued)*

(i) Currency risk

The Group has bank balances, restricted deposits, bank borrowings, trade and other receivables and trade and other payables denominated in USD, HKD, AUD and IDR, 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 periods are as follows:

	USD	
	Assets	**Liabilities**
	RMB'000	RMB'000
As at 31 December 2017	212,044	4,926
As at 31 December 2016	9,080	325,626

	HKD	
	Assets	**Liabilities**
	RMB'000	RMB'000
As at 31 December 2017	9,903	–
As at 31 December 2016	3,329	–

	AUD	
	Assets	**Liabilities**
	RMB'000	RMB'000
As at 31 December 2017	2,614	563
As at 31 December 2016	18,079	103,123

	IDR	
	Assets	**Liabilities**
	RMB'000	RMB'000
As at 31 December 2017	22,809	30,747
As at 31 December 2016	3,734	2,403

43. FINANCIAL INSTRUMENTS *(CONTINUED)*

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

Market risk *(continued)*

(i) Currency risk (continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 10% (2016: 5%) increase and decrease in RMB against USD. 10% (2016: 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 10% (2016: 5%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit (2016: a decrease in post-tax loss) where a RMB strengthen 10% (2016: 5%) against USD. For a 10% (2016: 5%) weakening of RMB against USD, there would be an equal and opposite impact on the post-tax profit (2016: post-tax loss) and the balances below would be negative. The impact of AUD, HKD and IDR is not presented, since the outstanding monetary items denominated in AUD, HKD and IDR are not significant and their impact is immaterial.

	USD impact As at 31 December	
	2017	2016
	RMB'000	RMB'000
Profit or loss	**15,534**	11,870

In the 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.

43. FINANCIAL INSTRUMENTS *(CONTINUED)*

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

Market risk *(continued)*

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk mainly from its fixed-rate 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 31 for details of these borrowings) and floating-rate bank balances.

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 (2016: 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 (2016: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit (2016: post-tax loss) would have increased/decreased approximately by RMB104,000 (2016: increase/decrease approximately by RMB1,642,000). This is mainly attributable to the Group's exposure to interest rates on its floating-rate borrowings.

The sensitivity analyses below have been determined based on the exposure to interest rates for its floating rate bank balances (including restricted deposits, pledged bank deposits and 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 points (2016: 10 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 10 basis points (2016: 10 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit (2016: post-tax loss) would have increased/decreased approximately by RMB333,000 (2016: decrease/increase approximately by RMB98,000). This is mainly attributable to the Group's exposure to interest rates on its floating-rate bank balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017

43. FINANCIAL INSTRUMENTS *(CONTINUED)*

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

Market risk *(continued)*

(iii) Other price risk

Available-for-sale investments

The Group is exposed to other price risk in respect of its investments in unlisted managed investment funds and listed equity securities.

The fair value adjustment in unlisted managed investment funds 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 in respect of unlisted managed investment fund has been prepared as the management estimates the actual yield would not significantly deviate from the expected yield.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks to listed equity securities at the reporting date. If the prices of the respective equity instruments had been 5% (2016: 5%) higher, other comprehensive income (net of tax) would increase by RMB667,000 (2016: RMB756,000) as a result of the changes in fair value of available-for-sale investments. If the prices of the equity instruments had been 5% (2016: 5%) lower, other comprehensive income (net of tax) would decrease by the same amount.

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 (i) 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 and (ii) issuing banks fail to settle the bills transferred to collecting banks or suppliers through discounting the bills to collecting banks or endorsing the bills to suppliers with full recourse as disclosed in note 26.

In order to minimise the credit risk, the directors of the Company have 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.

43. FINANCIAL INSTRUMENTS *(CONTINUED)*

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

Credit risk *(continued)*

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

	As At	
	31/12/2017	31/12/2016
Amount due from the largest debtor as a percentage to trade receivables	**65.34%**	40.83%
Total amounts due from the five largest debtors as a percentage to trade receivables	**94.01%**	99.76%

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.

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 unutilised banking facilities 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017

43. FINANCIAL INSTRUMENTS *(CONTINUED)*

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

Liquidity risk *(continued)*

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 tables

	Weighted average interest rate %	On demand or less than 3 months RMB'000	3 months to 1 year RMB'000	1 year to 2 years RMB'000	>2 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2017							
Trade and other payables	**–**	**416,445**	**–**	**–**	**–**	**416,445**	**416,445**
Bills payables	**–**	**28,500**	**–**	**–**	**–**	**28,500**	**28,500**
Consideration payable	**14**	**–**	**94,789**	**120,000**	**517,000**	**731,789**	**306,280**
Borrowings – floating rate	**4.75**	**329**	**17,949**	**10,625**	**–**	**28,903**	**27,853**
Borrowings – fixed rate	**5.60**	**211,886**	**961,120**	**464,012**	**–**	**1,637,018**	**1,579,454**
		657,160	**1,073,858**	**594,637**	**517,000**	**2,842,655**	**2,358,532**
As at 31 December 2016							
Trade and other payables	–	335,240	–	–	–	335,240	335,240
Bills payables	–	5,760	–	–	–	5,760	5,760
Consideration payable	14	–	95,789	120,000	517,000	732,789	294,234
Borrowings – floating rate	4.13	4,390	360,275	62,493	30,972	458,130	437,910
Borrowings – fixed rate	5.66	200,655	923,870	111,225	729,218	1,964,968	1,735,089
		546,045	1,379,934	293,718	1,277,190	3,496,887	2,808,233

43. FINANCIAL INSTRUMENTS *(CONTINUED)*

(c) Fair value measurements 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
	31/12/2017	31/12/2016				
Listed equity investments classified as available-for-sale investments	**Listed equity securities in Australia: RMB21,778,000**	Listed equity securities in Australia: RMB19,628,000	Level 1	Quoted bid prices in an active market.	N/A	N/A
Unlisted managed investment funds classified as available-for-sale investments	**Unlisted managed investment funds in the PRC: RMB406,794,000**	Unlisted managed investment funds in the PRC: RMB402,007,000	Level 3	Discounted cash flow was used to capture the present value of the expected future economic benefit that will flow to the Group.	Expected yield from the investment	The higher the expected yield, the higher the fair value.

The directors of the Company consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximates their fair value. There was no transfer between Level 1 and 3 during the current year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017

43. FINANCIAL INSTRUMENTS *(CONTINUED)*

(c) Fair value measurements of financial instruments *(continued)*

Reconciliation of Level 3 fair value measurements

The following table represents the changes in Level 3 financial assets as available-for-sale investments during the years ended 31 December 2017 and 2016:

	2017 RMB'000	2016 RMB'000
Balance at beginning of the year	**402,007**	110,727
Purchases	**1,652,505**	400,000
Disposals	**(1,652,505)**	(107,000)
Total gains:		
– in profit and loss	**(10,229)**	(4,300)
– in other comprehensive income	**15,016**	2,580
Balance at end of the year	**406,794**	402,007

Included in other comprehensive income is an amount of RMB15,016,000 (2016: RMB2,580,000) gain related to unlisted managed investment funds classified as available-for-sale investments held at the end of the reporting period and is reported as changes of "investments revaluation reserve".

Fair value measurements and valuation processes

The board of directors of the Company has set up a valuation committee, which is headed up by the chief financial officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. The valuation committee works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The chief financial officer reports the valuation committee's findings to the board of directors of the Company every quarter to explain the cause of fluctuations in the fair value of the assets and liabilities.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed above.

44. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Pledged bank deposits in relation to borrowings and credit facilities	**Borrowings**	**Special dividend**	**Interest payable**	**Total**
	Note 28	Note 31	Note 16	Note 30	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	43,692	(2,172,999)	–	(2,192)	(2,131,499)
Financing cash flows	1,759	450,955	319,774	79,374	851,862
Non-cash changes:					
Interests on bank and other borrowings	–	(2,409)	–	(78,860)	(81,269)
Interests on bills discounted	–	(25,963)	–	–	(25,963)
Eliminated upon disposal of Gold Business	–	132,909	–	–	132,909
Foreign exchange translation	–	10,200	–	34	10,234
Declaration of Special Dividend	–	–	(319,774)	–	(319,774)
At 31 December 2017	**45,451**	**(1,607,307)**	**–**	**(1,644)**	**(1,563,500)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017

45. RELATED PARTY TRANSACTIONS

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

	Year ended 31/12/2017 RMB'000	Year ended 31/12/2016 RMB'000
Sales of goods to		
Dalian Huaren Trade Co., Ltd. 大連華仁貿易有限公司 ("**Dalian Huaren**") (notes a & b)	**332,747**	235,677
Fushun Deshan Trade Co., Ltd. 撫順德山貿易有限公司 ("**Fushun Deshan**") (note b)	**80,953**	–
	413,700	235,677
Processing fee charged by:		
Benxi Hanking Iron Processing Co., Ltd. 本溪罕王鐵選有限公司 (note c)	**–**	1,629
Rental expense charged by:		
Shenyang Shengtai Properties Management Co., Ltd. 瀋陽盛泰物業管理有限公司 (note a)	**1,894**	2,247
Hanking Industrial Group Co., Ltd. 罕王實業集團有限公司 (note a)	**526**	–
	2,420	2,247

Notes:

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

(b) Dalian Huaren and Fushun Deshan acted as the agents of Fushun Hanking D.R.I. Co., Ltd. ("**Hanking D.R.I.**"), a related party of the Group, to purchase the iron ore concentrates from the Group. Fushun Hanking D.R.I. Co., Ltd. is controlled by Mr. Yang Jiye and Dalian Huaren is controlled by Ms. Yang Min. The directors of the Company assessed that Fushun Deshan is an entity controlled by Hanking D.R.I. and was therefore a related party of the Group.

(c) Prior to 30 June 2016, the company was the related party controlled by Ms. Yang Min. The Group did not carry out transactions with Benxi Hanking Iron Processing Co., Ltd. since 30 June 2016. After then, the shareholder of the company was changed to an independent third party.

45. RELATED PARTY TRANSACTIONS *(CONTINUED)*

Borrowings guaranteed by related parties were disclosed in note 31. Trade receivables and trade payables from/to related parties are disclosed in notes 26 and 30, respectively. RMB8,542,000 and RMB6,901,000 are included in deposit on acquisition of property, plant and equipment representing deposits paid to related parties in respect of acquisition of property, plant and equipment and prepaid lease payment, respectively.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017

46. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	31/12/2017 RMB'000	31/12/2016 RMB'000
Non-current Assets		
Property, plant and equipment	**27**	42
Investment in subsidiaries	**283,392**	425,220
Amounts due from subsidiaries	**605,993**	203,996
	889,412	629,258
Current Assets		
Other receivables	**596**	–
Bank balances and cash	**213,018**	6,927
	213,614	6,927
Current Liabilities		
Other payables	**3,628**	7,123
Borrowings	**–**	157,470
Tax liability	**14,241**	–
Amount due to a subsidiary	**670,965**	412,635
	688,834	577,228
Net Current Liabilities	**(475,220)**	(570,301)
Total Assets less Current Liabilities	**414,192**	58,957
Capital and Reserves		
Share capital (see note 35)	**149,137**	149,137
Reserves	**265,055**	(90,180)
Total equity	**414,192**	58,957
	414,192	58,957

Note: As of 31 December 2017 and 2016, the Company had investment of one ordinary share of US$1 each in Hanking Investment.

46. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(CONTINUED)*

Movement in the Company's reserves

	Share premium RMB'000	Special reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2016	495,537	193,064	(676,244)	12,357
Loss and total comprehensive expense for the year	–	–	(102,537)	(102,537)
At 31 December 2016	495,537	193,064	(778,781)	(90,180)
Profit and total comprehensive income for the year	–	–	675,009	675,009
Special Dividend paid	(319,774)	–	–	(319,774)
At 31 December 2017	**175,763**	**193,064**	**(103,772)**	**265,055**

47. EVENT AFTER THE REPORTING PERIOD

On 20 February 2018, Hanking Australia Investment Pty Ltd ("**Hanking Australia Investment**"), a subsidiary of the Company, and Primary Gold Limited, an independent third party which is a public company listed on the Australian Securities Exchange (ASX: PGO) and with interests in two gold projects in western and northern Australia ("**Primary Gold**"), have entered into (i) a bid implementation agreement (the "**BIA**"), under which the Company has agreed to make a recommended conditional takeover bid for all of the issued shares of Primary Gold at an offer price of AUD0.0575 cash per share; and (ii) in conjunction with the BIA, the loan and facility agreement, pursuant to which Hanking Australia Investment has agreed to provide Primary Gold with an AUD1.5 million unsecured loan facility for Primary Gold's working capital needs and other approved project activities during the offer period till mid or late April 2018 ("**Offer Period**"). The offer price is to be funded from the existing cash reserves of the Company.

The offer and any contract resulting from the acceptance of the offer are subject to, among others, certain conditions. As one of the condition precedents, Hanking Australia Investment is required to obtain at least 50% equity interest in Primary Gold on a fully diluted basis under this takeover bid. Since the Offer Period has not been ended on the date of this report, whether the proposed acquisition will be completed is uncertain, the Group has not yet commenced the assessment of the financial impact in details. However, if the proposed acquisition is completed, it is expected that Primary Gold may become a subsidiary of the Company and the results, assets and liabilities of Primary Gold will be consolidated into the accounts of the Group.

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 Co., Ltd (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 Shares commenced on the Hong Kong Stock Exchange 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 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 was a wholly-owned subsidiary of the Company before July 2016
"Board"	the board of Directors of the Company
"China" or "PRC"	the People's Republic of China. For the purpose of this report only, 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, Best Excellence Limited and Tuochuan Capital 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
"EBITDA"	the abbreviation of earnings before interest, taxes, depreciation and amortization
"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" or "China Hanking"	China Hanking Holdings Limited and its subsidiaries
"Hanking Australia"	Hanking Australia Pty Ltd, a limited liability company established in Australia, which was a non wholly-owned subsidiary of the Company before 20 April 2017
"Hanking Australia Investment"	Hanking Australia Investment Pty Ltd, a limited liability company established in Australia and a non wholly-owned subsidiary of the Company
"Hanking Green Building Materials"	Liaoning Hanking Green Building Materials Co., Ltd. (遼寧罕王綠色建材有限公司), a limited liability company established in the PRC 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 controlled by a Controlling Shareholder

DEFINITIONS

"Hanking (Indonesia)"	Hanking (Indonesia) Mining Limited, a limited company established in the BVI and a non wholly-owned subsidiary of the Company
"Harvest Globe"	Harvest Globe Limited, a limited liability company established in Hong Kong, a non wholly-owned subsidiary of Denway Development
"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 information may not be known with a reasonable level of reliability
"Indonesia"	The Republic 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 company established in Indonesia, an indirectly non wholly-owned subsidiary of the Company
"km"	kilometers

"km^2"	square kilometers
"KP"	PT Konutara Prima, a company established in Indonesia, an indirectly non wholly-owned subsidiary of the Company
"KS"	PT Konutara Sejati, a company established in Indonesia, an indirectly non wholly-owned subsidiary of the Company
"Latest Practicable Date"	10 April 2018, 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
"mm"	millimeters
"m"	meters
"m^2"	square meters
"m^3"	cubic meters
"Nomination Committee"	the nomination committee of the Board
"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

DEFINITIONS

"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) with a nominal value of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of Share(s)
"Shengtai Properties"	Shenyang Shengtai Properties Management Co., Ltd (瀋陽盛泰物業管理有限公司), a limited liability company established in the PRC
"SXO"	located at Yilgarn goldfield in Western Australia (Southern Cross Operation, abbreviated as SXO)
"SXO Gold Project"	the Southern Cross Operation Gold Project located at Yilgarn goldfield in Western Australia, which was operated through the Company's subsidiary Hanking Gold Mining Pty Ltd before 20 April 2017
"US$" 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 Xingzhou Mining Limited (撫順興洲礦業有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company