中國罕王控股有限公司

CHINA HANKING HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 03788

ANNUAL REPORT 2019

MISSION

As Emerging Key Player

VALUE

Always Beyond Expectations

CONTENTS

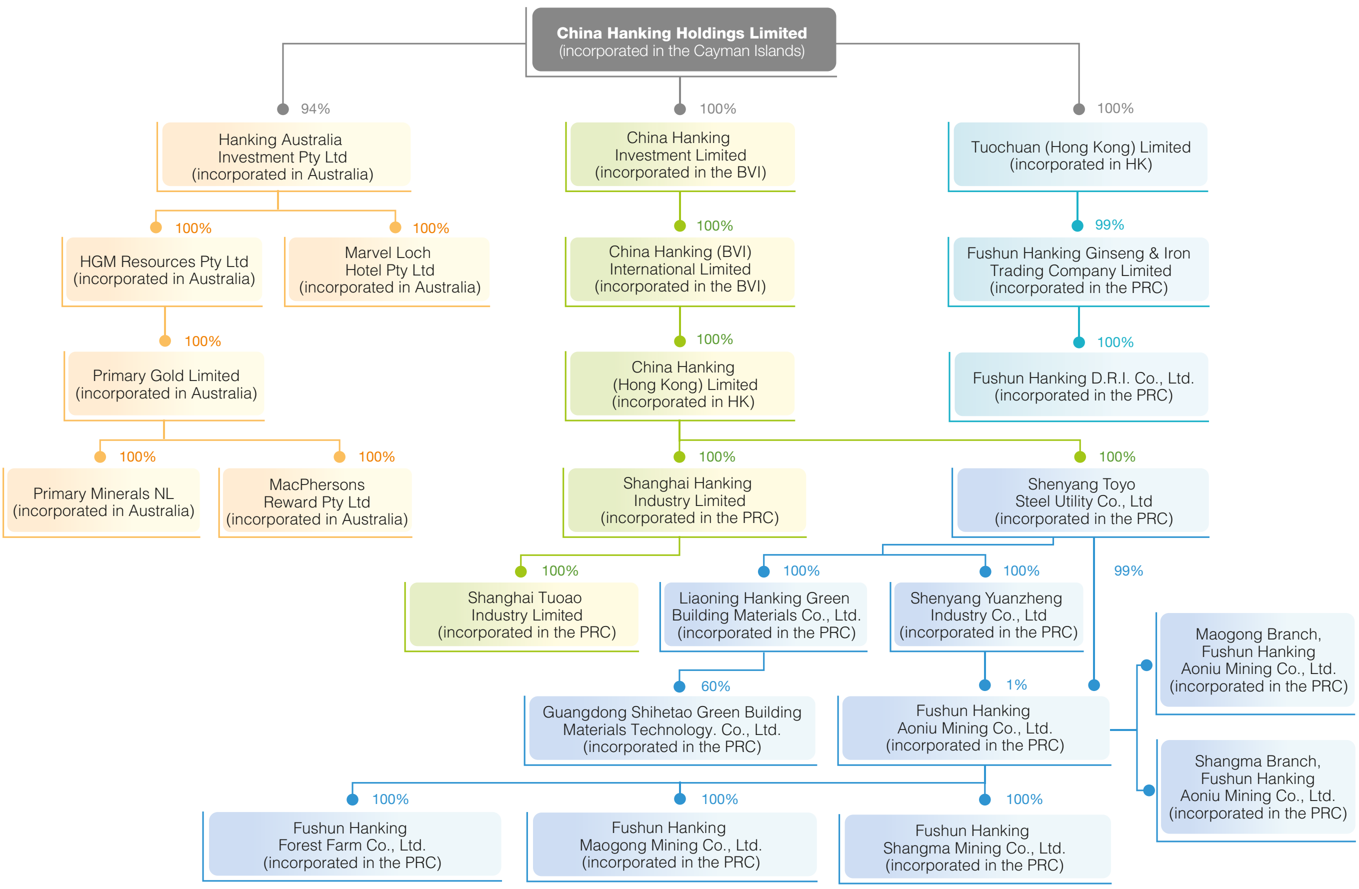
CORPORATE INFORMATION

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 and utilization of mineral resources and metals.

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 2019.

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

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

AUTHORIZED REPRESENTATIVES

Mr. Zheng Xuezhi
Ms. So Lai Shan

JOINT COMPANY SECRETARIES

Ms. Zhang Jing
Ms. So Lai Shan

AUDITOR

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

HONG KONG LEGAL ADVISOR

Jingtian & Gongcheng LLP
Suites 3203-3207, 32/F
Edinburgh Tower, The Landmark
15 Queen's Road Central
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR IN THE CAYMAN ISLANDS

Conyers 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

Non-executive Directors

Mr. Kenneth Lee
Mr. Xia Zhuo

Independent Non-executive Directors

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

AUDIT COMMITTEE

Mr. Wang Ping *(Chairman)*
Dr. Wang Anjian
Mr. Kenneth Lee

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

HEALTH, SAFETY, ENVIRONMENTAL PROTECTION AND COMMUNITY COMMITTEE

Dr. Qiu Yumin *(Chairman)*
Mr. Yang Jiye
Dr. Wang Anjian

FINANCIAL HIGHLIGHTS

RMB'000	**2019**	2018 (Restated)	2018 (Unrestated)	2017 (Restated)	2016 (Restated)	2015 (Restated)
Continuing operations:						
Revenue	**2,251,882**	2,828,272	1,165,491	2,573,734	1,921,046	1,879,007
Distribution and selling expenses	**95,092**	119,368	38,082	112,357	118,569	114,177
Administrative expenses	**198,882**	215,635	182,461	164,281	177,380	225,083
Finance costs	**98,687**	123,714	90,582	141,383	160,444	177,351
Profit (loss) for the year from continuing operations	**332,161**	403,796	184,922	305,312	(105,939)	(349,157)
Discontinued operation:						
(Loss) profit for the year from discontinued operation	**(35,218)**	(10,882)	(10,882)	734,926	(17,998)	9,823
Profit (loss) for the year	**296,943**	392,914	174,040	1,040,238	(123,937)	(339,334)
Net profit margin from continuing operations	**14.75%**	14.28%	15.87%	11.86%	-5.51%	-18.58%
EBITDA from continuing operations	**809,045**	760,052	458,128	746,373	345,924	286,085
EBITDA margin from continuing operations	**35.93%**	26.87%	39.31%	29.00%	18.01%	15.23%
Earnings (loss) per share (RMB)	**0.16**	0.22	0.1	0.57	-0.06	-0.18
Assets	**2,335,869**	4,950,083	3,683,601	5,339,729	5,013,918	6,714,391
Liabilities	**1,520,208**	3,405,184	2,142,751	3,669,980	4,107,831	5,680,433
Return on net assets from continuing operations[1]	**28.14%**	25.12%	12.57%	23.71%	-10.92%	-25.32%
Return on net assets[2]	**25.16%**	24.45%	11.83%	80.77%	-12.78%	-24.61%
Return on total assets[3]	**8.15%**	7.64%	4.57%	20.09%	-2.11%	-5.29%
Gearing ratio	**65.08%**	68.79%	58.17%	68.73%	81.93%	84.60%
Capital expenditure	**355,016**	470,490	457,432	285,008	219,837	580,136
Profit (loss) before tax from continuing operations	**484,606**	384,678	132,130	414,601	(70,537)	(330,941)
Profit (loss) before interest and tax from continuing operations	**583,293**	508,392	222,712	555,984	89,907	(153,590)
Interest coverage ratio[4]	**5.91**	4.11	2.46	3.93	0.56	-0.87

1 Return on net assets from continuing operations is calculated as the profit (loss) for the year from continuing operations divided by average net assets.
2 Return on net assets is calculated as the profit (loss) for the year divided by average net assets.
3 Return on total assets is calculated as the profit (loss) for the year divided by average total assets.
4 Interest coverage ratio is calculated as the profit (loss) before interest and tax from continuing operations divided by finance costs.

Note 1: Due to the suspension of production for almost six months in 2019 for technological improvement of capacity expansion of high-purity iron business, the consolidated revenue and profit for the year from continuing operations of the Group decreased as compared with the restated data for 2018.

Note 2: In 2019, the Group has successfully acquired the high-purity iron business. As the acquisition represented a business combination involving entities under common control, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity as well as the consolidated statement of cash flow for 2018 and the consolidated statement of financial position as at 31 December 2018 have all been restated so as to include the profit, assets and liabilities since the date when the combined entities first came under common control.

CHAIRMAN'S STATEMENT

Dear Shareholders,

Since 2016, China Hanking has continuously optimized the asset portfolio, increased the operating efficiency and thereby, successfully returned to profitability in 2017. It further achieved a rapid growth of operating results in the next three years. On behalf of the Board, I am pleased to present to the Shareholders the operating results of the Company in 2019.

In 2019, the most significant highlight of the Company was the acquisition of the high-purity iron business from the Controlling Shareholders, which further extended the Group's value chain in iron ore business to high-end quality manufacturing materials. Being of high grade and low impurity content, the iron ore concentrates produced by the Company have been sold to the high-purity iron plant under the Controlling Shareholders for use of its production of high-end ductile casting iron. The latter has become the largest supplier of wind power ductile casting iron in China's market. Based on the historical data, the fluctuations in gross profit of the high-purity iron plant were relatively low, hence enjoyed more stable profitability. The injection of the high-purity iron business to the Company, allowing all Shareholders of the Company to share the profits generated from this business, demonstrating the commitment of the Controlling Shareholders in further consolidating the Company's business.

As to the iron ore business, all of the iron ores were extracted through underground mining during 2019, which resulted in an increase in consolidated mining costs. Despite that, benefitting from the numerous technological improvements continuously made by the Company and its refined management, the Company achieved the optimal allocation in respect of mining extraction and processing. The average cash operation costs per metric ton of iron ore concentrates produced by the Company in 2019 amounted to RMB330, representing a year-on-year increase of 4.76%, ensuring its relatively low level of iron ore production costs in the industry.

Aoniu Mining under the Company continued its efforts in research and development, leading to a number of invention patents, utility patents and software technologies which belong to "The Field of High and New Technology with the Key Support by the State" (《國家重點支持的高新技術領域》), and was accredited as a high and new technology enterprise in 2019. Pursuant to the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) and other relevant regulations, Aoniu Mining is eligible to apply for the entitlement to the relevant preferential policies of the State on high and new technology enterprises within a period of three consecutive years after being accredited as a high and new technology enterprise. Aoniu Mining is eligible to pay enterprise income tax at a preferential rate of 15% retrospectively from 1 January 2019 onwards.

Upon the successful acquisition of the high-purity iron business and together with the development of the original iron ore business, the revenue and net profit of the Company realized a leapfrog growth in 2019, among which revenue from the continuing operations was RMB2,252,000,000, up by 93% year-on-year, while net profit was RMB332,000,000, up by 80% year-on-year.

Gold business has long been the strategic direction of the Company's development. During 2019, against the backdrop of slowing global economic growth and inflation as well as the uncertain economic outlook due to the Sino-US trade war, dozens of central banks worldwide have lowered their interest rates. With the strong boosting effect of sufficient global liquidity and increasing various uncertainty factors, the gold price also demonstrated a continuous rising trend. The gold price was AUD1,640 per ounce upon acquisition of PGO by the Company in June 2018, while the gold price is AUD2,700 per ounce currently.

During 2019, the gold business of the Company carried out a large number of exploration works, while proactively pushing forward its preparatory efforts for the commencement of gold production. In order to develop Tom's Gully gold mine, a high-grade gold mine in Northern Territory, the Company has made tremendous efforts in relation to mining approval, including the approval for the design of development plan and environmental impact assessment report. On 2 March 2020, the Northern Territory Environment Protection Authority of Australia provided an approved assessment report on Tom's Gully gold mine, which has completed the final procedure of the environmental impact assessment. Completion of this critical procedure has marked that the development of Tom's Gully gold mine is right on the fast track.

Adhering to the principles of "safety, community harmony and green mine", Hanking always attaches great importance to safety and environmental protection in its corporate governance. Hanking has achieved zero fatality, casualty, environmental pollutions, occupational morbidity rate and fires for three consecutive years as of the end of 2019. This is the examination paper that we have completed and lodged to the satisfaction of all!

OUTLOOK

At the beginning of 2020, the novel coronavirus epidemic broke out and continued to spread worldwide, making a tremendous impact on the global economy. In order to contribute to the epidemic prevention and control, the Group has made a donation of a total of RMB5 million. In response to the epidemic, the Company adopted various prevention and control measures to safeguard the health of all employees, among whom not any one has contracted COVID-19. Meanwhile, the sustainable production activities of the Company were thus secured.

The impact of COVID-19 on the global economy depends on the progress of the fighting measures of various countries. To cope with the negative impacts from the epidemic, various national governments have adopted a range of different stimulus policies. As such, the overall impacts of the epidemic on the global economy and various national economies will be very sophisticated. As to the Company, the output of the Company's iron ore concentrates decreased and the delivery volume of high-purity iron dropped in the first quarter, which led to the increase in the inventory. Following the basic control on the COVID-19 epidemic in China, various domestic production activities have also resumed normal conditions gradually from the early March in 2020. To date, the output of the Company's iron ore concentrates has resumed to the normal level. The delivery volume of high-purity iron has also resumed to the similar level as that of output. The Chinese government has launched certain economic stimulus policies and will further launch similar policies one after another, including a number of stimulus policies on fixed asset investments, which will have a positive effect on the iron ore concentrates and high-purity iron businesses of the Company.

During 2019, the high-purity iron plant under the Company has undergone technological improvement, which was completed at the end of September in 2019. Its annual production capacity has increased from 560 thousand metric tons to 660 thousand metric tons accordingly. The Company planned to produce 630 thousand metric tons of high-purity iron in 2020, representing a significant increase from the 290 thousand metric tons of 2019, which will lay the foundation for the continuing growth of the Group's operating results in 2020.

With the continuously enhancing overall strengths of the Group, we will actively develop new projects in the iron ore, high-purity iron, gold and other fields so as to ensure the sustainable development of the Group.

APPRECIATION

Since 2016, the quality of assets and operating results of the Company saw drastic changes. This resulted from the fact of forging ahead and striving to make best endeavors by all the employees of the Group despite the hardship and challenges. Such achievements would not be possible without the support from the Shareholders and various partners of the Company. On behalf of the Board, I hereby wish to express my heartfelt gratitude to the management and all staff of the Group for their efforts and contributions throughout the past year.

The Company always values the return to Shareholders. Since its listing, the Company has paid dividends from every recorded positive net profit and the dividend payout ratio has never been less than 10%. A special dividend was also paid in 2017. Following the development for three years, the cashflow generating ability of the Company has now become stronger. In light of this, the Board has formulated the "Dividend Distribution Plan for Shareholders for the Next Three Years (2020-2022)" of the Company. In particular, it is stipulated that the Company will make interim and annual profit distribution, and the amount of dividend shall account for at least 30% of the Group's total net profit for the period. Accordingly, the Board recommended the payment of a final dividend of HK$0.08 per Share for the year of 2019, representing an increase of 300% year-on-year. The Company will continue to put more efforts in creating value for the Shareholders and increasing the return to them through various means.

Mr. Yang Jiye
Chairman of the Board

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION HIGHLIGHTS

1. Value chain extension in iron ore business

In the first half of 2019, the Controlling Shareholders injected the high-purity iron plant to the Group, which further extended the Group's value chain in iron ore business to high-end quality manufacturing materials. Based on historical data, the fluctuations in gross profit of the high-purity iron plant were relatively low, hence enjoyed more stable profitability. In addition, the production capacity of high-purity iron has increased to 660 thousand metric tonnes per year after the six-month technological transformation. As the raw material for wind turbine cast products, the high-purity iron business will benefit from the development of wind power industries, which will further broaden the Group's revenue and enhance its profitability.

2. Significant increase in the Group's profit for the year

In 2019, as a result of the year-on-year increase in the unit sales price of iron ore concentrates, the acquisition of the high-purity iron business and the fact that Aoniu Mining, which has been qualified as a high and new technology enterprise, enjoyed an income tax rate of 15%, the Group's profit for the year significantly increased to RMB296,943,000, representing an increase of RMB122,903,000 or 70.62% as compared to the unrestated profit for the year in 2018.

3. Dividend Distribution Plan for Shareholders

The Board has approved the "Dividend Distribution Plan for Shareholders for the Next Three Years (2020-2022)" of the Company. In particular, it is stipulated that the Company will make interim and annual profit distribution and shall prioritize the distribution of cash dividends and that the amount of dividend shall account for at least 30% of the Group's total net profit for the period.

4. Safety and environmental protection

Adhering to the principles of "safety, community harmony and green mine", the Group always attaches great importance to safety and environmental protection in its corporate governance. The Group has achieved zero fatality, casualty, environmental pollutions, occupational morbidity rate and fires for three consecutive years.

IRON ORE BUSINESS

The prices of iron ores experienced significant fluctuations in 2019. Due to the imbalanced supply and demand of iron ores under the influence of the mining accident in Brazil and the hurricane in Australia, iron ore prices remained at high levels in the first half of the year and reached US$126.35 in July, which is its peak of the year and the highest level since 2015. From the early second half of the year, iron ore prices gradually declined as previously closed mines successively resumed operations and hence the iron ore supply increased continuously. As of 31 December 2019, the index price of 62%-graded Australian ores amounted to US$91.95, up by approximately US$20 as compared with last year.

1. Operation review

In 2019, the system upgrade and ancillary projects of the main shaft of underground mining workshop of Maogong Mine, the major operating mine of the Company, has been completed, thus achieving the increase in supply from the main shaft. On the basis of the phase 4 technological improvement, Maogong Mine has optimized the production process of its processing plant, thereby effectively increased both processing volume and output. In 2019, the output of iron ore concentrates by Maogong Mine amounted to 1,600 thousand metric tons (2018: 1,316 thousand metric tons), representing a year-on-year increase of 21.58%. Due to closed pits in certain mining areas, the output of Aoniu Mine reduced. However, driven by the production expansion of Maogong Mine, the output of iron ore concentrates by the Group amounted to 1,860 thousand metric tons in 2019, representing a year-on-year increase of 3.62%, while the sales volume of iron ore concentrates amounted to 1,840 thousand metric tons, representing a year-on-year increase of 1.94%.

Table 1 – Output and sales volume of iron ore

	For the year ended 31 December (thousand metric tons)		
	2019	2018	Change
Stripping amount *Note 1*	**0**	1,256	-100.00%
Output of iron ore	**5,629**	5,877	-4.22%
Output of iron ore concentrates	**1,860**	1,795	3.62%
Sales volume of iron ore concentrates	**1,840**	1,805	1.94%

Note 1: All extractions were conducted through underground mining and no open-pit mining was conducted in 2019, and therefore no stripping amount was generated.

The iron ore business is situated at the famous iron ore metallogenic belt of Anshan to Benxi where iron ore resource is rich and in good quality. Over the past couple of years, the Company has been working hard to improve the quality of its iron ore concentrate products through continuous research and development as well as constant technological improvements. The Group produced iron ore concentrates at a stable grade of approximately 69% with low content of sulfur, phosphorus and other impurity substance, enabling our clients to significantly reduce their production costs. Meanwhile, the Company changed its sales approach for iron ore business to develop sales markets and acquire additional major customers with a view to enhancing the Company's position in the supply chain, thereby securing optimal sales price. The Group's average sales price of iron ore concentrates was RMB773 per metric ton in 2019 (2018: RMB645 per metric ton), representing an increase of RMB128 per metric ton or 19.84% as compared with that for the corresponding period of last year.

All of the iron ores were extracted through underground mining in 2019 while some of the iron ores were extracted through open-pit mining last year, which resulted in an increase in consolidated mining costs for the year. The change of customers with a longer transportation distance resulted in an increase in transportation expenses per metric ton. The increase in the sales price of iron ore concentrates per metric ton caused the increase in tax per metric ton. A year-on-year decrease of mine management expenses was attributable to refined management and adjustment of the operation mode. The above-mentioned main reasons resulted in an average cash operation costs of per metric ton of iron ore concentrates of RMB330 (2018: RMB315), representing a year-on-year increase of 4.76%. Through numerous technology improvements, Hanking achieved the optimal allocation in respect of mining extraction and processing, ensuring its relatively low level of iron ore production costs in the industry.

Table 2 – Cash operation costs of the iron ore business

	For the year ended 31 December		
	2019 (RMB/metric ton of iron ore concentrate)	2018 (RMB/metric ton of iron ore concentrate)	Change
Mining	**159**	143	11.19%
Processing	**74**	81	-8.64%
Transportation	**26**	19	36.84%
Tax	**45**	38	18.42%
Mine management	**26**	34	-23.53%
Total	**330**	315	4.76%

Aoniu Mining continued to carry out research and development while producing high-grade iron ore concentrates, leading to a number of invention patents, utility patents and software technologies which belong to "The Field of High and New Technology with the Key Support by the State" (《國家重點支持的高新技術領域》), and was accredited as a high and new technology enterprise in 2019. Pursuant to the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) and other relevant regulations, Aoniu Mining is eligible to apply for the entitlement to the relevant preferential policies of the State on high and new technology enterprises within a continuous period of three years after being accredited as a high and new technology enterprise. Aoniu Mining is eligible to pay enterprise income tax at a preferential rate of 15% retrospectively from 1 January 2019 onwards.

Table 3 – Operation breakdown of iron ore business

Iron ore business	**For the year ended 31 December**		
	2019	2018	Change
Revenue (RMB thousand)	**1,422,623**	1,163,401	22.28%
Gross profit (RMB thousand)	**734,612**	512,429	43.36%
Gross margin	**51.64%**	44.05%	17.23%
Net profit (RMB thousand)	**352,272**	231,831	51.95%
Net margin	**24.76%**	19.93%	24.23%
EBITDA (RMB thousand)	**724,225**	503,908	43.72%
Profit margin of EBITDA	**50.91%**	43.31%	17.55%

In 2019, the capital expenditure of the iron ore business mainly included the expenditure of the mining rights and expansion. As of 31 December 2019, the capital expenditure of iron ore business was approximately RMB146,624,000 (2018: RMB215,861,000), mainly including expenditure for plants, machines and equipment and properties, expenditure for intangible assets as well as increase in right-of-use assets of approximately RMB63,317,000, approximately RMB58,054,000 and approximately RMB25,253,000 respectively. The capital commitment amounted to approximately RMB15,523,000 (2018: RMB29,382,000).

2. Operating mines

1) Maogong Mine

Maogong Mine is located in the township of Shiwen, Fushun County, Fushun City, and is operated by Maogong branch of Aoniu Mining, a subsidiary of the Company. Maogong Mine owns mining licenses covering areas totaling 1.98 square kilometers and exploration permits covering areas totaling 8.85 square kilometers, and has extensive infrastructures including paved roads, water and electricity supplies.

The system upgrade and ancillary projects of the main shaft of underground mining workshop of Maogong Mine has been commissioned and completed and officially commenced production in the first half of 2019, thus achieving the increase in supply from the main shaft. Maogong Mine has centralized the control and deployment of production through measures such as optimization of mining processes, remote monitoring, image and video surveillance and control of key positions underground, as well as the surveillance and control over various environmental parameters (e.g. CO, NO2, etc.).

Table 4 – Operation breakdown of Maogong Mine

Maogong Mine	**For the year ended 31 December 2019**	2018	Change
Output of iron ore concentrates (thousand metric tons)	**1,600**	1,316	21.58%
Sales volume of iron ore concentrates (thousand metric tons)	**1,583**	1,317	20.20%
Mining costs (RMB per metric ton of iron ore concentrate)	**192**	191	0.52%
Processing costs (RMB per metric ton of iron ore concentrate)	**110**	111	-0.90%
Government tax (RMB per metric ton of iron ore concentrate) *Note 1*	**46**	39	17.95%
Freight on sales (RMB per metric ton of iron ore concentrate *Note 2*	**25**	14	78.57%

Note 1: The increase in tax per metric ton was due to the increase in the sales price of iron ore concentrates per metric ton.

Note 2: The transportation service was provided by independent third parties. The changes in customer proportion and longer transportation distances resulted in increased cost of transportation which will be compensated by raising the sales price.

2) 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 square kilometers and has extensive infrastructures including paved roads, electricity and water supplies. Aoniu Mine was awarded the title of National Green Mine.

In 2019, Aoniu Mine carried out treatment of filling, reshaping and vegetation restoration after closure of open-pit mining. Underground mining was conducted at Aoniu Mine throughout the year. Apart from daily production, technological improvements on infrastructure were pushed forward steadily with the underground mining infrastructure located at south of line 128 passed the construction completion inspection in November 2019, which laid a solid foundation for production in 2020. Aoniu Mine is situated at the iron ore metallogenic belt of Anshan to Benxi endowed with great resource potentials and the Company will continue the mine explorations at its periphery.

Table 5 – Operation breakdown of Aoniu Mine

Aoniu Mine	**For the year ended 31 December**		
	2019	2018	Change
Output of iron ore concentrates (thousand metric tons)	**260**	479	-45.72%
Sales volume of iron ore concentrates (thousand metric tons)	**257**	488	-47.34%
Mining costs (RMB per metric ton of iron ore concentrate *Note 1*	**160**	177	-9.60%
Processing costs (RMB per metric ton of iron ore concentrate *Note 2*	**136**	124	9.68%
Government tax (RMB per metric ton of iron ore concentrate *Note 3*	**39**	33	18.18%
Freight on sales (RMB per metric ton of iron ore concentrate *Note 4*	**29**	33	-12.12%

Note 1: Underground mining drivage and mining rights were both fully amortized in 2018 and no amortization was recorded during the year.

Note 2: The increase of processing costs per metric ton was due to the fact that all productions of Aoniu Mine were conducted in its second processing plant as its first processing plant was under suspension of operation in 2019, hence reducing the production scales and efficiency.

Note 3: The increase in tax per metric ton was due to the increase in the sales price of iron ore concentrates per metric ton.

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

3) Shangma Mine

Shangma Mine is located at the center of the iron ore belt in Fushun City. Production at Shangma Mine was suspended in 2019. The Company conducted exploration and development design at the area where Shangma Mine is located, which will provide geographic evidence support for subsequent resource development, expansion of mining area and synergic development with Aoniu Mine.

3. Iron ore resources and reserves

In 2019, Aoniu Mine completed a total of 10 surface drilling holes and drilled approximately 3,829 meters which increased ore resource of approximately 2.63 million metric tons. Maogong Mine completed a total of 37 surface drilling holes and drilled approximately 19,000 meters; Shangma Mine completed 9 surface drilling holes and drilled approximately 3,422 meters, base on which, massive iron ore deposit has been discovered and the increased resource now is under estimation. Exploration expenditure was approximately RMB9,202,000.

As the resources reserves shall be split up due to the adjustments to the Group's iron ore mining area and an application for extension of mining rights shall be made, the Group has re-verified the iron ore resources reserves in 2019. During the process of verification, through the examination of mining tunnel, it was proven that the morphology of ore bodies has changed. The mining area has been reduced and adjusted for the purpose of protecting the woodland in the restricted development areas under the Forest Protection Plan. As such, the iron ore resources of the Group have decreased after the re-estimation, while the grade of iron ore has improved. As at the end of 2019, the Group owned approximately 90,955 thousand metric tons of iron ore resources.

Table 6 – Iron ore resources as at the end of 2019

Mines	Resources category	Increased amount for 2019 (metric ton)	Resources amount at the end of 2019 (metric ton)	TFe (%)
Aoniu Mine	Indicated [1]	200,000	13,122,972	30.21
	Inferred [2]	2,427,000	23,037,590	31.89
Subtotal of Aoniu Mine		2,627,000	36,160,562	31.24
Maogong Mine	Indicated	-4,554,890	15,694,411	33.49
	Inferred	1,111,171	7,089,670	33.89
Subtotal of Maogong Mine		-3,443,719	22,784,081	33.61
Shangma Mine	Indicated [3]	302,640	18,124,040	32.14
	Inferred [4]	-4,093,440	13,886,760	30.53
Subtotal of Shangma Mine		-3,790,800	32,010,800	31.44
Total [5]	Indicated	-4,052,250	46,941,423	32.06
	Inferred	-555,269	44,014,020	31.78
Total resources		-4,607,519	90,955,443	31.92

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

2 The resources amount includes approximately 18,591 thousand metric tons of the resources amount which does not show on the mining licenses.

3 The resources amount includes approximately 12,792 thousand metric tons of the resources amount which does not show on the mining licenses.

4 The resources amount includes approximately 9,584 thousand metric tons of the resources amount which does not show on the mining licenses.

5 The resources amount includes portion of the resources amount which does not show on the mining licenses.

Note 1: For 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.

Note 2: 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 2019, the Group owned approximately 35,577 thousand metric tons of JORC Code-compliant iron ore reserves.

Table 7 – Iron ore reserves as at the end of 2019

Mines	Resources category	Increased amount for 2019 (metric ton)	Reserves at the end of 2019 (metric ton)	TFe (%)
Aoniu Mine	Probable Ore Reserve	200,000	1,758,933	31.83
Maogong Mine	Probable Ore Reserve	-4,554,890	15,694,411	33.49
Shangma Mine	Probable Ore Reserve	302,640	18,124,040	32.14
Total	Probable Ore Reserve	-4,052,250	35,577,384	32.73

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

HIGH-PURITY IRON BUSINESS

1. Merger and acquisition of high-purity iron business

On 1 April 2019, the Company entered into an agreement with China Hanking (BVI) Limited (as the seller and a Controlling Shareholder), pursuant to which the seller has conditionally agreed to sell, and the Company has conditionally agreed to purchase the 100% equity interest in Tuochuan (Hong Kong) Limited ("**Tuochuan (Hong Kong)**") at the consideration of RMB1,020 million. Tuochuan (Hong Kong) indirectly holds 99% of equity interest in Hanking D.R.I.. Details are set out in the announcement of the Company dated 1 April 2019 and the circular dated 29 April 2019. The transaction has been approved by the independent shareholders of the Company at the annual general meeting held on 30 May 2019. As of 30 June 2019, the Company has obtained the effective control of Tuochuan (Hong Kong) and the financial data of Tuochuan (Hong Kong) has been consolidated into the Group's financial statements. In January 2020, the Company entered into the equity acquisition agreement with an independent third party to indirectly acquire 1% of equity interest in Hanking D.R.I. at the consideration of RMB11.8 million, thus completing the acquisition of its 100% of equity interest.

2. Industry analysis

The high-purity iron business of Hanking mainly involves the provision of high-purity casting iron for domestic enterprises producing large heavy equipment and casts. Leveraging the quality and scale advantages and through long-term cooperation, Hanking has established solid and close cooperation relationship with a number of downstream customers and has become the largest supplier in the wind power ductile casting iron market in China.

Pursuant to the existing national policies, from 2022 and beyond, onshore and offshore wind power will not be entitled to national subsidies and consequently, it is highly probable that there will be a round of rush installation of wind power in 2020 to 2021. From the perspective of approved inventory projects, as at the end of 2018, the accumulated approved wind power projects in China amounted to approximately 300GW and the accumulated installed wind power in China reached 209.53GW, hence, the approved but uninstalled wind power projects in China amounted to approximately 90GW, which constituted a large pool of inventory projects. Among the aforesaid inventory projects, onshore and offshore wind power projects will target to complete grid connection by the end of 2020 and 2021, respectively, thus the industry sentiment will remain high. As such, as a supplier for leading enterprises of wind turbine cast products, the high-purity iron business of Hanking is expected to benefit from the above conditions.

3. Operation overview

The ductile casting high-purity iron produced by Hanking D.R.I. contains minimal impurity contents and non-ductile elements such as sulfur, phosphorus, titanium and manganese, and features high tensile strength and high corrosion resistance. Its certain self-developed high-purity iron products applicable to high-end ductile iron cast production have been granted national invention patents. In October 2017, Hanking D.R.I. was qualified as National high and new technology enterprise (國家高新技術企業).

In order to expand its production capacity, Hanking D.R.I. has suspended its production for the purpose of technological improvement since mid-April 2019. The technological improvement has been completed at the end of September 2019 and the annual production capacity of high-purity iron has increased from 560 thousand metric tons to 660 thousand metric tons. The production efficiency has also increased with the adoption of advanced equipment and increased level of automation. In 2020, the output of Hanking D.R.I. will further increase, which will facilitate the rapid development of the wind power industry and further consolidate the leading position of Hanking in the high-purity iron industry.

Table 8 – Operation breakdown of high-purity iron business

High-purity iron business	For the year ended 31 December		
	2019	2018	Change
Sales volume (thousand metric tons) *Note 1*	**288**	518	-44.40%
Average sales prices (RMB per metric ton)	**3,319**	3,211	3.36%
Average cost of sales (RMB per metric ton)	**2,672**	2,516	6.20%
Revenue (RMB thousand)	**956,583**	1,662,781	-42.47%
Gross profit (RMB thousand)	**186,404**	359,761	-48.19%
Gross margin	**19.49%**	21.64%	-9.94%
Net profit (RMB thousand)	**32,475**	219,065	-85.18%
Net margin	**3.39%**	13.17%	-74.26%
EBITDA (RMB thousand)	**124,874**	307,172	-59.35%
Profit margin of EBITDA	**13.05%**	18.47%	-29.34%

Note 1: The suspension of operation for about six months due to technological improvement in 2019 has resulted in a significant decrease in the output and sales volume.

As of 31 December 2019, the capital expenditure of the high-purity iron business amounted to approximately RMB179,479,000 (2018: RMB38,858,000), which was mainly used towards the technological improvement of blast furnace. The capital commitments amounted to approximately RMB3,694,000 (2018: RMB38,393,000).

GOLD BUSINESS

In 2019, against the backdrop of slowing economic growth and inflation as well as the uncertain economic outlook due to trade war, dozens of central banks worldwide have lowered their interest rates. With the strong boosting effect of sufficient global liquidity on precious metal price, the gold price also demonstrated a continuous rising trend.

In light of the spread of the novel coronavirus in China at the beginning of 2020, the investors purchased gold for risk aversion, which has boosted the gold price. In early March, the novel coronavirus spread worldwide. Market sentiments switched from pessimistic to desperate and investors started to sell off gold to increase liquidity, leading to a sharp decline of gold prices. Looking forward, the central banks around the world will implement more relaxed policies after the epidemic, which will be favourable for the performance of gold price in the mid-to-long term.

1. Operation review

In 2019, the gold business of the Company carried out a large number of exploration works, including chemical test, drilling and regional screening of target zones for exploration, and completed a total of 3,219 metres of drilling works and 58 square kilometers of chemical tests.

In addition to the geological exploration work, the Company proactively pushed forward its preparatory efforts for the commencement of gold production. In order to develop Tom's Gully gold mine, a high-grade gold mine in Northern Australia, the Company has conducted various works in relation to mining approval, including the approval for design of development plan and environmental impact assessment report. On 2 March 2020, the Northern Territory Environment Protection Authority of Australia provided an approved assessment report on Tom's Gully gold mine, which has completed the final procedure of the environmental impact assessment. The project is now preparing for the mining approval. Furthermore, the Company also carried out various works in relation to preliminary feasibility study on Rustlers Roost gold mine, such as processing tests (recovery rate of processing), milling tests and slope stability tests as well as estimation of operation costs and reserves. The Coolgardie gold project in Western Australia has obtained the mining license, and is now seeking suitable processing plant.

As the Group's gold business is still under preparation for production, no sales were recorded in 2019. For the year ended 31 December 2019, the capital expenditure of the gold business was RMB11,506,000 (2018: RMB215,771,000), which was mainly for the environmental impact assessment and exploration expenses of the gold mines.

2. Resources and reserves

As at the end of 2019, the Group had JORC Code-compliant resources of approximately 2 million ounces of gold at an average grade of 1.1 gram/ton and ore reserve of approximately 0.23 million ounces of gold at an average grade of 3.9 gram/ton.

Table 9 – Gold mine resources as at the end of 2019

	Measured			Indicated			Inferred			Total		
	thousand metric tons	gram/ton	thousand ounces	thousand metric tons	gram/ton	thousand ounces	thousand metric tons	gram/ton	thousand ounces	thousand metric tons	gram/ton	thousand ounces
Coolgardie project	690	1.4	30	1,816	1.6	95	1,304	1.8	76	3,811	1.6	201
Mt Bundy project												
Rustlers Roost	–	–	–	36,611	0.9	1,028	12,990	0.7	304	49,601	0.8	1,332
Tom's Gully	–	–	–	835	9.0	242	265	8.5	73	1,100	8.9	315
Quest 29	–	–	–	2,190	1.4	98	1,205	1.3	50	3,395	1.4	148
Sub-total	–	–	–	39,636	1.1	1,368	14,460	0.9	427	54,096	1.0	1,795
Total	690	1.4	30	41,452	1.1	1,463	15,764	1.0	503	57,907	1.1	1,996

Note: The figures do not imply precision and may not add up due to rounding.

MANAGEMENT DISCUSSION AND ANALYSIS

Table 10 – Gold mine reserves as at the end of 2019

	Resource Category	thousand metric tons	gram/ton	thousand ounces
Coolgardie project	Proved	267	1.5	13
	Probable	802	1.8	45
	Total	1,069	1.7	58
Mt Bundy project	Proved	–	–	–
	Probable	775	6.9	175
	Total	775	6.9	175
Total	Proved	267	1.5	13
	Probable	1,577	4.3	220
	Total	**1,844**	**3.9**	**233**

3. Other business in Australia

As of 31 December 2019, Hanking Australia Investment also held the equity interest in one listed company in Australia with a fair value of RMB3,179,000 (as of 31 December 2018: the fair value of the equity interests held in two companies was RMB9,359,000). Hanking Australia Investment is concurrently monitoring other gold mine projects and seeking new opportunities for mergers and acquisitions. In 2019, Hanking Australia Investment conducted screening of and commenced assessment on a large number of gold mine projects in Australia with some of the projects entered into the stage of negotiation and due diligence.

4. Share Option Scheme

The share option scheme of Hanking Australia Investment was adopted on 25 January 2019 (the "**Scheme**"). The Scheme is designed to recognize the contributions of selected key persons (including the employees and directors of Hanking Australia Investment and its related body corporates, and any person who was determined by the board of directors of Hanking Australia Investment to be a key person when issuing or granting the options) to the Company, and provide an incentive for and to motivate them to remain in their employments with the Company.

The Scheme mandate limit is 10% of the shares of Hanking Australia Investment in issue on the date on which the Scheme was adopted. The maximum number of shares of Hanking Australia Investment to be issued upon the exercise of options that may be granted under the Scheme is 21,000,000 shares, representing 10% of the issued shares as at the date of this report.

No option may be granted to any one person such that the total number of shares of Hanking Australia Investment issued and to be issued upon the exercise of options and the options granted and to be granted under the Scheme and any other share option scheme of Hanking Australia Investment to each eligible person in any 12-month period exceeds 1% of Hanking Australia Investment issued share capital from time to time, unless the approval of the Shareholders of the Company is obtained.

An offer shall be made by letter to any eligible persons. The eligible person receiving the offer is required to, within the time specified in the offer, accept the offer and undertake to hold the option on the terms and conditions of the grant. No amount is required to be paid by the eligible person for acceptance of an offer.

The Scheme does not contain any minimum period(s) for which an option must be held before it can be exercised. However, at the time of grant of the options, Hanking Australia Investment may specify any such minimum period(s).

The amount payable for each share to be subscribed for under an option upon exercise shall be determined by the board of Hanking Australia Investment in its discretion which must be in compliance with the applicable laws and regulations.

The Scheme shall be valid for a period of 48 months from the date of adoption. The Scheme will be expired on 25 January 2023, with remaining life of approximately 37 months from 1 January 2020.

As of 31 December 2019, no share option under the Scheme was granted, exercised, expired or lapsed.

OTHER BUSINESSES

Green Building Materials Project

2019 marked the first year of the official commencement of production of the Company's green building materials project. Through continuous adjustments to the production processes and techniques, the Company has ensured the stable production and control over its finished goods. During the year, the total production volume of qualified foamed ceramics products is 34,742 cubic meters with a sales revenue of approximately RMB13,200,000.

In 2019, Hanking Green Building Materials obtained a number of certifications, including the ISO9001 Quality Management System Certification, Environmental Management System Certification and Occupational Health & Safety Management System Certification, thereby managing its product quality and works in aspects such as environmental protection, safety and occupational health with systematic models.

In 2019, Hanking Green Building Materials participated in the compilation of Amendment to GB23451-2020 National Standard "Lightweight Partition Boards for Construction Use" (GB23451-2020國標《建築用輕質隔墻條板》) and Amendment to National Building Standard Design Atlas 10J113-1 (國家建築標準設計圖集10J113-1), respectively. Meanwhile, it also served as the editor-in-chief for compilation of the reference atlas of "Construction Structure of Partitions with the Use of Foamed Ceramics Partition Board (《發泡陶瓷隔墻板隔墻建築結構》)", which is the industrial standard for foamed ceramics partition board; and served as the new deputy president unit of Liaoning Building Materials Industry Association. Hanking Green Building Materials was enlisted in both the Catalog of Promotions for Green Building Materials in Liaoning (遼寧省綠色建材推廣目錄) and the Catalog of Recommendations for Green Building Materials of Shenyang Urban-rural Development Bureau (瀋陽市城鄉建設局綠色建材推薦目錄); and applied for 22 patents, which has further consolidated its leading position in the industry.

Disposal of Nickel Business

On 5 July 2018, the Company entered into a share sale and purchase agreement with Tuochuan Capital Limited ("**Tuochuan Capital**") and Mr. Yang Jiye, pursuant to which, the Company has agreed to sell, and Tuochuan Capital has agreed to purchase, 70% equity interest in Hanking (Indonesia) for a total consideration of RMB350,000,000 (the "**Disposal**"), details of which are set out in the Company's announcement dated 5 July 2018 and the circular dated 6 August 2018. The transaction was considered and approved by the independent shareholders of the Company at the extraordinary general meeting held on 24 August 2018.

As of 30 June 2019, as the consideration of the Disposal of RMB350,000,000 has been offset by the payment arrangement for the merge and acquisition of the high-purity iron business, representing the receipt of the consideration of the Disposal in full by the Company, the Disposal has therefore been completed in substance. As the purchaser of the transaction is a Controlling Shareholder, the Company will not record any profit or loss as a result of the Disposal. The difference between the sales price and the equity attributable to the Company of the transaction, i.e. the premium arising from the Disposal, of approximately RMB155,728,000 has been credited to other reserve.

PROSPECT AND COUNTERMEASURES

In 2020, the Group plans to produce 1,850 thousand metric tons of iron ore concentrates and stabilize the production cost of the iron ore business while increasing its resources reserve and improving its efficiency continually. It plans to produce 630 thousand metric tons of high-purity iron and further expand its production capacity to meet the demand of the existing quality customers, as well as continues to expand the scope of usage of its products. The green building materials project plans to produce 47,750 cubic metres of foamed ceramics and expand market shares, at the same time ensuring the advancement of technologies through in-depth cooperation between industry, university and research institute with higher education institutions in order to safeguard the future development.

In March 2020, with the completion of the final environmental impact assessment process, the Group's high-grade Tom's Gully gold project is currently preparing for the mining approval and will commence the mine construction during the year. In addition, the gold business will proceed with exploration to increase the resources reserves of existing mines and implement the Company's merger and acquisition strategy based on the market, projects under monitoring and its own funding capability.

In 2020, the spread of the novel coronavirus worldwide has brought a huge impact on the global economy. As affected by the epidemic, the Group's output of iron ore concentrates in the first quarter was approximately 100 thousand metric tons lower than planned. Moreover, under the influence of the operation rate and logistics of downstream customers, the delivery volume of high-purity iron in the first quarter was approximately 70 thousand metric tons lower than planned, and hence resulted in a corresponding increase in inventories. In mid to late March 2020, with the gradual recovery of the operation rate of partners and downstream customers, the output of the Group's iron ore concentrates has resumed to the normal level. The delivery volume of high-purity iron has resumed to the similar level as that of output in April, and the inventory decreased gradually.

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 plans are 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 in the situation.

SAFETY, ENVIRONMENTAL PROTECTION, EMPLOYEE AND REMUNERATION POLICY

As of 31 December 2019, the Group had a total of 1,534 employees (as of 31 December 2018: a total of 880 employees). The increase in headcount was mainly due to the Company's acquisition of Tuochuan (Hong Kong) and its subsidiaries in 2019.

As of 31 December 2019, the aggregate remuneration expenses and other employee benefits costs of the Group amounted to approximately RMB155,302,000 (2018: RMB173,717,000). 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, the income of employees is related to the performance of individual employees and the operating performance of the Company. The Company carried out performance assessment to motivate employees, so as to enhance its operating performance.

In order to improve the overall quality and professional skills of the employees, the Group has developed and implemented the Administrative System on Training. In 2019, the Group has organized a number of internal and external training. For further details on this aspect, please refer to the Environmental, Social and Governance Report issued by the Company for the year 2019.

FINANCIAL REVIEW

In 2019, the Group has successfully acquired the high-purity iron business. As the acquisition represented a business combination involving entities under common control, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity as well as the consolidated statement of cash flow for 2018 and the consolidated statement of financial position as at 31 December 2018 have all been restated so as to include the profit, assets and liabilities since the date when the combined entities first came under common control. For details of restatement, please refer to note 3 to the consolidated financial statements.

The Group has significantly expanded its business scale as a result of the successful acquisition of high-purity iron business.

The following table sets forth the comparison between the Group's revenue, gross profit and profit for the year from continuing operations in 2019 and the data for 2018, which has not been restated.

	For the year ended 31 December		Changes	
	2019	2018 (Unrestated)	Amount	
Continuing operations	**RMB'000**	RMB'000	RMB'000	Percentage
Revenue	**2,251,882**	1,165,491	1,086,391	93.21%
Gross profit	**890,677**	510,302	380,375	74.54%
Profit for the year	**332,161**	184,922	147,239	79.62%

The Group's revenue, gross profit and profit for the year from continuing operations in 2019 increased by 93.21%, 74.54% and 79.62% respectively as compared with the data for 2018, which has not been restated.

However, due to the suspension of production for almost six months in 2019 for technological improvement of capacity expansion of high-purity iron business, the consolidated revenue and profit for the year from continuing operations of the Group decreased as compared with the restated data for 2018. At the end of September 2019, the high-purity iron business of the Company has completed the technological improvement as scheduled and officially resumed production. It is expected that the output and sales volume of high-purity iron in 2020 will increase significantly compared with that in 2018.

1. Revenue, Cost of Sales, Gross Profit

For the year of 2018, the unrestated revenue from the Group's continuing operations was RMB1,165,491,000. For the year of 2019, as the financial information of Hanking D.R.I. has been consolidated into the Group's financial statements, the Group's revenue increased to approximately RMB2,251,882,000. However, due to Hanking D.R.I.'s suspension of production for almost six months for technological improvement, the restated revenue recorded a year-on-year decrease of RMB576,390,000 or 20.38%, mainly due to 1) the increase in revenue of RMB259,222,000 from iron ore concentrates over last year, mainly represented by an increase of RMB128/metric ton in the sales price of iron ore concentrates over last year, resulting in an increase in revenue of RMB236,738,000; 2) the sales volume of iron ore concentrates in 2019 was 1,840 thousand metric tons, representing an increase of 35 thousand metric tons over last year, which resulted in the increase in revenue of RMB22,484,000; 3) the decrease of RMB706,198,000 in the revenue from high-purity iron business over last year, mainly due to the fact that high-purity iron business suspended its production for almost six months for technological improvement in 2019, resulting in a decrease of 230 thousand metric tons in sales volume and a decrease of RMB737,406,000 in revenue from high-purity iron business over last year; and 4) an increase of RMB108/metric ton in the sales price of high-purity iron over last year, resulting in an increase in revenue of RMB31,208,000.

For the year of 2019, cost of sales incurred by the Group's continuing operations amounted to RMB1,361,205,000, representing a decrease of RMB597,004,000 or 30.49% over last year, among which, cost of sales incurred by high-purity iron business decreased by RMB532,841,000 over the corresponding period of last year, mainly attributable to the fact that high-purity iron business suspended its production for almost six months for technological improvement in 2019, resulting in a decrease of 230 thousand metric tons in sales volume of high-purity iron business over last year.

For the year of 2019, gross profit of the Group's continuing operations was RMB890,677,000, representing an increase of RMB20,614,000 or 2.37% over last year. As compared to last year, gross profit margin of the Group's continuing operations increased from 30.67% to 39.55% in 2019.

Analysis on the revenue by major products

	For the year ended 31 December 2019 RMB'000					For the year ended 31 December 2018 RMB'000				
	Iron ore concentrates	**High-purity iron**	**Others**	**Inter-segment elimination**	**Total**	Iron ore concentrates	High-purity iron	Others	Inter-segment elimination	Total
Revenue	**1,422,623**	**956,583**	**13,200**	**-140,524**	**2,251,882**	1,163,401	1,662,781	2,090	–	2,828,272
Cost of sales	**688,011**	**770,179**	**23,076**	**-120,061**	**1,361,205**	650,972	1,303,020	4,217	–	1,958,209
Gross profit	**734,612**	**186,404**	**-9,876**	**-20,463**	**890,677**	512,429	359,761	-2,127	–	870,063
Gross profit margin	**51.64%**	**19.49%**	**-74.82%**	**–**	**39.55%**	44.05%	21.64%	-101.77%	–	30.76%

2. Other Income, Other Gains and Losses

For the year of 2019, other income from the Group's continuing operations was RMB6,707,000, representing a decrease of RMB41,284,000 or 86.02% over last year. Other income mainly represented interest income.

For the year of 2019, other losses of the Group's continuing operations were RMB7,457,000, representing a decrease in loss of RMB57,863,000 or 88.58% over last year, which was mainly attributable to the decrease in impairment loss of long-term assets of RMB45,886,000. Due to the completion of open pit mining at Aoniu Mine in 2018, the Group has made provisions for impairment loss of long-term assets amounting to RMB64,188,000, while provision were made for impairment loss of RMB17,469,000 on certain long-term assets which were no longer in use due to high-purity iron business's suspension of production for technological improvement in 2019. For details of impairment loss of long-term assets, please refer to note 25. Other losses mainly consisted of the impairment loss of assets, foreign exchange losses, disposal gains of available-for-sale financial assets, net income or loss from disposal of properties, plants and equipment, and other overheads, etc.

3. Distribution and Selling Expenses, Administrative Expenses

For the year of 2019, the distribution and selling expenses of the Group's continuing operations were RMB95,092,000, representing a decrease of RMB24,276,000 or 20.34% as compared to last year, which was mainly due to 1) suspension of production of high-purity iron business for almost six months for technological improvement in 2019, resulting in a decrease of 230 thousand metric tons in the sales volume of high-purity iron business as compared to last year, which in turn resulted in a decrease of RMB41,083,000 in the distribution and selling expenses; and 2) the increase in sales volume of iron ore concentrates of 35 thousand metric tons from the corresponding period of last year and the increase in transportation cost as a result of the change in transport distance. Selling and distribution expenses consisted of transportation expenses, labour expenses and others.

For the year of 2019, the administrative expenses of the Group's continuing operations were RMB198,882,000, representing a decrease of RMB16,753,000 or 7.77% as compared to the corresponding period of last year. The decrease was mainly attributable to the increase in labour expenses due to the dismissal of employees after the completion of open pit mining at Aoniu Mine in 2018. Administrative expenses included remuneration paid to the management and administrative staff of the Group, depreciation and amortization, leasing and office expenses, business development expenses, professional consultation and service expenses, taxation expenses, bank charges and others.

4. Finance Costs and Income Tax Expense

For the year of 2019, the finance costs of the Group's continuing operations were RMB98,687,000, representing a decrease of RMB25,027,000 or 20.23% as compared to last year. Finance costs included interest expenses on bank borrowing, discount expenses and other finance expenses. The decrease in finance costs for the year as compared to last year was mainly due to a decrease in discounting of bank acceptance bills and a decrease in both discount interest and interest expenses as a result of a decrease in bank borrowings.

For the year of 2019, the income tax expense of the Group's continuing operations was RMB152,445,000, representing an increase of RMB171,563,000 or 897.39% as compared to the income tax credit last year. Income tax expense included the total amount of current tax payable and deferred tax. The income tax credit for last year was mainly attributable to the decrease in current income tax charge as a result of internal restructuring of the iron ore business and deductible loss from the disposal of Xingzhou Mining in 2018, and the income tax credit for last year from the deferred tax assets recognized in respect of the timing differences arising from deductible losses, etc.

5. Profit for the Year and Total Comprehensive Income

For the year of 2018, the unrestated profit for the year from the Group's continuing operations was RMB184,922,000. For the year of 2019, as the financial information of Hanking D.R.I. has been consolidated into the Group's financial statements, the profit for the year from the Group's continuing operations increased to approximately RMB332,161,000. For the year of 2019, profit for the year from the Group's continuing operations increased by 79.62% as compared to the unrestated data for 2018. However, due to high-purity iron business's suspension of production for technological improvement for almost six months in 2019, the restated profit for the year from continuing operations recorded a year-on-year decrease of RMB71,635,000 or 17.74%.

Loss for the year from the Group's discontinued operations for the year of 2019 was RMB35,218,000, which mainly represented the operating loss made before the completion of disposal of the nickel mine project and the nickel mine project's cumulative translation reserve reclassified to profit or loss upon disposal.

Based on the profit for the year, and affected by the changes in fair values of financial assets measured at fair value through other comprehensive income and foreign currency translation etc., the total comprehensive income for the year of 2019 was RMB349,389,000, representing a decrease of RMB18,435,000 or 5.01% as compared to last year.

6. Property, Plant and Equipment, Inventories, Intangible Assets

As at 31 December 2019, the net value of property, plant and equipment of the Group was RMB958,008,000, representing an increase of RMB75,305,000 or 8.53% as compared to the end of the previous year.

As at 31 December 2019, the inventories of the Group were RMB236,180,000, representing a decrease of RMB6,096,000 or 2.52% as compared to the end of the previous year.

As at 31 December 2019, the intangible assets of the Group were RMB317,112,000, representing an increase of RMB37,770,000 or 13.52% from the end of last year. The increase was mainly due to the mining rights of the iron ore concentrates obtained during the year and the exploration expense of the gold mines.

7. Trade and Other Receivables, Trade and Other Payables

As at 31 December 2019, trade receivables of the Group were RMB99,462,000, representing a decrease of RMB113,348,000 over the end of last year, mainly attributable to the decrease in the balance of trade receivables of the iron ore concentrates after the completion of the acquisition of high-purity iron business.

As at 31 December 2019, other receivables of the Group were RMB235,565,000, representing a decrease of RMB71,153,000 over the end of last year, which was mainly due to the recovery of the remaining disposal proceeds of Xingzhou Mining of RMB25,000,000 during the year.

According to the requirements of IFRS 9 Financial Instruments, the Group has classified the bills receivables as the receivables at fair value through other comprehensive income based on the characteristics of the business model and contractual cash flow. The fair value and expected credit losses were assessed by the Group at the end of the reporting period, with the changes in the fair value included in other comprehensive income and the expected credit losses included in profit or loss.

As at 31 December 2019, bills receivables of the Group (bank acceptance bills) were RMB28,660,000, representing a decrease of RMB272,598,000 over the end of last year, of which undiscounted and unendorsed bank acceptance bills were RMB17,510,000. Such bills can be discounted at any time to satisfy the capital requirement.

As at 31 December 2019, trade payables of the Group were RMB95,945,000, representing a decrease of RMB215,874,000 over the end of last year, which was mainly attributable to the decrease in payable balance of the purchased iron ore concentrates by high-purity iron business after the completion of the acquisition of high-purity iron business. As at 31 December 2019, other payables of the Group were RMB148,315,000, representing a decrease of RMB70,771,000 over the end of last year.

8. Cash Use Analysis

The summary of the Group's consolidated statement of cash flows for the year of 2019 is set out below.

	For the year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Net cash flows from operating activities	**667,035**	989,934
Net cash flows from investing activities	**63,330**	-802,657
Net cash flows from financing activities	**-1,074,224**	-242,019
Net increase in cash and cash equivalents	**-343,859**	-54,742
Cash and cash equivalents at the beginning of the year	**381,256**	445,718
Assets reclassified as held for sale	**–**	-8,980
Effect of changes in foreign exchange rate on cash and cash equivalents	**749**	-740
Cash and cash equivalents at the end of the year	**38,146**	381,256

The net cash inflow from operating activities during the year of 2019 was RMB667,035,000. The amount was mainly attributed to the profit before tax of RMB449,090,000, together with depreciation and amortization of RMB200,570,000, long-term asset impairment loss of RMB18,302,000, finance costs of RMB120,160,000, which was offset by income tax expenses paid of RMB93,015,000.

For the year of 2019, the net cash inflow from investing activities amounted to RMB63,330,000. The amount mainly included the amount of RMB260,808,000 paid for the addition of plant and equipment as well as acquisition of properties in order to achieve expansion of production capacity and technological upgrade, the amount of RMB23,919,000 paid for the acquisition of intangible assets, the amount of RMB21,685,000 paid for leased assets, the amount of RMB84,290,000 for consideration of acquisition of subsidiaries, the amount of RMB61,239,000 paid for the purchase of financial assets available for sale, as well as the amount of RMB530,674,000 recovered from the redemption of financial assets available for sale.

For the year of 2019, the net cash outflow from financing activities was RMB1,074,224,000, which was mainly from the new bank borrowings of RMB568,163,000, the repayment of bank loans of RMB1,505,900,000, the settlement of loan interest of RMB111,425,000 and the payment of dividend of RMB32,159,000.

9. Cash and Borrowings

As at 31 December 2019, the available cash and cash equivalents of the Group amounted to RMB55,656,000, representing a decrease of RMB333,772,000 or 85.71% as compared to the end of the previous year.

Breakdown of Available Cash and Cash Equivalents

	31 December 2019 RMB'000	31 December 2018 RMB'000	Changes Amount RMB'000	Ratio
Cash and bank deposits	**38,146**	381,256	-343,110	-89.99%
Bank acceptance bills (undiscounted)	**17,510**	8,172	9,338	114.27%
Available cash and cash equivalents	**55,656**	389,428	-333,772	-85.71%

As at 31 December 2019, bills payables and borrowings of the Group amounted to RMB327,000,000 and RMB716,263,000, respectively, and the amount net of borrowings and bills deposits was RMB854,119,000, representing a decrease of RMB443,941,000 or 34.20% as compared to the end of the previous year.

Breakdown of Borrowings and Bills Payables

	31 December 2019 RMB'000	31 December 2018 RMB'000	Changes Amount RMB'000	Ratio
Borrowings – due within one year	**662,500**	1,378,000	-715,500	-51.92%
Borrowings – due after one year	**53,763**	149,000	-95,237	-63.92%
Subtotal	**716,263**	1,527,000	-810,737	-53.09%
Bills payables	**327,000**	705,000	-378,000	-53.62%
Total	**1,043,263**	2,232,000	-1,188,737	-53.26%
Less: borrowings and bills deposits	**189,144**	933,940	-744,796	-79.75%
Net borrowings and bills payables	**854,119**	1,298,060	-443,941	-34.20%

Save for 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, loans, 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 or contingent liabilities of the Group since 31 December 2018.

10. Gearing Ratio

The gearing ratio, as calculated by dividing total liabilities by total assets, of the Group decreased from 68.79% as at 31 December 2018 to 65.08% as at 31 December 2019.

11. 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 commodity prices may materially affect the turnover and the comprehensive income of the Group.

State policy risk: the Group owns assets in China and Australia, which may amend their policies according to any changes in the macro environment from time to time. 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: As of 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 Australia. Their assets and liabilities are denominated in AUD, which are subject to fluctuation in the foreign exchange rate and may affect the 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.

12. Pledge of Assets and Contingent Liabilities

Some of the bank borrowings and bills payables of the Group are secured by bank deposits, property, plant and equipment as well as right-of-use assets. As at 31 December 2019, the net carrying value of the pledged bank deposits, property, plant and equipment and right-of-use assets amounted to RMB189,144,000, RMB53,495,000 and RMB5,838,000, respectively.

As at 31 December 2019, the Group had no material contingent liabilities.

13. Capital Commitment

As at 31 December 2019, the capital commitment of the Group was RMB26,449,000, representing a decrease of RMB49,580,000 or 65.21% over that of last year. The capital commitment mainly consisted of the amount of RMB15,523,000 for the underground mining works of Shangma Mine, the amount of RMB6,807,000 for the exploration expense of the gold mine in Australia, the amount of RMB3,694,000 for the minor works in the high-purity iron business segment and the amount of RMB425,000 for the technological upgrade project with regard to cutting wires of green building materials project.

14. Capital Expenditure

The Group's capital expenditure decreased from approximately RMB470,490,000 in 2018 to approximately RMB355,016,000 in 2019. Expenditure incurred in 2019 mainly included (i) expenditure for plants, machines and equipment and properties amounting to RMB254,126,000; (ii) expenditure for intangible assets amounting to RMB70,325,000; and (iii) increase of RMB30,565,000 in right-of-use assets.

15. Significant Foreign Investments Held

Save for the equity interests in a company listed on the Australian Securities Exchange held by the Group, the Group did not hold any other significant investments as at 31 December 2019.

16. Material Acquisitions and Disposals of Subsidiaries and Associated Companies

On 1 April 2019, the Company entered into an agreement with China Hanking (BVI) Limited (as the seller), Mr. Yang Jiye (as the guarantor of the seller) and Tuochuan Capital to acquire 100% equity interests of Tuochuan (Hong Kong) at a consideration of RMB1,020 million. The transaction was considered and approved by the independent shareholders of the Company at the annual general meeting held on 30 May 2019. Please refer to note 3 to the consolidated financial statements for particulars.

On 5 July 2018, the Company entered into a share sale and purchase agreement with Tuochuan Capital and Mr. Yang Jiye (as the guarantor), pursuant to which, the Company has agreed to sell, and Tuochuan Capital has agreed to purchase, 70% equity interests of Hanking (Indonesia) for a total consideration of RMB350,000,000. The transaction was considered and approved by the independent shareholders of the Company at the extraordinary general meeting held on 24 August 2018. The disposal was completed as of 30 June 2019. As the purchaser of the transaction is a Controlling Shareholder, the Company will not record any profit or loss as a result of the disposal. The difference between the sale price and the entitled interests (i.e. the premium arising from the disposal) of the transaction of approximately RMB155,728,000 was credited to other reserves. Please refer to note 16 to the consolidated financial statements for particulars.

Save as aforesaid, the Group had no other material acquisitions or disposals of subsidiaries and associated companies during the year of 2019.

REPORT OF THE DIRECTORS

1. PRINCIPAL ACTIVITIES

The Group is a fast-growing international mining and metals group of companies, mainly engaging in exploitation and utilization of mineral resources and metals. The Group is mainly engaged in exploration, mining, processing and smelting of iron, gold and other strategic metals and marketing of products as well as development of mineral resources. Details of the principal subsidiaries of the Company are set out in note 40 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 11 "Major Risks" of the section headed "Financial Review". Also, the financial risk management objectives and policies of the Group can be found in note 47 to the consolidated financial statements. 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 sections headed "Corporate Governance Report" and "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 2019, and the position of the Company and the Group as at that date are set out on pages 79 to 82 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 2019 are set out in note 21 to the consolidated financial statements.

5. SHARE CAPITAL

As at 31 December 2019, the total number of authorized Shares of the Company was 10,000,000,000 Shares with a par value of HK$0.1 each, the total authorized capital was HK$1,000,000,000, and the number of Shares in issue was 1,820,000,000 Shares. During the year, the Company repurchased and cancelled a total of 7,829,000 Shares.

6. PRE-EMPTION RIGHT

Pursuant to the Articles of Association of the Company 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 for distribution to the Shareholders as at 31 December 2019 amounted to approximately RMB238,874,000.

8. DIVIDEND

During the reporting period, the Company declared and distributed a dividend of HK$0.02 per Share for the year ended 31 December 2018 to the owners of the Company whose names appeared on the register of members on 19 July 2019, totaling HK$36,557,000 (equivalent to RMB32,159,000). Details of which are set out in the interim results announcement of the Company dated 29 August 2019.

THE "DIVIDEND DISTRIBUTION PLAN FOR SHAREHOLDERS FOR THE NEXT THREE YEARS (2020-2022)" OF THE COMPANY

1. Principle of Formulation

The profit distribution policy of the Company should be consistent and stable. The Company's profit distribution shall focus on providing investors with reasonable investment return as well as maintaining the sustainable development of the Company. In the next three years, the Company will actively distribute profits in form of cash. This plan is formulated in compliance with the relevant laws, regulations and the Articles of Association, and on the premise that the consistency and stability of the profit distribution policy have been maintained.

2. Formulation of Dividend Plan

The Board shall comprehensively consider factors such as the characteristics of the industry in which the Company operates, conditions of business operation, profitability and the strategic development plan for the future, and formulate dividend plan upon the conclusion of each accounting year according to the procedures stipulated in the Articles of Associations, provided that the amount of dividend shall account for at least 30% of the Group's total net profit for the period.

3. Forms of profit distribution

The Company will make interim and annual profit distribution. The Company may distribute profits in form of cash, shares, a combination of cash and shares or other forms that may be permitted by the laws and regulations. Where the conditions for cash dividends are satisfied, the Company shall prioritize the distribution of cash dividends. Where the Company distributes profits by way of dividends on shares, the decision shall be made based on genuine and reasonable grounds such as the Company's growth potentials and dilution of net assets per share.

Subsequent to the end of the reporting period, the Board recommended the payment of a final dividend of HK$0.08 per Share for the year ended 31 December 2019 to Shareholders. 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, 28 May 2020. It is expected that the final dividend will be paid to the Shareholders by 15 June 2020.

Closure of Register of Members

The annual general meeting of the Company is scheduled to be held on Thursday, 28 May 2020. The register of members of the Company will be closed from Thursday, 21 May 2020 to Thursday, 28 May 2020 (both days inclusive) to determine the entitlement to attend and vote at the annual general meeting. In order to attend and vote at the 2020 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 Wednesday, 20 May 2020.

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 Wednesday, 3 June 2020 to Monday, 8 June 2020, 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 Tuesday, 2 June 2020. Shareholders whose names appear on the register of members of the Company on Monday, 8 June 2020 will be entitled to receive the final dividend.

9. PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company repurchased a total of 7,829,000 Shares on the Hong Kong Stock Exchange from July to September 2019 at a total consideration of HK$8,323,000, and cancelled these Shares on 19 September 2019. Details of the repurchase of Shares are as follows:

		Price per Share (HK$)		
Month of repurchase	**Number of Shares repurchased**	**Highest**	**Lowest**	**Aggregate repurchase price (HK$)**
July 2019	6,482,000	1.09	0.98	6,472,030
August 2019	20,000	1.31	1.31	26,200
September 2019	1,327,000	1.41	1.33	1,824,770

The aforementioned repurchases were made for the benefit of the Company and the Shareholders as a whole with a view to enhancing the market price per share and improving the confidence of investors in the Company.

Saved for disclosed above, for the year ended 31 December 2019, the Company or its subsidiaries did not sell or redeem any listed securities of the Company.

10. MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2019, according to the Listing Rules, the purchase from the Company's five largest suppliers in aggregate accounted for 67.12% of the Company's total purchase for the year. In particular, the total purchase from the largest supplier accounted for 39.68% of the Company's total purchase for the year.

For the year ended 31 December 2019, the sales to the Company's five largest customers in aggregate contributed 46.88% to the Company's total sales for the year. In particular, the sales to the largest customer contributed 20.03% to the Company's total sales for the year.

So far as the Directors are aware, except for Hanking D.R.I. (details of which are set out in paragraph 24 "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 at 31 December 2019 are set out in note 36 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	Appointed as Chief Executive Officer and President on 20 March 2018 Re-elected as executive Director on 30 May 2019	N/A
Zheng Xuezhi	Executive Director, Chief Financial Officer and Vice President	Re-elected as executive Director on 24 May 2018	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	Non-executive Director	Re-elected as executive Director on 30 May 2019 Re-designated from executive Director to non-executive Director on 29 August 2019	Resigned as Vice President of the Company on 29 August 2019
Kenneth 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 30 May 2019	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 24 May 2018	N/A
Huang Jinfu	Vice President, director and president of Aoniu Mining	Appointed as president of Aoniu Mining on 15 September 2017 Appointed as Vice President of the Company on 24 August 2018	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 by rotation at least once every three years. The retiring Directors, being eligible, may offer themselves for re-election. Dr. Qiu Yumin, Mr. Kenneth Lee and Dr. Wang Anjian will retire as Directors at the annual general meeting to be held on 28 May 2020 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 of the Company are set out on pages 69 to 73 of this annual report.

14. DIRECTORS' SERVICE CONTRACT

The Company has entered into a director service contract and letter of appointment with each of the Directors, the major terms of which 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. Kenneth Lee, Mr. Wang Ping, Dr. Wang Anjian and Mr. Ma Qingshan); from 29 August 2019 to 16 March 2021 (in case of Mr. Xia Zhuo); 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 2019 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 17 and 18 to the consolidated financial statements.

For the year ended 31 December 2019, none of the Directors has agreed with the Company to waive any remuneration.

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

17. RESTRICTED SHARE AWARD SCHEME

The Company adopted a restricted share award scheme on 29 August 2019. The restricted share award scheme does not constitute a share option scheme and is not subject to the provisions of Chapter 17 of the Listing Rules.

The purpose and objective of this scheme is (i) to recognize and motivate the contribution of the key management personnel and core employees of the Group; (ii) to help the Group retain and attract the Selected Participants in attaining the long term business objectives of the Company; and (iii) to further align the interests of the Selected Participants directly to the Shareholders through ownership of Shares.

The eligible participants include Directors, senior management and core employees of the Group.

The restricted share award scheme has come into effect from 29 August 2019 and will remain in full force and effect for a term of 10 years or until such date of early termination as may be determined by the Board (whichever the earlier), after which no award shares shall be further granted or accepted, provided that the provisions under the scheme shall remain in full force and effect in order to give effect to the vesting of the award shares granted and accepted prior to the expiry or termination of the scheme.

The maximum number of the award shares that may be granted under this scheme in aggregate shall be no more than 90,000,000 Shares, subject always to the compliance of the Listing Rules, including the requirement concerning the maintenance of the public float.

A Selected Participant shall be entitled to receive the award shares held by the trustee, and the award shares shall vest in three (3) years, of which one third of a Selected Participant's applicable award shares shall become vested upon each of the first anniversary, the second anniversary and the third anniversary.

As of the date of this report, the trustee, as instructed by the Board of the Company, purchased a total of 6,988,000 Shares on the market at a total consideration of HK$12,346,600. The trustee holds these Shares pursuant to the rules of the scheme and the terms of the deed of trust.

As of the date of this report, no Shares have been granted to the Selected Participants under this scheme.

18. DIRECTOR'S INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in paragraph 24 "Connected Transactions" of this section, during the year ended 31 December 2019, the Company has not directly or indirectly entered into 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.

19. 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.

20. 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 a Controlling Shareholder 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 have 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 (audited) is as follows:

	For the year ended 31 December (Unit: RMB'000)		
	2019	2018	2017
Total assets	**430,752**	416,442	415,360
Total liabilities	**495,453**	453,823	432,350
Profit/loss	**-27,319**	-20,174	-18,650

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

As at 31 December 2019, save as disclosed below, the Directors and their associates did not hold any interests in any business which, either directly or indirectly, competes or is likely to compete against the business of the Group:

Name of Directors	Positions in the Company	Positions in Competing Business
Xia Zhuo	Executive Director (Non-executive Director with effect from 29 August 2019)	director of Hanking Group

21. 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 2019, 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 taken or deemed to have under such provisions of the SFO), or was, pursuant to Section 352 of the SFO, required to be recorded in the register referred to therein, 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 position)	27.16%
	Interest in controlled corporation	619,701,166 (long position)	34.05%
		15,000,000 (short position)	0.82%
Xia Zhuo[2]	Interest in controlled corporation	19,130,589 (long position)	1.05%
	Beneficial owner	60,000 (long position)	Less than 0.01%
Zheng Xuezhi	Beneficial owner	2,452,000 (long position)	0.13%

REPORT OF THE DIRECTORS

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 be interested in 494,360,500 Shares held by Bisney Success Limited and 619,701,166 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 be interested 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 0.00329670%.

(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[1]	Hanking Australia Investment Pty Ltd	Interest in controlled corporation	6,300,000 (long positions)	3.00%
Yang Jiye[2]	Hanking Australia Investment Pty Ltd	Interest in controlled corporation	6,300,000[3] (long positions)	3.00%
Zheng Xuezhi[2]	Hanking Australia Investment Pty Ltd	Interest in controlled corporation	6,300,000[3] (long positions)	3.00%

Notes:

1. Dr. Qiu Yumin and his spouse jointly hold 100% equity interests in Golden Resource Pty Ltd. Hence, Dr. Qiu Yumin is deemed to be interested in 6,300,000 shares in Hanking Australia Investment held by Golden Resource Pty Ltd.

2. Each of Mr. Yang Jiye and Mr. Zheng Xuezhi holds 33.33% equity interests in Best Fate Limited. Hence, each of Mr. Yang Jiye and Mr. Zheng Xuezhi is deemed to be interested in 6,300,000 shares in Hanking Australia Investment held by Best Fate Limited.

3. These 6,300,000 shares are the same block of shares.

Save as disclosed above, as at 31 December 2019, 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, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which was otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

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

As at 31 December 2019, 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) had interests or short positions in the Shares or underlying shares 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 required to be recorded in the register 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	206,025,000 (long positions)	11.32%
China Hanking (BVI) Limited	Beneficial owner	206,025,000 (long positions)	11.32%
Bisney Success Limited	Beneficial owner	494,360,500[2] (long positions)	27.16%
Le Fu Limited	Interest in controlled corporation	494,360,500[2] (long positions)	27.16%
UBS Nominees Limited	Nominee for the Trustee	494,360,500[2] (long positions)	27.16%
UBS Trustees (BVI) Limited	Trustee	494,360,500[2] (long positions)	27.16%
Tuochuan Capital Limited	Beneficial owner	619,701,166 (long positions) 15,000,000 (short positions)	34.05% 0.82%
China Citic Bank Corporation Limited	Person having a security interest in Shares	280,000,000 (long positions)	15.38%
Xinfu Branch, Bank of Fushun Co., Ltd.	Person having a security interest in Shares	500,000,000 (long positions)	27.47%

Notes:

1. Ms. Yang Min holds 100% interest in China Hanking (BVI) Limited. Thus Ms. Yang Min is deemed to be interested in 206,025,000 Shares held by China Hanking (BVI) Limited.

2. These 494,360,500 Shares are the same block 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.

23. MANAGEMENT CONTRACTS

For the year ended 31 December 2019, there is no contract entered into by the Company or subsisting relating to the management and administration of the entire or any part of business of the Company.

24. CONNECTED TRANSACTIONS

For the year ended 31 December 2019, the Group carried out certain one-off connected transactions, details of which are set out below:

a. Acquisition of Equity Interests of Tuochuan (Hong Kong)

On 1 April 2019, the Company entered into an agreement with China Hanking (BVI) Limited (as the seller), Mr. Yang Jiye (as the guarantor of the seller) and Tuochuan Capital Limited, pursuant to which the seller conditionally agreed to dispose of, and the Company conditionally agreed to acquire 100% equity interests of Tuochuan (Hong Kong) Limited (the "**Target Company**") at a consideration of RMB1,020 million. The Target Company indirectly held 99% equity interests of Hanking D.R.I.. The transaction was approved by the independent shareholders of the Company at the annual general meeting held on 30 May 2019. On 1 July 2019, the Company obtained the effective control over the Target Company, and the financial information of the Target Company was consolidated into the financial statements of the Group.

The seller is one of the Controlling Shareholders and hence a connected person of the Company. Details of which are set out in the announcement of the Company dated 1 April 2019 and the circular dated 29 April 2019.

b. Capital Injection to Hanking Australia Investment

On 21 November 2019, the Company, Golden Resource Pty Ltd ("**Golden Resource**"), Best Fate Limited ("**Best Fate**"), Shanghai Tuoao Industry Limited (上海拓澳實業有限公司) ("**Shanghai Tuoao**", a wholly-owned subsidiary of the Company) and Hanking Australia Investment entered into a capital injection agreement, pursuant to which Shanghai Tuoao will make a capital contribution in an amount of AUD28,000,000 (equivalent to approximately RMB133,722,400) to Hanking Australia Investment. After the capital injection, the share capital of Hanking Australia Investment will be increased from AUD42,000,000 to AUD70,000,000, and Hanking Australia Investment will be held as to 56.4% by the Company, 1.8% by Golden Resource, 1.8% by Best Fate and 40.0% by Shanghai Tuoao, respectively. Following the capital injection, the Group's aggregated shareholding in Hanking Australia Investment will be increased from 94% to 96.4%. The existing shareholders of Hanking Australia Investment will not be making further capital contributions at this stage.

The beneficial owner of Golden Resource is an executive Director of the Company, and the beneficial owners of Best Fate are the executive Director of the Company and/or the director of Hanking Australia Investment (a non-wholly owned subsidiary of the Company), hence, both of them are connected persons of the Company. Details of which are set out in the announcement of the Company dated 21 November 2019.

During the year ended 31 December 2019, the Group carried out the following continuing connected transaction:

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.

Items of Continuing Connected Transactions	**Connected Person**	**2019 Annual Transaction Amount Cap (RMB'000)**	**Actual Transaction Amount (RMB'000)**
Sales of Iron Ore Concentrates	Hanking D.R.I., Dalian Huaren and Fushun Deshan	484,000	124,641 (as of 30 June 2019)

Sales of Iron Ore Concentrates

Hanking D.R.I. is principally engaged in the production and sale of high-purity iron, 99% equity interest of which was indirectly held by Ms. Yang Min before the acquisition by the Company. According to Chapter 14A of the Listing Rules, Hanking D.R.I. is a connected person of the Company. The transaction under the Iron Ore Concentrates Sale Agreement constitutes a continuing connected transaction. As of 30 June 2019, the Company has obtained the effective control of Hanking D.R.I. and thus such transaction no longer constitutes a continuing connected transaction.

The Company concluded a procurement agreement with Hanking D.R.I. on 16 September 2011. According to the agreement, the Company will, through its subsidiaries, provide iron ore concentrates to 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 Hanking D.R.I. and Dalian Huaren (as an agent of 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 Hanking D.R.I., Dalian Huaren and Fushun Deshan (both are the agents of Hanking 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 Hanking D.R.I., Dalian Huaren and 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 Company entered into an agreement on 1 April 2019 to acquire 99% equity interests of Hanking D.R.I. and obtained the effective control over the company in June 2019. As of 30 June 2019, the actual transaction amount of this continuing connected transaction was RMB124,641,000.

The independent non-executive Directors of the Company have reviewed the above-mentioned continuing connected transaction and confirmed that this transaction has 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 agreements 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 announcements 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.

Related Party Transactions

Related party transactions of the Group are set out in note 49 to the consolidated financial statements. In relation to those related party transactions that also constituted connected transactions or continuing connected transactions of the Group as defined in the Listing Rules, the relevant disclosure requirements in accordance with Chapter 14A of the Listing Rules have been complied with.

25. COMPLIANCE WITH NON-COMPETITION AGREEMENT

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 on the compliance with the undertakings under the Non-Competition Agreement on behalf of the Company. During the year of 2019, each Controlling Shareholder has made annual confirmation of compliance with 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.

26. RETIREMENT AND EMPLOYEES' BENEFIT PLAN

Detailed information on the retirement and employees' benefit plan of the Company is provided in note 13 to the consolidated financial statements.

27. COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE

Save as disclosed herein, during the period from 1 January 2019 to 31 December 2019, the Company has complied with the remaining code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules and, meanwhile, complied with most of the best practices as recommended therein. Please refer to the Corporate Governance Report of this annual report for details.

With effect from 20 March 2018, Mr. Yang Jiye, the chairman of the Board, has assumed the role of the Chief Executive Officer and the President of the Company. Although this is not in compliance with the requirements under Code Provision A.2.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, the Company believes that vesting the roles of both the chairman of the Board and the Chief Executive Officer in Mr. Yang Jiye provides strong and consistent leadership and enables more effective planning and better execution of long-term business strategies, which is beneficial to the overall development of the Company. The Company will decide whether to appoint another person as the Chief Executive Officer based on the business operation if and when appropriate.

28. ENVIRONMENTAL PROTECTION AND SOCIAL RESPONSIBILITY

The Company strives to fulfil its social responsibilities in all major areas, including environmental protection. It promotes energy-efficient business model which emphasizes conservation and efficient use of resources, and enhances efforts in recycling and reuse to avoid wastage. The Group regards emission reduction and meeting the emission standards as its major tasks in undertaking environmental protection responsibilities. Through technical measures and recycling initiatives, it lowers the generation and emission of wastes. In order to minimize emission of greenhouse gas, the Group has implemented the policy designed to reduce business travel and encourages employees to hold telephone conferences in place of overseas business trips (if possible) and travel with public transport. For details, please refer to the Environmental, Social and Governance Report of the Company.

29. PUBLIC FLOAT

Based on the information publicly 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.

30. SIGNIFICANT LEGAL PROCEEDINGS

For the year ended 31 December 2019, the Group was not 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.

31. AUDIT COMMITTEE

The Audit Committee has reviewed the announcement of Annual Results for 2019 and the consolidated financial statements for the year ended 31 December 2019.

32. 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.

33. 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.

34. 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.

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

For the year ended 31 December 2019, the Company has not granted financial assistance and guarantee to its affiliated company.

36. LOAN TO A GIVEN ENTITY

For the year ended 31 December 2019, the Group has not granted a loan to a given entity.

37. CONTINUING DISCLOSURE UNDER THE LISTING RULES

On 24 July 2019, Tuochuan Capital Limited pledged 280,000,000 Shares, which represented approximately 15.32% of the issued share capital of the Company as at 24 July 2019, in favour of China Citic Bank Corporation Limited, Dalian Branch ("**Citic Bank**") as security for a term loan facility of a maximum aggregate amount of RMB127,500,000 provided by the Citic Bank to Aoniu Mining. Details of which are set out in the announcement of the Company dated 24 July 2019.

Saved as disclosed above, the Company had no other disclosure obligations under Rule 13.20, Rule 13.21 and Rule 13.22 of the Listing Rules as at 31 December 2019.

38. TAXATION RELIEF

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

39. DEBENTURES

For the year ended 31 December 2019, the Company did not issue any debentures.

40. EQUITY-LINKED AGREEMENTS

For the year ended 31 December 2019, no equity-linked agreements were entered into by the Company or subsisted at the end of that year.

41. CHARITABLE DONATIONS

The Group made donation for charitable purposes in an aggregate amount of RMB1,090,000 during the year ended 31 December 2019.

42. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

Save as disclosed in the report, there were no other significant events taken place subsequent to the end of the year ended 31 December 2019.

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

29 March 2020

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 its Shareholders. During the period from 1 January 2019 to 31 December 2019, save as disclosed in paragraph 27 "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 with 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.

For the period from 1 January 2019 to the date of this annual report, the re-designation, resignation and appointment of Directors are set out as follows:

At the annual general meeting of the Company held on 30 May 2019, in accordance with Article 84(1) of the Articles of Association, Mr. Yang Jiye (executive Director), Mr. Xia Zhuo (executive Director) and Mr. Wang Ping (independent non-executive Director) retired by rotation at the annual general meeting. Mr. Yang Jiye, Mr. Xia Zhuo and Mr. Wang Ping, being eligible, offered themselves for re-election.

On 29 August 2019, Mr. Xia Zhuo resigned as Vice President of the Company due to other commitments which require more of his dedications, and was re-designated from executive Director to non-executive Director.

CORPORATE GOVERNANCE REPORT

Given the above re-designation, resignation and appointment of directors, details of the directors of the Company for 2019 are as follows:

During the period from 1 January 2019 to 28 August 2019, the Board comprised the following members:

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

During the period from 29 August 2019 to 31 December 2019, the Board comprised the following members:

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

During the reporting period, the Company has appointed a 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 2019, the Company had three independent non-executive Directors in total, representing more than one-third of the total number of Directors. Mr. Wang Ping has over 23 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 18 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 2019, the Directors have participated in the following training 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 Directors			
Mr. Kenneth Lee	✓	✓	✓
Mr. Xia Zhuo	✓	✓	✓
Executive Directors			
Mr. Yang Jiye	✓	✓	✓
Mr. Zheng Xuezhi	✓	✓	✓
Dr. Qiu Yumin	✓	✓	✓
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 to various industries.

COMPANY SECRETARY

For the year ended 31 December 2019, the joint company secretaries of the Company were Ms. Zhang Jing and Ms. So Lai Shan and both of them have participated in not less than 15 hours of relevant professional training. Ms. So Lai Shan's primary contact person at the Company was Ms. Zhang Jing.

LIABILITY INSURANCE

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

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

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

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 for 2019 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 of the Company 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 21 November 2019, the independent non-executive Directors and the Chairman of the Board held a meeting without the presence of other Directors, so as to evaluate the results of the Company for 2019 and the overall operating management capacity of the senior management in 2019.

During the reporting period, no objection was raised by the independent non-executive Directors of the Company 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 2019.

THE CHAIRMAN OF THE BOARD AND THE CHIEF EXECUTIVE OFFICER

Pursuant to the Guidelines regarding the Division of Functions between the Board and Senior Management ("**Guidelines**") formulated by 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.

With effect from 20 March 2018, Mr. Yang Jiye, the chairman of the Board of the Company, has assumed the role of Chief Executive Officer and President of the Company. Although this is not in compliance with the requirements under Rule A.2.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, the Company is of the view that the corporate governance structure will prevent the lack of checks and balances with strong independent elements on the Board, delegation of authorities to management to undertake operation and supervision by the Board committee. Besides, the Company believes that the vesting of roles of both chairman of the Board and Chief Executive Officer in Mr. Yang Jiye provides strong and consistent leadership and enables more effective planning and better execution of long-term business strategies, which is beneficial to the overall development of the Company. The Company will decide whether to appoint another person as the Chief Executive Officer based on the business operation if and when appropriate.

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 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 convened two general meetings and six Board meetings in 2019. 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:

		Specialized Committees under the Board				
Directors	**Board of Directors**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**HSEC Committee**	**General Meetings**
Non-executive Directors						
Kenneth Lee	6/6	2/2	1/1	N/A	N/A	2/2
Xia Zhuo	5/6	N/A	N/A	N/A	N/A	2/2
Executive Directors						
Yang Jiye	6/6	N/A	N/A	1/1	1/1	2/2
Zheng Xuezhi	6/6	N/A	N/A	N/A	N/A	2/2
Qiu Yumin	6/6	N/A	N/A	N/A	1/1	2/2
Independent non-executive Directors						
Wang Ping	6/6	2/2	1/1	N/A	N/A	2/2
Wang Anjian	6/6	2/2	N/A	1/1	1/1	2/2
Ma Qingshan	6/6	N/A	1/1	1/1	N/A	1/2

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.

CORPORATE GOVERNANCE REPORT

(A) Audit Committee

During the period from 1 January 2019 to 31 December 2019, the Audit Committee comprised the following members:

Non-executive Director	Independent non-executive Directors
Mr. Kenneth 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 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.

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, 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 these investigation findings on its own initiative or as delegated by the Board.

During the year of 2019, 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 2018 and the first half of 2019 respectively, the 2018 internal control report and the 2019 audit plan of the Company's internal audit department, the implementation of non-competition agreement by the 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 and the external auditors have both attended the above meetings.

(B) Remuneration Committee

During the period from 1 January 2019 to 31 December 2019, the Remuneration Committee comprised the following members:

Non-executive Director	Independent non-executive Directors
Mr. Kenneth 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 2019, 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 2018 as well as the remuneration policies and structure for the year of 2019.

(C) Nomination Committee

During the period from 1 January 2019 to 31 December 2019, 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 the nomination policy for the consideration of the Board and implement the nomination policy approved by the Board.

Nomination procedures for Directors

The Nomination Committee shall recommend to the Board on the appointment of Directors (including independent non-executive Directors) in accordance with the following selection criteria and nomination procedures:

1. the Nomination Committee shall make proactive communications with relevant departments of the Company, study the Company's demand for new Directors, and make reports in writing in respect thereof;

2. the Nomination Committee may seek candidates for Directors in a broad scope in the Company and the Group, and from the talent market;

3. collect and assess the following information and aspects about the candidates, and form writing materials, including but not limited to:

   3.1 diversity in all aspects, including gender, age, cultural and educational background, professional experience, skills, knowledge and work experience;

   3.2 qualifications, including the achievements and experience in relevant industries related to the business of the Group;

3.3 willingness to devote sufficient time to perform the duties as member of the Board and other responsibilities as a Director;

3.4 integrity and reputation;

3.5 independence of candidates for independent non-executive Directors, which is assessed with reference to the factors as set out in Rule 3.13 of the Listing Rules and any other factors deemed as appropriate by the Nomination Committee or the Board;

3.6 potential contributions to the Board; and

3.7 other relevant aspects that apply to the business of the Group.

4. seek the nominee's consent to nomination, otherwise, the nominee cannot be a candidate for a Director;

5. convene a Nomination Committee meeting to examine the qualifications of the candidate against the criteria for the Directors;

6. make recommendations to the Board regarding the candidates for Directors and submit the relevant information to the Board one to two weeks prior to the election of new Directors;

7. take other follow-up actions according to the decision and feedback from the Board.

During the year of 2019, the Nomination Committee held one meeting, at which the retiring Director Mr. Yang Jiye was nominated for re-election as executive Director, Mr. Xia Zhuo as executive Director and Mr. Wang Ping 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 of the Company for the performance of their duties was also discussed.

Diversity Policies

The Company will make efforts to keep an appropriate balance in the 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 directorship is based on a range of diversity perspectives, and the ultimate decision is based on the merit and contribution that the selected candidates will bring to the Board. As at 31 December 2019, the Board comprised eight Directors, all of them are male. There were four Directors at the age range of 41-50, three Directors at the range of 51-60 and one Director aged over 61, of which five Directors are from Mainland China, two from Hong Kong and one from Australia. All Directors have received tertiary education or above, and two of them have obtained a 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 two people, including Qiu Yumin and Wang Anjian	2/8
Financial, investment and financing	Totalling three people, including Zheng Xuezhi, Kenneth Lee and Wang Ping	3/8
Enterprise management and risk management and control	Totalling three people, including Yang Jiye, Xia Zhuo and Ma Qingshan	3/8

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

During the period from 1 January 2019 to 31 December 2019, the HSEC Committee comprised the following members:

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

In 2019, the HSEC Committee held one meeting, at which the committee considered and recommended the draft of the Environmental, Social and Governance Report 2018 of the Company 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 Group'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 2019. The Board reviews the corporate governance initiatives of the Group on an annual basis.

REMUNERATION OF AUDITORS

The Shareholders of the Company approved the resolution for the re-appointment of Deloitte Touche Tohmatsu as the auditor of the Company for 2019 and authorizing the Board to determine its remuneration at the annual general meeting held on 30 May 2019. The Company re-appointed Deloitte Touche Tohmatsu as the auditor of the Company for the year of 2019 with a term of one year ending on the date of the 2020 annual general meeting. As of 31 December 2019, details of the audit and non-audit services provided by the auditor to the Group are as follows:

Audit Service	The total fee charged for the audit service in 2019 was approximately RMB4,777,000, among which, the total fee charged for providing the Group with the review of the interim financial statements as of 30 June 2019 and audit of the financial statements for the year ended 31 December 2019 was RMB3,200,000 (excluding taxation and sundries). The fee charged for providing an audit for the acquisition of Tuochuan (Hong Kong) Limited was approximately RMB1,577,000 (excluding taxation and sundries).
Non-audit Service	The total fee charged for providing the Group with the consulting services on taxation was approximately HK$16,100 (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 2019, 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 account. 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 granting the 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 in achieving 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. In 2019, the Board reviewed the effectiveness of the risk management and internal control system of the Company and its major subsidiaries, which covered financial control and non-financial control.

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 Board resolutions, and is entitled to manage and oversee the Group's operations.

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

The Group has formulated the Information Disclosure Management System and the Administrative Measures on Connected 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 for identifying and processing inside information on due course, so as to maintain the confidentiality of inside information prior to the disclosure with proper approval and disseminate 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 subsidiaries controlled by the Group. 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 2019, the Audit Department conducted effectiveness test and evaluation with a focus on key aspects including the procurement and payment procedures, sales and payment collection procedures, cash on hand and at bank, and review of construction costs, and expressed 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 the assessment work plan, implementation of on-site testing, identification of control deficiencies, compilation of assessment results, preparation of assessment report, etc. During the assessment process, the Audit Department widely collects evidences regarding 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 deficiencies through a combination of methods and approaches such as individual interview, questionnaire survey, panel discussion, sampling inspection, walk through testing, on-site inspection and comparative analysis. When internal control deficiencies are identified in the audit, monitoring and assessment of the Company's risk management system, 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 deficiencies 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 deficiencies or major deficiencies in the internal control over the non-financial reporting process were identified.

ARTICLES OF ASSOCIATION

For the year 2019, 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, including general meetings, results briefings, road show activities, receiving guests and telephone counselling. In 2019, the Company organized two results briefings, and a number of investor meetings and media interviews.

(A) The rights of Shareholders

The Articles of Association provide 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, any member or members holding not less than one-tenth of paid-up capital of the Company, which entitled them to vote at the meeting, as at the date of submitting the request is or are entitled to give written request 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 request. The above meeting shall be convened within two (2) months after submitting the relevant request to the Company's principal place of business in Hong Kong, at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong and for the attention of the Company Secretary. If the Board has not convened the meeting within twenty-one (21) days after receiving the request, 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: 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong
Tel: +852 3188 8333
Fax: +852 3188 8222

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 the 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, loss 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 the 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 consultation documents and other related financial information, including detailed information related to the Company's business performance and development as disclosed in annual reports, interim reports, press releases and announcements.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

1. COMPOSITION OF DIRECTORS

As at the Latest Practicable Date, the Board consisted of three 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	42	Executive Director, Chairman of the Board, Chief Executive Officer and President	appointed as Chief Executive Officer and President on 20 March 2018 re-elected as executive Director on 30 May 2019	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	50	Executive Director, Chief Financial Officer, Vice President and chairman of Hanking Green Building Materials	re-elected as executive Director on 24 May 2018	responsible for the financial management and accounting of the Group
Dr. Qiu Yumin	57	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. Kenneth Lee	52	Non-executive Director	re-elected as non-executive Director on 22 May 2017	N/A
Mr. Xia Zhuo	54	Non-executive Director	re-elected as executive Director on 30 May 2019 re-designated from executive Director to non-executive Director on 29 August 2019	N/A
Mr. Wang Ping	50	Independent non-executive Director	re-elected as independent non-executive Director on 30 May 2019	N/A
Dr. Wang Anjian	66	Independent non-executive Director	re-elected as independent non-executive Director on 22 May 2017	N/A
Mr. Ma Qingshan	41	Independent non-executive Director	re-elected as independent non-executive Director on 24 May 2018	N/A

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Resignation/Retirement of Director

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

2. BIOGRAPHY OF NON-EXECUTIVE DIRECTORS

Mr. Kenneth Lee, aged 52, is a non-executive Director. He has served on the Company's Board of Directors since 2012. Mr. Lee has more than 20 years of experience across private equity investments, corporate finance and business development in China. He was a partner at SAIF Partners, a dedicated growth venture private equity fund in China. He is also a non-executive director of Sinovac Biotech Limited, a company listed in the USA, and a board director for three other private Chinese companies backed by SAIF Partners. Mr. Lee graduated from Amherst College in the USA. He acted as a non-executive director of Greenway Mining Group Limited (formerly known as "China Polymetallic Mining Limited") (HKSE: 02133, a company listed on the Hong Kong Stock Exchange) 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.

Mr. Xia Zhuo, aged 54, is a non-executive Director. He has served on the Company's Board of Directors since 2011. Mr. Xia resigned as Vice President of the Company and re-designated from executive Director to non-executive Director in August 2019. Before his resignation, he was responsible for the nickel business in Indonesia and daily administrative matters of the Group. He is currently serving as the director of Aoniu Mining. In addition, he also serves as the director of Hanking Group. Mr. Xia has obtained more than 23 years of experience in the mining industry. 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 42, is an executive Director, Chairman of the Board and Chief Executive Officer and President. Meanwhile, he is also the chairman of the board of directors of Aoniu Mining, and the director of Hanking Australia Investment, HGM Resources Pty Ltd and PGO. Mr. Yang is currently serving as 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 17 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 50, is an executive Director, the Chief Financial Officer and Vice President. Mr. Zheng joined the Group in 2008. He is the director of Aoniu Mining and the chairman of Hanking Green Building Materials. Mr. Zheng is responsible for financial management and accounting of the Group. Mr. Zheng is also a supervisor 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 20 years of experience in financing, auditing, taxation and accounting. Mr. Zheng graduated from Northeast University (東北大學) with a master degree in 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.

Dr. Qiu Yumin, aged 57, is an executive Director and Vice President. He is also the director, chief executive officer and president of Hanking Australia Investment and the director of other Australian subsidiaries of the Company, including PGO. Dr. Qiu Yumin is a member of the Australian Institute of Geoscientists, and has over 22 years of experience in exploration and business development. Currently, Dr. Qiu serves as the non-executive director of Corazon Mining Ltd (ASX: CZN), a company listed in Australia. From 2014 to June 2018, he was the non-executive director of Primary Gold Limited (ASX: PGO), a company 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 50, is an independent non-executive Director. He is a non-practicing member of the Chinese Institute of Certified Public Accountants. Mr. Wang has over 20 years of experience in corporate finance, audit and accounting. Mr. Wang is currently acting as the non-executive director of Chongyi Zhangyuan Tungsten Co., Ltd. (SZSE: 002378), a company listed on the Shenzhen Stock Exchange. He also serves as the independent non-executive director of China Sinostar Group Company Limited (HKSE: 485), China Tianrui Group Cement Company Limited (HKSE: 1252) and Jia Yao Holdings Limited (formerly known as "Tourism International Holdings Limited") (HKSE: 1626), all being companies listed on the Hong Kong Stock Exchange. He also acted as the independent non-executive director of Shenzhen Fuanna Bedding and Furnishing Co., Ltd. (SZSE: 002327) from December 2013 to September 2017 and Chongyi Zhangyuan Tungsten Co., Ltd. (SZSE: 002378) from November 2010 to May 2017, the independent non-executive director and the non-executive director of Sichuan Crun Co., Ltd. (SZSE: 002272) from March 2016 to August 2017 and from August 2017 to March 2019 respectively, the independent non-executive director of Shenzhen Zowee Tech. Co., Ltd. (SZSE: 002369) from July 2016 to January 2020, and the independent non-executive director of Yunnan Energy New Material Co., Ltd (formerly known as "Yunnan Chuangxin New Material Co., Ltd.") (SZSE: 002812) from April 2017 to April 2020, all being companies listed on the Shenzhen Stock Exchange. He also acted as the non-executive director of Bojun Education Company Limited (HKSE: 1758) from September 2016 to September 2019, a company listed on the Hong Kong 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 66, 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 41 is an independent non-executive Director and has over 18 years of substantial experience in management and consultation. He has extensive experience in corporate strategic planning, business model and control model, digitalization and internet transformation, post-acquisition integration, corporate performance management, corporate 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). Mr. Ma is currently acting as the independent non-executive director of Uni-Bio Science Group Limited (HKSE: 690), a company listed on the Hong Kong Stock Exchange. Save as disclosed above, 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	42	Chief Executive Officer and President	See "Biography of Executive Directors"
Zheng Xuezhi	50	Chief Financial Officer, Vice President and chairman of Hanking Green Building Materials	See "Biography of Executive Directors"
Qiu Yumin	57	Vice President as well as chief executive officer and president of Hanking Australia Investment	See "Biography of Executive Directors"
Huang Jinfu	63	Vice President and president of Aoniu Mining	See below

Mr. Huang Jinfu, aged 63, is the Vice President and the director and president of Aoniu Mining. He is 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 38 years of experience in the mining industry.

Resignation of Senior Management

The following table sets forth certain information of our senior management who has tendered his resignation during the Year:

Name	Age	Date of Resignation and the Position/Title Resigned	Biography
Xia Zhuo	54	Resigned as the Vice President on 29 August 2019	See "Biography of Non-executive Directors"

6. JOINT COMPANY SECRETARIES

Ms. Zhang Jing, joined the Company in 2011 and since then up to the date of this report, she serves as the manager of the compliance department, director-general of the office of the Board and manager of the investor relationship department of the Company, as well as the supervisor of Aoniu Mining. Ms. Zhang obtained the bachelor degree of law from China University of Political Science and Law in July 2003, and obtained the master degree specialising in international business law and European Union law from the University of Sheffield in the UK in November 2004. Ms. Zhang served as a practising lawyer at Yunnan Qianhe Law Firm from February 2005 to February 2009, providing corporate and securities legal services, where she acted as the legal consultant for a number of listed companies. With the past and current positions she held in the Group, Ms. Zhang has over 11 years of experience in corporate governance, listing compliance as well as investor relationship management.

Ms. So Lai Shan, an assistant manager of the listing services department of TMF Hong Kong Limited (a global corporate service provider), is responsible for the provision of company secretarial and compliance services to listed companies. She has over 10 years of relevant working experience. Ms. So is an associate member of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as "The Institute of Chartered Secretaries and Administrators") in the United Kingdom, and possesses the qualifications of company secretary as required under Rule 3.28 and Rule 8.17 of the Listing Rules.

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

TO THE SHAREHOLDERS OF CHINA HANKING HOLDINGS LIMITED (中國罕王控股有限公司)

(Incorporated in the Cayman Islands with limited liability)

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 79 to 204, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, 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, exploration and evaluation assets and right-of-use assets related to Iron Ore Business)
Refer to notes 21 to 25

We identified impairment of property, plant and equipment, mining rights, exploration and evaluation assets and right-of-use assets, being the major assets engaged in Iron Ore Business (as defined in note 1) 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 which is higher than fair value less cost of disposal 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 25, an cumulative impairment loss of RMB64,188,000 for property, plant and equipment and prepaid lease payments (reclassified to right-of-use assets upon application of IFRS 16) in respect of an open pit mining site related to Iron Ore Business had been recognised as at 31 December 2018, and there was no further recognition of additional impairment loss or reversal of impairment loss for the year ended 31 December 2019.

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;

- Understanding and evaluating the design and implementation of key controls relevant to impairment assessment of long-lived assets;

- Understanding the management's methodology adopted and the estimation on fair value and cost of disposal, such as the disposal plan and market value of the assets, and assessing whether they are 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*"; and

- Understanding the projected cash flows, evaluating the assumptions related to the production volumes, commodity selling prices, market outlook and industry trend, and comparing those inputs against available market data and externally available benchmarks as well as historical performance and our knowledge of the businesses.

INDEPENDENT AUDITOR'S REPORT

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 OF THE COMPANY 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 of the Company 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 of the Company 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 of the Company 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.

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

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.

- 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.

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

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
29 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2019

	NOTE	Year ended **31/12/2019** **RMB'000**	 31/12/2018 RMB'000 (Restated)
Continuing operations			
Revenue	7	**2,251,882**	2,828,272
Cost of sales		**(1,361,205)**	(1,958,209)
Gross profit		**890,677**	870,063
Other income	9	**6,707**	47,991
Other gains and losses	10	**(7,457)**	(65,320)
Impairment losses under expected credit loss ("ECL") model, net of reversal	11	**(2,416)**	(4,335)
Distribution and selling expenses		**(95,092)**	(119,368)
Administrative expenses		**(198,882)**	(215,635)
Research and development expenses		**(10,244)**	(5,004)
Finance costs	12	**(98,687)**	(123,714)
Profit before tax	13	**484,606**	384,678
Income tax (expense) credit	14	**(152,445)**	19,118
Profit for the year from continuing operations		**332,161**	403,796
Discontinued operation			
Loss for the year from discontinued operation	16	**(35,218)**	(10,882)
Profit for the year		**296,943**	392,914
Other comprehensive income (expense):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**10,686**	(20,715)
Fair value gain (loss) on:			
– receivables measured at fair value through other comprehensive income ("FVTOCI")		**9,849**	(4,375)
Reclassification of cumulative translation reserve upon disposal of a foreign operation to profit or loss		**31,911**	–
Other comprehensive income (expense) for the year (net of tax)		**52,446**	(25,090)
Total comprehensive income for the year		**349,389**	367,824

(Continued)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2019

	NOTE	Year ended 31/12/2019 RMB'000	 31/12/2018 RMB'000 (Restated)
Profit (loss) for the year attributable to owners of the Company:			
– Continuing operations		**334,171**	402,261
– Discontinued operation		**(37,597)**	(5,570)
Profit for the year attributable to owners of the Company		**296,574**	396,691
(Loss) profit for the year attributable to non-controlling interests			
– Continuing operations		**(2,010)**	1,535
– Discontinued operation		**2,379**	(5,312)
Profit (loss) for the year attributable to non-controlling interests		**369**	(3,777)
		296,943	392,914
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**348,039**	376,188
Non-controlling interests		**1,350**	(8,364)
		349,389	367,824
Earnings per share (RMB cent per share)	20		
From continuing and discontinued operations		**16.2**	21.7
From continuing operations		**18.3**	22.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2019

	NOTES	**31 December 2019 RMB'000**	31 December 2018 RMB'000 (Restated)	1 January 2018 RMB'000 (Restated)
Non-current assets				
Property, plant and equipment	21	**958,008**	882,703	1,044,446
Intangible assets	22	**317,112**	279,342	676,546
Right-of-use assets	23	**180,229**	–	–
Prepaid lease payments	24	**–**	143,470	175,119
Financial assets at fair value through profit or loss ("FVTPL")	31	**3,179**	9,359	21,778
Deferred tax assets	26	**11,188**	77,962	16,799
Loan receivable		**–**	10,000	11,300
Deposits on acquisition of property, plant and equipment		**1,244**	1,498	40,656
Amount due from a related party		**–**	–	554,125
Restricted deposits	27	**36,752**	21,102	3,797
Pledged bank deposits	32	**20,000**	3,020	–
		1,527,712	1,428,456	2,544,566
Current assets				
Inventories	28	**236,180**	242,276	231,840
Prepaid lease payments	24	**–**	28,666	30,730
Trade and other receivables	29	**335,027**	519,528	295,777
Amount due from a related party	49	**–**	564,282	–
Receivables at FVTOCI	30	**28,660**	301,258	808,920
Tax recoverable		**–**	–	5,808
Financial assets at FVTPL	31	**1,000**	459,993	406,794
Pledged bank deposits	32	**169,144**	192,920	183,156
Bank balances and cash	32	**38,146**	381,256	445,718
		808,157	2,690,179	2,408,743
Assets classified as held for sale	33	**–**	831,448	369,955
		808,157	3,521,627	2,778,698
Current liabilities				
Trade, bills and other payables	34	**571,260**	1,235,905	1,163,019
Amount due to a related party	49	**44,300**	128,879	55
Borrowings	36	**662,500**	1,378,000	1,435,687
Lease liabilities	38	**5,174**	–	–
Contract liabilities	35	**46,560**	52,168	36,587
Consideration payable		**–**	–	65,180
Tax liabilities		**77,226**	84,596	84,614
Deferred income for financial guarantee contracts		**–**	1,751	1,751
		1,407,020	2,881,299	2,786,893
Liabilities associated with assets classified as held for sale	33	**–**	351,237	23,687
		1,407,020	3,232,536	2,810,580
Net current (liabilities) assets		**(598,863)**	289,091	(31,882)
Total assets less current liabilities		**928,849**	1,717,547	2,512,684

(Continued)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2019

	NOTES	**31 December 2019 RMB'000**	31 December 2018 RMB'000 (Restated)	1 January 2018 RMB'000 (Restated)
Capital and reserves				
Share capital	39	**148,321**	148,960	149,137
Reserves		**656,356**	1,206,583	1,323,809
Equity attributable to owners of the Company		**804,677**	1,355,543	1,472,946
Non-controlling interests		**10,984**	189,356	188,881
Total equity		**815,661**	1,544,899	1,661,827
Non-current liabilities				
Borrowings	36	**53,763**	149,000	604,920
Lease liabilities	38	**4,158**	–	–
Consideration payable		**–**	–	241,100
Rehabilitation provision	37	**55,267**	23,648	1,580
Retirement benefit obligations	44	**–**	–	1,558
Deferred tax liabilities	26	**–**	–	1,699
		113,188	172,648	850,857
		928,849	1,717,547	2,512,684

The consolidated financial statements on pages 79 to 204 were approved and authorised for issue by the board of directors on 29 March 2020 and are signed on its behalf by:

YANG JIYE	**ZHENG XUEZHI**
DIRECTOR	*DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

	Attributable to owners of the Company													
	Paid-in capital RMB'000	Restricted shares held for strategic incentive award scheme RMB'000 (note 41(B))	Share premium RMB'000	Statutory surplus reserve RMB'000 (note a)	Future development funds reserve RMB'000 (note b)	FVTOCI reserve RMB'000	Translation reserve RMB'000	Special reserve RMB'000	Actuarial reserve on retirement benefit plan RMB'000 (note c)	Other reserves RMB'000	Retained earnings RMB'000 (note d)	Attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2018 (originally stated)	149,137	–	175,763	111,081	552,620	(4,568)	(27,779)	(557,161)	152	(614)	811,986	1,210,617	186,381	1,396,998
Merger accounting restatement (note 3)	–	–	–	40,688	9,130	(906)	–	–	–	(40,762)	254,179	262,329	2,500	264,829
At 1 January 2018 (restated)	149,137	–	175,763	151,769	561,750	(5,474)	(27,779)	(557,161)	152	(41,376)	1,066,165	1,472,946	188,881	1,661,827
Profit (loss) for the year	–	–	–	–	–	–	–	–	–	–	396,585	396,585	(3,671)	392,914
Other comprehensive expense for the year	–	–	–	–	–	(4,375)	(16,128)	–	–	–	–	(20,503)	(4,587)	(25,090)
Total comprehensive (expense) income for the year	–	–	–	–	–	(4,375)	(16,128)	–	–	–	396,585	376,082	(8,258)	367,824
Transfer to future development funds reserve, net of utilisation	–	–	–	–	45,318	–	–	–	–	–	(45,318)	–	–	–
Reclassification upon disposal of Xingzhou Mining (as defined in note b)	–	–	–	–	(2,674)	–	–	–	–	–	2,674	–	–	–
Dividend declared (note 19)	–	–	–	–	–	–	–	–	–	–	(361,462)	(361,462)	(3,500)	(364,962)
Deemed distribution arising from financial guarantees provided to related parties	–	–	–	–	–	–	–	–	–	(1,751)	–	(1,751)	–	(1,751)
Acquisition of subsidiaries from a controlling shareholder (note e)	–	–	–	–	–	–	–	–	–	(128,700)	–	(128,700)	–	(128,700)
Profit appropriation to statutory surplus reserve	–	–	–	62,588	–	–	–	–	–	–	(62,588)	–	–	–
Repurchase of ordinary shares	(177)	–	(1,563)	–	–	–	–	–	–	–	–	(1,740)	–	(1,740)
Disposal of 3% shares of Hanking Australia Investment to senior management of the Company (note f)	–	–	–	–	–	–	–	–	–	168	–	168	5,953	6,121
Waiver of Capital Injection (as defined in note f) from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	6,280	6,280
At 31 December 2018	148,960	–	174,200	214,357	604,394	(9,849)	(43,907)	(557,161)	152	(171,659)	996,056	1,355,543	189,356	1,544,899
Profit for the year	–	–	–	–	–	–	–	–	–	–	296,574	296,574	369	296,943
Other comprehensive income for the year	–	–	–	–	–	9,849	41,616	–	–	–	–	51,465	981	52,446
Total comprehensive income for the year	–	–	–	–	–	9,849	41,616	–	–	–	296,574	348,039	1,350	349,389
Transfer to future development funds reserve, net of utilisation	–	–	–	–	55,032	–	–	–	–	–	(55,032)	–	–	–
Dividend declared (note 19)	–	–	–	–	–	–	–	–	–	–	(32,159)	(32,159)	–	(32,159)
Disposal of Hanking (Indonesia) (as defined in note d)(note 16(A))	–	–	–	–	–	–	–	–	(152)	155,880	–	155,728	(179,722)	(23,994)
Disposal of Hanking Housing (as defined in note d)(note 16(B))	–	–	–	–	–	–	–	–	–	9,225	–	9,225	–	9,225
Profit appropriation to statutory surplus reserve	–	–	–	6,127	–	–	–	–	–	–	(6,127)	–	–	–
Consideration for acquisition of business involving entities under common control (note 3)	–	–	–	–	–	–	–	(1,020,000)	–	–	–	(1,020,000)	–	(1,020,000)
Repurchase and cancellation of ordinary shares	(639)	–	(6,698)	–	–	–	–	–	–	–	–	(7,337)	–	(7,337)
Purchase of ordinary shares pursuant to the Scheme (as defined in note 41(B))	–	(4,362)	–	–	–	–	–	–	–	–	–	(4,362)	–	(4,362)
At 31 December 2019	148,321	(4,362)	167,502	220,484	659,426	–	(2,291)	(1,577,161)	–	(6,554)	1,199,312	804,677	10,984	815,661

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

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 regulation in the PRC, Fushun Hanking Aoniu Mining Co., Ltd* (撫順罕王傲牛礦業股份有限公司) ("**Aoniu Mining**"), Fushun Hanking Maogong Mining Co., Ltd* (撫順罕王毛公鐵礦有限公司), Fushun Hanking Xingzhou Mining Co., Ltd* (撫順罕王興洲礦業有限公司) ("**Xingzhou Mining**"), Fushun Hanking Shangma Mining Co., Ltd* (撫順罕王上馬礦業有限公司) ("**Shangma Mining**"), subsidiaries of the Group carrying on Iron Ore Business (as defined in note 1), are required to transfer an amount to a future development fund ranging from RMB5-10 (2018: RMB5-10) per ton of iron ore mined annually.

Fushun Hanking Direct Reduced Iron Co., Ltd.* (撫順罕王直接還原鐵有限公司) ("**Hanking D.R.I.**"), a subsidiary of the Group engaging in High-purity Iron Business (as defined in note 1) and was acquired by the Group under business combination involving entities under common control during the current year, is required to transfer an amount to a future development fund ranging from 0.05% – 3% (2018: 0.05%-3%) of annual operating income, which will be used for enhancement of safety production environment and improvement of facilities pursuant to the requirement of PRC government.

The fund can only be used for the future development of the iron ore mining business and production of high-purity iron and is not available for distribution to shareholders. RMB59,871,000 and RMB69,827,000 (restated) of future development fund was provided during the years ended 31 December 2019 and 2018, respectively. RMB4,839,000 and RMB24,509,000 (restated) was utilised during the years ended 31 December 2019 and 2018, respectively.

RMB2,674,000 had been reclassified from future development funds reserve to retained earnings upon completion of the disposal of Xingzhou Mining during the year ended 31 December 2018.

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

* English name is for identification purpose only.

(d) Other reserves consist of:

(1) the deemed capital contribution/distribution arising from a series of group reorganisations in relation to the High-purity Iron Business during the year ended 31 December 2015;

(2) the deemed capital contribution arising from the disposal of a subsidiary and an associate of Fushun Hanking Ginseng & Iron Trading Co., Ltd.* (撫順罕王人參鐵貿易有限公司) ("**Ginseng & Iron**") to Fushun Majuncheng Iron Co., Ltd. and Hanking Industrial Group Co., Ltd. which are controlled by Ms. Yang Min, one of the Controlling Shareholders (as defined in note 1), respectively during the year ended 31 December 2015;

(3) the dilution impact to the change in the Group's interest in a subsidiary during the year ended 31 December 2016;

(4) the dilution impact to the Group's equity interest in Hanking Australia Investment Pty Ltd ("**Hanking Australia Investment**") from 97% to 94% for the year ended 31 December 2018;

(5) the deemed distribution arising from the interest-free amount due from a related party and financial guarantees provided to related parties controlled by Mr. Yang Jiye, one of the Controlling Shareholders; and

(6) the deemed capital contribution arising from the gain on disposal in respect of Hanking (Indonesia) Mining Limited ("**Hanking (Indonesia)**") and its subsidiaries and Shanghai Hanking Housing Technology Co., Ltd.* (上海罕王住宅工業科技有限公司) ("**Hanking Housing**") and its subsidiaries to related parties controlled by Mr. Yang Jiye, one of the Controlling Shareholders, during the year ended 31 December 2019.

(e) On 29 June 2018, Tuochuan (Hong Kong) Limited ("**Tuochuan (Hong Kong)**") acquired 99% equity interest of Ginseng & Iron from Liaoning Hanking Investment Co., Ltd. (遼寧罕王投資有限公司) ("**Hanking Investment**"), which was owned as to 99% by Mr. Yang Jiye, one of the Controlling Shareholders and 1% by his spouse Ms. He Wan, for a consideration of RMB128,700,000, resulting in a debit to other reserve of RMB128,700,000 as deemed distribution, accordingly.

(f) On 24 August 2018, Hanking Australia Investment, which was owned as to 97% by the Group and 3% by Golden Resource Pty Ltd. ("**Golden Resource**"), whose 100% equity interests were owned and controlled by Dr. Qiu Yumin ("**Dr Qiu**"), a director of Hanking Australia Investment and an executive director of the Company, and Golden Resource, entered into a loan capitalisation agreement pursuant which the Group proposed to capitalise the loan previously advanced to Hanking Australia Investment from the Company amounting to AUD42,000,000 (equivalent to RMB209,345,000) as capital contribution to Hanking Australia Investment (the "**Capital Injection**"). Golden Resource had been exempted from such capital contribution with its equity interest in Hanking Australia Investment remained unchanged. The amount of exemption of capital contribution by Golden Resource of AUD1,260,000 (equivalent to RMB6,280,000) was considered as salary payment to Dr. Qiu and charged to profit or loss immediately, with a corresponding credit to "non-controlling interests" in equity, accordingly during the year ended 31 December 2018.

Pursuant to the loan capitalisation agreement, after the completion date of the Capital Injection, Dr. Qiu shall continue to work at Hanking Australia Investment or any affiliated company designated by Hanking Australia Investment for at least five years, during which period both Dr. Qiu and Golden Resource shall not transfer any or all of the shares in Hanking Australia Investment. Should Dr. Qiu or Golden Resource fail to fulfill the aforesaid obligations, the Group shall be entitled to repurchase the 3% equity interests in Hanking Australia Investment held by Golden Resource at a consideration of AUD1,300,000, and both Dr. Qiu and Golden Resource shall be obliged to assist.

* English name is for identification purpose only.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2019

	NOTES	**Year ended 31/12/2019 RMB'000**	Year ended 31/12/2018 RMB'000 (Restated)
OPERATING ACTIVITIES			
Profit before tax from continuing and discontinued operations		**449,090**	375,820
Adjustments for:			
Finance costs		**120,160**	124,316
Interest income		**(4,565)**	(5,527)
Write-down of inventories		**6,880**	–
Impairment loss on property, plant and equipment, and prepaid lease payments		**17,469**	64,188
Impairment loss of intangible assets		**833**	–
Impairment loss on trade and other receivables		**2,416**	4,335
(Gain) loss on disposal of property, plant and equipment		**(603)**	10,797
Gain on disposal of intangible assets		**(189)**	–
Release of imputed interest on amount due from a related party		**–**	(40,721)
Depreciation of property, plant and equipment		**138,125**	100,561
Release of prepaid lease payments		**–**	28,983
Amortisation of intangible assets		**33,372**	48,810
Amortisation of right-of-use assets		**29,073**	–
Gain on disposal of subsidiaries before tax	10	**–**	(6,779)
Release of financial guarantee contracts		**(1,751)**	(1,751)
Fair value gain on financial assets at FVTPL		**(4,179)**	(7,883)
Net foreign exchange loss (gain)		**2,687**	(3,580)
Waiver of Capital Injection from a director		**–**	6,280
Reclassification of cumulative translation reserve upon disposal of a foreign operation to profit or loss	16(A)	**31,911**	–
Operating cash flows before movements in working capital		**820,729**	697,849
Increase in inventories		**(6,841)**	(33,664)
Decrease (increase) in trade and other receivables		**70,473**	(175,937)
(Increase) decrease in receivables at FVTOCI		**(5,553)**	478,809
(Decrease) increase in trade, bills and other payables		**(113,151)**	51,908
(Decrease) increase in contract liabilities		**(5,608)**	15,581
Cash generated from operations		**760,049**	1,034,546
Income tax paid		**(93,014)**	(44,612)
NET CASH FROM OPERATING ACTIVITIES		**667,035**	989,934

(Continued)

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2019

	NOTES	**Year ended 31/12/2019 RMB'000**	Year ended 31/12/2018 RMB'000 (Restated)
Investing activities			
Purchases of property, plant and equipment		**(260,808)**	(242,980)
Payments for prepaid lease payments		**–**	(12,754)
Addition on intangible assets		**(23,919)**	(32,810)
Payments for right-of-use assets		**(21,685)**	–
Net cash outflow on acquisition of PGO (as defined in note 15)	15	**–**	(169,988)
Capital gain tax paid for disposal of Gold Business		**–**	(14,241)
Net cash outflow arising from disposal of Hanking Housing	16(B)	**(121)**	–
Net cash outflow arising from disposal of Hanking (Indonesia)	16(A)	**(2,930)**	–
Net cash outflow arising from disposal of Shangma Mining		**–**	(605)
Purchases of financial assets at FVTPL		**(61,239)**	(554,507)
Proceeds on disposal of financial assets at FVTPL		**530,674**	507,144
Proceeds on disposal of property, plant and equipment		**23,795**	37,715
Loss on disposal of intangible assets		**(1,409)**	–
Interest received		**4,565**	5,527
Withdrawal of restricted cash		**2,801**	–
Placement of restricted cash		**(18,275)**	(3,722)
Settlement of consideration payable for acquisition of subsidiaries		**(84,290)**	(2,000)
Advance to a related party		**(35,129)**	(462,238)
Repayments received from a related party		**–**	142,802
Repayment of loan receivable		**11,300**	–
Net cash from (used) in investing activities		**63,330**	(802,657)
Financing activities			
Withdrawal of pledged bank deposits in relation to borrowings		**101,014**	485,641
Placement of pledged bank deposits in relation to borrowings		**(94,218)**	(498,425)
New borrowings raised		**568,163**	1,729,858
Repayment of borrowings		**(1,505,900)**	(1,864,052)
Interest paid		**(111,425)**	(80,463)
Dividend paid to owners of the Company		**(32,159)**	(14,962)
Repurchase of ordinary shares		**(7,337)**	(1,740)
Purchase of ordinary shares pursuant to the Scheme	41(B)	**(4,362)**	–
Loan raised from a related party		**–**	124
Loan raised from an independent third party		**12,000**	–
Advance of loans from staffs		**–**	28,300
Repayment of loans from staffs		**–**	(26,300)
Net cash used in financing activities		**(1,074,224)**	(242,019)
Net decrease in cash and equivalents		**(343,859)**	(54,742)
Cash and cash equivalents at 1 January		**381,256**	445,718
Effect of foreign exchange rate changes		**749**	(740)
Bank balances and cash of Hanking (Indonesia) eliminated upon transfer to assets classified as held for sale		**–**	(8,980)
Cash and cash equivalents at 31 December		**38,146**	381,256

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

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**") on 30 September 2011. 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 chief executive officer, president 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 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

The Company is an investing holding company. In terms of continuing operations, the Company and its subsidiaries (the "**Group**") during the year ended 31 December 2019 are engaged in the following three principal activities:

(i) iron ore exploration, mining, processing and sale ("**Iron Ore Business**");

(ii) high-purity iron smelting and processing and sale ("**High-purity Iron Business**"); and

(iii) gold exploration, mining, processing and sale ("**Gold Business**")

During the current year, the Group completed the acquisition of the 100% equity interests of Tuochuan (Hong Kong) with its subsidiaries which principally engaged in High-purity Iron Business at a consideration of RMB1,020,000,000 (the "**Acquisition**") which was regarded as a business combination involving entities under common control. Further details of the Acquisition are set out in note 3.

During the year ended 31 December 2018, the Group's nickel ore exploration, mining, smelting and sale business in Indonesia ("**Nickel Business**") was discontinued upon Hanking (Indonesia) and its subsidiaries being classified as held for sale since 2018, of which disposal had been completed during the current year as disclosed in note 16(A).

Details of the Company's subsidiaries are set out in note 40.

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

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Going Concern Assumption

The directors of the Company (the "**Directors**") have given careful consideration to the going concern of the Group in light of the fact that as at 31 December 2019, the Group's current liabilities exceeded its current assets by RMB598,863,000. In addition, as at 31 December 2019, the Group had capital commitments contracted for but not provided in the consolidated financial statements amounting to RMB26,449,000 as disclosed in note 42.

Mr. Yang Jiye, one of the Controlling Shareholders, who also 99% owned and controlled Hanking Investment, has agreed not to demand for repayment of the Group's amount due to Hanking Investment of which amounted to RMB44,300,000 as at 31 December 2019 until the Group has sufficient financial ability to repay.

As at 31 December 2019, the Group had available conditional banking facilities of RMB208,930,000 ("**Conditional Facilities**"). The utilisation of these Conditional Facilities are subject to approval on a case-by-case basis. The Directors are confident that the Group would be successful in obtaining approval in respect of these Conditional Facilities according to its historical successful experience and the relevant terms and conditions to drawdown.

Subsequent to the end of the reporting period and up to the date of issuance of the consolidated financial statements, the Group has obtained new borrowings of RMB40,000,000 and issued bills of RMB45,000,000. The management of the Group are confident that a significant portion of the Group's bank borrowings can be successfully renewed upon maturity in view of the Group's historical successful experiences in refinancing the expiring debts.

In addition, Mr. Yang Jiye, one of the Controlling Shareholders has agreed to provide sufficient funds to the Group so that the Group will be able to meet all current obligations as they fall due in the next twelve months after the year ended 31 December 2019.

Taking into account the above factors, the Directors are of the opinion that, together with the other financial resources available to the Group, including cash and cash equivalents on hand and the anticipated cash flow from the operations, the Group has sufficient working capital for its present operating requirements and for at least the next twelve months after the end of the reporting period. Hence, the consolidated financial statements have been prepared on a going concern basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

3. RESTATEMENTS ARISING FROM MERGER ACCOUNTING

On 1 April 2019, the Company and the relevant sellers entered into an agreement in relation to the acquisition of 100% equity interests of Tuochuan (Hong Kong) and its subsidiaries for a consideration of RMB1,020,000,000 (the "**Acquisition**"). Tuochuan (Hong Kong) and its subsidiaries are engaged in the High-purity Iron Business. In preparing the Acquisition, the entities comprising Tuochuan (Hong Kong) and its subsidiaries underwent a series of group reorganisation. Details of the group reorganisation were set out in the Very Substantial Acquisition circular issued by the Company dated 29 April 2019, which has been published in the website of the Stock Exchange.

In addition, a series of current account offsetting agreements ("**Current Account Offsetting Agreements**") had been entered into among the Company, certain of its subsidiaries, Tuochuan Capital Limited, China Hanking (BVI) Limited, Hanking Investment and Hanking Industrial Group Co., Ltd. on 30 June 2019, pursuant to which the consideration payable for Acquisition of Tuochuan (Hong Kong) of RMB1,020,000,000 will be offset with consideration receivable for the disposal of Hanking (Indonesia) of RMB350,000,000, the consideration payable for the acquisition of Ginseng & Iron of RMB128,700,000, and the net amount due from the related parties including Hanking (Indonesia) and Hanking Investment as at that date of RMB673,075,000.

In respect of the Acquisition, since Mr. Yang Jiye and Ms. Yang Min are both collectively the Controlling Shareholders of the Company and Tuochuan (Hong Kong), the Acquisition was regarded as a business combination involving entities under common control and was accounted for using principle of merger accounting method.

As a result, the comparative consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the year ended 31 December 2018 and the consolidated statements of financial position as at 31 December 2018 and 1 January 2018 have therefore been restated, in order to include assets and liabilities, profits and cash flows of the combining entities since the date on which they first come under common control.

The adoption of merger accounting method in respect of the Acquisition has resulted in an increase in total comprehensive income attributable to owners of the Company and an increase in profit attributable to owners of the Company for the year ended 31 December 2018 by RMB217,828,000 and RMB217,031,000, respectively.

3. RESTATEMENTS ARISING FROM MERGER ACCOUNTING *(CONTINUED)*

The effect of the merger accounting restatements in respect of the Acquisition described above on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018 by line items is as follows:

	For the year ended 31 December 2018 RMB'000 (Originally stated)	Merger accounting restatement resulting from the Acquisition RMB'000	For the year year ended 31 December 2018 RMB'000 (Restated)
Revenue	1,165,491	1,662,781	2,828,272
Cost of sales	(655,189)	(1,303,020)	(1,958,209)
Gross profit	**510,302**	**359,761**	**870,063**
Other income	4,174	43,817	47,991
Other gains and losses	(65,811)	491	(65,320)
Impairment losses under ECL model, net of reversal	(406)	(3,929)	(4,335)
Distribution and selling expenses	(38,082)	(81,286)	(119,368)
Administrative expenses	(182,461)	(33,174)	(215,635)
Research and development expenses	(5,004)	–	(5,004)
Finance costs	(90,582)	(33,132)	(123,714)
Profit before tax	**132,130**	**252,548**	**384,678**
Income tax credit (expense)	52,792	(33,674)	19,118
Profit for the year from continuing operations	**184,922**	**218,874**	**403,796**
Loss for the year from discontinued operation	(10,882)	–	(10,882)
Profit for the year	**174,040**	**218,874**	**392,914**
Other comprehensive (expense) income:			
Items that may be reclassified to profit or loss:			
– Exchange differences arising on translation of foreign operations	(20,715)	–	(20,715)
– Fair value (loss) gain on receivables measured at FVTOCI	(5,172)	797	(4,375)
Other comprehensive (expense) income for the year, net of tax	(25,887)	797	(25,090)
Total comprehensive income for the year	**148,153**	**219,671**	**367,824**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

3. RESTATEMENTS ARISING FROM MERGER ACCOUNTING *(CONTINUED)*

The effect of the merger accounting restatement in respect of the Acquisition described above on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018 by line items is as follows: *(continued)*

	For the year ended 31 December 2018 RMB'000 (Originally stated)	**Merger accounting restatement resulting from the Acquisition** RMB'000	**For the year year ended 31 December 2018** RMB'000 (Restated)
Profit (loss) for the year attributable to owners of the Company:			
– Continuing operations	185,230	217,031	402,261
– Discontinued operation	(5,570)	–	(5,570)
Profit for the year attributable to owners of the Company	179,660	217,031	396,691
(Loss) profit for the year attributable to non-controlling interests			
– Continuing operations	(308)	1,843	1,535
– Discontinued operation	(5,312)	–	(5,312)
	(5,620)	1,843	(3,777)
	174,040	218,874	392,914
Total comprehensive income (expense) for the year attributable to:			
– Owners of the Company	158,360	217,828	376,188
– Non-controlling interests	(10,207)	1,843	(8,364)
	148,153	219,671	367,824
Earnings per share (RMB cent per share)			
From continuing and discontinued operations	9.8	11.9	21.7
From continuing operations	10.1	11.9	22.0

3. RESTATEMENTS ARISING FROM MERGER ACCOUNTING *(CONTINUED)*

The effect of the merger accounting restatement in respect of the Acquisition described above on the consolidated statement of financial position as at 1 January 2018 and 31 December 2018 by line items is as follows:

	1 January 2018 RMB'000 (Originally stated)	Merger accounting restatement resulting from the Acquisition RMB'000	1 January 2018 RMB'000 (Restated)	31 December 2018 RMB'000 (Originally stated)	Merger accounting restatement resulting from the Acquisition RMB'000	31 December 2018 RMB'000 (Restated)
Non-current Assets						
Property, plant and equipment	865,421	179,025	1,044,446	710,054	172,649	882,703
Intangible assets	676,437	109	676,546	279,270	72	279,342
Prepaid lease payments	137,314	37,805	175,119	117,480	25,990	143,470
Financial assets at FVTPL	21,778	–	21,778	9,359	–	9,359
Deferred tax assets	11,801	4,998	16,799	72,516	5,446	77,962
Loan receivable	11,300	–	11,300	10,000	–	10,000
Deposits on acquisition of property, plant and equipment	49,199	(8,543)	40,656	1,498	–	1,498
Amount due from a related party	–	554,125	554,125	–	–	–
Restricted deposits	3,797	–	3,797	21,102	–	21,102
Pledged bank deposits	–	–	–	3,020	–	3,020
	1,777,047	**767,519**	**2,544,566**	**1,224,299**	**204,157**	**1,428,456**
Current Assets						
Inventories	89,669	142,171	231,840	73,294	168,982	242,276
Prepaid lease payments	29,761	969	30,730	28,226	440	28,666
Trade and other receivables	188,959	106,818	295,777	442,505	77,023	519,528
Amount due from a related party	–	–	–	–	564,282	564,282
Receivables at FVTOCI	624,924	183,996	808,920	275,014	26,244	301,258
Tax recoverable	339	5,469	5,808	–	–	–
Financial assets at FVTPL	406,794	–	406,794	459,993	–	459,993
Pledged bank deposits	45,451	137,705	183,156	20,158	172,762	192,920
Bank balances and cash	394,911	50,807	445,718	328,664	52,592	381,256
	1,780,808	**627,935**	**2,408,743**	**1,627,854**	**1,062,325**	**2,690,179**
Assets classified as held for sale	369,955	–	369,955	831,448	–	831,448
	2,150,763	627,935	2,778,698	2,459,302	1,062,325	3,521,627

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

3. RESTATEMENTS ARISING FROM MERGER ACCOUNTING *(CONTINUED)*

The effect of the merger accounting restatement in respect of the Acquisition described above on the consolidated statement of financial position as at 1 January 2018 and 31 December 2018 by line items is as follows: *(continued)*

	1 January 2018 RMB'000 (Originally stated)	Merger accounting restatement resulting from the Acquisition RMB'000	1 January 2018 RMB'000 (Restated)	31 December 2018 RMB'000 (Originally stated)	Merger accounting restatement resulting from the Acquisition RMB'000	31 December 2018 RMB'000 (Restated)
Current Liabilities						
Trade, bills and other payables	503,960	659,059	1,163,019	565,057	670,848	1,235,905
Amount due to a related party	–	55	55	–	128,879	128,879
Borrowings	1,151,887	283,800	1,435,687	1,108,500	269,500	1,378,000
Contract liabilities	127	36,460	36,587	3,167	49,001	52,168
Consideration payable	65,180	–	65,180	–	–	–
Tax liabilities	84,614	–	84,614	77,215	7,381	84,596
Obligation under a finance lease	–	–	–	2,638	(2,638)	–
Deferred income for financial guarantee contracts	–	1,751	1,751	–	1,751	1,751
	1,805,768	**981,125**	**2,786,893**	**1,756,577**	**1,124,722**	**2,881,299**
Liabilities associated with assets classified as held for sale	23,687	–	23,687	351,237	–	351,237
	1,829,455	**981,125**	**2,810,580**	**2,107,814**	**1,124,722**	**3,232,536**
Net current assets (liabilities)	**321,308**	**(353,190)**	**(31,882)**	**351,488**	**(62,397)**	**289,091**
Total assets less current liabilities	**2,098,355**	**414,329**	**2,512,684**	**1,575,787**	**141,760**	**1,717,547**
Capital and Reserves						
Share capital	149,137	–	149,137	148,960	–	148,960
Reserves	1,061,480	262,329	1,323,809	1,203,483	3,100	1,206,583
Equity attributable to owners of the Company	**1,210,617**	**262,329**	**1,472,946**	**1,352,443**	**3,100**	**1,355,543**
Non-controlling interests	186,381	2,500	188,881	188,407	949	189,356
Total equity	**1,396,998**	**264,829**	**1,661,827**	**1,540,850**	**4,049**	**1,544,899**

3. RESTATEMENTS ARISING FROM MERGER ACCOUNTING *(CONTINUED)*

The effect of the merger accounting restatement in respect of the Acquisition described above on the consolidated statement of financial position as at 1 January 2018 and 31 December 2018 by line items is as follows: *(continued)*

	1 January 2018 RMB'000 (Originally stated)	Merger accounting restatement resulting from the Acquisition RMB'000	1 January 2018 RMB'000 (Restated)	31 December 2018 RMB'000 (Originally stated)	Merger accounting restatement resulting from the Acquisition RMB'000	31 December 2018 RMB'000 (Restated)
Non-current Liabilities						
Borrowings	455,420	149,500	604,920	–	149,000	149,000
Consideration payable	241,100	–	241,100	–	–	–
Obligation under a finance lease	–	–	–	11,289	(11,289)	–
Rehabilitation provision	1,580	–	1,580	23,648	–	23,648
Retirement benefit obligations	1,558	–	1,558	–	–	–
Deferred tax liabilities	1,699	–	1,699	–	–	–
	701,357	**149,500**	**850,857**	**34,937**	**137,711**	**172,648**
	2,098,355	**414,329**	**2,512,684**	**1,575,787**	**141,760**	**1,717,547**
Share capital	149,137	–	149,137	148,960	–	148,960
Share premium	175,763	–	175,763	174,200	–	174,200
Statutory surplus reserve	111,081	40,688	151,769	124,997	89,360	214,357
Future development funds reserve	552,620	9,130	561,750	591,375	13,019	604,394
FVTOCI reserve	(4,568)	(906)	(5,474)	(9,740)	(109)	(9,849)
Translation reserve	(27,779)	–	(27,779)	(43,907)	–	(43,907)
Special reserve	(557,161)	–	(557,161)	(557,161)	–	(557,161)
Actuarial reserve on retirement benefit plan	152	–	152	152	–	152
Other reserves	(614)	(40,762)	(41,376)	(446)	(171,213)	(171,659)
Retained earnings	811,986	254,179	1,066,165	924,013	72,043	996,056
Non-controlling interests	186,381	2,500	188,881	188,407	949	189,356
Total	**1,396,998**	**264,829**	**1,661,827**	**1,540,850**	**4,049**	**1,544,899**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

4. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and amendments to IFRSs that are mandatorily effective for the current year

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

IFRS 16	*Leases*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
Amendments to IFRSs	*Annual Improvements to IFRSs 2015-2017 Cycle*

Except as described below, the application of the new and 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.

IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 *Leases* ("**IAS 17**"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying IFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

4. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(CONTINUED)*

As a lessee *(continued)*

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- relied on the assessment of whether leases are onerous by applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review; and

- elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application.

The Group had no lease liabilities and recognised right-of-use assets of RMB178,737,000 at 1 January 2019.

	At 1 January 2019 RMB'000
Operating lease commitments disclosed as at 31 December 2018	31,823
Less: Deposits paid in respect of lease contract with extension option reasonably certain to be exercised	(6,601)
Less: Recognition exemption – short-term leases	(25,222)
Lease liabilities as at 1 January 2019	–

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Notes	RMB'000
Right-of-use assets relating to operating leases recognised upon application of IFRS 16	(a)	6,601
Reclassified from prepaid lease payments	(b)	172,136
		178,737
By class:		
Leasehold lands		178,737

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

4. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(CONTINUED)*

As a lessee *(continued)*

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported and after merger accounting at 31 December 2018 RMB'000 (Restated)	Adjustments RMB'000 (Restated)	Carrying amounts under IFRS 16 at 1 January 2019 RMB'000
Non-current assets				
Prepaid lease payments	(b)	143,470	(143,470)	–
Right-of-use assets		–	178,737	178,737
		143,470	35,267	178,737
Current assets				
Prepaid lease payments	(b)	28,666	(28,666)	–
Trade and other receivables	(a)	519,528	(6,601)	512,927
		548,194	(35,267)	512,927

Notes:

(a) The management of the Group is reasonably certain to exercise an extension option in a leasehold land contract between Maogong branch of Aoniu Mining and Hanking Industrial Group Co., Ltd, a related party of the Company. Under the terms of the contract, refundable deposit of RMB6,601,000 directly paid by the Group represented the full amount of rental fee paid over the remaining lease period. Therefore, refundable deposit of RMB6,601,000 is reclassified to right-of-use assets.

(b) Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of IFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB28,666,000 and RMB143,470,000 respectively were reclassified to right-of-use assets.

4. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(CONTINUED)*

New and amendments of IFRSs in issue not yet effective

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

IFRS 17	*Insurance Contracts*[1]
Amendments to IFRS 3	*Definition of a Business*[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 1	*Classification of Liabilities as Current or Non-current*[5]
Amendments to IAS 1 and IAS 8	*Definition of Material*[4]
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*[4]

1 Effective for annual periods beginning on or after 1 January 2021

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

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 2020

5 Effective for annual periods beginning on or after 1 January 2022

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in IFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

The Directors consider that the application of these new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

5. 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 2019

5. 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 leasing transactions that are accounted for in accordance with IFRS 16, 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*".

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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.

5. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Basis of consolidation *(continued)*

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

Profit or loss and each item 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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

5. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Merger accounting for business combination involving businesses under common control

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

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

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

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

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

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 the relevant subsidiary after the 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, except for financial assets within the scope of IFRS 9, which continue to be measured in accordance with the accounting policies as set out in respective sections.

5. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good that is distinct or a series of distinct goods that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Variable consideration

For contracts that contain variable consideration whose selling price are subject to subsequent changes, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

The Group produces iron ore concentrates, high-purity iron, raw nickel (included in discontinued operation), formed ceramics and raw and leftover materials and sells products directly to customers. Revenue is recognised at a point in time when a customer obtains control of the products and the Group satisfies a performance obligation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

5. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Leases

Definition of a lease (upon application of IFRS 16 in accordance with transitions in note 4)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in note 4)

Short-term leases

The Group applies the short-term lease recognition exemption to leases of office rooms that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

As a lessee

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the Group.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 *Financial Instruments* ("**IFRS 9**") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

5. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

As a lessee *(continued)*

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments).

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group as lessee (prior to 1 January 2019)

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.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

5. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Foreign currencies *(continued)*

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.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Borrowing costs

Borrowing costs directly attributable to the construction 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 borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

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

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

5. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Retirement benefit costs and termination benefits

Payments to defined contribution retirement benefit plans 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 or curtailment and a gain or loss on settlement is recognised when settlement occurs. When determining past service cost, or a gain or loss on settlement, an entity shall remeasure the net defined benefit liability or asset using the current fair value of plan assets and current actuarial assumptions, reflecting the benefits offered under the plan and the plan assets before and after the plan amendment, curtailment or settlement, without considering the effect of asset ceiling (i.e. the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan).

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. However, if the Group remeasures the net defined benefit liability or asset before plan amendment, curtailment or settlement, the Group determines net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement using the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement and the discount rate used to remeasure such net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period resulting from contributions or benefit payments.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

5. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Retirement benefit costs and termination benefits *(continued)*

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.

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 or 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.

Short-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.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax 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.

5. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Taxation *(continued)*

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

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

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

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

5. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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 lands) 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 and, for qualifying assets, borrowing costs capitalised 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.

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 - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

5. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Intangible assets *(continued)*

Internally-generated intangible assets - research and development expenditure *(continued)*

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

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;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

5. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Intangible assets *(continued)*

Internally-generated intangible assets – exploration and evaluation assets *(continued)*

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.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured at the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss in the period when the asset is derecognised.

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets 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).

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. 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.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, 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.

5. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Intangible assets *(continued)*

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill *(continued)*

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. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. 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 or the group of cash-generating units. 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 or the group of cash-generating units. 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 or a group of cash-generating units) 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 or a group of cash-generating units) 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.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

5. 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 based on estimates of required expenditure at the mines in accordance with the relevant rules and regulations where the mines of the Group located. The Group estimates its liabilities for final reclamation and mine closure based upon detailed calculations of the amount and timing of the future cash expenditure to perform the required work, the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. 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.

5. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

5. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(continued)*

Financial assets *(continued)*

Classification and subsequent measurement of financial assets *(continued)*

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Receivables classified as at FVTOCI

Subsequent changes in the carrying amounts for receivables classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these receivables are recognised in other comprehensive income ("**OCI**") and accumulated under the heading of FVTOCI reserve. Impairment allowance are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these receivables. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these receivables had been measured at amortised cost. When these receivables are derecognised, the cumulative gains or losses previously recognised in OCI are reclassified to profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

5. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets and other item subject to impairment assessment under IFRS 9

The Group performs impairment assessment under ECL model on financial assets (including trade and other receivables, loan receivable, amount due from a related party, receivables at FVTOCI, pledged bank deposits, restricted deposits and bank balances and cash), and other item (financial guarantee contracts) which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are all assessed individually.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

5. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets and other item subject to impairment assessment under IFRS 9 (continued)

(i) Significant increase in credit risk *(continued)*

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates; for financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

5. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets and other item subject to impairment assessment under IFRS 9 *(continued)*

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;

- a breach of contract, such as a default or past due event;

- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

5. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets and other item subject to impairment assessment under IFRS 9 (continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probabilities of default ("**PD**"), loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the PD and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Where lifetime ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables, loan receivable, amount due from a related party, receivables at FVTOCI, pledged bank deposits, restricted deposits and bank balances are each assessed as a separate group. Loan receivable is assessed for ECLs on an individual basis);

- Past-due status; and

- Nature, size and industry of debtors.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

5. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets and other item subject to impairment assessment under IFRS 9 (continued)

(v) Measurement and recognition of ECL *(continued)*

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with IFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

Except for receivables that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables where the corresponding adjustment is recognised through a loss allowance account. For receivables that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the FVTOCI reserve without reducing the carrying amounts of these receivables. Such amount represents the changes in the FVTOCI reserve in relation to accumulated loss allowance.

Derecognition of financial assets

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 measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of receivables at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

5. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(continued)*

Financial liabilities and equity *(continued)*

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.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

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.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition of financial liabilities

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.

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 5, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Judgement in determining the classification of bills receivables

As part of the Group's cash flow management, substantial part of the bills will be discounted to financial institutions or endorsed to suppliers before the bills are due for payment. The management of the Group considered that the Group's business model over bills receivables is held to both collect contractual cash flows and sell them. Therefore, the management of the Group has satisfied that bills receivables are classified as receivables at FVTOCI.

Key sources of estimation uncertainty

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

Depreciation and amortisation for mining related assets

As at 31 December 2019, the carrying amounts of mining structures and mining rights in respect of Iron Ore Business were RMB84,773,000 (2018: RMB58,720,000) and RMB70,907,000 (2018:RMB34,791,000), respectively. The Group recognised depreciation of mining structures amounting to RMB13,164,000 (2018: RMB20,406,000) and amortisation of mining rights amounting to RMB16,327,000 (2018: RMB47,137,000) for the year ended 31 December 2019. The Group determines the depreciation and amortisation of mining related assets by the shorter of the unexpired period of the mining period on the straight line basis or the estimated useful lives of the mines in accordance with the production plan and the estimated reserves of the mines using the unit-of-production method. Further details about the reserve estimates are set out below.

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(CONTINUED)*

Key sources of estimation uncertainty *(continued)*

Reserve estimates

Proved and probable reserve estimates are estimates of the quantity of iron ore that can be economically and legally extracted from the Group's mining properties, determined according to independent technical review reports with the consideration of recent production and technical information of each mine. Fluctuations in factors including the price of iron ore, production costs and transportation costs of iron ore, a variation on recovery rates or unforeseen geological or geotechnical perils may render the management to change the production plan, resulting in a revision on the estimates of iron ore reserves.

Because the economic assumptions used to estimate reserves change from period to period, and because additional geological data is generated during the course of operations, estimates of reserves may change from period to period.

Changes in reported reserves may affect the Group's financial results and financial position in a number of ways, including the following:

- Asset carrying values may be affected due to changes in estimated future cash flows.

- Depreciation and amortisation charged to profit or loss may change where such charges are determined by the unit-of-production basis, or where the useful economic lives of assets change.

- The carrying value of deferred tax assets may change due to changes in estimates of the likely recovery of the tax benefits.

Depreciation of non-mining related property, plant and equipment

As at 31 December 2019, the carrying amount of non-mining related property, plant and equipment was RMB873,235,000 (2018: RMB823,983,000 (restated)), net of accumulated depreciation and impairment loss, if any. The Group recognised depreciation of non-mining related property, plant and equipment amounting to RMB124,961,000 (2018: RMB91,603,000 (restated)) for the year ended 31 December 2019. Non-mining related property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly based on the Group's historical experience with similar assets after taking into account anticipated technological changes. The depreciation expense for future periods would be adjusted if there are significant changes from previous estimates.

Estimated impairment of long-lived assets (property, plant and equipment, intangible assets, right-of-use assets and prepaid lease payments)

Assets such as property, plant and equipment, intangible assets, right-of-use 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.

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(CONTINUED)*

Key sources of estimation uncertainty *(continued)*

Estimated impairment of long-lived assets (property, plant and equipment, intangible assets, right-of-use assets and prepaid lease payments) *(continued)*

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 2019, the carrying amount of long-lived assets (property, plant and equipment, intangible assets and right-of-use assets) is RMB1,455,349,000 (net of accumulated impairment loss of RMB85,343,000) (2018: property, plant and equipment, intangible assets and prepaid lease payments of RMB1,334,181,000 (restated) (net of accumulated impairment loss of RMB88,364,000)).

Closure and rehabilitation provision

Closure and rehabilitation provision as set out in note 37 has been determined by the Directors based on current regulatory requirements and their best estimates. The management of the Group estimate this liability for final reclamation and mine closure based on detailed calculations of the amounts and timing of future cash flows that required to perform the required work. The provision reflects the present value of the expenditures expected to be required to settle the obligation. However, as the effect on the land and the environment from mining activities becomes apparent only in future periods, the estimate of the associated costs may be subject to change in the future. The provision is reviewed regularly to properly reflect the present value of the obligation arising from the current and past mining activities. As at 31 December 2019, the carrying amount of closure and rehabilitation provisions was RMB55,267,000 (2018: RMB23,648,000).

Estimated impairment of financial assets

The Group reviews its financial assets to assess impairment on a regular basis. The methodologies and assumptions used for estimating the impairment are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The Directors estimate the amount of loss allowance for ECL on financial assets (including trade and other receivables, loan receivable, amount due from a related party, receivables at FVTOCI, restricted deposits, pledged bank deposits and bank balances), based on the credit risk of these assets. The estimation of the credit risk of these assets involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly. As at 31 December 2019, the carrying amount of the financial assets which are subject to ECL measurement and not held for sale is approximately RMB512,425,000 (net of allowance for doubtful debts of RMB25,269,000 (2018:RMB1,861,177,000 (restated) (net of allowance for doubtful debts of RMB22,853,000 (restated))).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(CONTINUED)*

Critical judgements in applying accounting policies *(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 2019, the carrying amount of inventories is approximately RMB236,180,000 (net of allowance for inventories of RMB6,880,000) (2018: RMB242,276,000 (restated) (without allowance for inventories)).

Recognition of deferred tax assets

The Group recognised deferred tax assets for all deductible temporary differences to the extent that it is probable that taxable profit would be available against which the deductible temporary difference can be utilised. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be charged to profit or loss in which such a reversal takes place.

As at 31 December 2019, the Group has recognised deferred tax asset in the amount of RMB11,188,000 (2018: RMB77,962,000 (restated)).

Fair value measurements and valuation process

Some of the Group's assets (including financial assets at FVTPL and receivables at FVTOCI) are measured at fair value for financial reporting purposes. The board of the directors authorised the financial department headed up by the Chief Financial Officer ("**CFO**") of the Group to determine the appropriate valuation techniques and inputs for fair value.

In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. Where the Level 1 inputs are not available, the Group's valuation team establishes the appropriate valuation techniques and inputs to the model. The valuation team reports the findings to the board of the directors of the Group every year to explain the cause of the fluctuations in the fair value of the assets.

Information about the valuation techniques and inputs used in determining the fair value of various assets is disclosed in note 47(c).

7. REVENUE

(i) Disaggregation of revenue from contracts with customers from continuing operations

A. For the year ended 31 December 2019

	For the year ended 31 December 2019			
	Iron Ore Business RMB'000	High-purity Iron Business RMB'000	Others RMB'000	Total RMB'000
Sales of goods (recognised at a point in time)				
Iron ore concentrates	1,283,231	–	–	1,283,231
High-purity iron	–	936,053	–	936,053
Building materials	–	–	12,642	12,642
Raw and leftover materials	3,541	15,857	558	19,956
Total	1,286,772	951,910	13,200	2,251,882
Geographical markets				
Mainland China	1,286,772	951,910	13,200	2,251,882

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	For the year ended 31 December 2019		
	Segment revenue RMB'000	Eliminations RMB'000	Consolidated RMB'000
Iron Ore Business	1,422,623	(135,851)	1,286,772
High-purity Iron Business	956,583	(4,673)	951,910
Others	13,200	–	13,200
Total revenue	2,392,406	(140,524)	2,251,882

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

7. REVENUE *(CONTINUED)*

(i) Disaggregation of revenue from contracts with customers from continuing operations *(continued)*

B. For the year ended 31 December 2018

	For the year ended 31 December 2018			
	Iron Ore Business RMB'000	High-purity Iron Business RMB'000 (Restated)	Others RMB'000	Total RMB'000 (Restated)
Sales of goods (recognised at a point in time)				
Iron ore concentrates	1,160,761	4,624	–	1,165,385
High-purity iron	–	1,632,980	–	1,632,980
Building materials	–	–	2,090	2,090
Raw and leftover materials	2,640	25,177	–	27,817
Total	1,163,401	1,662,781	2,090	2,828,272
Geographical markets				
Mainland China	1,163,401	1,662,781	2,090	2,828,272

Note: Amounts of revenue in these tables are the same as the revenue from contracts with customers with the amounts disclosed in the segment information.

(ii) Performance obligations for contracts with customers

The Group produces and sales iron ore concentrates, high-purity iron, foamed ceramics and raw and leftover materials directly to customers in its continuing operations.

Revenue is recognised when control of the goods has transferred, being the time when the goods are delivered and accepted. Following acceptance, the customers have primary responsibility on the goods and bears the risks of obsolescence and loss in relation to the goods. Therefore, the Directors have justified that the performance obligation in respect of the sales income is satisfied at a point in time and recognised revenue at a point in time. The normal credit term is 7 days for iron ore concentrates, 60 days for high-purity iron and 30 days for building materials upon acceptance. The Group may request certain of its customers to place up to 100% of the contract sum as deposits in respect of sales of iron ore concentrates and high-purity iron, depending on the background, historical experience of and business relationship with them. The deposit received is accounted for as "contract liabilities". The related performance obligation is expected to be satisfied within one year.

8. OPERATING SEGMENTS

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 Business, High-purity Iron Business in the PRC, and Gold Businesses in the Australia. The Group identified an operating segment which is a component of the Group (a) that engages in business activities from which it may earn revenue 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.

During the year ended 31 December 2018, the Group's Nickel Business was discontinued upon Hanking (Indonesia) and its subsidiaries being classified as held for sale as disclosed in note 16. The disposal has been completed during this year.

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

Other operating segment includes production and sales of building materials (i.e., foamed ceramics) which is a newly commenced business since 2018. This business does not meet the quantitative thresholds for the reportable segments in the current year, accordingly, it was grouped in "others" for segment reporting purpose.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

8. OPERATING SEGMENTS *(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 2019

Continuing operations

	Iron Ore Business RMB'000	High-Purity Iron Business RMB'000	Gold Business RMB'000	Others RMB'000	Adjustments and elimination RMB'000	Consolidated RMB'000
Segment revenue						
External sales	1,286,772	951,910	–	13,200	–	2,251,882
Inter-segment sales (note)	135,851	4,673	–	–	(140,524)	–
	1,422,623	956,583	–	13,200	(140,524)	2,251,882
Segment profit (loss)	496,789	40,403	(18,815)	(22,857)	–	495,520
Central administration costs and directors' salaries						(8,202)
Other income and other gains and losses						(217)
Finance costs						(2,495)
Group's profit before tax from continuing operations						484,606

Note: 大連華仁貿易有限公司 (Dalian Huaren Trade Co., Ltd. *) ("**Dalian Huaren**") and 撫順德山貿易有限公司 (Fushun Deshan Trade Co., Ltd.*) ("**Fushun Deshan**"), which are related parties which are controlled by Ms. Yang Min, one of a Controlling Shareholders of the Company, acted as the agents of Hanking D.R.I. to purchase the iron ore concentrates from the Group's Iron Ore Business segment prior to the completion of Acquisition. Upon completion of the Acquisition, the Group's Iron Ore Business directly supplied iron ore concentrates to Hanking D.R.I, which is now a subsidiary of the Group's High-Purity Iron Business, instead of through any intermediary agencies including Fushun Deshan and Dalian Huaren.

* English name is for identification purpose only.

8. OPERATING SEGMENTS *(CONTINUED)*

Segment revenues and results *(continued)*

For the year ended 31 December 2018

Continuing operations

	Iron Ore Business RMB'000	High-Purity Iron Business RMB'000 (Restated)	Gold Business RMB'000	Others RMB'000	Total RMB'000 (Restated)
Segment revenue (all from external sales)	1,163,401	1,662,781	–	2,090	2,828,272
Segment profit (loss)	179,039	252,739	(21,194)	(5,205)	405,379
Central administration costs and directors' salaries					(24,450)
Other income and other gains and losses					3,749
Group's profit before tax from continuing operations					384,678

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 5. Segment profit (loss) represents the profit earned or loss incurred from each segment before tax and discontinued operations, without allocation of recognition of central administration costs and directors' emoluments, other income and other gains and losses (except for impairment loss on property, plant and equipment, intangible assets, prepaid lease payments and trade and other receivables), 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 2019

8. OPERATING SEGMENTS *(CONTINUED)*

Segment assets and liabilities

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

Segment assets

	31/12/2019 RMB'000	31/12/2018 RMB'000 (Restated)
Continuing operations		
Iron Ore Business	**1,161,740**	2,494,110
High-purity Iron Business	**823,534**	1,301,596
Gold Business	**240,458**	236,332
Total reportable segment assets	**2,225,732**	4,032,038
Other reporting segments	**99,315**	69,798
Assets relating to Nickel Business as discontinued operation	**–**	831,448
Unallocated		
Property, plant and equipment	**8**	13
Financial assets at FVTPL	**3,179**	9,359
Other receivables	**5,735**	6,128
Bank balances and cash	**1,900**	1,299
Consolidated assets	**2,335,869**	4,950,083

8. OPERATING SEGMENTS *(CONTINUED)*

Segment assets and liabilities *(continued)*

Segment liabilities

	31/12/2019 RMB'000	31/12/2018 RMB'000 (Restated)
Continuing operations		
Iron Ore Business	**503,709**	1,730,983
High-purity Iron Business	**934,931**	1,276,360
Gold Business	**61,072**	38,075
Total reportable segment liabilities	**1,499,712**	3,045,418
Other reporting segments	**10,309**	29
Liabilities relating to Nickel Business as discontinued operation	**–**	351,237
Unallocated		
Other payables	**10,187**	8,500
Consolidated liabilities	**1,520,208**	3,405,184

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

- all assets are allocated to reportable and operating segments other than certain property, plant and equipment, financial assets at FVTPL, other receivables and bank balances and cash used and held by the headquarter, as well as assets relating to discontinued operations; and

- all liabilities are allocated to operating segments other than certain other payables by the headquarter, as well as liabilities relating to discontinued operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

8. OPERATING SEGMENTS *(CONTINUED)*

Other segment information

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

For the year ended 31 December 2019

Continuing operations

	Iron Ore Business RMB'000	High-Purity Iron Business RMB'000	Gold Business RMB'000	Total reportable segment RMB'000	Others RMB'000	Total RMB'000
Addition to non-current assets (note)	**146,624**	**179,479**	**11,506**	**337,609**	**17,407**	**355,016**
Depreciation and amortisation	**172,609**	**21,300**	**432**	**194,341**	**6,229**	**200,570**
Impairment loss on property, plant and equipment	**–**	**(17,469)**	**–**	**(17,469)**	**–**	**(17,469)**
Impairment loss on intangible assets	**–**	**–**	**(833)**	**(833)**	**–**	**(833)**
Reversal of impairment on trade receivables	**–**	**(2,565)**	**–**	**(2,565)**	**–**	**(2,565)**
Impairment losses on other receivables	**3,349**	**1,632**	**–**	**4,981**	**–**	**4,981**
(Gain) on disposal of property, plant and equipment	**(603)**	**–**	**–**	**(603)**		**(603)**
(Gain) on disposal of intangible assets	**(189)**	**–**	**–**	**(189)**	**–**	**(189)**
Write-down of the inventories	**–**	**–**	**–**	**–**	**(6,880)**	**(6,880)**

For the year ended 31 December 2018

Continuing operations

	Iron Ore Business RMB'000	High-Purity Iron Business RMB'000 (Restated)	Gold Business RMB'000	Total reportable segment RMB'000 (Restated)	Others RMB'000	Total RMB'000 (Restated)
Addition to non-current assets (note)	194,467	51,671	215,771	461,909	12,910	474,819
Depreciation and amortisation	169,692	16,718	623	187,033	425	187,458
Impairment loss on property, plant and equipment	53,654	–	–	53,654	–	53,654
Impairment loss on prepaid lease payments	10,534	–	–	10,534	–	10,534
Impairment losses on trade receivables	–	2,485	–	2,485	–	2,485
Impairment losses on other receivables	406	1,444	–	1,850	–	1,850
Loss (gain) on disposal of property, plant and equipment	11,056	(263)	–	10,793	4	10,797

8. OPERATING SEGMENTS *(CONTINUED)*

Geographical information

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

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

	Revenue from external customers Year ended		**Non-current assets**	
	31/12/2019 RMB'000	31/12/2018 RMB'000 (Restated)	**31/12/2019 RMB'000**	31/12/2018 RMB'000 (Restated)
Continuing operations				
PRC	**2,251,882**	2,828,272	**1,305,555**	1,214,387
Australia	**–**	–	**222,157**	214,069
	2,251,882	2,828,272	**1,527,712**	1,428,456

Note: Non-current assets excluded financial assets at FVTPL, deferred tax assets, loan receivable, restricted deposits and pledged bank deposits.

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	
	31/12/2019 RMB'000	31/12/2018 RMB'000 (Restated)
Continuing operations		
Customer A (revenue from iron ore concentrates sales)	**451,058**	N/A*
Customer B (revenue from iron ore concentrates sales)	**253,123**	368,556
Customer C (revenue from high-purity iron sales)	**223,645**	N/A*

* For the year ended 2018, the corresponding revenue of these customers did not contribute over 10% of the total revenue of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

9. OTHER INCOME

	Year ended 31/12/2019 RMB'000	Year ended 31/12/2018 RMB'000 (Restated)
Continuing operations		
Bank interest income	**4,547**	5,295
Government grants (note)	**228**	137
Release of imputed interest on amount due from a related party	**–**	40,721
Release of financial guarantees provided to related parties	**1,751**	1,751
Others	**181**	87
	6,707	47,991

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

10. OTHER GAINS AND LOSSES

	Year ended 31/12/2019 RMB'000	Year ended 31/12/2018 RMB'000 (Restated)
Continuing operations		
Gain (loss) on disposal of property, plant and equipment	**603**	(10,797)
Gain on disposal of intangible assets	**189**	–
Fair value gain on financial assets at FVTPL	**4,179**	7,883
Net foreign exchange loss	**(3,010)**	(4,124)
Gain on disposal of subsidiaries	**–**	6,779
Impairment loss on property, plant and equipment, and prepaid lease payments (note 25)	**(17,469)**	(64,188)
Impairment of intangible assets	**(833)**	–
Others	**8,884**	(873)
	(7,457)	(65,320)

11. IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	Year ended 31/12/2019 RMB'000	Year ended 31/12/2018 RMB'000 (Restated)
Impairment losses recognised (reversed) in respect of:		
– trade receivables	**(2,565)**	2,485
– other receivables	**4,981**	1,850
	2,416	4,335

12. FINANCE COSTS

	Year ended 31/12/2019 RMB'000	Year ended 31/12/2018 RMB'000 (Restated)
Continuing operations		
Interests on borrowings	**69,252**	80,233
Interests on bills discounted	**16,857**	43,481
Interests on lease liabilities	**226**	–
Interests on loan from a related party	**12,352**	–
	98,687	123,714

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

13. PROFIT BEFORE TAX

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

	Year ended 31/12/2019 RMB'000	Year ended 31/12/2018 RMB'000 (Restated)
Cost of inventories recognised as an expense (note)	**1,300,700**	1,839,533
Auditors' remuneration	**3,436**	4,124
Depreciation of property, plant and equipment	**138,125**	110,053
Depreciation of right-of-use assets	**29,073**	–
Amortisation of intangible assets	**33,372**	48,436
Release of prepaid lease payments	**–**	28,983
Total depreciation and amortisation	**200,570**	187,472
Capitalised in inventories	**(157,095)**	(160,532)
	43,475	26,940
Analysed at:		
– charged in research expenditure	**1,117**	1,435
– charged in distribution and selling expenses	**168**	–
– charged in administrative expenses	**42,190**	25,505
	43,475	26,940

Note: The amount included write-down of inventories of RMB6,880,000 (2018: nil) for the current year.

13. PROFIT BEFORE TAX *(CONTINUED)*

	Year ended 2019 RMB'000	2018 RMB'000 (Restated)
Salaries and other benefits including staff's bonus	**144,053**	131,027
Director's bonus	**10**	15,280
Retirement benefits scheme contributions	**11,239**	27,410
Total staff costs (including directors)	**155,302**	173,717
Capitalised in inventories	**(66,435)**	(72,444)
	88,867	101,273
Analysed at:		
– charged in research expenditure	**2,892**	1,958
– charged in distribution and selling expenses	**2,162**	1,972
– charged in administrative expenses	**83,813**	97,343
	88,867	101,273
Research expenditure analysed at:		
– depreciation and amortisation	**2,360**	2,616
– raw materials consumed	**76,233**	73,542
– staff costs	**4,472**	13,973
– technical service fee	**1,684**	1,207
– others	**5,488**	404
	90,237	91,742
Capitalised in inventories	**(79,993)**	(86,738)
	10,244	5,004
Research and development cost charged in profit or loss analysed at:		
– depreciation and amortisation	**1,117**	1,435
– raw materials consumed	**680**	–
– staff costs	**2,892**	1,958
– technical service fee	**567**	1,207
– others	**4,988**	404
	10,244	5,004

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

14. INCOME TAX (EXPENSE) CREDIT

	Year ended 31/12/2019 RMB'000	Year ended 31/12/2018 RMB'000 (Restated)
Continuing operations		
Current tax:		
PRC Enterprise Income Tax ("**EIT**") – current	**(44,456)**	(50,792)
(Under) over provision in prior years (note)	**(44,481)**	352
	(88,937)	(50,440)
Deferred tax (note 26):		
Current year	**(39,418)**	69,558
Attributable to changes in tax rate	**(24,090)**	–
Total income tax (expense) credit recognised in the current year	**(152,445)**	19,118

Note: During the year ended 31 December 2018, the Group disposed of the entire 100% equity interest of Shangma Mining to an independent third party and utilised the related deductible temporary differences previously not recognised for the calculation of the Group's income tax expenses for the year ended 31 December 2018.

However, during the current year, the Group, due to certain regulatory reasons, acquired back Shangma Mining from the independent third party at the original disposal price.

Therefore, the deductible temporary differences previously utilised for the calculation of the Group's income tax expenses for the year ended 31 December 2018 had been reversed in this year, resulting in an adjustment for the under provision of EIT in prior years of RMB44,558,000 and charged to current year's profit or loss, accordingly.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

On 22 July 2019, Aoniu Mining obtained "High Technology Enterprise" status for 3 years that entitled it a preferential tax rate of 15% for a period of three years starting from 2019 to 2022 according to EIT Law.

On 10 October 2017, Hanking D.R.I. obtained "High Technology Enterprise" status for 3 years that entitled it a preferential tax rate of 15% for a period of three years starting from 2017 to 2019 according to EIT Law. Hanking D.R.I. is currently reapplying the qualification of "High Technology Enterprise" status upon expiry during 2019.

14. INCOME TAX (EXPENSE) CREDIT *(CONTINUED)*

The Company and certain subsidiaries located in Hong Kong and Australia had no provision for corporate tax as there were no assessable profits arising from these jurisdictions for both years.

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

	Year ended 31/12/2019 RMB'000	Year ended 31/12/2018 RMB'000 (Restated)
Profit before tax (from continuing operations)	**484,606**	384,678
Tax at the PRC income tax rate of 25% (2018: 25%)	**(121,152)**	(96,169)
Tax effect of expenses not deductible for tax purpose	**(21,355)**	(9,613)
Tax effect of income not taxable for tax purposes	**4,847**	107,372
Deductible temporary differences and tax losses not recognised	**(13,868)**	(9,136)
Utilisation of deductible temporary difference and tax losses previously not recognised	**14,593**	–
Tax effect of concessions granted to Aoniu Mining and Hanking D.R.I.	**53,061**	26,312
Increase in opening deferred tax asset resulting from an increase in applicable tax rate	**(27,707)**	–
Decrease in opening deferred tax asset resulting from an decrease in applicable tax rate	**3,617**	–
(Under) over provision in respect of prior years	**(44,481)**	352
Income tax (expense) credit for the year (relating to continuing operations)	**(152,445)**	19,118

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

15. ACQUISITION OF A SUBSIDIARY NOT UNDER COMMON CONTROL

On 20 February 2018, Hanking Australia Investment Pty Ltd. ("**Hanking Australia Investment**"), a non-wholly owned subsidiary of the Group, made a recommended off-market "all cash" open offer ("**Open Offer**") for Primary Gold Limited ("**PGO**"), a public company listed on the Australian Securities Exchange. As of 8 June 2018, HGM Resources Pty Ltd, a wholly owned subsidiary of Hanking Australia Investment, has acquired all the remaining 594,702,000 shares of PGO at a consideration of AUD0.0575 per share, totaling AUD34,195,000 (equivalent to approximately RMB166,767,000). Since then, PGO became a 100% owned subsidiary of HGM Resources Pty Ltd.

Since PGO currently held exploration and evaluation assets interests in three gold mining projects in western and northern Australia, all of which were not yet in operation, this acquisition transaction is accounted for as an asset acquisition, accordingly.

Consideration transferred

	RMB'000
Cash consideration paid	166,767
Directly attributable cost of acquisition	5,806
Fair value of 51,800,000 shares of PGO previously owned and classified as financial assets at FVTPL (note)	14,526
Total consideration	187,099

Note: On 26 April 2018, as a result of the success of the open offer, the Group obtained equity interest in PGO through an Open Offer. The Group's prior interest in PGO prior to open offer classified as financial assets at FVTPL was remeasured at its fair value of AUD2,978,500 (equivalent to RMB14,526,000) on that day and was then derecognised and accounted for as part of the consideration for this acquisition.

15. ACQUISITION OF A SUBSIDIARY NOT UNDER COMMON CONTROL *(CONTINUED)*

Assets and liabilities assumed at the date of acquisition:

	RMB'000
Assets	
Property, plant and equipment	1,208
Intangible assets	198,444
Restricted deposits	13,776
Other receivables	1,232
Bank balances and cash	2,585
	217,245
Liabilities	
Other payables	(6,243)
Rehabilitation provision	(23,903)
	(30,146)
Net assets	187,099

	RMB'000
Net cash outflow on acquisition of PGO:	
Cash consideration paid	166,767
Add: directly attributable cost paid	5,806
Less: bank balances and cash acquired	(2,585)
	169,988

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

16. DISCONTINUED OPERATION AND DISPOSAL OF A SUBSIDIARY

For the year ended 31 December 2019

(A) Nickel Business

On 5 July 2018, the Company entered into a share sale and purchase agreement with Tuochuan Capital Limited which was controlled by Mr. Yang Jiye, one of the Controlling Shareholders, and Mr. Yang Jiye (as the guarantor), pursuant to which the Company agreed to sell, and Tuochuan Capital Limited agreed to purchase, the entire 70% of equity interest of Hanking (Indonesia) held by the Group for a total consideration of RMB350,000,000. Hanking (Indonesia) and its subsidiaries constituted the Nickel Business of the Group. The transaction was approved by the shareholders on 24 August 2018. The Group's disposal of Hanking (Indonesia) was completed during the current year and the Group since then had no plan to carry out the Nickel Business.

The loss for the period from 1 January 2019 to date of disposal and the year ended 31 December 2018 from the discontinued Nickel Business is set out below.

	For the period from 1 January 2019 to date of disposal RMB'000	For the year ended 31 December 2018 RMB'000
Loss for the year/period from Nickel Business	**(3,307)**	(10,882)
Reclassification of cumulative translation reserve upon disposal of a foreign operation to profit or loss	**(31,911)**	–
	(35,218)	(10,882)

16. DISCONTINUED OPERATION AND DISPOSAL OF A SUBSIDIARY *(CONTINUED)*

For the year ended 31 December 2019 *(continued)*

(A) Nickel Business *(continued)*

The results of Nickel Business for the period from 1 January 2019 to date of disposal and the year ended 31 December 2018, 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 2019 to date of disposal RMB'000	For the year ended 31 December 2018 RMB'000
Revenue	**110,603**	42,847
Cost of sales	**(42,893)**	(30,933)
Other income	**–**	247
Other gains and losses	**2,157**	7,554
Distribution and selling expenses	**(11,069)**	(8,331)
Administrative expenses	**(40,930)**	(19,640)
Finance costs	**(21,473)**	(602)
Loss before tax	**(3,605)**	(8,858)
Income tax credit (expense)	**298**	(2,024)
Loss for the year/period	**(3,307)**	(10,882)

	RMB'000
Total consideration satisfied by:	
Consideration receivable subject to Current Account Offsetting Agreements (note)	350,000

Note: Pursuant to the Current Account Offsetting Agreements as disclosed in note 3, the consideration receivable in respect of the Group's disposal of Hanking (Indonesia) of RMB350,000,000 will be offset with the consideration payable in respect of the acquisition of Ginseng & Iron of RMB128,700,000, consideration payable for Acquisition of Tuochuan (Hong Kong) of RMB1,020,000,000, and the net amount due from the related parties including Hanking (Indonesia) and Hanking Investment as of that date amounted RMB673,075,000. Further details of the Current Account Offsetting Agreements are disclosed in note 51.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

16. DISCONTINUED OPERATION AND DISPOSAL OF A SUBSIDIARY *(CONTINUED)*

For the year ended 31 December 2019 *(continued)*

(A) Nickel Business *(continued)*

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

	RMB'000
Property, plant and equipment	181,318
Intangible assets	563,071
Right-of-use assets	798
Deferred tax assets	6,385
Deposits on acquisition of property, plant and equipment	10,479
Inventories	42,533
Trade and other receivables	60,815
Tax recoverable	101
Bank balances and cash	11,910
Trade and other payables	(186,621)
Retirement benefit obligations	(852)
Consideration payable	(314,078)
Rehabilitation provision	(1,592)
Tax liabilities	(273)
Net assets disposed of	373,994
Net assets disposed of	373,994
Less: Non-controlling interest	(179,722)
Cumulative exchange differences in respect of the net assets reclassified from equity to profit or loss	31,911
Net assets attributable to owners of the Company	226,183
Gain on disposal	123,817
Analysis of gain on disposal:	
– Gain as deemed capital contribution	155,728
– Loss arising from cumulative translation reserve upon disposal of a foreign operation to profit or loss	(31,911)
	123,817

16. DISCONTINUED OPERATION AND DISPOSAL OF A SUBSIDIARY *(CONTINUED)*

For the year ended 31 December 2019 *(continued)*

(A) Nickel Business *(continued)*

The cumulative balance resulting from Hanking (Indonesia) in respect of translation reserve of RMB31,911,000 had been recycled to profit or loss upon the completion of the Group's disposal of Hanking (Indonesia) during the current year in loss from discontinued operation, accordingly.

Cash flows from Nickel Business:

	For the period from 1 January 2019 to date of disposal RMB'000	For the year ended 31 December 2018 RMB'000
Net cash flows from (used in) operating activities	**37,831**	(20,624)
Net cash flows used in investing activities	**(35)**	(20)
Net cash flows (used in) from financing activities	**(35,273)**	21,831
Net cash flows	**2,523**	1,187

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

16. DISCONTINUED OPERATION AND DISPOSAL OF A SUBSIDIARY *(CONTINUED)*

For the year ended 31 December 2019 *(continued)*

(B) Hanking Housing

During the current year, the Group entered into a share transfer agreement with Mr. Yang Jiye, one of the Controlling Shareholders, to dispose of its entire 100% equity interest in Hanking Housing whose principal business is engaged in building materials trading and constructional design business, to Hanking Investment, 99% owned and controlled by Mr. Yang Jiye, one of the Controlling Shareholders, for cash consideration of RMB1. The disposal was completed on 31 March 2019 on which date the Group lost control of Hanking Housing and its subsidiaries.

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

	31 March 2019 RMB'000
Bank balances and cash	**121**
Trade and other receivables	**7,743**
Inventories	**81**
Property, plant and equipment	**64**
Trade and other payables	**(17,234)**
Net liabilities disposed of	**(9,225)**

Gain on disposal of Hanking Housing

	RMB'000
Consideration received	–
Less: net liability disposed of	9,225
Gain on disposal treated as deemed capital contribution	9,225

Net cash outflow arising on disposal of the subsidiaries

	RMB'000
Cash consideration received	–
Less: bank balances and cash disposed of	(121)
	(121)

16. DISCONTINUED OPERATION AND DISPOSAL OF A SUBSIDIARY *(CONTINUED)*

For the year ended 31 December 2018

Details of the disposal transactions of the Group's subsidiaries for the year ended 31 December 2018 were set out in the Group's 2018 Annual Report published on the website of the Stock Exchange.

17. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the 8 (2018:9) directors were as follows:

	For the year ended 31 December 2019				
	Directors' fees RMB'000	Retirement benefit scheme contributions RMB'000	Salary, wages and other allowance RMB'000	Performance incentive payments RMB'000	Total RMB'000
Executive directors (note e):					
– Yang Jiye (note a)	–	42	1,886	–	1,928
– Zheng Xuezhi (note c)	–	113	1,087	10	1,210
– Dr. Qiu Yumin	–	255	2,687	–	2,942
Non-executive directors (note f):					
– Kenneth Lee	179	–	–	–	179
– Xia Zhuo (note d)	61	22	187	–	270
Independent non-executive directors (note g):					
– Wang Ping	224	–	–	–	224
– Wang Anjian	179	–	–	–	179
– Ma Qingshan	179	–	–	–	179
	823	432	5,846	10	7,111

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

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

	For the year ended 31 December 2018				
	Directors' fees RMB'000	Retirement benefit scheme contributions RMB'000	Salary, wages and other allowance RMB'000	Performance incentive payments RMB'000	Total RMB'000
Executive directors (note e):					
– Yang Jiye (note a)	–	112	1,912	–	2,024
– Pan Guocheng (note b)	–	–	637	9,000	9,637
– Zheng Xuezhi (note c)	–	170	1,096	–	1,266
– Xia Zhuo	–	86	960	–	1,046
– Dr. Qiu Yumin	–	250	2,626	6,280	9,156
Non-executive directors (note f):					
– Kenneth Lee	171	–	–	–	171
– Pan Guocheng (note b)	34	–	–	–	34
Independent non-executive directors (note g):					
– Wang Ping	214	–	–	–	214
– Wang Anjian	171	–	–	–	171
– Ma Qingshan	156	–	–	–	156
	746	618	7,231	15,280	23,875

Notes:

(a) 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. On 19 March 2018, he was re-designated as CEO. The directors' fee entitled by Yang Jiye is for serving as a director of the Company.

(b) 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. On 19 March 2018, he was re-designated from CEO to non-executive director. He resigned as non-executive director on 24 May 2018.

(c) Zheng Xuezhi was CFO and executive director of the Company, and emoluments disclosed above include those for services rendered by him as the CFO.

(d) Xia Zhuo resigned as executive director and was appointed as non-executive director on 29 August 2019.

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

Notes: *(continued)*

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

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

(g) 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 2019 and 2018.

During the both years, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any remuneration during the both years.

18. FIVE HIGHEST PAID EMPLOYEES

During the year, the five highest paid individuals included 3 directors (2018: 4 directors), details of whose emoluments are set out in note 17. The emoluments of the remaining two (2018: one) highest paid individual of 2019 were as follows:

	Year ended	
	31/12/2019	31/12/2018
	RMB'000	RMB'000
		(Restated)
Employee		
– Salaries and other benefits	**2,493**	1,100
– Retirements benefits scheme contributions	**441**	345
– Performance incentive payments	**41**	40
	2,975	1,485

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

18. FIVE HIGHEST PAID EMPLOYEES *(CONTINUED)*

The emoluments of the five highest paid individuals were within the following bands:

	2019 No. of Individuals	2018 No. of Individuals
Hong Kong Dollars ("HKD")1,000,001 to HKD1,500,000	**1**	1
HKD1,500,001 to HKD2,000,000	**2**	1
HKD2,000,001 to HKD2,500,000	**1**	1
HKD2,500,001 to HKD3,500,000	**1**	–
HKD3,500,001 to HKD4,000,000	**–**	–
HKD10,000,001 to HKD10,500,000	**–**	1
HKD10,500,001 to HKD11,000,000	**–**	1
HKD40,000,001 to HKD40,500,000	**–**	–

19. DIVIDENDS

	Year ended	
	31/12/2019 RMB'000	31/12/2018 RMB'000 (Restated)
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2018 Final – HKD0.02 (2017: HKD0.01) per share (note a)	**32,159**	14,962
Special dividend – nil (2018: RMB350,000,000) (note b)	**–**	350,000
	32,159	364,962

Note:

(a) During the current year, a dividend of HKD0.02 per share amounting to HKD36,557,000 (equivalent to RMB32,159,000) in aggregate in respect of the year ended 31 December 2018 (2018: a final dividend of HKD0.01 per share amounting to HKD18,300,000 (equivalent to RMB14,962,000) in aggregate in respect of the year ended 31 December 2017) was declared and paid to the owners of the Company whose names appeared in the register of members of the Company on 19 July 2019.

(b) On 28 June 2018, Ginseng & Iron, an entity included in Acquisition of which was combined to the Group using principle of merger accounting, declared a dividend of RMB350,000,000 to its then shareholders before it was acquired by Tuochuan (Hong Kong).

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2019 of HKD0.08 (2018: final dividend in respect of the year ended 31 December 2018 of HKD0.02) per ordinary share, in an aggregate amount of HKD145,600,000 (2018:HKD36,557,000), has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming general meeting.

20. EARNINGS 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	
	31/12/2019	31/12/2018
	RMB'000	RMB'000
		(Restated)
Profit for the year from continuing and discontinued operations attributable to owners of the Company	**296,574**	396,691
Less: loss for the year from discontinued operation attributable to owners of the Company	**37,597**	5,570
Profit for the year from continuing operations attributable to owners of the Company, for the purposes of basic earnings per share	**334,171**	402,261

	Number of shares	
	31/12/2019	31/12/2018
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,826,922,000**	1,829,505,000

The weighted average number of ordinary shares for the year ended 31 December 2019 for the purpose of basic earnings per share has been adjusted for a total sum of 7,829,000 shares repurchased and cancelled in July, August and September, and 2,893,000 ordinary shares repurchased as restricted shares held for strategic incentive award scheme in November and December 2019 (for the year ended 31 December 2018: adjusted for a total sum of 2,171,000 shares repurchased and cancelled in July and December 2018).

From discontinued operation

Basic loss per share for the discontinued operation is RMB2.1 cents per share (2018: basic loss per share RMB0.3 cents for the discontinued operations), based on the loss for the year from the discontinued operation of RMB37,597,000 (2018: RMB5,570,000 (restated)) and the denominators detailed above for basic earnings per share.

Diluted earnings per share presented is the same as basic earnings per share as the Company did not have dilutive potential ordinary shares in issue in both year ended 31 December 2019 and 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

21. 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 2018 (originally stated)	4,344	505,078	141,956	422,446	20,815	146,188	228,585	1,469,412
Merger accounting restatement	–	185,727	–	197,658	5,406	19,735	19,040	427,566
At 1 January 2018 (restated)	4,344	690,805	141,956	620,104	26,221	165,923	247,625	1,896,978
Additions	–	11,016	–	8,496	5,128	7,801	200,840	233,281
Additions in relation to PGO acquisition	–	779	–	–	429	–	–	1,208
Transfer	–	132,675	10,434	114,157	258	–	(257,524)	–
Disposals	–	(42,264)	–	(18,281)	(2,249)	(30,105)	–	(92,899)
Reclassified as held for sale	(4,177)	(31,642)	–	(46,234)	(6,443)	(11,173)	(149,314)	(248,983)
Exchange adjustments	(167)	(1,299)	–	(1,833)	(616)	(503)	(5,823)	(10,241)
At 31 December 2018	–	760,070	152,390	676,409	22,728	131,943	35,804	1,779,344
Additions	–	4,233	31,328	10,133	983	8,275	199,174	254,126
Transfer	–	13,867	7,889	171,094	–	15	(192,865)	–
Disposals	–	(48,164)	–	(98,993)	(284)	(24,452)	(1,351)	(173,244)
Exchange adjustments	–	19	–	–	13	7	–	39
At 31 December 2019	–	730,025	191,607	758,643	23,440	115,788	40,762	1,860,265
DEPRECIATION AND IMPAIRMENT								
At 1 January 2018 (originally stated)	–	110,499	73,264	264,500	18,137	133,643	3,948	603,991
Merger accounting restatement	–	72,957	–	154,749	4,638	16,197	–	248,541
At 1 January 2018 (restated)	–	183,456	73,264	419,249	22,775	149,840	3,948	852,532
Provided for the year	–	39,591	20,406	45,112	2,450	4,450	–	112,009
Impairment loss recognised in profit or loss	–	53,654	–	–	–	–	–	53,654
Eliminated on disposals	–	(5,108)	–	(11,436)	(2,005)	(25,838)	–	(44,387)
Eliminated upon reclassification to assets classified as held for sale	–	(11,957)	–	(46,206)	(6,188)	(9,573)	–	(73,924)
Exchange adjustments	–	(402)	–	(1,823)	(609)	(409)	–	(3,243)
At 31 December 2018	–	259,234	93,670	404,896	16,423	118,470	3,948	896,641
Provided for the year	–	55,993	13,164	58,796	2,358	7,814	–	138,125
Impairment loss recognised in profit or loss	–	10,163	–	7,021	285	–	–	17,469
Eliminated on disposals	–	(35,181)	–	(91,814)	(558)	(22,435)	–	(149,988)
Exchange adjustments	–	4	–	–	5	1	–	10
At 31 December 2019	–	290,213	106,834	378,899	18,513	103,850	3,948	902,257
CARRYING VALUES								
At 31 December 2019	–	439,812	84,773	379,744	4,927	11,938	36,814	958,008
At 31 December 2018 (restated)	–	500,836	58,720	271,513	6,305	13,473	31,856	882,703
At 1 January 2018 (restated)	4,344	507,349	68,692	200,855	3,446	16,083	243,677	1,044,446

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

The Group is in the process of applying for the title certificates for certain properties with carrying amount of RMB5,950,000 as at 31 December 2019 (2018:RMB6,800,000 (restated)).

The above items of property, plant and equipment, except for freehold lands, 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 as at 1 January 2018 were located in Indonesia and were reclassified as assets classified as held for sale during the year ended 31 December 2018.

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 2019 and 2018 with details summarised in note 45.

During the year ended 31 December 2019, an impairment loss of RMB17,469,000 has been recognised in respect of the High-purity Iron Business due to the identification of technical obsolesce of certain buildings, plant and machinery and other equipment. Impairment loss of RMB53,654,000 has been recognised in respect of Aoniu Mine during the year ended 31 December 2018. Details for the impairment of Aoniu Mine are set out in note 25.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

22. INTANGIBLE ASSETS

	Software RMB'000	Mining rights RMB'000	Exploration and evaluation assets RMB'000	Technical know-how RMB'000	Total RMB'000
COST					
At 1 January 2018 (originally stated)	6,357	845,888	40,583	–	892,828
Merger accounting restatement	381	–	–	–	381
At 1 January 2018 (restated)	6,738	845,888	40,583	–	893,209
Addition	1,917	–	15,708	1,421	19,046
Additions in relation to PGO acquisition	–	–	198,444	–	198,444
Reclassified as held for sale	(401)	(562,355)	(2,757)	–	(565,513)
Exchange adjustments	(9)	–	(2,647)	–	(2,656)
At 31 December 2018	8,245	283,533	249,331	1,421	542,530
Additions	1,847	52,443	11,263	4,772	70,325
Exchange adjustments	–	–	52	–	52
At 31 December 2019	10,092	335,976	260,646	6,193	612,907
AMORTISATION AND IMPAIRMENT					
At 1 January 2018 (originally stated)	5,690	203,533	7,168	–	216,391
Merger accounting restatement	272	–	–	–	272
At 1 January 2018 (restated)	5,962	203,533	7,168	–	216,663
Charge for the year	366	47,137	1,314	–	48,817
Eliminated upon transfer to assets classified as held for sale	(348)	(1,928)	(5)	–	(2,281)
Exchange adjustments	(4)	–	(7)	–	(11)
At 31 December 2018	5,976	248,742	8,470	–	263,188
Charge for the year	1,743	16,327	14,923	379	33,372
Impairment loss recognised in profit or loss	–	–	833	–	833
Eliminated on disposals	–	–	(1,598)	–	(1,598)
At 31 December 2019	7,719	265,069	22,628	379	295,795
CARRYING VALUES					
At 31 December 2019	2,373	70,907	238,018	5,814	317,112
At 31 December 2018 (restated)	2,269	34,791	240,861	1,421	279,342
At 1 January 2018 (restated)	776	642,355	33,415	–	676,546

22. INTANGIBLE ASSETS *(CONTINUED)*

The above intangible assets have definite useful lives. Software is amortised on a straight-line basis over five years. Mining rights and exploration and evaluation assets 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. Technical know-how is amortised on a straight-line basis over a period of five years.

During the year ended 31 December 2018, exploration and evaluation assets amounting to AUD40,691,000 (equivalent to RMB198,444,000) were acquired along with the successful acquisition of PGO as detailed in note 15.

Certain mining rights of the Group had been pledged as securities for obtaining the bank borrowings as at 31 December 2018 and detail of which was summarised in note 45.

Impairment loss of RMB833,000 (2018: nil) has been recognised in respect of certain exploration and evaluation assets previously capitalised related to the Gold Business in full during the year ended 31 December 2019 because the management of the Group expect such amount cannot be recoverable during the year ended 2019.

23. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000	Offices & premises RMB'000	Factory buildings RMB'000	Total RMB'000
As at 1 January 2019				
Carrying amount	178,737	–	–	178,737
As at 31 December 2019				
Carrying amount	170,839	7,801	1,589	180,229
For the year ended 31 December 2019				
Depreciation charge	27,934	782	357	29,073
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of IFRS 16				9,703
Total cash outflow for leases				31,388
Additions to right-of-use assets				30,565

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

23. RIGHT-OF-USE ASSETS *(CONTINUED)*

For both years, the Group leases leasehold lands, office and premises and factory buildings for its operations. Lease contracts are entered into for fixed term of 6 months to 20 years, but may have extension and termination options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The leasehold lands were amortised over the benefit periods from 5 to 50 years. Amount of RMB84,915,000 represented the pre-paid rental to various farmers for mining purpose and no land certificates for these pre-paid rental have been obtained.

Certain right-of-use assets of the Group had been pledged as securities for obtaining the bank borrowings as at 31 December 2019 and detail of which was summarised in note 45.

24. PREPAID LEASE PAYMENTS

	31/12/2018 RMB'000 (Restated)
Analysed for the reporting purpose as:	
Current portion	28,666
Non-current portion	143,470
	172,136

The prepaid lease payments were amortised over the benefit periods from 5 to 50 years. Amount of RMB105,517,000 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 2018 and detail of which was summarised in note 45.

During the year ended 31 December 2018, impairment loss of RMB10,534,000 was recognised for certain prepaid lease payments in respect of Aoniu Mine. Details of asset impairment and reason are set out in note 25.

Upon the initial adoption of IFRS 16 on 1 January 2019, prepaid lease payments were classified as to right-of-use assets since then.

25. IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS

Iron Ore Business

For the purpose of impairment testing, tangible and intangible assets with definite lives set out in notes 21 to 24 in relation to Iron Ore Business have been allocated to 3 individual cash generating units (CGUs).

The basis of the determination of the recoverable amounts of the above units and their major underlying assumptions are summarised below:

Aoniu Mine

The recoverable amount of Aoniu Mine has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 10-year period, and discount rate of 13.0%. Other key assumptions for the value in use calculation's related to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. In 2018, due to the closing of an open pit mining, one processing plant of Aoniu Mine started to be suspended, the Directors considered that the suspension would deteriorate the recoverable amount of these assets in Aoniu Mine. After reviewing the cash flow projection of Aoniu Mine, an impairment loss of RMB53,654,000 for property, plant and equipment and an impairment loss of RMB10,534,000 for prepaid lease payment, totaling RMB64,188,000, were recognised during the year ended 31 December 2018.

Shangma Mine

The recoverable amount of Shangma Mine has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 12-year period, and discount rate of 15.5%. Other key assumptions for the value in use calculations related to the estimation of cash inflows/outflows which include budgeted sales and gross margin; such estimation is based on the unit's past performance and management's expectations for the markets development.

Maogong Mine

During the years ended 31 December 2019 and 31 December 2018, management of the Group determines that there is no indicator of impairment on Maogong mine.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

26. DEFERRED TAXATION

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

	31/12/2019 RMB'000	31/12/2018 RMB'000 (Restated)
Deferred tax assets	**11,188**	77,962

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

	ECL provision/ doubtful debts RMB'000	Accelerated accounting/ tax depreciation RMB'000	Accrued expenses RMB'000	Tax losses RMB'000	Deductible temporary differences arising from disposal of Xingzhou Mining RMB'000	Impairment RMB'000 (note)	Others RMB'000	Total RMB'000
At 1January 2018 (originally stated)	1,978	6,334	101	1,557	–	–	132	10,102
Merger accounting restatement	3,818	–	147	–	–	873	160	4,998
At 1 January 2018 (restated)	5,796	6,334	248	1,557	–	873	292	15,100
Credit (charge) to profit or loss	687	(13,188)	(24)	1,220	62,000	16,047	838	67,580
Credit to other comprehensive income	–	–	–	–	–	–	1,584	1,584
Exchange differences	–	(203)	–	(58)	–	–	(15)	(276)
Reclassified as held for sale	–	(3,021)	–	(2,719)	–	–	(286)	(6,026)
At 31 December 2018	6,483	(10,078)	224	–	62,000	16,920	2,413	77,962
Credit (charge) to profit or loss	**298**	**(2,821)**	**(245)**	**–**	**(37,200)**	**–**	**550**	**(39,418)**
Charge to other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**(1,981)**	**(1,981)**
Effect of change in tax rate	**2,104**	**4,031**	**69**	**–**	**(24,800)**	**(5,837)**	**(942)**	**(25,375)**
At 31 December 2019	**8,885**	**(8,868)**	**48**	**–**	**–**	**11,083**	**40**	**11,188**

Note: During the year ended 31 December 2018, Aoniu Mining, a wholly-owned subsidiary of the Company, completed the disposal of 100% equity interest in Xingzhou Mining to an independent third party. However, as the title transfer was not completed in 2018 due to certain administrative obstacle, the deductible temporary difference previously cannot be deducted and deferred tax was recognised in the year ended 31 December 2018. Pursuant to the success in title transfer of the shares in the year ended 31 December 2019, the temporary difference was deducted during the year.

26. DEFERRED TAXATION *(CONTINUED)*

At the end of the reporting period, the Group has unused tax losses of approximately RMB128 million (2018: RMB246 million(restated)) available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses in both years due to the unpredictability of future profit streams. During the year ended 31 December 2018, the relevant tax authority in the PRC released a notice to extend the period of utilising tax losses from those entities qualified as High Technology Enterprise from a period of 5 years to 10 years. There are no tax losses of the Group's subsidiaries qualified as High Technology Enterprise.

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

	31/12/2019 RMB'000	31/12/2018 RMB'000
2019	**–**	66,845
2020	**17,121**	56,183
2021	**16,651**	9,900
2022	**11,759**	27,267
2023	**10,249**	60,032
2024	**29,303**	–
Unlimited	**42,884**	25,715
	127,967	245,942

At the end of the reporting period, the Group has other deductible temporary differences of RMB235,199,000 (2018: RMB223,333,000 (restated)). 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 RMB2,085 million (2018: RMB1,852 million(restated)) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

27. RESTRICTED DEPOSITS

	31/12/2019 RMB'000	31/12/2018 RMB'000
Restricted deposits placed in banks in respect of:		
Iron Ore Business	**22,138**	6,441
Gold Business	**14,614**	13,630
Others	**–**	1,031
	36,752	21,102

Note: Restricted deposits for Iron Ore Business and Gold Business include reclamation deposits and security deposits, which can only be redeemed when the mining operations cease, which are expected to happen over one year and the deposits are classified as "non-current assets" accordingly.

These restricted deposits bear interests ranging from 0.35% to 2.75% (2018: 0.35% to 2.75%).

28. INVENTORIES

	31/12/2019 RMB'000	31/12/2018 RMB'000 (Restated)
Finished goods	**96,152**	94,660
Work in progress	**47,357**	60,481
Auxiliary materials	**92,671**	87,135
	236,180	242,276

During the year ended 31 December 2019, there was write-down of inventories (finished goods and auxiliary materials) amounting to RMB6,880,000 (2018: nil) recognised for inventories of building materials and was recognised in cost of sales.

29. TRADE AND OTHER RECEIVABLES

	31 December 2019 RMB'000	31 December 2018 RMB'000 (Restated)
Trade receivables		
– Related parties	**–**	134,257
– Third parties	**108,041**	89,697
	108,041	223,954
Less: allowance for credit loss	**(8,579)**	(11,144)
	99,462	212,810
Other receivables		
– Advances to suppliers	**8,271**	32,586
– Deposits (note a)	**5,933**	26,965
– Deposit for resource tax	**64,544**	81,133
– Other tax recoverable	**4,006**	887
– Value-added tax recoverable	**27,742**	11,646
– Staff advance	**14,268**	10,375
– Consideration receivable (note b)	**110,619**	140,121
– Prepaid expense	**1,336**	669
– Amount due from third party	**2,767**	–
– Others	**12,769**	14,045
	252,255	318,427
Less: allowance for credit loss	**(16,690)**	(11,709)
Total other receivables	**235,565**	306,718
Total trade and other receivables	**335,027**	519,528

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

29. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

Notes:

(a) The amount mainly represented various environment protection deposits required under the relevant PRC regulation for fulfilling the environment obligation during the mining process and other deposits related to the mining operations of the Group.

(b) The amount included mainly the consideration receivable as a result of the Group's disposal of Xingzhou Mining in the prior years. 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 the Group's 100% equity interest in Xingzhou Mining.

The disposal was completed during the year ended 31 December 2018. A disposal gain of RMB13,732,000 was recognised. Up to 31 December 2019, among the total consideration of RMB360,000,000, RMB105,000,000 (2018: RMB130,000,000) was not yet settled by the buyer. The consideration receivable was unsecured, interest-free, and repayable on demand, and the management of the Group expects settlement will be received within twelve months after the end of the reporting period.

Refundable deposits paid were adjusted upon the initial application of IFRS 16. Details of the adjustments are set out in Note 4.

As at 1 January 2018, trade receivables from contracts with customers amounted to RMB297,977,000 (restated).

The Group allows an average credit period of 7 days to its customers of iron ore concentrates, 60 days to its customers of high-purity iron and 30 days for building materials. 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.

As at 31 December 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB19,023,000 (2018: RMB129,684,000 (restated)) which are past due as at the reporting date. Out of the past due balances, amount of nil (2018: RMB5,028,000 (restated)) has been past due 90 days or more and is not considered as in default because the management of the Group, according to the historical settlement pattern, industry practice and the Group's historical actual loss experience, had assessed that the probability of settlement from their customers was high in respect of those debtors which had been past due over 90 days. The management of the Group considered that the risk of default became high and defaulted when those debtors had been past due over 1 year.

29. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

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

	31 December 2019 RMB'000	31 December 2018 RMB'000 (Restated)
– Within 7 days	**69,793**	69,827
– 8 days to 30 days	**29,015**	102,013
– 31days to 60 days	**654**	35,942
– 91 days to 1 year	**–**	5,028
	99,462	212,810

Movement of impairment on trade receivables for the both years under IFRS 9:

	Lifetime ECL not credit-impaired RMB'000	Lifetime ECL credit-impaired RMB'000	Total RMB'000
As at 1 January 2018 (originally stated)	–	–	–
Merger accounting	2,560	6,099	8,659
As at 1 January 2018 (restated)	2,560	6,099	8,659
– Impairment losses recognised	–	2,992	2,992
– Impairment losses reversed	(507)	–	(507)
– Transfer to credit-impaired	(705)	705	–
As at 31 December 2018	1,348	9,796	11,144
– Impairment losses recognised	427	973	1,400
– Impairment losses reversed	(119)	(3,846)	(3,965)
– Transfer to credit-impaired	(6)	6	–
As at 31 December 2019	1,650	6,929	8,579

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

29. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

Movement of allowance for other receivables for the both years under IFRS 9:

	12-month ECL RMB'000	Lifetime ECL not credit-impaired RMB'000	Lifetime ECL credit-impaired RMB'000	Total RMB'000
As at 1 January 2018 (originally stated)	–	362	7,553	7,915
Merger accounting	–	–	1,944	1,944
As at 1 January 2018 (restated)	–	362	9,497	9,859
– Impairment losses recognised	–	–	1,850	1,850
As at 1 January 2019	–	362	11,347	11,709
– Impairment losses recognised	114	412	4,455	4,981
As at 31 December 2019	114	774	15,802	16,690

30. RECEIVABLES AT FVTOCI

	31 December 2019 RMB'000	31 December 2018 RMB'000 (Restated)
Receivables at FVTOCI comprise:		
Bills receivables (note)	**28,660**	301,258

As at 1 January 2018, receivables at FVTOCI amounted to RMB808,920,000 (restated).

Note: Included in the Group's bills receivables are amounts of nil (2018: RMB275,014,000 (restated)) transferred to certain banks by discounting the bills on a full recourse basis and RMB11,150,000 (2018: RMB18,072,000 (restated)) being endorsed to certain suppliers on a full recourse basis. If the bills are not paid on maturity, the banks and the suppliers 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 receivables and has recognised the cash received as bank borrowings from the discounting of the bills and as payables from the endorsement of the bills with full recourse. The financial asset is carried at fair value in the consolidated statement of financial position. The bills of the Group discounted had been pledged as securities for obtaining the bank borrowings as at 31 December 2019 and 2018.

30. RECEIVABLES AT FVTOCI *(CONTINUED)*

Receivables at FVTOCI discounted to banks or endorsed to suppliers with full recourse:

	31 December 2019 RMB'000	31 December 2018 RMB'000 (Restated)
Carrying amount of transferred assets	**11,150**	293,086
Carrying amount of associated liabilities	**(11,150)**	(286,543)
Net position	**–**	6,543

The Group's receivables at FVTOCI were bills receivables with the following maturity.

	31 December 2019 RMB'000	31 December 2018 RMB'000 (Restated)
– Within 6 months	**1,000**	188,510
– 6 months to 1 year	**27,660**	112,748
	28,660	301,258

The Group's receivables at FVTOCI were bills receivables with the following ageing based on issue date of the bills.

	31 December 2019 RMB'000	31 December 2018 RMB'000 (Restated)
– Within 6 months	**28,660**	166,949
– 6 months to 1 year	**–**	134,309
	28,660	301,258

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

31. FINANCIAL ASSETS AT FVTPL

	31 December 2019 RMB'000	31 December 2018 RMB'000
Financial assets at FVTPL:		
Listed investments at fair value (note a)	**3,179**	9,359
Unlisted financial product investments at fair value (note b)	**1,000**	459,993
	4,179	469,352
Analysed for reporting purposes as:		
Current assets	**1,000**	459,993
Non-current assets	**3,179**	9,359
	4,179	469,352

Note:

(a) As at 31 December 2019, the listed equity investments represent the Group's equity interests for long-term holding purpose in one company (2018: two companies) listed on Australian Securities Exchange. The investments are measured at fair value at the end of the reporting period.

(b) The unlisted managed investments represent 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 financial assets at FVTPL of the Group had been pledged as securities for obtaining the bank borrowings and issuing bills as at 31 December 2018 as summarised in note 45.

32. 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 0.125%- 0.35% (2018: 0.125%- 0.35%) per annum.

As at 31 December 2019, pledged bank deposits of RMB189,144,000 (2018: RMB195,940,000 (restated)) were security deposit for issuing bills and bank borrowings. The pledged bank deposits carried fixed interest rate of 0.35%- 3.99% (2018: 0.35%- 3.99%) per annum.

32. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH *(CONTINUED)*

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

	31/12/2019 RMB'000	31/12/2018 RMB'000
USD	**1,228**	1,482
HKD	**1,452**	542
AUD	**1,219**	6,660

33. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

The disposal of Nickel Business was underway as at 31 December 2018 as certain proceeding condition had not yet been met. The management of the Group believed that the sale was highly probable to be completed within twelve months after the reclassification. Assets and liabilities of Hanking (Indonesia), which were expected to be sold within twelve months, had been classified as a disposal group held for sale and were presented separately in the consolidated statement of financial position (see below). The net proceeds of disposal were expected to exceed the net carrying amount of the relevant assets and liabilities. Accordingly, no impairment loss had been recognised.

The major classes of assets and liabilities of the Nickel Business as at 31 December 2018, which had been presented separately in the consolidated statement of financial position, are as follows:

	RMB'000
Property, plant and equipment	175,059
Intangible assets	563,232
Prepaid lease payments	761
Deferred tax assets	6,026
Deposits on acquisition of property, plant and equipment	10,800
Inventories	34,622
Trade and other receivables	31,868
Tax recoverable	100
Bank balances and cash	8,980
Total assets classified as held for sale	831,448
Trade and other payables	43,180
Consideration payable	304,855
Tax liabilities	184
Rehabilitation provision	1,519
Retirement benefit obligations	1,499
Total liabilities associated with assets classified as held for sale	351,237

The disposal of Nickel Business has been completed during the year ended 31 December 2019. Further details were set out in note 16(A).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

34. TRADE, BILLS AND OTHER PAYABLES

Payment terms with suppliers are mainly on credit within 90 days and 15 days from the time when the goods are received from suppliers of Iron Ore Business and High-purity Iron Business respectively.

	31 December 2019 RMB'000	31 December 2018 RMB'000 (Restated)
Trade payables (note)		
– Within 90 days	**73,814**	181,316
– 91 days to 1 year	**9,396**	42,045
– 1 year to 2 years	**3,874**	33,789
– 2 years to 3 years	**8,366**	54,346
– Over 3 years	**495**	323
	95,945	311,819
Bills payables	**327,000**	705,000
Other payables		
Advance from customers	**7,440**	7,840
Other tax payable	**19,392**	37,623
Payable for acquisition of property, plant and equipment	**26,056**	29,062
Payable for mining rights	**78**	–
Outsourced service payable	**32,045**	31,212
Transportation fee payable	**16,062**	16,064
Accrued expense	**7,066**	20,693
Salary and bonus payables	**8,057**	10,393
Interest payable	**1,371**	2,311
Advance from staffs	**–**	38,771
Refundable deposits	**987**	–
Amount due to an independent third party	**12,000**	–
Others	**17,761**	25,117
	148,315	219,086
Total trade and other payables, and bills payables	**571,260**	1,235,905

Note: The aged analysis of trade payables was presented based on the date of acceptance of the goods at the end of the reporting period.

34. TRADE, BILLS AND OTHER PAYABLES *(CONTINUED)*

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

	31 December 2019 RMB'000	31 December 2018 RMB'000 (Restated)
Within 6 months	**17,000**	20,000
6 months to 1 year	**310,000**	685,000
	327,000	705,000

At the end of both reporting periods, the Group's bills payables were issued by banks with the following ageing based on issue date.

	31 December 2019 RMB'000	31 December 2018 RMB'000 (Restated)
Within 6 months	**310,000**	603,000
6 months to 1 year	**17,000**	102,000
	327,000	705,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

35. CONTRACT LIABILITIES

	31 December 2019 RMB'000	31 December 2018 RMB'000 (Restated)
Amounts received in advance of		
– sales of high-purity iron	**25,143**	49,001
– sales of iron ore	**21,417**	3,167
	46,560	52,168

As at 1 January 2018, contract liabilities amounted to RMB36,587,000 (restated).

The Group may request certain of its customers to place up to 100% of the contract sum as deposit in respect of sales of high-purity iron and iron ore, depending on the background, historical experience of and business relationship with them. The receipt in advance was classified as contract liabilities, accordingly.

Revenue from sales of high-purity iron and iron ore is recognised at a point in time when the control of the good is transferred, since only by that time the Group has a present right to receive payment from the customer.

The following table shows how much of the revenue recognised relates to carried-forward contract liabilities that were satisfied in prior periods.

	Year ended 31 December 2019 RMB'000	Year ended 31 December 2018 RMB'000 (Restated)
Sales of high-purity iron	**49,001**	36,460
Sales of iron ore concentrates	**3,167**	127
	52,168	36,587

36. BORROWINGS

	31 December 2019 RMB'000	31 December 2018 RMB'000 (Restated)
Bank loans	**701,263**	1,527,000
Other loans (note a)	**15,000**	–
	716,263	1,527,000
Secured and guaranteed	**543,763**	1,032,500
Secured and unguaranteed	**47,500**	316,500
Unsecured and guaranteed	**125,000**	178,000
	716,263	1,527,000
Fixed-rate	**716,263**	1,527,000
The carrying amounts of the above borrowings are repayable (note b):		
Within one year	**662,500**	1,378,000
More than one year, but not more than two years	**25,000**	149,000
More than two years, but not more than five years	**28,763**	–
	716,263	1,527,000

Note:

a. It represents loans advanced from a government authority for purchase of mining rights. The loan carried interest at the benchmark interest rate issued by the People's Bank of China ("**PBOC**") and was repayable within three 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 2019

36. BORROWINGS *(CONTINUED)*

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

	31 December 2019 %	31 December 2018 % (Restated)
Fixed-rate borrowings	**4.35 – 9.60**	4.35 – 7.40

The unsecured bank borrowings of approximately RMB110,000,000 (2018: RMB178,000,000 (restated)) at 31 December 2019 were guaranteed by the Controlling Shareholders and the companies controlled by them. In addition, such balance was also guaranteed by an independent financial institution.

The Controlling Shareholders together with the companies controlled by them, provided guarantee for secured bank borrowings of the Group of approximately RMB504,763,000 (2018: RMB1,032,500,000 (restated)).

37. REHABILITATION PROVISION

	2019 RMB'000	2018 RMB'000
At 1 January	**23,648**	1,580
Additional provision in the year (note)	**31,328**	–
Additions in relation to acquisition of PGO	**–**	23,903
Effect of foreign currency exchange differences	**291**	(316)
Reclassified as held for sale	**–**	(1,519)
At 31 December	**55,267**	23,648

Note: During the current year, the Group reassessed the rehabilitation obligation under the latest local government requirement on environment protection issued and provided additional rehabilitation provision of RMB31,328,000 for Iron Ore Business.

Rehabilitation provision balance represents the provisions for environment restoration for Gold Business and Iron Ore Business.

Bank guarantees amounting to RMB36,752,000 (2018: RMB13,630,000) was provided by the Group to government authority to fulfill the environmental obligations.

38. LEASE LIABILITIES

	31 December 2019 RMB'000
Lease liabilities payable:	
Within one year	**5,174**
Within a period of more than one year but not more than two years	**2,055**
Within a period of more than two years but not more than five years	**2,103**
	9,332
Less: Amount due for settlement with 12 months shown under current liabilities	**(5,174)**
Amount due for settlement after 12 months shown under non-current liabilities	**4,158**

39. SHARE CAPITAL

The amount as at 31 December 2019 and 2018 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	
	2019	2018	**2019**	2018
	'000	'000	**HKD'000**	HKD'000
Ordinary shares of HKD0.1 each				
Authorised				
At 1 January and 31 December	**10,000,000**	10,000,000	**1,000,000**	1,000,000

	Number of shares		Share capital	
	2019	2018	**2019**	2018
	'000	'000	**RMB'000**	RMB'000
Issued and fully paid				
At beginning of year	**1,827,829**	1,830,000	**148,960**	149,137
Shares repurchased and cancelled	**(7,829)**	(2,171)	**(639)**	(177)
At end of year	**1,820,000**	1,827,829	**148,321**	148,960

All shares in issue rank pari passu in all respects.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

39. SHARE CAPITAL *(CONTINUED)*

During the year, the Company repurchased and cancelled its own ordinary shares through the Stock Exchange as follows:

For the year ended 31 December 2019

Month of repurchase	No. of ordinary shares of HKD0.10 each	Price per share Highest RMB	Price per share Lowest RMB	Aggregate consideration paid RMB'000
July	**6,482,000**	**0.96**	**0.86**	**5,707**
August	**20,000**	**1.20**	**1.18**	**24**
September	**1,327,000**	**1.27**	**1.20**	**1,654**

For the year ended 31 December 2018

Month of repurchase	No. of ordinary shares of HKD0.10 each	Price per share Highest RMB	Price per share Lowest RMB	Aggregate consideration paid RMB'000
July	966,000	0.83	0.77	793
December	1,205,000	0.80	0.77	947

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

General information of subsidiaries

Details of the Group's subsidiaries as at 31 December 2019 and 2018 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 2019 %	31 December 2018 %	Notes
Directly held:						
China Hanking Investment Limited	Investment holding	The British Virgin Island ("BVI")	Ordinary shares USD1	**100.00**	100.00	
Hanking (Indonesia)	Investment holding	BVI	Ordinary shares USD10	**–**	70.00	a
Hanking Australia Investment Pty Ltd.	Investment holding	Australia	Ordinary shares AUD42,000,000	**94.00**	94.00	
Tuochuan (Hong Kong)	Investment holding	Hong Kong	Ordinary shares HKD1	**100.00**	100.00	c
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	
Aoniu Mining	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	

* English name is for identification purpose only.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

40. 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 2019 %	31 December 2018 %	Notes
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	
City Globe Limited	Investment holding	Hong Kong	Ordinary shares HKD10,000	**–**	70.00	a
PT Konutara Prima	Sales of nickel ore mining products	Indonesia	Ordinary shares Indonesian Rupiah ("**IDR**") 27,600,000,000	**–**	52.50	a
Denway Development Limited	Investment holding	Hong Kong	Ordinary shares HKD10,000	**–**	70.00	a
PT Konutara Sejati	Sales of nickel ore mining products	Indonesia	Ordinary shares IDR66,800,000,000	**–**	52.50	a
PT Karyatama Konawe Utara	Sales of nickel ore mining products	Indonesia	Ordinary shares IDR66,800,000,000	**–**	52.50	a
Harvest Globe Limited	Investment holding	Hong Kong	Ordinary shares HKD10,000	**–**	52.50	a
Harvest (Shenyang) Trading Limited	Sales of nickel ore mining products	PRC	Ordinary shares USD2,000,000	**–**	52.50	a
PT Hanking Makmur Nickel Smelt	Metal processing	Indonesia	Ordinary shares IDR28,177,500,000	**–**	75.00	a
Marvel Loch Hotel Pty Ltd	Hotel service	Australia	Ordinary shares AUD100	**94.00**	94.00	
HGM Resources Pty Ltd	Sales of gold mining products	Australia	Ordinary shares AUD100	**94.00**	94.00	
PGO	Sales of gold mining products	Australia	Ordinary shares AUD27,527,000	**94.00**	94.00	

* English name is for identification purpose only.

40. 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		Notes
				31 December 2019 %	31 December 2018 %	
Primary Minerals NL	Sales of gold mining products	Australia	Ordinary shares AUD1,563,000	**94.00**	94.00	
MacPhersons Reward Pty Ltd	Sales of gold mining products	Australia	Ordinary shares AUD200	**94.00**	94.00	
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	
Hanking Housing	Trade of building materials	PRC	Registered capital RMB50,000,000	**–**	100.00	a
Shanghai Hanking Construction International Trading Co., Ltd.* (上海罕建國際貿易有限公司)	Trading of building materials	PRC	Registered capital RMB50,000,000	**–**	100.00	a
Shenyang Hanking Constructional Design. Co., Ltd.* (瀋陽罕王住工建築工程設計有限公司)	Constructional design	PRC	Registered capital RMB4,000,000	**–**	100.00	a

* English name is for identification purpose only.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

40. 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 2019 %	31 December 2018 %	Notes
Liaoning Hanking Green Building Materials Co., Ltd* (遼寧罕王綠色建材有限公司) ("**Hanking Green Building Materials**")	Manufacture and sales of green building materials	PRC	Registered capital RMB70,000,000	**100.00**	100.00	
Guangdong Shihetao Green Building Materials Technology. Co., Ltd.* (廣東石和陶綠色建材科技有限公司)	Manufacture and sales of green building materials	PRC	Registered capital RMB10,000,000	**60.00**	60.00	
Shanghai Hanking Industry Limited* (上海罕王實業有限公司)	Investment holding	PRC	Registered capital RMB5,000,000	**100.00**	100.00	
Shanghai Tuoao Industry Limited* (上海拓澳實業有限公司)	Investment holding	PRC	Registered capital RMB50,000,000	**100.00**	–	b
Ginseng & Iron	Sales of high-purity iron	PRC	Registered capital RMB56,090,000	**99.00**	99.00	c
Hanking D.R.I.	Manufacture and sales of high-purity iron	PRC	Registered capital RMB400,000,000	**99.00**	99.00	c

Notes:

(a) These subsidiaries were disposed of during the year ended 31 December 2019.

(b) These subsidiaries were newly established during the year ended 31 December 2019.

(c) These subsidiaries were acquired along with the Acquisition of Tuochuan (Hong Kong) using the principle of merger accounting during the year ended 31 December 2019.

The above table lists the subsidiaries of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

* English name is for identification purpose only.

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

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

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

Name of Subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) for the period/year allocated to non-controlling interest		Accumulated non-controlling interests	
		31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
				RMB'000	RMB'000	RMB'000	RMB'000
Hanking (Indonesia) (note)	BVI/Indonesia	–	30%	2,380	(5,312)	–	176,501
Individually immaterial subsidiaries with non-controlling interests						–	11,906
						–	188,407

Note: The principal activity of Hanking (Indonesia) and its subsidiaries is Nickel Business.

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.

Hanking (Indonesia) and its subsidiaries

	As at 31/12/2019 RMB'000	As at 31/12/2018 RMB'000
Current assets	**N/A**	75,570
Non-current assets	**N/A**	755,878
Current liabilities	**N/A**	461,724
Equity attributable to owners of the Company	**N/A**	193,223
Non-controlling interests of Hanking (Indonesia)	**N/A**	82,810
Non-controlling interests of Hanking (Indonesia)'s subsidiaries	**N/A**	93,691

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

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

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

	For the period from 01/01/2019 to date of disposal RMB'000	Year ended 31/12/2018 RMB'000
Revenue	**110,603**	42,847
Expenses	**(113,910)**	(53,652)
Loss for the period/year	**(3,307)**	(10,805)
Loss attributable to owners of the Company	**(5,687)**	(5,493)
Loss attributable to the non-controlling interests of Hanking (Indonesia)	**(2,436)**	(2,353)
Profit (loss) attributable to the non-controlling interests of Hanking (Indonesia)'s subsidiaries	**4,816**	(2,959)
Loss for the period/year	**(3,307)**	(10,805)
Other comprehensive income (expense) attributable to owners of the Company	**12,509**	(13,984)
Other comprehensive expense attributable to the non-controlling interests of Hanking (Indonesia)	**(2,887)**	(5,994)
Other comprehensive (expense) income attributable to the non-controlling interests of Hanking (Indonesia)'s subsidiaries	**(2,045)**	1,807
Other comprehensive income (expense) for the period/year	**7,577**	(18,171)
Total comprehensive income (expense) attributable to owners of the Company	**6,822**	(19,477)
Total comprehensive expense attributable to the non-controlling interests of Hanking (Indonesia)	**(5,323)**	(8,347)
Total comprehensive income (expense) attributable to the non-controlling interests of Hanking (Indonesia)'s subsidiaries	**2,771**	(1,152)
Total comprehensive income (expense) for the period/year	**4,270**	(28,976)
Dividends paid to non-controlling shareholders	**–**	–
Net cash flows from (used in) operating activities	**37,831**	(20,624)
Net cash flows used in investing activities	**(35)**	(20)
Net cash flows (used in) from financing activities	**(35,273)**	21,831
Net cash flows	**2,523**	1,187

41. SHARE OPTION SCHEME AND RESTRICTED SHARES HELD FOR STRATEGIC INCENTIVE AWARD SCHEME

(A) Share Option Scheme

The share option scheme of Hanking Australia Investment was adopted on 25 January 2019. The scheme is designed to recognise the contributions of selected key persons (including the employees and directors of Hanking Australia Investment and its related body corporates, and any person who was determined by the board of directors of Hanking Australia Investment to be a key person when issuing or granting the options) to the Company, and provide an incentive for and to motivate them to remain in their employments with the Company.

The scheme mandate limit is 10% of the shares of Hanking Australia Investment in issue on the date on which the scheme was adopted. The scheme shall be valid and effective for a period of 48 months from the date of adoption. The maximum number of shares of Hanking Australia Investment to be issued upon the exercise of options that may be granted under the scheme is 21,000,000 shares. The scheme will be expired on 25 January 2023, with remaining life of approximately 37 months from 1 January 2020. As of 31 December 2019, no share option under the scheme was granted, exercised, expired or lapsed.

(B) Restricted Shares Held For Strategic Incentive Award Scheme

On 29 August 2019, the board of directors of the Company (the "**Board**") resolved to adopt a restricted share award scheme (the "**Scheme**") whereby awards of ordinary shares (the "**Shares**") of the Company may be made to eligible participants(the "**Selected Participants**"), pursuant to which existing ordinary shares of the Company will be purchased by a trustee from the market out of cash contributed by the Group and be held in trust for the relevant Selected Participants until such Shares are vested with the relevant Selected Participants in accordance with the provisions of the Scheme.

The Scheme shall be effective from the 29 August 2019 and shall continue in full force and effect for a term of 10 years or until such date of early termination as determined by the Board, whichever is the earlier, after which period no further award shares shall be granted or accepted, but the provisions of the Scheme shall remain in full force and effect in order to give effect to the vesting of award shares granted and accepted prior to the expiration or termination of the Scheme.

In November and December 2019, the trustee of the Company's Scheme purchased on the Stock Exchange a total of 2,893,000 ordinary shares at a total consideration of approximately RMB4,362,000 pursuant to the terms of the trust deed under the Scheme.

As at 31 December 2019, no award shares have been granted to any Selected Participants pursuant to the Scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

42. CAPITAL COMMITMENTS

	31/12/2019 RMB'000	31/12/2018 RMB'000 (Restated)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**26,449**	76,029

43. OPERATING LEASES

The Group as lessee

	Year ended 31/12/2018 RMB'000 (Restated)
Minimum lease payments paid under operating leases during the year:	
– Plant and machinery	95
– Premises	5,994
	6,089

The Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	31/12/2018 RMB'000 (Restated)
Within one year	7,916
In the second to fifth years inclusive	18,549
Over five years	5,358
	31,823

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

44. RETIREMENT BENEFIT PLANS

Defined contribution plan

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 Group made contributions to the retirement benefit schemes of RMB10,707,000 for the year ended 31 December 2019 (2018: RMB11,695,000 (restated)).

45. 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 issuing bills. Details of the pledged assets and the corresponding carrying amounts are set out below:

	Carrying amounts	
	31/12/2019 **RMB'000**	31/12/2018 RMB'000 (Restated)
Mining rights	**–**	16,054
Financial assets at FVTPL	**–**	459,993
Pledged bank deposits	**189,144**	195,940
Prepaid lease payments	**–**	31,302
Right-of-use assets	**5,838**	–
Property, plant and equipment	**53,495**	149,984
Receivables at FVTOCI	**–**	293,086

46. 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 from prior year.

The capital structure of the Group consists of bank balances and cash, borrowings, amount due to a related party, other payables 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 2019

47. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

Continuing operations

	31/12/2019 RMB'000	31/12/2018 RMB'000 (Restated)
Financial assets		
Financial assets at amortised cost (including cash and cash equivalents)	**483,755**	1,559,919
Receivables at FVTOCI	**28,660**	301,258
Financial assets at FVTPL	**4,179**	469,352
	516,594	2,330,529
Financial liabilities		
Liabilities measured at amortised costs	**1,289,868**	2,815,235

(b) Financial risk management objectives and policies

Continuing operations

The Group's major financial assets and liabilities include loan receivable, restricted deposits, trade and other receivables, amount due from a related party, receivables at FVTOCI, pledged bank deposits, bank balances and cash, financial assets at FVTPL, trade, bills and other payables, amount due to a related party, financial guarantee contracts and borrowings. 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.

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. In addition, the Company has intra-group balances with several subsidiaries denominated in foreign currency which also expose the Group to foreign currency risk.

47. FINANCIAL INSTRUMENTS *(CONTINUED)*

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

Market risk

(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 and AUD, which expose the Group to foreign currency risk.

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

	USD	
	Assets	**Liabilities**
	RMB'000	RMB'000
As at 31 December 2019	1,228	419
As at 31 December 2018	1,482	412

	HKD	
	Assets	**Liabilities**
	RMB'000	RMB'000
As at 31 December 2019	2,006	45
As at 31 December 2018	1,838	–

	AUD	
	Assets	**Liabilities**
	RMB'000	RMB'000
As at 31 December 2019	37	9,769
As at 31 December 2018	–	9,650

The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arises.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

47. 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% (2018: 10%) increase and decrease in RMB against AUD (2018:AUD), 10% (2018: 10%) 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% (2018: 10%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit (2018: an increase in post-tax profit) where a RMB strengthen 10% (2018: 10%) against AUD (2018: AUD). For a 10% (2018: 10%) weakening of RMB against AUD (2018: AUD), there would be an equal and opposite impact on the post-tax profit and the balances below would be negative. The impact of USD and HKD (2018: USD, HKD and IDR) is not presented, since the outstanding monetary items denominated in USD and HKD (2018: USD, HKD and IDR) are not significant and their impact is immaterial.

	AUD impact	
	2019	2018
	RMB'000	RMB'000
Profit or loss	**973**	965

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.

(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.

47. FINANCIAL INSTRUMENTS *(CONTINUED)*

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

Market risk *(continued)*

(ii) Interest rate risk (continued)

Total interest income from financial assets that are measured at amortised cost is as follows:

	Year ended 31/12/2019 RMB'000	Year ended 31/12/2018 RMB'000 (Restated)
Other income:		
Financial assets at amortised cost	**4,547**	5,295

Interest expense on financial liabilities not measured at fair value through profit or loss:

	Year ended 31/12/2019 RMB'000	Year ended 31/12/2018 RMB'000 (Restated)
Financial liabilities at amortised cost	**98,687**	123,714

(iii) Other price risk

The Group is exposed to other price risk in respect of its investments in unlisted managed investment funds and listed equity securities measured at FVTPL (2018: unlisted managed investment funds and listed equity securities measured at FVTPL).

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% (2018: 5%) higher, the post-tax profit for the year ended 31 December 2019 would increase by RMB159,000 (2018: RMB328,000) as a result of the changes in fair value of investments at FVTPL. If the prices of the equity instruments had been 5% (2018: 5%) lower, the post-tax profit for the year ended 31 December 2019 and 2018 would decrease by the same amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

47. FINANCIAL INSTRUMENTS *(CONTINUED)*

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

Credit risk

Credit risk and impairment assessment

As at 31 December 2019 and 2018, the Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations in relation to each class of recognised financial assets measured at amortised cost and FVTOCI is the carrying amounts of those assets stated in the consolidated statements of financial position.

The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group's credit risk is primarily attributable to its trade and other receivables, loan receivable, receivables at FVTOCI, pledged deposits, bank balances and cash. In order to minimise the credit risk, the Group's management continuously monitors the level of exposure to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

Trade receivables

In order to minimise the credit risk, the Directors have delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up actions are taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of IFRS 9 on trade balances individually. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

As at 31 December 2019 included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB19,023,000 (2018: RMB129,684,000 (restated)) which are past due as at the reporting date. Out of the past due balances, amount of nil (2018: RMB5,028,000 (restated)) has been past due over 90 days, which is not considered as in default because the management of the Group, according to the historical settlement pattern, industry practice and the Group's historical actual loss experience, had assessed that the probability of settlement from their customers was high in respect of those debtors which had been past due over 90 days. The management of the Group considered that the risk of default became high and defaulted when those debtors had been past due over 1 year.

During the year ended 31 December 2019 and 2018, the Group reversed impairment allowance of RMB2,565,000 (2018: provided impairment allowance of RMB2,485,000 (restated)) for trade receivables, based on the individual analysis.

47. FINANCIAL INSTRUMENTS *(CONTINUED)*

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

Credit risk *(continued)*

Other receivables and receivables at FVTOCI

For other receivables and receivables at FVTOCI, the Group has applied the general approach in IFRS 9 to measure the loss allowance approximate to such at 12m ECL when the Directors did not expect any significant increase in credit risk. The ECL on these items are assessed individually, estimated based on historical credit loss experience on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Pledged deposits and bank balances

The pledged deposits and bank balances are determined to have low risk at the end of reporting period. The credit risk on pledged deposits and bank balances is limited because the counterparties are reputable banks and the risk of inability to pay or redeem at the due date is low.

In order to minimise credit risk, the Group has tasked its operation management committee to develop and maintain the Group's credit risk gradings to categorise exposures according to their degree of risk of default.

The credit rating information is supplied by independent rating agencies where available and, if not available, the operation management committee uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

47. FINANCIAL INSTRUMENTS *(CONTINUED)*

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

Credit risk *(continued)*

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial/ assets/other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit– impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The following table details the risk profile of the Group's financial assets which are subject to ECL assessment:

As at 31 December 2019

	Internal credit rating				
	Low risk	**Watch list**	**Doubtful**	**Loss**	**Total**
Total gross carrying amount (RMB'000)					
– trade receivables	**98,301**	**998**	**163**	**–**	**99,462**
– other receivables	**110,293**	**9,609**	**95**	**254**	**120,251**
– receivables at FVTOCI	**28,660**	**–**	**–**	**–**	**28,660**
– pledged bank deposits	**189,144**	**–**	**–**	**–**	**189,144**
– restricted deposits	**36,752**	**–**	**–**	**–**	**36,752**
– bank balances	**38,146**	**–**	**–**	**–**	**38,146**
	501,296	**10,607**	**258**	**254**	**512,415**

47. FINANCIAL INSTRUMENTS *(CONTINUED)*

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

Credit risk *(continued)*

As at 31 December 2018

	Internal credit rating				
	Low risk	Watch list	Doubtful	Loss	Total
Total gross carrying amount (RMB'000)					
– trade receivables	175,756	32,026	5,028	–	212,810
– other receivables	157,346	7,354	1,870	7,959	174,529
– amount due from a related party	564,282	–	–	–	564,282
– loan receivable	10,000	–	–	–	10,000
– receivables at FVTOCI	301,258	–	–	–	301,258
– pledged bank deposits	195,940	–	–	–	195,940
– restricted deposits	21,102	–	–	–	21,102
– bank balances	381,256	–	–	–	381,256
	1,806,940	39,380	6,898	7,959	1,861,177

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

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

	As at 31/12/2019 RMB'000	As at 31/12/2018 RMB'000
Amount due from the largest debtor as a percentage to trade receivables	**26.56%**	62.83%
Total amounts due from the five largest debtors as a percentage to trade receivables	**69.98%**	83.05%

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

47. FINANCIAL INSTRUMENTS *(CONTINUED)*

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

Credit risk *(continued)*

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 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.

Other than the above, the Group does not have significant concentration of credit risk.

Liquidity risk

The Directors 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 maintain the sufficiency of cashflows with availability of unutilised banking facilities and internally generated funds. The Directors also review the forecasted cashflows on an on-going basis to ensure that the Group will be able to meet its financial obligations falling due and have sufficient capital for operation and expansion. Maturity of financial obligations will be re-negotiated with banks and changes on capital expansion plan will be made should the need arise.

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

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

47. FINANCIAL INSTRUMENTS *(CONTINUED)*

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

Liquidity risk *(continued)*

Liquidity tables

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1 year to 2 years	>2 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2019							
Trade and other payables	**–**	**202,305**	**–**	**–**	**–**	**202,305**	**202,305**
Bills payables	**–**	**327,000**	**–**	**–**	**–**	**327,000**	**327,000**
Borrowings – fixed rate	**6.70%**	**53,697**	**612,981**	**10,931**	**71,091**	**748,700**	**716,263**
Amount due to a related party		**44,300**	**–**	**–**	**–**	**44,300**	**44,300**
Lease liabilities	**5.64%**	**1,403**	**4,210**	**4,619**	**2,103**	**12,335**	**9,332**
		628,705	**617,191**	**15,550**	**73,194**	**1,334,640**	**1,299,200**
As at 31 December 2018							
Trade and other payables	–	454,356	–	–	–	454,356	454,356
Bills payables	–	705,000	–	–	–	705,000	705,000
Borrowings – fixed rate	6.69%	119,946	1,330,685	155,858	–	1,606,489	1,527,000
Amount due to a related party		128,879	–	–	–	128,879	128,879
Financial guarantee contract		–	258,000	–	–	258,000	1,751
		1,408,181	1,588,685	155,858	–	3,152,724	2,816,986

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

47. 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)
	31/12/2019	31/12/2018 (Restated)			
Listed equity investments classified as financial assets at FVTPL	**Listed equity securities in Australia: RMB3,179,000**	Listed equity securities in Australia: RMB9,359,000	Level 1	Quoted bid prices in an active market.	N/A
Unlisted managed investment funds classified as financial assets at FVTPL	**Unlisted managed investment funds in the PRC: RMB1,000,000**	Unlisted managed investment funds in the PRC: RMB459,993,000	Level 2	Discounted cash flow was used to capture the present value of the expected future economic benefit that will flow to the Group.	N/A
Receivables at FVTOCI	**Receivables at FVTOCI in the PRC: RMB28,660,000**	Receivables at FVTOCI in the PRC: RMB301,258,000	Level 2	Income approach – in this approach, the discounted cash flow method was used to capture the present value of the cash flows to be derived from the receivables using the discount rate that reflected the credit risk of the corresponding banks which are observable.	N/A

There was no transfer between Level 1 and 2 during the current year.

47. FINANCIAL INSTRUMENTS *(CONTINUED)*

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

Fair value of the Group's financial assets and liabilities that are not measured at fair value on a recurring basis

The fair value of financial assets and financial liabilities measured at amortised cost are determined by discounted cash flow method.

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

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 CEO 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 CEO reports the valuation committee's findings to the board of Directors 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

48. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's assets and 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	Borrowings and other alternative financing	Dividend payable	Interest payable	Amount due to a related party	Advance from staffs	Loan raised from a third party	Total
	Note 32	Note 36	Note 19	Note 34	Note 49	Note 34	Note 34	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	195,940	(1,927,000)	–	(2,311)	(128,879)	(38,771)	–	(1,901,021)
Financing cash (inflow) outflow	(6,796)	937,737	32,159	111,425	84,290	–	(12,000)	1,146,815
Non-cash changes:								
Interests on bank and other borrowings	–	–	–	(110,485)	–	–	–	(110,485)
Interests on bills discounted	–	288,000	–	–	–	–	–	288,000
Dividend declared	–	–	(32,159)	–	–	–	–	(32,159)
Purchase of intangible assets	–	(15,000)	–	–	–	–	–	(15,000)
Net off with amount due from a related party	–	–	–	–	289	38,771	–	39,060
At 31 December 2019	**189,144**	**(716,263)**	**–**	**(1,371)**	**(44,300)**	**–**	**(12,000)**	**(584,790)**

48. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES *(CONTINUED)*

	Pledged bank deposits	Borrowings and other alternative financing	Dividend payable	Interest payable	Amount due to a related party	Advance from staffs	Total
	Note 32	Note 36	Note 19	Note 34	Note 49	Note 34	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
At 1 January 2018	183,156	(2,040,607)	–	(2,514)	(55)	(36,771)	(1,896,791)
Financing cash outflow (inflow)	12,784	134,194	14,962	80,463	(124)	(2,000)	240,279
Non-cash changes:							
Interests on bank and other borrowings	–	–	–	(80,260)	–	–	(80,260)
Interests on bills discounted	–	(20,587)	–	–	–	–	(20,587)
Dividend declared	–	–	(14,962)	–	(350,000)	–	(364,962)
Net off with amount due from a related party	–	–	–	–	350,000	–	350,000
Group organisation	–	–	–	–	(128,700)	–	(128,700)
At 31 December 2018	195,940	(1,927,000)	–	(2,311)	(128,879)	(38,771)	(1,901,021)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

49. RELATED PARTY TRANSACTIONS

(a) 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 31/12/2019 RMB'000	Year ended 31/12/2018 RMB'000
Sales of goods to:		
Dalian Huaren (notes a and b)	**–**	155,024
Fushun Deshan (note b)	**124,641**	297,432
Shenyang Shengtai Property Management Co., Ltd.* (瀋陽盛泰物業管理有限公司) (note a)	**–**	18
	124,641	452,474
Purchases of Goods from:		
Fushun Deshan	**122,251**	461,871
Liaoning Hanking Mining Development Co., Ltd.* (遼寧罕王礦業發展有限公司) (note a)	**–**	28,119
	122,251	489,990
Rental expense charged by:		
Shenyang Shengtai Property Management Co., Ltd.* (瀋陽盛泰物業管理有限公司) (note a)	**1,503**	1,894
Hanking Industrial Group Co., Ltd.* (罕王實業集團有限公司) (note a)	**–**	901
	1,503	2,795

* English name is for identification purpose only.

49. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(b) Amount due from a related party

	31 December 2019 RMB'000	31 December 2018 RMB'000 (Restated)
Hanking Investment (note c)	–	564,282

The maximum balance outstanding during the year is RMB599,411,000.

(c) Amount due to a related party

	31 December 2019 RMB'000	31 December 2018 RMB'000 (Restated)
Hanking Investment (note c)	**44,300**	128,879

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 Hanking D.R.I. to purchase the iron ore concentrates from the Group's Iron Ore Business segment prior to the completion of Acquisition.

Upon completion of the Acquisition, the Group will directly supply iron ore concentrates to Hanking D.R.I, of which has now consolidated to the Group, instead of through any intermediary agencies including Fushun Deshan and Dalian Huaren.

(c) Hanking Investment is controlled by Mr. Yang Jiye, one of the Controlling Shareholders of the Company.

Borrowings guaranteed by related parties were disclosed in note 36. Trade receivables from and trade payables to related parties are disclosed in notes 29 and 34, respectively. In 2018, RMB6,901,000 are included in other receivables representing rental deposits paid to related party.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

49. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(c) Amount due to a related party *(continued)*

Notes: *(continued)*

(d) The remuneration of key management personnel which represents the executive Directors and key executives of the Group during the year was as follows:

	Year ended 31/12/2019 RMB'000	Year ended 31/12/2018 RMB'000
Director's fees	**–**	–
Retirement benefit scheme contributions	**873**	963
Salaries, bonus and other allowances	**8,339**	8,331
Performance incentive payments	**51**	15,320
	9,263	24,614

On 24 August 2018, Hanking Australia Investment, which was owned as to 97% by the Group and 3% by Golden Resource, whose 100% equity interests were owned and controlled by Dr. Qiu, a director of Hanking Australia Investment and an executive director of the Company, and Golden Resource, entered into a loan capitalisation agreement for the Capital Injection. Golden Resource had been exempted from such capital contribution with its equity interest in Hanking Australia Investment remained unchanged. The amount of exemption of capital contribution by Golden Resource of AUD1,260,000 (equivalent to RMB6,280,000) was considered as salary payment to Dr. Qiu and charged to profit or loss immediately, with a corresponding credit to「non-controlling interests」in equity, accordingly during the year ended 31 December 2018.

On 17 December 2018, the Company entered into an agreement with Best Fate Limited ("**Best Fate**"), pursuant to which the Company agreed to transfer 3% shares of Hanking Australia Investment to Best Fate at the consideration of AUD1,260,000 (equivalent to approximately RMB6,121,000). The beneficial owners of Best Fate are the executive directors of the Company and/or directors of Hanking Australia Investment.

50. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	31/12/2019 RMB'000	31/12/2018 RMB'000
Non-current Assets		
Property, plant and equipment	**8**	14
Interests in subsidiaries (note)	**1,854,114**	1,376,509
	1,854,122	1,376,523
Current Assets		
Other receivables	**6,237**	6,630
Bank balances and cash	**1,900**	1,299
Amount due from a subsidiary	**–**	6,370
	8,137	14,299
Current Liabilities		
Other payables	**10,187**	10,211
Amount due to a subsidiary	**1,464,877**	706,739
	1,475,064	716,950
Net Current Liabilities	**(1,466,927)**	(702,651)
Total Assets less Current Liabilities	**387,195**	673,872
Capital and Reserves		
Share capital (see note 39)	**148,321**	148,960
Reserves	**238,874**	524,912
Total equity	**387,195**	673,872
	387,195	673,872

Note: As of 31 December 2019 and 2018, the Company had investment of one ordinary share of USD1 each in China Hanking Investment Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

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

Movement in the Company's reserves

	Restricted shares held for the Scheme	Share premium	Special reserve	(Accumulated losses) Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2017	–	175,763	193,064	(103,772)	265,055
Profit and total comprehensive income for the year	–	–	–	276,382	276,382
Dividend paid	–	–	–	(14,962)	(14,962)
Repurchase of ordinary shares	–	(1,563)	–	–	(1,563)
At 31 December 2018	–	174,200	193,064	157,648	524,912
Loss and total comprehensive income for the year	–	–	–	(1,011)	(1,011)
Dividend paid	–	–	–	(32,159)	(32,159)
Disposal of Hanking (Indonesia)	–	–	(241,808)	–	(241,808)
Repurchase and cancellation of ordinary shares	–	(6,698)	–	–	(6,698)
Purchase of ordinary shares pursuant to the Scheme	(4,362)	–	–	–	(4,362)
At 31 December 2019	**(4,362)**	**167,502**	**(48,744)**	**124,478**	**238,874**

51. MAJOR NON-CASH TRANSACTION

Other than the Current Account Offsetting Agreements as set out in note 3 and note 16, there were no other significant non-cash transactions carried out in the current year.

After the above-said offsetting arrangements, the Group resulted in a net amount due to Hanking Investment of RMB125,625,000, subsequent to the Current Account Offsetting Agreement, the Group then had further repaid RMB81,325,000 in cash to Hanking Investment, resulting in a closing balance of RMB44,300,000 as at 31 December 2019. The amount is unsecured, interest-free and payable on demand.

52. EVENT AFTER THE REPORTING PERIOD

Save as disclosed in the report, there were no other significant events taken place subsequent to the end of the year ended 31 December 2019.

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 2011, 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
"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
"Companies Ordinance"	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong (as amended from time to time)
"the Company" or "our Company" or "we"	China Hanking Holdings Limited
"Controlling Shareholders"	has the meaning ascribed to it in the Listing Rules and unless the context requires otherwise, refers to Ms. Yang Min, Mr. Yang Jiye, China Hanking (BVI) Limited, Bisney Success Limited and 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
"Directors"	the directors
"EBITDA"	the abbreviation of earnings before interest, taxes, depreciation and amortization

DEFINITIONS

"the Group" or "Hanking" or "China Hanking"	China Hanking Holdings Limited and its subsidiaries
"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 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, which became a subsidiary of the Company in June 2019
"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
"Hanking (Indonesia)"	Hanking (Indonesia) Mining Limited, a limited company established in the BVI and a non wholly-owned subsidiary of the Company
"HSEC Committee"	the health, safety, environmental protection and community committee of the Board
"HK$" or "HKD" 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

DEFINITIONS

"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
"JORC"	Australasian Joint Ore Reserves Committee
"JORC Code"	JORC Code, 2012 Edition
"Latest Practicable Date"	16 April 2020, 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 branch of Aoniu Mining
"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
"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
"PGO"	Primary Gold Limited, a limited liability company established in Australia, which became a non wholly-owned subsidiary of the Company after 8 June 2018
"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 Shangma Town, Fushun City, an iron mine operated through Shangma branch of Aoniu Mining
"Shangma Mining"	Fushun Hanking Shangma Mining Co., Ltd. (撫順罕王上馬礦業有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
"Share(s)"	ordinary share(s) with a nominal value of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of Share(s)
"US$" or "USD" or "US dollars"	United States dollars, the lawful currency of the United States
"Xingzhou Mining"	Fushun Hanking Xingzhou Mining Co., Ltd. (撫順罕王興洲礦業有限公司), a limited liability company established in the PRC, which was no longer a subsidiary of the Company during the period of this report