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

Going beyond oneself and contributing to the community.

MISSION

PHILOSOPHY

Safe Mine,
Harmonious Mine,
Green Mine.

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CORPORATE INFORMATION

Corporate introduction

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

The Group was founded in 1992. Since its establishment, the Company upheld the core value of "people-oriented and business integrity", and adhered to the tenet of "safe mine, harmonious mine and green mine". In 2013, the Company became an international mining company engaging in exploration, mining, processing and selling businesses of iron ore, gold ore and nickel ore.

Iron ore business

The iron ore business is the core business of the Group. With five iron ore mines in Liaoning Province of China, i.e. the Aoniu Mine, Maogong Mine, Benxi Mine, Xingzhou Mine and Shangma Mine, the Group is engaged in exploration, mining, processing and selling of iron ore, producing iron ore concentrates at an average grade of 66%. In 2013, the technology improvement and expansion project of the phase II of the First Processing Plant of Aoniu Mine and the construction of the new processing plant of Maogong Mine with an annual processing productivity of 3 million tons were successively completed, and both plants have already been put into operation. The processing plant of Aoniu Mine and the new processing plant of Maogong Mine were among the few modern processing plants which had an annual ore processing capacity of 3 million tons in Northern China, and were among the handful of ore processing plants in China which applied new technology of high-pressure grinding rolls. Through technology improvement and expansion of ore processing plants of each mine, the iron ore business achieved the strategic target of an annual ore processing capacity of 10 million tons.

Nickel ore business

The Group completed the acquisition of 70% equity interest in Hanking (Indonesia) Mining Limited in March 2013. Such company, through its three project companies, owns the laterite nickel mine located in North Konawe Regency, South East Sulawesi, Indonesia, which possessed the measured and indicated nickel resources of 3.75 million tons and the inferred nickel resources of 1.04 million tons when acquired. After the acquisition, the measured, indicated and inferred nickel resources increased by 90.54 million tons through continuous exploration, with an average grade of 0.79% for nickel and an average grade of 50.27% for iron ore. The primary business operations of the Group in Indonesia include laterite nickel exploration, mining, smelting and selling and the product is laterite nickel which is mainly used by iron-steel plants as raw material for the production of stainless steel. Nickel is widely used in the field of consumable, military, transportation, aerospace and construction industries. Many countries, including the PRC, have considered nickel as one of the strategic resources.

Gold mining business

In the first half of 2013, the Group acquired 100% equity interest in SXO's gold project assets located in the famous centre of Yilgarn goldfield in western Australia. As at the end of 2013, SXO had a gold resource complied with the JORC standards of around 2.504 million ounces, at an average grade of 3.7 g/t gold. This asset has sound production and transportation facilities, including a processing plant with an annual ore processing capacity of 2.4 million tons. The mine is currently at the stage of maintenance and will be put into operation in due time.

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

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Ms. Mok Ming Wai

JOINT COMPANY SECRETARIES

Mr. Xia Zhuo
Ms. Mok Ming Wai

AUDITOR

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CORPORATE INFORMATION

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DIRECTORS

Executive Directors

Mr. Pan Guocheng (Chief Executive Officer)
Mr. Zheng Xuezhi (Chief Financial Officer)
Mr. Xia Zhuo
Mr. Qiu Yumin

Non-executive Directors

Ms. Yang Min (Chairlady)
Mr. Yang Jiye (Vice Chairman)
Mr. Kenneth Jue Lee
Mr. Lan Fusheng

Independent Non-executive Directors

Mr. Wang Ping
Mr. Johnson Chi-King Fu
Mr. Chen Yuchuan
Mr. Wang Anjian

AUDIT COMMITTEE

Mr. Wang Ping (Chairman)
Mr. Johnson Chi-King Fu
Mr. Wang Anjian

REMUNERATION COMMITTEE

Mr. Wang Ping (Chairman)
Mr. Yang Jiye
Mr. Chen Yuchuan

NOMINATION COMMITTEE

Ms. Yang Min (Chairlady)
Mr. Johnson Chi-King Fu
Mr. Chen Yuchuan

HEALTH, SAFETY, ENVIRONMENTAL PROTECTION AND COMMUNITY COMMITTEE

Mr. Pan Guocheng (Chairman)
Mr. Lan Fusheng
Mr. Wang Anjian

FINANCIAL HIGHLIGHTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December				
	2013	2012	2011	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**1,455,505**	1,397,240	1,726,488	1,433,104	967,392
Cost of sales	**(663,501)**	(648,440)	(585,846)	(558,326)	(596,295)
Gross profit	**792,004**	748,800	1,140,642	874,778	371,097
Other income	**7,676**	14,626	30,297	1,592	3,074
Other expenses	**(38,711)**	(11,085)	(24,627)	(12,720)	(14,124)
Selling and distribution expenses	**(50,726)**	(55,853)	(23,847)	(23,208)	(16,120)
Administrative expenses	**(309,557)**	(247,136)	(173,241)	(121,745)	(114,355)
Finance costs	**(123,178)**	(86,787)	(278,549)	(35,598)	(22,431)
Profit before tax	**277,508**	362,565	670,675	683,099	207,141
Income tax expense	**(123,919)**	(128,744)	(240,771)	(180,751)	(61,019)
Total profit for the year	**153,589**	233,821	429,904	502,348	146,122
The owners of the Company	**192,661**	296,742	439,052	454,964	132,524
Non-controlling interest	**(39,072)**	(62,921)	(9,148)	47,384	13,598

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	For the year ended 31 December				
	2013	2012	2011	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	**1,522,613**	1,187,076	1,375,708	814,575	1,008,479
Non-current assets	**2,792,162**	2,209,850	1,716,471	759,186	582,524
Current liabilities	**1,903,451**	1,643,219	1,291,497	856,623	800,051
Non-current liabilities	**911,107**	185,927	221,258	180,000	–
Equity attributable to the owners of the Company	**1,240,943**	1,381,522	1,368,927	472,446	650,033
Non-controlling interests	**259,274**	186,258	210,497	64,692	140,919

SELECTED FINANCIAL RATIOS

	For the year ended 31 December				
	2013	2012	2011	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross profit margin	**54.41%**	53.59%	66.07%	61.04%	38.36%
Net profit margin	**10.55%**	16.73%	24.90%	35.05%	15.10%
Gearing ratio	**65.23%**	53.85%	48.92%	65.87%	50.29%
Return ratio of total assets	**10.39%**	13.85%	40.69%	45.42%	28.86%

CHAIRLADY'S STATEMENT

Dear shareholders,

With the great efforts of all employees, the Group achieved satisfactory results in the year of 2013. I would like to take this opportunity to express my gratitude to all shareholders for the trust and support to the Company's board of directors and me, and to thank the management team and all the employees for their contribution. On behalf of the Board of China Hanking Holdings Limited, I am pleased to present to you the audited annual results of the Company for the year ended 31 December 2013.

Ms. Yang Min
Chairlady of the Board

MAJOR OPERATION RESULTS

In 2013, the overall global macro-economic environment improved, with slow recovery in the world major economies represented by the US and the EU. The PRC economy continued to slow down, with the gross domestic product ("GDP") growth rate falling to 7.7%, which nevertheless showed a trend of stabilization. In general, despite the decline in the growth momentum of demand in the global major mineral product markets, the rigid demand for the bulk mineral products such as iron ore and nickel ore remained unchanged. However, due to the over-excessive production capacity in the downstream industry, the prices of mineral products were under certain pressure. In 2013, the iron ore prices remained basically the same with that of last year, while the prices of nickel metal continued the down trend. With the volatility in the gold market, the gold price recorded a significant decrease of over 25%. Facing many uncertainties in the industry, the Group strived to expand productivity, control costs, optimize structure, facilitate smooth execution of operation plan, and made the greatest efforts to get the best return for the shareholders.

1. Operating indicators

With the implementation of diversified development strategy, in 2013 the Group formed the multi-mineral product portfolio with "iron ore as the main products, supplemented by nickel and gold" and the trans-nations operating structure covering the PRC, Indonesia and Australia. In 2013, as one of the largest private iron ore enterprises in Northeastern China, iron ore business remained the core business of the Group, which implemented expansion projects to achieve maximum output of iron ore concentrates and kept its core competitiveness by maintaining a low-cost operation. During the reporting period, the Group recorded revenue of RMB1,455,505,000, representing an increase of 4.17% as compared to last year, mainly benefiting from the sales of nickel ore. During the reporting period, the Group obtained a net profit of RMB153,589,000, representing a decrease of 34.32% as compared to last year, mainly due to the losses from the newly acquired nickel ore and gold mining businesses which were still at the preliminary development stage. Based on the revenue for the year, the Company recorded a net gain per share of RMB0.11.

2. Expansion construction

In 2013, the Group made great effort to promote the mining technology improvement and capacity expansion plan, physically achieving the strategic goal of an annual ore processing capacity of 10 million tons. Aoniu Mine's First Processing Plant, on the basis of the successful completion of phase-I and phase-II technology improvement and expansion, further implemented Phase-III crushing process renovation and solved the shortage in crushing capacity, enabling Aoniu Mine to reach the target of an annual ore processing capacity of 3 million tons. With the smooth implementation of technology improvement and expansion projects of Maogong Mine, the construction of a modern processing plant with an annual ore processing capacity of 3 million tons was basically completed, and a trial operation has been successfully carried out. The main body of the underground construction project of Benxi Mine was completed, successfully achieving the goal of transferring from open-pit mining to underground mining with the actual mining capacity exceeding the designed level. Aoniu Mine completed the construction of the Xiaobei Underground Project, and basically achieved the goal of underground mining.

CHAIRLADY'S STATEMENT

3. Resource and reserves

   In 2013, the Group conducted geological exploration work within the region and in the surrounding area of the mines as planned, and has achieved good results, with a total of 8,150,000 tons of iron ore resources defined in the iron ore mines located in China, which significantly exceeded the Company's iron ore consumption of the year, achieving net growth in iron ore resources. By reserve estimate remodelling based on the previous exploration data, the nickel ore resource increased by 90,540,000 tons, at the iron ore grade of over 50%. Remarkable results were also achieved in the gold exploration, significantly improving the levels of reliability of some gold resources, and the gold resources increased by over 90,000 ounces.

COMPANY MANAGEMENT AND CONTROL

During the reporting period, the Group continued to be committed to maintaining relatively high standards of corporate governance, and tried to maintain transparency and openness to shareholders. The Group followed the principle of prudent financial management and control, enhanced internal control, strengthened comprehensive budget management, established the health, safety, environmental protection and community committee, improved human resource system and refined cost accounting standards. Under the leadership of the audit committee of the Board, the Group continued to increase the intensity and scope of internal audit, and focused on the stringency and execution of risk management and control process on legal affairs, taxation, mining, engineering, forest and land. By organizing a series of training on relevant knowledge, laws and regulations and teamwork, etc., professional ethics and skills of all the employees of the Group were further enhanced.

With an aim to improve the overall management and control standard of safety and environmental protection, the Board established the "Health, Safety, Environmental Protection and Community Committee" which has the discretionary powers to oversee and guide the performance of health, safety, environmental protection and community and other social responsibilities by each business segment. With the joint efforts of all staff, the Group's safety and environmental protection management procedures are performed in place. The Group exerted its best efforts in implementing the mine land reclamation recovery plan. Through information platform, the Group's key management process of internal control was defined and became remotely controllable, significantly enhancing work efficiency, reducing human error and improving the execution effect.

Under the management and control model of "general mine director system", the Group is committed to improving the grassroots cost control capability of production front line in particular the production workshops, which stimulates the initiative and enthusiasm of employees to reduce costs and improve efficiency. The Group continued to make progress in meticulous management by implementing standard and consistent statistical measurement in respect of mine materials requisition, consumption and use. Aoniu Mine developed real-time tracking and quantitative system for production process and materials consumption, generally achieving real-time cost management and promoting micro control of production cost. The Group further strengthened the human resource performance evaluation and target management, attributing the Company benefits directly to employees' contribution, so that every employee would be consciously aware of his occupational mission and work value.

DEVELOPMENT STRATEGY

Through diversified development, the Group has expanded from pure iron ore operations to multi-mineral operation of iron ore, nickel ore and gold mining, has expanded from single geographical area of China to countries such as Indonesia and Australia, and become an international mining group. The Group's business profitability model has undergone fundamental change. As the product range has been enriched, and increased from single iron ore products to a diversified portfolio of iron ore concentrates, nickel ore, ferronickel and gold, it is necessary for the Group to define its strategic positioning in advance and update development strategy.

1. Overall strategic planning

   The Group adhered to the strategy of internationalization and limited diversity of mineral resources, as geographical diversification will help to reduce the risk of a single regional business, and diversification of the minerals will help to eliminate the risk of huge fluctuations in the market price of single mineral product. While continuing to develop iron ore business, the Group will focus on expanding the production scale of nickel ore business, and ensure the resources of gold mining projects are upgraded with efforts to start the production. The Group will also take effective measures to strictly control the costs and expenses, implement in-depth meticulous management, and continue to optimize mining and beneficiation methods so as to improve the efficiency of product manufacturing, thereby reducing the manufacturing cost, through which the Group will strengthen its core competitiveness of low cost operation. The Group will control the overall size of borrowings, promote the increase and preservation of assets value, as well as improve the liabilities structure and liquidity ratio.

CHAIRLADY'S STATEMENT

2. Development strategy of iron ore business

   Iron ore production and operation remains the core business of the Group. Promoting the strategy of strengthening and expanding iron ore segment, the Group will maximize the efficiency of beneficiation to highlight the effect of scale production. Adhering to low-cost strategy, the Group will continue to optimize all processes of operations and actively seek effective ways to control cost. Through integrated exploration and expansion, the Group will achieve continuous growth of iron ore reserves. Based on the Group's strategic positioning and investment planning and with total investments under strict control, the Group will invest in projects with "higher marginal profits but lower risk".

3. Development strategy of nickel ore business

   Given the prolonged downturn in the nickel ore market and uncertainty of Indonesia mining policy, the Group should conduct scientific assessment on each construction project, make prudent investment decisions and control the progress of investment so as to control the risk within acceptable range. The Group will establish various sound risk management and control systems to handle the relations between risk control and profit expectations. The Group shall strictly control the investment desire and impulse until the raw ore export policy becomes more certain. Adhering to the principle of minimum input for maximum output, the Group will maximize the utilization of existing equipments and facilities to achieve the production target as planned.

4. Development strategy of gold mining business

   Given that the market price of gold will remain sluggish in the short term, the Group will leverage on the scatter of gold resources in Western Australia to develop the lowest cost development model for the next 2-3 years by optimizing mining production sequence so as to give priority to the mining of ore bodies with lower cash costs, thereby start the gold production at minimum capital investment within a shorter development cycle, thus generate strong cash flow. Meanwhile, the Group will continue to carry out appropriate exploration activities to improve the categorisation and growth of resources.

5. Development strategy of new projects

According to the strategic positioning, the Group will seek new point of growth of core business on the principle of "excellent quality, low cost and quick return". In 2014, the development of the new projects of the Group will focus on the low-cost integration of quality gold mines or iron ore mines around the SXO gold mine with an aim of having the gold assets in Western Australia reactivated and making profits. This will prompt a fundamental shift in production conditions, and create new opportunities for the output growth of iron ore mines and production of gold mines.

OUTLOOK

In 2014, global macro-economic environment in general is expected to continue its positive trend with Europe and the United States maintaining slow recovery and China's economy stabilizing. However, with respect to resources sector, global consumption growth of bulk mineral products such as iron ore and nickel ore will remain challenging, and the balance between supply and demand will suppress the market prices of minerals. Facing many uncertainties, the Group will, on the principle of "prudent to invest and stringent on cost control", continue to optimize the structure of assets and liabilities and the efficiency in the use of funds in the year ahead, so as to ensure the safety of assets and capital during the development and operation.

1. Iron ore market

According to the preliminary forecast made by relevant authorities, the national output of crude steel in 2013 and 2014 will be 780,000 thousand tons and 810,000 thousand tons, representing a year-on-year increase of 6.7% and 3.8% respectively. The national consumption of finished iron ore products in 2013 was approximately 1.138 billion tons, representing a year-on-year increase of 9.4%, among which imported iron ore accounted for over 70%. Based on the pig iron output forecast of 743,000 thousand tons, the national demand for finished iron ore products in 2014 will amount to 1.172 billion tons, representing a year-on-year increase of about 3%, among which the demand for imported iron ore will amount to 850,000 thousand tons. Presently, the supply-demand condition of iron ore is at a basically balanced state, and the rigid demand for iron ore remains unchanged. It is projected that the newly built production capacity of the five largest iron ore groups in the world will amount to 150,000 thousand tons, which may lead to excessive supply of iron ore in 2014. While new projects are successively put into operation, resources of the existing mines in various regions gradually dry up, and many mines are forced to reduce or suspend production due to the rising production costs. Analysis on these factors shows that the price of iron ore, though facing great downward pressure in the near term, will remain at a relatively high level.

2. Nickel ore market

Consumption of nickel is mainly stainless steel industry, and stainless steel market and the relationship between supply and demand are the most important factors affecting nickel ore market. China is the leading global stainless steel producer, accounting for more than half of world production, and has an important impact on the nickel ore market. In recent years, the nickel laterite pyrometallurgical technology has been developed by leaps and bounds and has become the mainstream method of processing nickel laterite, thus is widely used in the production of nickel-iron products with different nickel metal content. Nickel prices reached a record high in 2008, experienced wide shocks, the current average price per ton of nickel is about USD15,000. In 2014, the market price of nickel metal will be volatile and complex, especially the industry participants have great expectation for the future development of the nickel metal market since the policy prohibiting raw ore export promulgated by the Indonesia government took effect at the end of last year. But in the long term, with increasing levels of human living standard, the social demand for stainless steel will continue to grow, which will determine the overall upward trend of the prices of nickel-metal products.

3. Gold market

Gold is a special metal, with triple attributes of "currency, investment and commodity", and has been favored and sought after by people. Due to the tapering of quantitative easing policy announced by the Federal Reserve and the expectation of a strong US dollar, the gold price suffered its biggest fall in a decade, recording a decrease of over 25% in 2013, which currently stays at about US$1,250/ounce. In 2014, the US Dollar index, spending growth and cost structure will be the main factors affecting the gold price. Though the dollar movement has been the most direct cause for the volatility in gold price, in the long run, the production cost structure of gold will provide great support to the gold price. Currently, the cash costs for most major gold mining enterprises have reached a high level of US$1,000/ounce. The increasing overhead costs will erode the profitability of the enterprises, forcing the mines to reduce or suspend production or cut investments. This will lead to decrease in gold output, resulting in a shortage of supply in the gold market, which will eventually drive the gold price to pick up. In the short term, the gold price still faces downward risk.

In short, while proactively seeking to expand our business, we must have a clear perception of the future development of the resource industry and make scientific judgment on the opportunities and challenges ahead, so as to capture the opportunities to develop and expand our business and keep the operation and investment risks under control. Under the changing global market environment, the Group will promote steady advancement of our established strategy and make continuous efforts to improve the competitiveness and influence of the Company.

SOCIAL RESPONSIBILITY

To better fulfill its social responsibility, the Board established the health, safety, environmental protection and community committee, with an aim of improving the Group's ability in performing its social responsibilities and implementing all-round management and control over issues regarding health of the employees, safety production, environmental protection and harmonious community-enterprise relationship, so as to ensure the achievement of the basic target of "safe mine, harmonious mine and green mine" of the Group and provide solid foundation for further promotion of the "diversity" strategy of the Group. To give a detailed picture of our social responsibility, the Group, in addition to the annual report, has prepared the 2013 Environmental, Social and Governance Report this year, which comprehensively summarizes the results achieved by the Group in performance of its social responsibility in 2013.

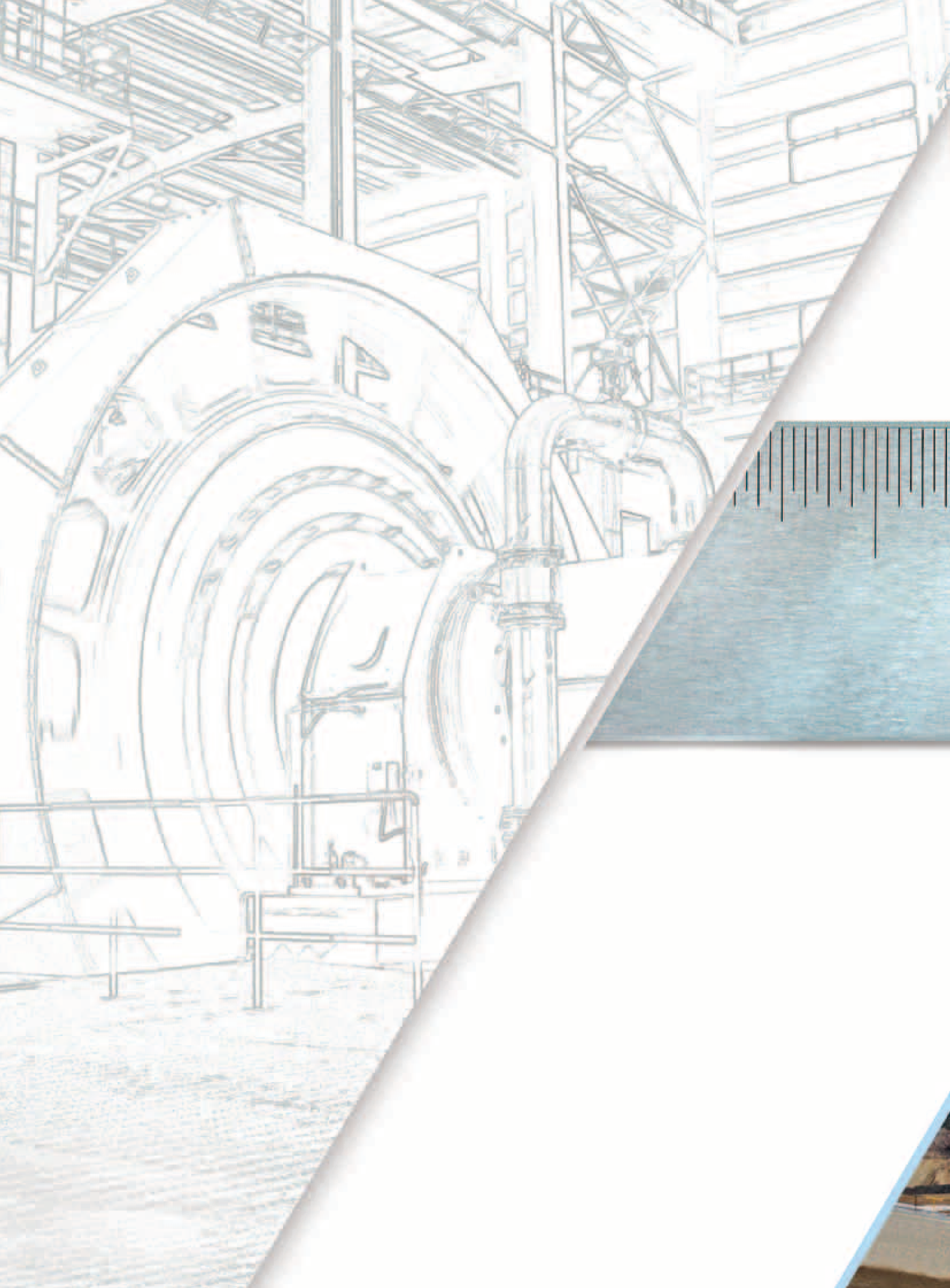
In 2013, the Group further strengthened the organizational structure of safety production management and control, arranged sufficient professionals for real-time safety management at front-line production premises, improved the safety production responsibility system of the mines, enhanced the employees' safety production consciousness, and maintained good records of safety and environmental protection. While making efforts in well dealing with the village-enterprise relationship and government-corporate relationship, the Group was also actively involved in welfare activities of the communities, and carried out "warmth-sending" to rural householders in hardship and other activities, initiatively rendered affordable assistance for emergency service and disaster relief in the communities and organized fundraising activities for people in disasterstricken areas. Through training and education, the Group further strengthened the construction of soft environment of mines, and strengthened the employees' sense of social responsibility.

The Group adheres to the development path of "recycling economy and comprehensive utilization", strives to build ecological mining complying to modern standards, and speeds up the pace of developing and utilizing the tailings. Taking as a typical example, the new processing plant of Maogong Mine, after repeated research and demonstration, aggressively introduced the process to extract "construction sand" from the tailings, which was proved to be scientific and effective by trial production. The extraction of construction sand from tailings not only reduces waste emissions, but also increases the revenue of the mine as well.

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

APPRECIATION

Taking this opportunity and on behalf of the Board, I hereby wish to express my heartfelt thanks to the management and all the staff of the Group for their great efforts and contributions over the last year, and express my sincere gratitude to all the shareholders, intermediaries, government agencies and business partners for their support and trust in the Company.



MANAGEMENT DISCUSSION & ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING HIGHLIGHTS

1. Achievement of breakthroughs in the implementation of diversification strategy

   In 2013, the Group completed two material mergers and acquisitions, including a world-class laterite nickel mine in Indonesia and a large gold mine in Australia, which rapidly moved forward the Group's established development strategy of limited diversification and internationalization of mineral resources. These additional resources helped the Group to hedge the exposure of price fluctuation as a result of single mineral and also created a new territory for value creation.

2. Realization of the strategic target of annual ore processing capacity of 10 million tons

   In 2013, the technology upgrading and expansion project of phase II of the First Processing Plant of Aoniu Mine and the construction of the new processing plant of Maogong Mine with an annual processing productivity of 3 million tons were successively completed, and both plants were put into operation. This took the raw iron ore processing capacity of the Group to reach 10 million tons for the first time, laying a solid foundation for the increase in output of iron ore concentrates of the Group in 2014.

3. Substantial increase in resources

   In 2013, the iron ore resources of the Group had an increase of 8.15 million tons through exploration activities, while the annual output of iron ores amounted to 6.28 million tons, thus the newly increased resources continued to exceed the consumption of resources.

After the acquisition of Indonesia laterite nickel project, through the reassessment of various drilling data and market survey data, the Company found that "high TFe low Ni" was a kind of resource with high market value. According to the evaluation made by CSA Global Pty Ltd (an independent agency), newly increased resources with high TFe and low Ni was up to 90.54 million tons, which further enhanced the potential profitability and overall value of the project. In 2013, such mineral products sold by Indonesia laterite nickel mine amounted to 0.315 million tons.

In 2013, after completion of the acquisition of the SXO project, Hanking Gold Mining Pty Ltd. ("**Hanking Gold**"), a wholly-owned subsidiary of the Company, carried out comprehensive evaluation of exploration potential of the region to sort out new drill target. Hanking Gold has completed a drilling program at the Frasers South gold deposits with each drill hole intercepted gold mineralization. Meanwhile, an amount of 781,000 tons of inferred iron ore resources was upgraded to the indicated category, and a total of 99,000 ounces of gold resources was found, all of which was located at areas near the ground surface and suitable to be excavated by open-pit mining. The Company believed that the discovery of these resources would help the gold mining business of the Company to achieve a low-cost operation and significantly improve the overall asset value and profitability of the Company.

4. Further enhancement of the competitiveness of low cost operation

   The processing plant of Aoniu Mine after renovation and expansion and the new processing plant of Maogong Mine had become the few processing plants which had an annual processing capacity of 3 million tons in the northern China, and were also among the few iron ore processing plants which applied new technology of high pressure grinding rolls. Enhancement of scale and application of new technology of the new processing plants further strengthened the Group's core competitiveness of low cost operation, and also significantly improved the Company's capability of value creation for shareholders.

5. Continuous improvement in safety and environmental protection management

   The Company established the health, safety, environmental protection and community committee (the "**HSEC**") in 2013, a specialized committee under the Board that is responsible for the health, safety, environmental protection and community affairs of the Company. The HSEC held a meeting in November 2013 to review the management structure and system of the Company in respect of health, safety, environmental protection and community, review the current status of health, safety, environmental protection and community relationship of the Company and make recommendations for improvement. In the year of 2013, the Group achieved the targeted goal of zero pollution, zero fire accident and zero major mechanical failure accident in respect of the safety and environmental protection management.

OPERATION REVIEW

As the Group acquired two new businesses in the first half of 2013, in order to have a better understanding on the business of the Group, the Group will analyse its business by dividing it into three segments, being iron ore business (i.e. business of Shenyang Toyo Steel Utility Co., Ltd and its subsidiaries, excluding Yingkou Xinwang Alloy Furnace Charge Co., Ltd. (營口鑫旺合金爐料有限公司)), nickel ore business (i.e. business of Hanking (Indonesia) Mining Limited and its subsidiaries, including Yingkou Xinwang Alloy Furnace Charge Co., Ltd. (營口鑫旺合金爐料有限公司)) and gold mining business (i.e. business of Hanking Australia Pty Ltd and its subsidiaries), respectively.

Iron ore business

1. **Operation results of iron ore**

   In 2013, the growth rate of China's gross domestic product ("GDP") was 7.7%, representing a slight decrease as compared to 7.8% in 2012; in 2013, the growth rate of China's fixed assets investment was 19.6%, representing a decrease of 0.7 percentage point as compared to 20.3% in 2012. Although the growth rate of China's GDP and fixed assets investment slowed down, the pig iron and crude steel output of China reached 709 million tons and 779 million tons in 2013 and hit record highs respectively, being an increase of 6.2% and 7.5% as compared to 2012 respectively; the growth rates were also significantly higher than those of 2012 (being 3.7% and 3.1% respectively).

   The increase of steel and iron output boosted the demand for iron ore. In 2013, China's apparent demand for iron ore was 1.134 billion tons, being an increase of 6.2% as compared with 2012; the continuous growth of the apparent demand for iron ore kept the price of iron ore more stable than those of other commodities; the average price of China's imported iron ore (62% grade, CFR price) was US$135.30/ton in 2013, higher than US$131.01/ton in 2012. In 2013, the average sales price of iron ore concentrates of the Company was RMB854/ton (2012: RMB830/ton), representing an increase of 2.89% as compared to the corresponding period of last year.

In 2013, the technology upgrading and expansion project of the First Processing Plant of Aoniu Mine and the construction of the new processing plant of Maogong Mine with an annual processing productivity of 3 million tons were successively completed, and both plants were put into operation. This took the raw iron ore processing capacity of the Company to reach 10 million tons for the first time, laying a solid foundation for the increase in output of iron ore concentrates of the Group in 2014. These two processing plants were also among the few iron ore processing plants which applied new technology of high pressure grinding rolls. Enhancement of scale and application of new technology of the new processing plants further strengthened the Group's core competitiveness of low cost operation, and also significantly improved the Company's capability of value creation for shareholders.

	For the year ended 31 December (Unit: thousand tons)	
	2013	2012
Stripping amount	**16,136**	13,608
Output of iron ore	**6,281**	6,934
Output of iron ore concentrates	**1,640**	1,638
Sales amount of iron ore concentrates	**1,606**	1,623

The revenue of iron ore business of the Group was RMB1,372,505,000 in 2013 (2012: RMB1,361,138,000), representing a year-on-year increase of 1%, with EBITDA of RMB647,116,000 (2012: RMB641,524,000), representing a year-on-year increase of RMB5,592,000, which was mainly due to the increase in the average selling price of iron ore concentrates. The profit margin of EBITDA was 47.15% (2012: 47.13%), representing an increase of 0.02 percentage point as compared with that of last year.

The average cash operation cost per ton of iron ore concentrates of all mines was RMB354 (2012: RMB355). The Group has continued maintaining its competitive edge in its low cost advantage among the industry.

2. Iron ore resources and reserves

During the reporting period, the Group achieved remarkable results in mine exploration. By conducting exploration works in the surrounding and depth extension of the existing mines, 8,150 thousand tons of iron ore resources that complied with the JORC standards has been defined outside the area covered by the mining licenses, representing a year-on-year increase of 3.71%. Among which, the resources of Shangma Mine and Aoniu Mine increased by 4,008 thousand tons and 4,142 thousand tons respectively.

In 2013, details of exploration works conducted at each mine were as follows:

Mines	**Number of drilling holes**	**Drilling footage (metre)**	**Drilling Diameter (mm)**	**Exploration costs** (RMB'000) **2013**	2012
Shangma Mine	36	8,632.06	75	**2,377**	2,000
Benxi Mine	0	0	0	**0**	0
Maogong Mine	0	0	0	**0**	13,432
Aoniu Mine	13	4,479.63	75	**1,870**	8,696
Xingzhou Mine	0	0	0	**0**	0
Total	**49**	**13,111.69**	**N/A**	**4,249**	24,128

As of the end of 2012, the Group owned 219 million tons of iron ore resources that complied with the JORC standards. By conducting various explorations in 2013, the resources that complied with the JORC standards had a net increase of 2,867 thousand tons which was located outside the area covered by the mining licenses, thus the iron ore resources that complied with the JORC standards reached 222 million tons, representing a year-on-year increase of 1.31%. As of the end of 2013, the quantity of iron ore resources for each mine that complied with the JORC standards was as follows:

MANAGEMENT DISCUSSION AND ANALYSIS

Mines	Resources Category	Increased Amount for the Year (ton)	Resources Amount at the Year End (ton)	TFe (%)
Aoniu Mine	Indicated	4,658,230	9,973,423	31.60
	Inferred	-516,410	13,617,590	31.69
Sub-total of Aoniu Mine		4,141,820	23,591,013	31.68
Maogong Mine	Indicated	0	32,248,168	32.29
	Inferred	0	9,135,050	30.15
	Inferred*	0	217,700	22.47
Sub-total of Maogong Mine		0	41,600,918	31.77
Xingzhou Mine	Indicated	0	33,029,198	30.88
	Inferred	0	27,779,010	30.65
	Indicated*	0	63,722,270	22.76
Sub-total of Xingzhou Mine		0	124,530,478	26.67
Benxi Mine	Indicated	0	5,249,458	26.14
	Inferred	0	2,674,000	26.14
Sub-total of Benxi Mine		0	7,923,458	26.14
Shangma Mine	Indicated	2,972,900	7,541,584	31.06
	Inferred	1,035,500	17,108,700	30.54
Sub-total of Shangma Mine		4,008,400	24,650,284	30.72
Total	Indicated	7,631,130	88,041,831	31.21
	Inferred	519,090	70,314,350	30.78
	Indicated*	0	63,722,270	22.76
	Inferred*	0	217,700	22.47
	Total resources	8,150,220	222,296,151	28.70

* Represents Low-grade ore body

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

As of the end of 2012, the Group owned 174 million tons of iron ore reserves that complied with the JORC standards. By conducting various explorations in 2013, the reserves had a net increase of 2,521 thousand tons which was located outside the area covered by the mining licenses, thus the iron ore reserves that complied with the JORC standards reached 176 million tons, representing a year-on-year increase of 1.45%. As of the end of 2013, the quantity of iron ore reserves in each mine that complied with the JORC standards was as follows:

Mines	Reserves Category	Increased Amount for the Year (ton)	Reserves at the Year End (ton)	TFe (%)
Aoniu Mine	Probable Ore Reserve	4,486,093	14,512,620	25.69
Maogong Mine	Probable Ore Reserve	0	35,293,185	26.93
	Probable Ore Reserve *	0	72,567	22.47
Xingzhou Mine	Probable Ore Reserve	0	42,288,868	26.49
	Probable Ore Reserve *	0	63,722,270	19.45
Benxi Mine	Probable Ore Reserve	0	7,032,125	20.91
Shangma Mine	Probable Ore Reserve	3,318,067	13,244,484	25.9
Total	Probable Ore Reserve	7,804,160	112,371,281	26.05
	Probable Ore Reserve *	0	63,794,837	19.45
	Probable Ore Reserve + Probable Ore Reserve *	7,804,160	176,166,118	23.72

* represents Low-grade ore body

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

MANAGEMENT DISCUSSION AND ANALYSIS

3. Operating mines

1) Aoniu Mine

Aoniu Mine is located at Hou'an Town, Fushun County, Fushun City, which is operated by the Company through its subsidiary Aoniu Mining. Aoniu Mine owns mining licenses covering an area of 1.8911 square kilometers ("km^2") and has sound infrastructures including highways, water and electricity supply. As of the end of 2013, there were three mining stopes at Aoniu Mine, of which two were open-pit mines and one was an underground mine. An independent third party was engaged to undertake underground mining. Aoniu Mine has two processing plants with an annual ore processing capacity of 3 million tons.

Aoniu Mine

	For the year ended 31 December	
	2013	2012
Output of iron ore (thousand tons)	**2,560**	2,683
Output of iron ore concentrates (thousand tons)	**786.80**	737.60
Mining costs (RMB/per ton of iron ore concentrate)	**98.42**	99.51
Processing costs (RMB/per ton of iron ore concentrate)	**130.70**	128.03
Government tax (RMB/per ton of iron ore concentrate)	**55.91**	63.58
Freight on sale (RMB/per ton of iron ore concentrate)	**30**	27.48

In 2013, Aoniu Mine mainly invested in the underground mining works and the technology improvement project of the First Processing Plant. The length of shaft and tunnel construction of the underground mining works reached 24,000 metres and the First Processing Plant achieved an annual ore processing capacity of 3 million tons. Due to the increase in electricity demand as a result of transition from open-pit mining to underground mining, Aoniu Mine built for a new 66KV transformer station, and the contract price for the electrical facilities installation works amounted to RMB9,300,000. In 2013, the capital expenditure of Aoniu Mine was RMB89,976,000, of which expenditure for acquisition of lands amounting to RMB2,351,000, and expenditure for acquisition of property, plant and equipment amounting to RMB85,753,000; the capital commitment amounted to RMB16,315,000.

2) *Maogong Mine*

Maogong Mine is located at Shiwen Town, Fushun County, Fushun City, which is operated by the Company through its subsidiary Maogong Mining. Maogong Mine owns mining licenses covering an area of 2.37 km^2, and has sound infrastructures including highways, water and electricity supply. In 2013, Maogong Mine had one mining stope, which is currently engaged in open-pit mining and plans to implement underground mining in 2014. With the completion of construction of the processing plant with an annual ore processing capacity of 3 million tons, the annual ore processing capacity of Maogong Mine reached 3 million tons.

Maogong Mine

	For the year ended 31 December	
	2013	2012
Output of iron ore (thousand tons)	**1,164**	1,514
Output of iron ore concentrates (thousand tons)	**374**	366
Mining costs (RMB/per ton of iron ore concentrate)	**142.83**	94.84
Processing costs (RMB/per ton of iron ore concentrate)	**103.83**	106.42
Government tax (RMB/per ton of iron ore concentrate)	**54.12**	67.41
Freight on sale (RMB/per ton of iron ore concentrate)	**9.30**	3.59

An independent third party was engaged by Maogong Mine to undertake the shaft and tunnel construction of the underground mining works and the mining at the infrastructure construction stage for a contract period of 704 calendar days. Due to the increase in electricity demand as a result of transition from open-pit mining to underground mining, Maogong Mine built for a new built 66KV transformer station, and the contract price for the electrical facilities installation project amounted to RMB15 million.

In 2013, Maogong Mine focused on the technology improvement and expansion project of the processing plant with an annual processing capacity of 3 million tons and the shaft and tunnel construction of the underground mining works. The capital expenditure of Maogong Mine was RMB141,893,000, of which expenditure for acquisition of lands amounting to RMB6,684,000, and expenditure for acquisition of property, plant and equipment amounting to RMB135,209,000; the capital commitment amounted to RMB233,847,000.

MANAGEMENT DISCUSSION AND ANALYSIS

3) *Benxi Mine*

Benxi Mine is located at Pingshan District, Benxi City, which is operated by the Company through its subsidiary Benxi Mining. Benxi Mine owns mining licenses covering an area of 0.25 km^2, and has sound infrastructures including highways, water and electricity supply. In 2013, Benxi Mine successfully closed the open pits and transited the mine operation to underground. An independent third party was engaged to undertake the underground mining works, with the contract period from 1 December 2011 to 31 December 2013, which included mining and tunneling. Due to the increase in electricity demand as a result of transition from open-pit mining to underground mining, Benxi Mine built a new 66KV transformer station, and the contract price for the civil engineering and installation of power transmission and distribution project amounted to RMB8.095 million.

Pursuant to the iron ore processing service agreement entered into with Benxi Iron Processing, Benxi Mining engaged Benxi Iron Processing to provide iron ore processing service. Please refer to the section "Non-exempt Continuing Connected Transactions" of this report for details.

Benxi Mine

	For the year ended 31 December	
	2013	2012
Output of iron ore (thousand tons)	**1,471**	1,371
Output of iron ore concentrates (thousand tons)	**265.70**	260.50
Mining costs (RMB/per ton of iron ore concentrate)	**309.16**	164.50
Of which, underground mining outsource	**135**	–
Processing costs (RMB/per ton of iron ore concentrate)	**185.94**	159.05
Of which, processing outsource	**120.72**	–
Government tax (RMB/per ton of iron ore concentrate)	**79.12**	65.17
Freight on sales (RMB/per ton of iron ore concentrate)	**9.87**	8.43

In 2013, the capital expenditure of Benxi Mine was RMB72,783,000, which was incurred by acquisition of property, plant and equipment, including some major projects such as the civil engineering and installation of main shaft towers, the installation of wellbore, the shaft and tunnel construction and the underground mining works. The capital commitment amounted to RMB11,572,000.

4) *Xingzhou Mine*

Xingzhou Mine is located at Dongzhou District, Fushun City, which is operated by the Company through its subsidiary Xingzhou Mining. Xingzhou Mine owns mining licenses covering an area of 1.2935 km^2, and has sound infrastructures including highways, water and electricity supply. Xingzhou Mine has two processing plants with an annual iron ore processing capacity of 1.5 million tons. Currently, Xingzhou Mine is implementing expansion project to its mining stope, thus its output is expected to increase gradually.

In 2013, the capital expenditure of Xingzhou Mine was RMB49,146,000, of which expenditure for acquisition of lands amounting to RMB40,029,000, and expenditure for acquisition of property, plant and equipment amounting to RMB9,117,000; The capital commitment amounted to RMB9,602,000.

Xingzhou Mine

	For the year ended 31 December	
	2013	2012
Output of iron ore (thousand tons)	**515.30**	450.60
Output of iron ore concentrates (thousand tons)	**66.60**	61
Mining costs (RMB/per ton of iron ore concentrate)	**232.58**	296.31
Processing costs (RMB/per ton of iron ore concentrate)	**389.05**	350.43
Government tax (RMB/per ton of iron ore concentrate)	**142.25**	85.97
Freight on sale (RMB/per ton of iron ore concentrate)	**18.60**	18.74

5) *Shangma Mine*

Shangma Mine is located at the central of the iron ore deposit in Fushun City, which is situated between Aoniu Mine and Xingzhou Mine, serving as a link connecting the two major mines. Shangma Mine owns mining licenses covering an area of 4.9849 km^2, and has two processing plants with an annual iron ore processing capacity of 1.42 million tons.

Shangma Mine

	For the year ended 31 December	
	2013	2012
Output of iron ore (thousand tons)	**570.70**	916.20
Output of iron ore concentrates (thousand tons)	**147.30**	212.40
Mining costs (RMB/per ton of iron ore concentrate)	**389.93**	336.77
Processing costs (RMB/per ton of iron ore concentrate)	**178.19**	168.83
Government tax (RMB/per ton of iron ore concentrate)	**59.84**	130.64
Freight on sale (RMB/per ton of iron ore concentrate)	**30**	–

Note: In 2012, the transportation costs incurred by Shangma Mine was borne by the purchasers.

In 2013, Shangma Mine focused on the construction of shaft and tunnel of No.4 Mining Area (namely the Linjiafen Mining Area). The capital expenditure was RMB11,280,000, of which, expenditure for acquisition of lands amounting to RMB40,000, and expenditure for acquisition of property, plant and equipment amounting to RMB8,863,000; The capital commitment amounted to RMB0.

MANAGEMENT DISCUSSION AND ANALYSIS

Nickel ore business

1. Operating results of nickel ore

The Company successfully acquired 52.5% equity interest of laterite nickel mine located in North Konawe Regency, South-East Sulawesi, Indonesia in the first half of 2013, which possessed 351 million tons of resource with Ni grade above 1%. After the acquisition, through the reassessment of various drilling data and market survey data, the Company found that "high TFe low Ni" was a kind of resource with high market value. According to the evaluation made by CSA Global Pty Ltd (an independent agency), newly increased resources with high TFe and low Ni was up to 90.54 million tons, which further enhanced the potential profitability and overall value of the project.

The project of North Konawe Regency laterite nickel mine includes three project companies, being KS, KKU, KP respectively. KS had already got the capability of mining and was under mining activities at the time of the acquisition. After completion of the acquisition, the Company focused on construction of mining facilities of KKU, including the construction of open pits, road for the ore transportation, dock and camp, meanwhile, the Company also optimized the layout of the stope of KS to increase its mining capability. The annual mining capability of the North Konawe Regency laterite nickel mine project reached 2 million tons at the end of 2013, which all were engaged in open-pit mining. In 2013, the capital expenditure of the nickel ore business was RMB111,151,000, of which, investments in mining construction amounted to RMB78,495,000, which was mainly used for purchase of tippers and excavators; and investments in infrastructure amounted to RMB25,737,000, of which, an amount of RMB12,680,000 used for construction of the wharf and an amount of RMB7,894,000 used for paving the road of 14 kilometres connecting the mining area to the wharf.

North Konawe Regency laterite nickel mine project is also gradually constructing ferronickel smelting facilities on the site where the project is located at as planned, thus to increase the additional value of nickel ore and to meet the requirements of related supervisory policies of Indonesia. In 2013, construction of smelting plants and the relevant facilities was underway, and the capital commitment amounted to RMB69,119,000.

The Company exploited 780 thousand tons (2012: 219 thousand tons) of all sorts of lateritic nickel ore under the North Konawe Regency laterite nickel mine project in 2013 and realized sales of 315 thousand tons (2012: 139 thousand tons).

Nickel ore business

	For the year ended 31 December	
	2013	2012
Output of nickel ore (thousand tons)	**780**	219
Mining costs (RMB/per ton of nickel ore)	**46.76**	71.11
Processing costs (RMB/per ton of nickel ore)	**–**	–
Government tax (RMB/per ton of nickel ore)	**32.48**	35.38
Freight on sale (RMB/per ton of nickel ore)	**48.69**	191.15

Note: The transportation costs incurred by the nickel ore business was mainly borne by the purchasers. The freight item as shown in the table represented the freight incurred for two cargoes of nickel ore which was sold on a CIF basis.

To implement the Law on Mineral and Coal Mining (No. 4 of 2009, Laws of Indonesia), Indonesian government authorities promulgated a regulation (the "Government Regulation") on 13 January 2014, pursuant to which all holders of mining production operation licenses shall undertake mineral processing and refining within the territory of Indonesia in order to export a certain amount of products. In accordance with the Government Regulation, the North Konawe Regency laterite nickel mine project has suspended nickel production. In response to the Government Regulation, the Ministry of Energy and Mineral Resources issued the Regulation of the Minister of Energy and Mineral Resources No. 01/2014 concerning Increasing of Mineral Value Added through Mineral Processing and Refining Activities in Indonesia (the "ESDM Minister Regulation"), which imposes the minimum standards on mineral processing and refining in Indonesia. The new ESDM Minister Regulation mainly imposes timing and quantitative restrictions on export of extracted mineral products as well as the minimum standards on processing and refining in

MANAGEMENT DISCUSSION AND ANALYSIS

Indonesia. Key minerals, such as nickel, bauxite, lead zinc, gold, silver and chromium are required to be purified and there is no transitional product for the purification process. Meanwhile, minerals such as copper, iron sand, iron ore, tin, zinc and manganese are allowed to be exported as concentrates until the construction of purification facilities is completed, but no later than the expiration of the three years after the issuance of the No. 01/2014 ESDM Minister Regulation (i.e. 12 January 2017).

The "high TFe low Ni" products of the North Konawe Regency laterite nickel mine project may be declared and exported as the iron ore product provided for in the above-mentioned ESDM Minister Regulation; upon the issuance of the implementation rules of the ESDM Minister Regulation, the North Konawe Regency laterite nickel mine project will immediately resume production for external sale.

The revenue of nickel ore business was RMB82,293,000 in 2013 (2012: RMB36,102,000), representing a year-on-year increase of 127.95%, with an EBITDA of RMB-43,723,000 (2012: RMB-88,024,000), representing a year-on-year increase of RMB44,301,000, which was mainly due to the sale of nickel ore with high TFe and low Ni resulting in an increase of revenue. The profit margin of EBITDA was -53.13% (2012: -243.82%), representing an increase of 190.69 percentage points as compared with that of last year.

2. Nickel Ore Resources and Reserves

As of the end of 2012, the Group owned 351.1 million tons of laterite nickel ore resources with nickel grade higher than 1% that complied with the JORC standards. By conducting mining activities in 2013, as of the end of 2013, the Group owned 350.9 million tons of laterite nickel resources with nickel grade higher than 1% that complied with the JORC standards, details of which were set out in the table below:

Laterite Nickel Resources with Nickel Grade Higher than 1%

Mines	Resources Category	Increased Amount for the Year (ton)	Resources Amount at the Year End (ton)	Ni (%)	Metal Content in Ni (ton)
Indonesia Project Company	Measured	0	85,616,864	1.51	1,289,360
	Indicated	0	182,205,000	1.35	2,460,766
	Inferred	0	83,104,000	1.26	1,043,744
	Measured + Indicated	0	267,821,864	1.40	3,750,126
	Measured + Indicated + Inferred	0	350,925,864	1.37	4,793,870

Note: Data regarding the resources amount at the year end shown in the table above was based on the figures presented in the independent technical report submitted by CSA Global Pty Ltd. on 30 November 2012, less the mining amount and loss amount of the year.

According to the resource evaluation conducted by CSA Global Pty Ltd. in accordance with the JORC standards in 2013, newly increased laterite nickel resources with nickel grade lower than 1% and iron grade higher than 45% (i.e. resources with high TFe and low Ni) amounted to 90.54 million tons, details of which were set out in the table below:

Laterite Nickel Resources with Nickel Grade Lower than 1% and Iron Grade Higher than 45%

Mines	Resource Category	Increased Amount for the Year (ton)	Resources Amount at the Year End (ton)	TFe (%)	Ni (%)	Metal Content in Fe (ton)	Metal Content in Ni (ton)
Indonesia Project Company	Measured	45,150,000	44,378,041	51.42	0.75	22,823,059	331,810
	Indicated	40,060,000	40,060,000	49.21	0.82	19,710,000	329,200
	Inferred	5,340,000	5,340,000	48.53	0.85	2,590,000	45,500
	Measured + Indicated	85,200,000	84,438,041	50.38	0.78	42,533,059	661,010
	Measured + Indicated + Inferred	90,540,000	89,778,041	50.27	0.79	45,123,059	706,510

Note: In respect to the data shown in the table above, the increased amount of the year was extracted from the independent technical report submitted by CSA Global Pty Ltd. on 12 June 2013, and the resources amount at the year end represented the increased amount minus the mining amount and loss amount of the year.

MANAGEMENT DISCUSSION AND ANALYSIS

GOLD MINING BUSINESS

1. Operating results of gold mining

In the first half of 2013, the Company completed the acquisition of 100% equity interest of the SXO gold project, which is located at the center of world-famous Yilgarn goldfield in Western Australia and whose cumulative production of gold is over 10 million ounces. The SXO gold project owns 932 square kilometers of exploration and mining licenses, covering a greenstone of nearly 120 kilometers. The SXO gold project has sound infrastructure, including a well conditioned ore processing plant with an annual processing capacity of 2.4 million tons.

After completion of the acquisition, the Company has accomplished the transfer of assets, maintenance of existing mining and ore processing facilities; reorganization of the previous internationalization teams; reduction of fixed operating costs, including electricity costs, through renegotiation; maintenance and renewal of the mining rights by taking necessary measures; and redesign and implementation of the drilling plans.

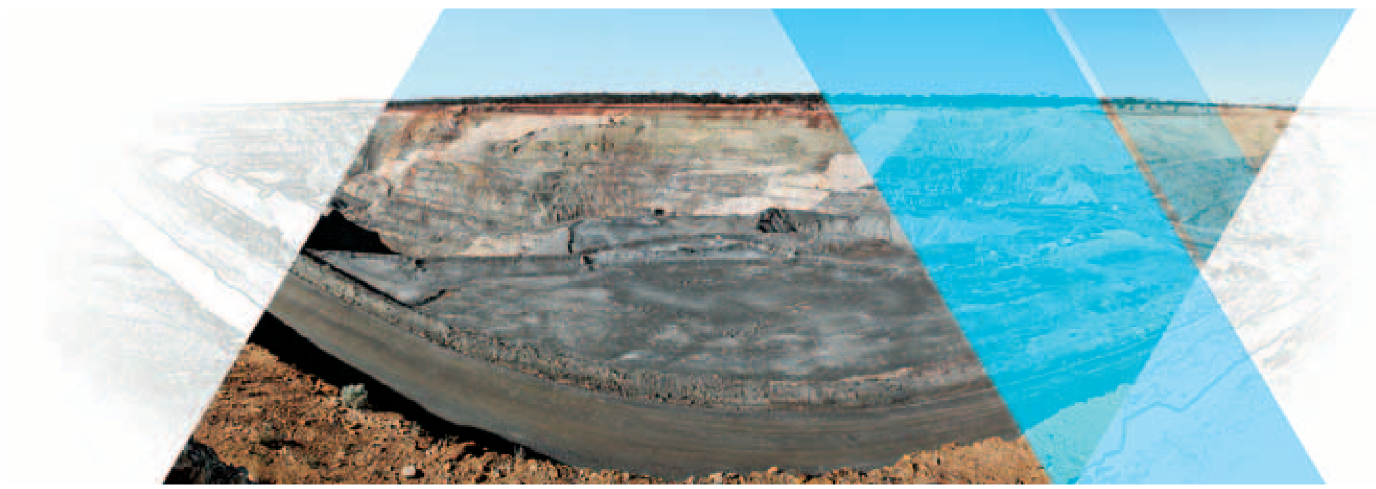
In 2013, the gold mining business did not carry out production. The Group will develop and implement gold production plans on the basis of the progress of supplementary exploration and gold price.

Meanwhile, the Group is also actively exploring the use of existing assets of the gold mine, including the processing plant and the life camp, to maximize the value of such assets.

In 2013, the gold mine project of the Group did not realize sales, with an EBITDA of RMB-44,108,000 (2012: RMB-1,222,000).

2. Gold Resources and Reserves

After completion of the acquisition of the SXO project, Hanking Gold carried out drilling exploration at the southern section of Frasers Gold Mine from 27 August 2013 to 3 December 2013, and a total of 28 holes were completed, with a total footage of 4,197.9 metres. Of which, there were 18 diamond drilling holes and 5 reverse circulation holes, while the other 5 holes were initially drilled by way of reverse circulation drilling and ended with diamond drilling. Gold mineralization was intercepted at each drill hole, with the richest deposits in FSRD0029 (10m@12.38 g/t), FSRC0021 (24.0m@2.47 g/t), FSDD0031 (12m@3.58 g/t), FSRD0024 (12.0m@2.47 g/t) and FSRD0026 (9.0m@3.76 g/t).



After completion of the above drilling exploration, Hanking Gold engaged CSA Global Pty Ltd. to estimate the gold ore resources within Frasers Gold Mine in accordance with the JORC standards. As compared with the resources amount at the date of acquisition and based on the cut-off grade of 2.5 g/t, newly increased ore resources amounted to 0.465 million tons, and the gold resources recorded an increase of 99,000 ounces. Meanwhile, an amount of 0.781 million tons of inferred iron ore resources was upgraded to the measured category. Especially, the newly increased resources was located at areas near the ground surface and suitable for open-pit mining according to the preliminary mining design.

As of the end of 2013, the Company owned 21.06 million tons of gold ore resources at an average grade of 3.7g/t, and the gold resources amounted to 2,504,000 ounces.

Total JORC Resources Owned by Hanking Gold

Resources Category	Increased Amount for the Year (thousand tons)	Resources Amount at the Year End (thousand tons)	Au (g/t)	Au Content (thousand ounces)
Measured	0	654	1.9	41
Indicated	781	11,902	3.7	1,388
Inferred	(-316)	8,505	3.9	1,066
Measured + Indicated	781	12,556	3.6	1,438
Measured + Indicated + Inferred	465	21,061	3.7	2,504

Note: data shown in the table above was extracted from the report submitted by CSA Global Pty Ltd. (an independent advisor) on 13 March 2013.

SAFETY, ENVIRONMENTAL PROTECTION, EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2013, the Group had a total of 2,489 employees (as at 31 December 21012: a total of 2,095 employees).

As of 31 December 2013, the aggregate remuneration expenses and other employee benefits costs of the Group amounted to RMB232,437,000 (2012: RMB190,201,000). Employee costs included basic salary, commission and bonus, housing allowance, pension, medical insurance, occupational injury insurance and other insurances required by the government. In accordance with the remuneration policy of the Group, income of employees is related to the performance of individual employee and the operation performance of the Group. The Group carried out performance assessment to stimulate employee initiatives, so as to enhance the operation performance of the Company.

In order to improve the overall quality and professional skill of the employees, the Group has developed and implemented the Administrative System on Training, establishing a complete set of training system and process including induction training, professional skill training and quality training. The Group has purchased some courses of the E-Learning system operated by an online college covering various aspects such as personal professional skills, personal quality, work efficiency, teamwork, ethics and professional conducts. The employees of the Group may have access to the online college for autonomous learning. During the reporting period, the Group has organized a number of internal and external trainings for its employees.

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For further details on the performance of the Group in respect of safety, environmental protection, employee and remuneration as well as trainings in 2013, please refer to the Environmental, Social and Governance Report issued by the Group at the same time with this report.

FINANCIAL REVIEW

1. Revenue, Cost of Sales, Gross Profit

For the year of 2013, the Group's revenue was RMB1,455,505,000, representing an increase of RMB58,265,000 or 4.17% over the corresponding period of last year, mainly due to the increase in average unit selling price of iron ore concentrates and the increase in the revenue from the sale of nickel ores with high TFe and low Ni.

For the year of 2013, the Group's cost of sales was RMB663,501,000, representing an increase of RMB15,061,000 or 2.32% over the corresponding period of last year, mainly due to the increase in iron ore costs and the increase in the nickel ore output.

For the year of 2013, the Group's gross profit was RMB792,004,000, representing an increase of RMB43,204,000 or 5.77% over the corresponding period of last year. As compared to the corresponding period of last year, gross profit margin of the Group slightly increased from 53.6% to 54.4% in 2013 which was mainly due to the increase of average unit selling price of iron ore concentrates and the improvement in the profitability of the nickel ore mines.

2. Other Income and Expenses

For the year of 2013, the Group's other income was RMB7,676,000, representing a decrease of RMB6,950,000 or 47.52% over the corresponding period of last year. Other income mainly included interest income and investment income.

For the year of 2013, the Group's other expenses were RMB38,711,000, representing an increase of RMB27,626,000 or 249.22% over the corresponding period of last year. Other expenses consisted of foreign exchange loss, loss from disposal of properties, plants and equipment, charity donation and other overheads.

3. Selling and Distribution Expenses, Administrative Expenses

For the year of 2013, the selling and distribution expenses of the Group were RMB50,726,000, representing a decrease of RMB5,127,000 or 9.18% as compared to the corresponding period of last year, which was mainly due to the drop in the transportation costs as the sales of nickel ore in Indonesia were mainly charged at FOB price. Selling and distribution expenses consisted of transportation expenses, labour expenses and others.

For the year of 2013, the administrative expenses of the Group were RMB309,557,000, representing an increase of RMB62,421,000 or 25.26% as compared to the corresponding period of last year. The main reason for the increase is the newly generated administrative expenses from the gold mine project acquired during the period in Australia and the non-recurring expenses of RMB17,104,000 generated from share awards granted to the management by controlling shareholders. Administrative expenses included remuneration paid to the Group's management and administrative staff, depreciation and amortization, leasing and office expenses, business development expenses, professional consultation and service expenses, taxation expenses, bank charges, inventory depreciation reserves, accrued doubt debt reserves and others.

4. Financing Cost and Income Tax Expense

For the year of 2013, the financing costs of the Group were RMB123,178,000, which increased by RMB36,391,000 or 41.93% as compared to the corresponding period of last year. The change was mainly due to the increase of the borrowing interest generated from the increase of the Company's borrowings and the increase of discount expenses of acceptance bill during the period. Financing costs included bank borrowing interest expenses, discount expenses and other financial expenses and the amortization of the long-term payable discount charges.

For the year of 2013, the income tax expenses of the Group were approximately RMB123,919,000, which decreased by RMB4,825,000 or 3.75% as compared to the corresponding period of last year. Income tax expenses included the total amount of tax currently payable and deferred tax. For the year of 2013, according to the deducted tax in the consolidated statement of comprehensive income and profit before tax, the effective tax rate of the Group was 44.66%, while the effective tax rate for the corresponding period of last year was 35.51%. The reason for the increase in the effective rate was that the cost and loss generated from overseas business in the period was not deductible for the purpose of PRC income tax.

5. The Profit and Losses on Changes in Fair Values of Available-for-Sale Financial Assets

In the year of 2013, the fair value gains on available-for-sale financial assets of the Group was RMB22,501,000, which was attributed to the increase of value of shares in the Australia listed company held by the Group.

6. Profit and Total Comprehensive Income for the Period

Based on the reasons mentioned above, the profit of the Group for the period was RMB153,589,000, representing a decrease of RMB80,232,000 or 34.32% as compared to the corresponding period of last year. The net profit margin of the Group for the reporting period was 10.55%, while the corresponding period of the previous year was 16.73%. The decrease was mainly due to the above combined factors.

Based on the profit for the period, and affected by the gains on changes in fair values of financial assets available for sale and foreign currency translation, the comprehensive income for the year of 2013 was approximately RMB143,679,000, representing a decrease of RMB87,936,000 or 37.97% as compared to the corresponding period of the previous year.

7. Properties, Plants and Equipment, Inventories

As of 31 December 2013, the properties, plants and equipment of the Group were RMB1,376,231,000, representing an increase of approximately RMB470,713,000 or 51.98% as compared to the end of the previous year. The increase was mainly due to the acquisition of Australia gold mine assets and the expansion of the production capacity through construction of plants and procurement of machine and equipment during the period.

As of 31 December 2013, the inventories of the Group were RMB170,308,000, representing an increase of approximately RMB72,930,000 or 74.89% as compared to the end of the previous year. The increase was mainly due to the increase of inventories at the end of the period by Benxi Mine to reserve ore for the production at the beginning of this year and the increase of reserves of ore for Indonesia nickel ore project.

MANAGEMENT DISCUSSION AND ANALYSIS

8. Trade and Other Receivables, Trade and Other Payables

As of 31 December 2013, the trade receivables of the Group was RMB194,890,000, representing an increase of RMB19,212,000 over the end of the previous year. For the year of 2013, the other receivables of the Group was RMB227,250,000, representing a decrease of RMB13,851,000 as compared to the end of the previous year.

As of 31 December 2013, the trade payables of the Group was RMB59,782,000, representing an increase of RMB29,685,000 as compared to the end of the previous year. The increase was mainly due to the extension of the Company's credit period by the suppliers.

As of 31 December 2013, the other payables of the Group was RMB292,913,000, representing an increase of RMB49,544,000 as compared to the end of the previous year. The main reason for the increase was the project funds payables and guarantee increased as more projects are under construction for the period.

9. Cash Use Analysis

The summary of the Group's consolidated statement of cash flows for the year of 2013 was set out below.

	For the year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Net cash flows from operating activities	**182,137**	382,649
Net cash flows from investing activities	**(664,325)**	(381,071)
Net cash flows from financing activities	**271,679**	230,433
Net increase in cash and cash equivalents	**(210,509)**	232,011
Cash and cash equivalents at the beginning of the period	**581,960**	352,650
Effect of changes in foreign exchange rate on cash and cash equivalents	**(1,456)**	(2,701)
Cash and cash equivalents at the end of the period	**369,995**	581,960

The net cash inflow from the operating activities during the year of 2013 was RMB182,137,000, which was mainly attributed to the profit before tax of RMB277,508,000, together with depreciation and amortization of RMB164,575,000, the increase of RMB42,378,000 in payables and non-cash financial cost of RMB30,923,000 and was partially offset by the increase of RMB72,930,000 in inventories and income tax paid of RMB248,474,000.

For the year of 2013, the net cash outflow from investing activities amounted to RMB664,325,000, which mainly reflected the amount of RMB468,154,000 used in the newly opened plants and machine equipments etc. in order to expand production and properties acquisition, the amount of RMB51,182,000 used in the acquisition of lands, the amount of RMB47,103,000 for the payment of environmental protection margin for the Australian gold mine, and the amount of RMB107,119,000 used as consideration for the acquisition of intangible assets.

For the year of 2013, the net cash inflow generated from the financing activities was RMB271,679,000, which was mainly from the newly added banking borrowing of RMB2,410,359,000 and the increase of capital contribution from minority interests of RMB120,000,000. The net cash inflow was offset by the repayment of bank loans of RMB1,330,874,000, the repayment of bank loan deposit of RMB460,000,000, the distribution of dividend to shareholders of RMB36,600,000, the repayment of the borrowings to the connected parties of Indonesia nickel mine of RMB225,220,000 and the payment of the acquisition of equity interests in Fushun Shangma and in the Indonesian nickel mine of RMB205,788,000 etc..

10. Liquidity and Financial Resources

As of 31 December 2013, cash balance of the Group amounted to RMB829,995,000, representing an increase of approximately RMB248,035,000 or 42.62% as compared to the end of last year. The main reason for the increase was an increase in bank loan deposit of RMB460,000,000 during the period.

As of 31 December 2013, the balance of bank borrowings of the Group was RMB1,868,095,000, representing an increase of RMB1,068,095,000 as compared to the end of last year. Save as disclosed in note 31 to the financial statements, the Group has no outstanding mortgage, pledge, charge, debentures or other loan capital issued or agreed to be issued, bank overdrafts, borrowing, liabilities under acceptance or other similar liabilities, hire purchase and finance lease commitments, or any guarantees or other material contingent liabilities. The Directors have confirmed that, save for the information disclosed above, there has been no material changes in the indebtedness and contingent liabilities of the Group since 31 December 2012.

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

The gearing ratio of the Group increased from 53.85% in 31 December 2012 to 65.23% in 31 December 2013, which is calculated by dividing the total liabilities by the total assets.

In 2013, the Group improved its liability structure by increasing medium-and-long term bank borrowings, part of which was US Dollar loans with variable interest rate. Given the uncertainty in the interest rate of US Dollar in the future, the Group entered into a US Dollar interest rate swap transaction in December 2013, converting the variable interest rate into fixed interest rate. The management of the Company will continue to monitor the liability structure and interest rate risks of the Company, and may consider taking appropriate measures to hedge material interest rate risks when necessary.

The main businesses of the Group are located in China, and its major operating transactions are denominated in RMB. Most of the assets and liabilities of the Group are denominated in RMB. Since RMB is not freely convertible, the risk that the Chinese government may take measures to interfere the exchange rates may bring effects to the Group’s net asset value, profit and the dividends declared to the extent that such dividends are subject to foreign exchange. Meanwhile, the Group acquired mining assets in Indonesia and Australia in 2013. Their assets and liabilities are denominated in Indonesian Rupiah and Australian dollar respectively, which are affected by the foreign exchange rate and accordingly affecting net assets and revenue of the Group. Given that fluctuation in the foreign exchange rate has no material impact on the cashflow of the Group, we have no hedging measures against such exchange risks. The management of the Group will continue to monitor the currency matching between the revenue and costs of the Group and the exchange risks, and may consider taking appropriate measures to hedge material exchange risks when necessary.

MANAGEMENT DISCUSSION AND ANALYSIS

12. Assets Securities and Contingent Liabilities

Some of the bank borrowings of the Group are secured by the mining rights certificates. As of 31 December 2013, the aggregate net carrying value of the assets used as securities amounted to RMB287,150,000.

As of 31 December 2013, the Group had no material contingent liabilities.

13. Material Acquisitions and Disposals of Subsidiaries and Associated Companies

During the financial year ended 31 December 2013, the Group has acquired 52.5% equity of the laterite nickel ore project in North Konawe, South-East Sulawesi Indonesia and 100% equity of the Australia SXO gold assets.

Save as disclosed above, the Group had no other material acquisitions and disposals of subsidiaries and associated companies during the financial year ended 31 December 2013.

14. Capital Expenditure

The Group's capital expenditure increased from approximately RMB381,071,000 in 2012 to approximately RMB664,325,000 in 2013. Expenditure incurred in 2013 mainly included (i) expenditure for acquisition of property, plant and equipment amounting to RMB468,154,000; (ii) expenditure for acquisition of intangible assets amounting to RMB107,119,000; and (iii) expenditure for acquisition of lands amounting to RMB51,182,000.

15. Capital Commitment

In 2013, the capital commitment of the Group was approximately RMB340,455,000, representing an increase of RMB201,607,000 or 145.2% over last year. The capital commitment mainly consisted of the amount of RMB233,846,000 for the underground mining works of Maogong Mine, the amount of RMB27,887,000 for the underground mining works of Benxi Mine and Aoniu Mine and the amount of RMB69,119,000 for the Indonesian smelting project. The increase in capital commitment was mainly due to the increase in new construction projects of the Company.

16. Significant Investment Held

Save for the financial assets held by the Company as disclosed in note 28 to the financial statements, the Group did not hold any significant investments as at 31 December 2013.

FUTURE PLAN AND PROSPECT

In 2013, the growth rate of China's economy slightly slowed down and is widely expected to further slow in 2014; as regards the external environment, the U.S. Federal Reserve has taken steps to taper its quantitative easing policy, throwing continuous pressure on prices of global bulk commodities and precious metals; meanwhile, mining enterprises are also generally exposed to such pressures as constantly increasing operating costs, increasing local community needs and increasingly stringent government supervision. In such an environment, mining enterprises are entering the restructuring period.

Having been listed in 2011, the Company developed the strategies of minerals limited diversification and internationalization and has made significant progress after more than two years' accumulation and breakthrough. The Company has significantly enhanced the production capacity of the iron ore business and the sustainable development capacity, extended the business scope to the fields of nickel ore and gold mining business and extended the operation regions from China to Indonesia and Australia.

Looking forward, the Group will continue to focus on improving productivity, sustainable cost management and shareholder value. The Group will improve the efficiency of development and utilization of the mines through scale operation and large equipment; utilize appropriate application models and reporting systems to track and assess the costs of the entire process so as to improve decision-making and assets efficiency; place greater emphasis on the improvement of results with technology. The mines of the Group have applied the technologies of centralized control, automation and production visualization to further enhance productivity and achieve continuous improvement.

While harvesting the benefits of the existing mine projects, the Group will also make cautious expansion and acquires high-quality projects when the industry is in the trough of the circle, so as to continuously increase resource reserve and operation scale of the Group and continuously create more value for shareholders of the Company.

REPORT OF THE DIRECTORS

1. PRINCIPAL ACTIVITIES

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

2. RESULTS

The profit of the Group for the year ended 31 December 2013, and the position of the Company and the Group as at that date are set out on pages 74 to 76 of this annual report.

3. 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 2013 are set out in note 18 to the consolidated financial statements.

4. SHARE CAPITAL

As at 31 December 2013, 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 is 1,830,000,000 shares. During the year, there was no change in the share capital of the Company.

5. 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.

6. RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 43 to the financial statements, among which, details of reserves distributable to the equity holders of the Company are set out on page 77 of this annual report.

7. DIVIDENDS

The Board recommended the payment of the final dividend for the year ended 31 December 2013, with RMB0.02 per share. The payment of the dividend will be conditional upon the approval by the shareholders at the annual general meeting of the Company to be held on Thursday, 29 May 2014.

All dividends to be distributed will be denominated and declared in RMB and will be paid to shareholders in Hong Kong dollars. The amount of dividends payable in Hong Kong dollars shall be calculated based on the average benchmark exchange rate of RMB to Hong Kong dollars announced by the People's Bank of China between Friday, 6 June 2014 and Friday, 13 June 2014. The aforesaid dividends are expected to be paid on or around Friday, 20 June 2014 to those shareholders whose name appears on the register of members as at Friday, 13 June 2014.

Closure of Register of Members

The register of members of the Company will be closed from Friday, 23 May 2014 to Thursday, 29 May 2014 (both days inclusive, 5 business days in total) to determine the entitlement to attend and vote at the annual general meeting and from Friday, 6 June 2014 to Friday, 13 June 2014 (both days inclusive, 6 business days in total) to determine the entitlement to the final dividend during which periods no transfer of shares shall be registered. In order to attend and vote at the 2014 annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 22 May 2014. For those who are entitled to receive the final dividend in respect of the year ended 31 December 2013, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 5 June 2014.

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

For the year ended 31 December 2013, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

9. MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2013, the purchase from the Company's five largest suppliers (as defined in the Listing Rules) in aggregate accounted for 45.08% of the Company's total purchase for the year. In particular, the total purchase from the largest supplier accounted for 23.66% of the Company's total purchase for the year.

For the year ended 31 December 2013, the sales to the Company's five largest customers in aggregate contributed 97% to the Company's total sales for the year. In particular, the sales to the largest customer contributed 58.26% to the Company's total sales for the year.

So far as the Directors are aware, except for Fushun Hanking D.R.I (details of which are set out in the paragraph headed "21. Connected Transactions" of this section), none of the Directors, associates (as defined in the Listing Rules) of the Directors or shareholders of the Company (who, to the knowledge of the Directors, owns more than 5% of the Company's issued share capital) had any interest in the five largest suppliers or customers during the year.

10. BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Group as of 31 December 2013 are set out in note 31 to the financial statements.

11. 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	Date of Resignation
Yang Min	Chairlady and Non-executive Director	31 May 2013	N/A
Yang Jiye	Vice Chairman and Non-executive Director	25 February 2011	N/A
Kenneth Jue Lee	Non-executive Director	30 January 2012	N/A
Lan Fusheng	Non-executive Director	30 January 2012	N/A
Pan Guocheng	Executive Director, Chief Executive Officer and President	31 May 2013	N/A
Zheng Xuezhi	Executive Director and Chief Financial Officer	31 May 2013	N/A
Xia Zhuo	Executive Director and Joint Company Secretary	25 February 2011	N/A
Qiu Yumin	Executive Director and Vice President (President of Hanking Australia Pty Ltd, a wholly-owned subsidiary of the Company as of the date of this report)	30 January 2012	N/A
Wang Ping	Independent Non-executive Director	31 May 2013	N/A
Johnson Chi-King Fu	Independent Non-executive Director	25 February 2011	N/A
Chen Yuchuan	Independent Non-executive Director	16 September 2011	N/A
Wang Anjian	Independent Non-executive Director	30 January 2012	N/A
Lu Zengxiang	Vice President	25 February 2011	N/A
Huang Jinfu	General Manager of Aoniu Mining	25 February 2011	N/A

Mr. Yang Jiye, Mr. Wang Anjian, Mr. Xia Zhuo and Mr. Qiu Yumin will retire from office as Directors by rotation at the forthcoming Annual General Meeting. All of them, being eligible, offered themselves for re-election pursuant to Article 84(1) of the Articles of Association.

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

12. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Detailed biographies of Directors and senior management are set out on pages 67 to 71 of this annual report.

13. DIRECTORS' SERVICE CONTRACT

The Company has entered into a service contract with each of the executive and non-executive Directors. The principal particulars of these service contracts include: (1) for a term of three years commencing from the listing date (i.e. 30 September 2011) (Yang Min, Yang Jiye, Pan Guocheng, Zheng Xuezhi and Xia Zhuo) or for a term of three years commencing from the appointment date (Kenneth Jue Lee, Lan Fusheng and Qiu Yumin), and (2) are subject to termination in accordance with their respective terms.

The Company has signed a letter of appointment with each of the independent non-executive Directors, details of which including: (1) for a term of three years commencing from the listing date (i.e. 30 September 2011) (Wang Ping, Johnson Chi-King Fu and Chen Yuchuan) or for a term of three years commencing from the appointment date (Wang Anjian); and (2) subject to termination in accordance with their respective terms.

The Company has received the written confirmation of their independence of 2013 from each of the independent non-executive Directors and considers them to be independent of the management and free of any relationship that could materially interfere with the exercise of their independent judgment.

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

14. REMUNERATION FOR DIRECTORS AND TOP 5 HIGHEST PAID EMPLOYEES

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

For the year ended 31 December 2013, none of the Director has agreed with the Company to waive any remuneration.

The remuneration for the Directors with the Company was proposed by the remuneration committee, which would take into account remuneration of companies in the same categories, conditions of employment, responsibilities and individual performance when proposing the remuneration, among others.

15. DIRECTOR'S INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in item 16 "Major Subsequent Events" and item 21 "Connected Transactions" in this report, as at 31 December 2013, the Company has not directly or indirectly concluded contracts of significance, in which any Director has material interests, and which is relevant to the business of the Company and still remain valid at any time during the year or at the end of the year.

16. MAJOR SUBSEQUENT EVENTS

None.

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

(1) Excluded Businesses

Benxi Iron Processing

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

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

On 16 June 2011, Benxi Mining and Benxi Iron Processing entered into a processing agreement for a term of three years, pursuant to which, Benxi Iron Processing will process the iron ores extracted by Benxi Mining and deliver the iron ore concentrates produced to Benxi Mining. At the extraordinary general meeting of the Company held on 29 November 2013, the processing arrangement was approved to be renewed for three years to 31 December 2016, pursuant to which, Benxi Iron Processing will continue to provide processing services to Benxi Mining. As Benxi Iron Processing is a connected person (as defined under the Listing Rules) of Hanking Group, the entering into of the processing service agreement constitutes a continuing connected transaction for the Company. Please refer the paragraph "Non-exempt Continuing Connected Transactions" in the section of "Connected Transactions" of this annual report for details of the processing service agreement.

Financial Information for the Excluded Businesses (RMB million) (audited)

	As of 31 December 2013	As of 31 December 2012	As of 31 December 2011
Total assets	**51.1**	48.4	46.4
Total liabilities	**38.7**	39.4	39.1
Revenue	**32.1**	28.5	36.5
Profit/loss	**3.4**	1.6	1.7

(2) Hanking Group

Ms. Yang Min and Mr. Yang Jiye held 60.67% and 28.29% of the equity interests in Hanking Group, respectively. Other business interests held by Hanking Group include: 1) Benxi Iron Processing: Hanking Group holds a 100% equity interest in Benxi Iron Processing; 2) Shiyan Hanking Deshan Mining Co., Ltd. (十堰罕王德山礦業有限公司) ("Shiyan Deshan"), located in Danjiangkou City of Hubei Province, China. It has obtained mining permit on 20 October 2012, with a mining area of 1.894 square kilometers. It operates underground mining for iron ores, and the production scale is 300,000 tons per year. In order to prevent potential competition, the controlling shareholders entered into a non-competition agreement with the Group, pursuant to which, the Group had a right to decide whether to acquire Shiyan Deshan or not. However, Shiyan Deshan still has pending legal disputes, therefore the Directors are in the view that it's not appropriate to acquire Shiyan Deshan at present.

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

As at 31 December 2013, save as disclosed below, the Directors and their associates did not hold any interests in any business which competes, either directly or indirectly, or is likely to compete against the business of the Group:

Name of Directors	Positions in the Company	Other interests
Yang Min	Chairlady and Non-executive Director	Chairlady of the board of directors of Hanking Group
Yang Jiye	Vice chairman and Non-executive Director	Vice chairman of the board of directors and President of Hanking Group
Xia Zhuo	Executive Director and Joint Company Secretary	Director of Hanking Group

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

18. 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 2013, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO) or was recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or was otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

REPORT OF THE DIRECTORS

Interests in the shares of the Company:

Name of Director and Chief Executive	Status/Nature of Interest	Number of Shares Held	Approximate Percentage of Shareholding
Yang Min[1]	Interest in controlled corporation	760,375,000 (long positions)	41.55%
	Founder of discretionary trust	13,820,166 (long positions)	0.76%
Yang Jiye[2]	Founder of discretionary trust	424,360,500 (long positions)	23.19%
		31,100,000 (short positions)	1.70%
Xia Zhuo[3]	Other	21,269,589 (long positions)	1.16%
	Beneficial owner	40,000 (long positions)	0.00%
Pan Guocheng[4]	Beneficial owner	4,200,000 (long positions)	0.23%
Zheng Xuezhi[5]	Interest in controlled corporation	2,066,666 (long positions)	0.11%
	Beneficial owner	50,000 (long positions)	0.00%

Notes:

1. Ms. Yang Min ("Ms. Yang") holds 100% interest in China Hanking (BVI) Limited and serves as settlor and beneficiary of management trust which holds the entire issued share capital of Best Excellence Limited. As a result, Ms. Yang is deemed to hold interest in 760,375,000 shares held by China Hanking (BVI) Limited and 13,820,166 shares held by Best Excellence Limited.

2. Bisney Success Limited holds interest of 424,360,500 shares (long positions) and 31,100,000 shares (short positions). The shareholder of Bisney Success Limited is Le Fu Limited, which is wholly owned by UBS Nominees Limited. UBS Nominees Limited is controlled by UBS Trustee (BVI) Limited, which is the arrangement of the discretionary trust of The Le Fu Settlement (樂福信託). Mr. Yang Jiye ("Mr. Yang") is the founder of the discretionary trust. As a result, Mr. Yang is deemed to hold interest in 424,360,500 shares (long positions) and 31,100,000 shares (short positions) held by Bisney Success Limited.

3. Mr. Xia Zhuo holds 48.9% interest in Splendour Ventures Limited, which holds interest in 21,269,589 shares of the Company. The accurate percentage of the 40,000 shares beneficially owned by Mr. Xia Zhuo is 0.00218579%.

4. These shares are held jointly with Pan Guoying.

5. Mr. Zheng Xuezhi is deemed to own interests of 2,066,666 shares held by his wholly-owned company, Best Fate Limited. The accurate percentage of the 50,000 shares beneficially owned by Mr. Zheng Xuezhi is 0.00273224%.

Save as disclosed above, as at 31 December 2013, 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 and short position taken or deemed to have under such provisions of the SFO), or which was required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which was otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

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

As at 31 December 2013, to the best of Directors' knowledge, having made all reasonable enquires, the following persons (other than the Directors and chief executives of the Company) own interests or short positions in the shares or underlying shares of the Company which shall be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholders	**Capacity/Nature of Interest**	**Number of shares**	**Percentage of Issued Share Capital**
China Hanking (BVI) limited	Beneficial owner	760,375,000 (long positions)	41.55%
Bisney Success Limited	Beneficial owner	424,360,500[1] (long positions)	23.19%
	Beneficial owner	31,100,000[1] (short positions)	1.70%
Le Fu Limited	Interest in controlled corporation	424,360,500[1] (long positions)	23.19%
	Interest in controlled corporation	31,100,000[1] (short positions)	1.70%
UBS Trustees (BVI) Limited	Trustee	424,360,500[1] (long positions)	23.19%
	Trustee	31,100,000[1] (short positions)	1.70%
SAIF IV GP Capital Ltd.	Interest in controlled corporation	93,107,000[2] (long positions)	5.09%
SAIF IV GP LP	Interest in controlled corporation	93,107,000[2] (long positions)	5.09%
SAIF Partners IV L.P.	Beneficial owner	93,107,000[2] (long positions)	5.09%
Yan Andrew Y	Interests in controlled corporation	93,107,000[2] (long positions)	5.09%

Note:

1. These 424,360,500 shares (long positions) and 31,100,000 shares (short positions) belong to the same group of shares.

2. These 93,107,000 shares belong to the same group of shares.

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

20. MANAGEMENT CONTRACTS

For the year ended 31 December 2013, there is no contract entered into by the Company relating to its management and administration or subsisting during the year which is substantial to the entire or any part of business of the Company.

21. CONNECTED TRANSACTIONS

All the connected transactions disclosed in note 41 to the financial statements also constitute connected transactions or continuing connected transactions for the Company as defined in the Listing Rules. Details of these transactions have been disclosed in accordance with Chapter 14A of the Listing Rules. The major connected transactions of the Group during the year ended 31 December 2013 are as follows:

(1) Non-exempt one-off Connected Transactions

The Group was involved in the following non-exempt one-off connected transactions in the year ended 31 December 2013:

Acquisition of 70% Equity Interest in Northeastern Lion

On 20 December 2012, the Company entered into a share purchase agreement with Evergreen Mining and Hanking Aoniu Investment (Hong Kong) Co., Ltd., pursuant to which, the Company has agreed to acquire, and Evergreen Mining has agreed to sell, 70% equity interest in Northeastern Lion (its name has now been changed to "Hanking (Indonesia) Mining Limited") for a total consideration of RMB311.8 million.

Evergreen Mining is an indirectly wholly-owned subsidiary of Hanking Group, which is in turn owned as to 60.67% by Ms. Yang and 28.29% by Mr. Yang (both being non-executive Directors and Controlling Shareholders). As such, Evergreen Mining is an associate of both Ms. Yang and Mr. Yang and is therefore a connected person of the Company.

The Company held an extraordinary general meeting on 4 March 2013 to approve the share purchase agreement and the transactions contemplated thereunder. The Controlling Shareholders and their associates have abstained from voting on the resolutions for the approval of the share purchase agreement.

More details please refer to the announcement dated 20 December 2012, the circular dated 15 February 2013 and the poll result announcement of the extraordinary general meeting dated 4 March 2013.

(2) Non-exempt Continuing Connected Transactions

The Company was involved in several non-exempt continuing connected transactions during the year ended 31 December 2013.

A. The Company had obtained the approval from the Hong Kong Stock Exchange when listed for the annual cap of transaction amount in respect of each of the following non-exempt continuing connected transactions, and the Company was exempted from compliance with the requirements on announcement and approval of independent shareholders.

As the approval and waiver were effective until 31 December 2013 and the following continuing connected transactions are important to the Group, the Company renewed the agreements in respect of each of the following transactions for a term of three years on 15 October 2013 and re-determined the annual caps of each transaction for each of the three years, which has been approved by the Board and/or at the extraordinary general meeting held on 29 November 2013.

The annual caps and actual transaction amounts of the continuing connected transactions in 2013 are listed as follows:

	Items of Continuing Connected Transactions	Connected Person	Annual Cap for 2013 (RMB)	Actual Annual Transaction Amount for 2013 (RMB)
1	Procurement of steel balls	Dawei Casting	11,400,000	0
2	Benxi Iron Processing service	Benxi Iron Processing	63,000,000	32,071,000
3	Sales of iron ore concentrates	Fushun Hanking D.R.I. and Dalian Huaren	400,000,000	286,979,000
4	Transportation services	Mingcheng Transportation or its affiliated companies	27,600,000	25,926,000
5	Lease of properties and properties management	Shengtai Property	4,800,000	4,189,560

REPORT OF THE DIRECTORS

a. *Procurement of Steel Balls*

Aoniu Mining and Dawei Casting concluded an agreement in relation to the purchase of steel balls on 16 June 2011. According to the agreement, the Group continued to procure steel balls from Dawei Casting for a term of three years commencing from the listing date. Dawei Casting is an entity wholly-owned by Yang Min, a non-executive Director and the Controlling Shareholder, and specializes in the production and sales of mining mechanical parts, iron metal artworks, cast pipe and cast-steel objects. Pursuant to Rule 14A.11 of the Listing Rules, Dawei Casting is a connected person of the Company. During the reporting period, the annual cap of the continuing connected transactions for 2013 was RMB11,400,000, and the actual transaction amount was RMB0. As the product models and quality of Dawei Casting could not meet the needs of the Group for development, the Group did not purchase any steel balls from Dawei Casting during the year of 2013. The transactions have not been renewed after expiration.

b. *Benxi Iron Processing Service*

Benxi Mining and Benxi Iron Processing signed an agreement for the provision of iron processing services on 16 June 2011. According to the agreement, Benxi Iron Processing will provide iron ore processing services and process the iron ore provided by Benxi Mining, and deliver the iron ore concentrates produced to Benxi Mining for a term of three years commencing from the listing date. Benxi Mining is an indirect wholly-owned subsidiary of the Company, specializing in iron ore mining. Benxi Iron Processing is a wholly-owned subsidiary of Hanking Group, specializing in iron ore processing. According to Rule 14A.11 of the Listing Rules, both entities are connected persons of the Company. During the reporting period, the annual cap of the continuing connected transactions for 2013 was RMB63,000,000, and its actual transaction amount was RMB32,071,000.

On 15 October 2013, Benxi Mining entered into a new processing service agreement ("New Benxi Iron Processing Service Agreement") with Benxi Iron Processing for a term of three years commencing from 1 January 2014 and ending on 31 December 2016. The annual cap of the transactions for each of the three years is RMB35 million respectively. As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the annual caps for the transactions under the New Benxi Iron Processing Service Agreement is more than 0.1% but less than 5%, the transactions are subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing

Rules. For more details, please refer to the relevant announcement of the Company published on the websites of the Hong Kong Stock Exchange and the Company on 15 October 2013.

c. *Sales of Iron Ore Concentrates*

The Company concluded a procurement agreement with Fushun Hanking D.R.I. on 16 September 2011. According to the agreement, the Company will, through its subsidiaries, including Aoniu Mining and Shenyang Toyo Steel Utility Co., Ltd. ("STSU"), provide iron ore concentrates to Fushun Hanking D.R.I. for a term of three years commencing from the listing date. Fushun Hanking D.R.I. is a wholly-owned subsidiary of Hanking Group, specializing in producing direct reduced iron and pig iron and selling iron ore concentrates, iron ores and steel. According to Rule 14A.11 of the Listing Rules, Fushun Hanking D.R.I. is a connected person of the Company. During the reporting period, the annual cap of the continuing connected transactions for 2013 was RMB400,000,000, and its actual transaction amount was RMB286,979,000.

On 15 October 2013, the Company entered into a new sale agreement ("Iron Ore Concentrates Sale Agreement") with Fushun Hanking D.R.I. and Dalian Huaren (as an agent of Fushun Hanking D.R.I.) for a term of three years commencing from 1 January 2014 and ending on 31 December 2016. The annual cap of the transactions for each of the three years is RMB480 million respectively. As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the annual caps for the transactions under the Iron Ore Concentrates Sale Agreement exceeds 25%, the transactions are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Iron Ore Concentrates Sale Agreement, the transactions contemplated thereunder and the new annual caps have been approved at the extraordinary general meeting held on 29 November 2013. For more details, please refer to the relevant announcements of the Company published on the websites of the Hong Kong Stock Exchange and the Company on 15 October 2013 and 29 November 2013 respectively and the circular of the Company dated 12 November 2013.

d. *Transportation Services*

Aoniu Mining concluded an agreement on transportation of iron ore concentrates with Mingcheng Transportation on 16 September 2011. According to the agreement, Aoniu Mining appointed Mingcheng Transportation or its affiliated companies to provide transportation services for a term of three years commencing from the listing date. Mr. Yang Xinhuan, a nephew of Yang Min, non-executive Director and the Controlling Shareholder, owns 100% interest in Mingcheng Transportation, and 70% interest in Mingyang Transport. Both Mingcheng Transportation and Mingyang Transport specialize in transportation of common goods and mass goods by road. According to Rule 14A.11 of the Listing Rules, both Mingcheng Transportation and Mingyang Transport are connected persons of the Company. During the reporting period, the annual cap of the continuing connected transactions for 2013 was RMB27,600,000, and its actual transaction amount was RMB25,926,000.

On 15 October 2013, the Company entered into a new transportation service agreement ("New Transportation Service Agreement") with Mingcheng Transportation for a term of three years commencing from 1 January 2014 and ending on 31 December 2016. The annual cap of the transactions for each of the three years is RMB27,600,000 respectively. As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the annual caps for the transactions under the New Transportation Service Agreement is more than 0.1% but less than 5%, the transactions are subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. For more details, please refer to the relevant announcement of the Company published on the websites of the Hong Kong Stock Exchange and the Company on 15 October 2013.

e. Lease of Properties and Properties Management

Aoniu Mining, STSU and Shengtai Property concluded a lease agreement on 16 September 2011. According to the agreement, Aoniu Mining and STSU continued to lease office premises located at No. 227, Qingnian Street, Shenhe District, Shenyang City, Liaoning Province, with a leased area of approximately 3,193.8 square meters from Shengtai Property, leased advertising sites in the same building, and engaged Shengtai Property to provide properties management service for a term of three years commencing from the listing date of the Company. Given the fact that 96.69% of interest in Shengtai Property is indirectly held by the Controlling Shareholder of the Company, Shengtai Property is a connected person of the Company in accordance with Rule 14A.11 of the Listing Rules. During the reporting period, the annual cap of the continuing connected transactions for 2013 is RMB4,800,000, and its actual transaction amount is RMB4,189,560.

On 15 October 2013, Aoniu Mining and STSU entered into a new lease agreement ("New Office Lease Agreement") with Shengtai Property for a term of three years commencing from 1 January 2014 and ending on 31 December 2016. The annual cap of the transactions for each of the three years is RMB4 million respectively. As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the annual caps for the transactions under the New Office Lease Agreement is more than 0.1% but less than 5%, the transactions are subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. For more details, please refer to the relevant announcement of the Company published on the websites of the Hong Kong Stock Exchange and the Company on 15 October 2013.

B. In respect of the following non-exempt continuing connected transactions being exempted from approval of independent shareholders, the Company has performed obligations of announcement on 20 December 2012.

a. Sale and Purchase of Indonesian Laterite Nickel Ore

The Group entered into the sale and purchase contract of Indonesian laterite nickel ore with Harvest Globe on 20 December 2012, pursuant to which the Group has agreed to purchase laterite nickel ore from Harvest Globe for a term of three years, commencing from 1 January 2013 to 31 December 2015. Harvest Globe is a non wholly-owned subsidiary of Denway Development and an indirectly non wholly-owned subsidiary of Northeastern Lion. After the completion of Northeastern Lion Acquisition, Northeastern Lion became a non wholly-owned subsidiary of the Company, of which 70% equity interest was held by the Company and the remaining 30% equity interest was held by Evergreen Mining. Evergreen Mining is a connected person of the Company. Therefore, Harvest Globe is a connected person of the Company under Rules 14A.11(5) and 14A.11(6) of the Listing Rules. During the reporting period, the annual cap of the continuing connected transactions for 2013 is RMB65 million, and its actual transaction amount is RMB0.

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

A. in the ordinary course of business of the Company;

REPORT OF THE DIRECTORS

B. 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;

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

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

A. 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;

B. 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, in accordance with the pricing policies of the Company;

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

D. 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 such continuing connected transactions have exceeded the maximum aggregate annual value disclosed in the section headed "Connected Transactions" in the Prospectus or approved by the Board or at the general meeting in respect of each of the disclosed continuing connected transactions;

E. 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.

22. NON-COMPETITION AGREEMENT COMPLIANCE

The Company signed a non-competition agreement ("Non-competition Agreement") with the Controlling Shareholders on 16 June 2011. Pursuant to the Non-competition Agreement, each Controlling Shareholder has undertaken to the Company (for itself and for the benefit of its subsidiaries) that with exception of the disclosed in the Prospectus, they would not and will procure their associates (exclusive of any members of the Group) that will not carry out, and participate by himself/herself or along with or on behalf of any person, firm, company (inclusive of) business or activities or own equity in business or activity in relation to retained business, or acquire or hold, create, develop, operate or manage business or activities that compete against the core business of the Company, directly or indirectly, during the restricted time limit stated below. The Company would be granted by the Controlling Shareholder an option and the pre-emptive right to acquire certain interests in certain entities retained by the Controlling Shareholder after the reorganization.

Pursuant to the Non-competition Agreement, the independent non-executive Directors are responsible for reviewing and considering whether exercising such option and pre-emptive right, as well as entitled to conduct annual review of implementation of the Non-competition Agreement on behalf of the Company. During the year, each Controlling Shareholder has made annual confirmation of compliance of the Non-competition Agreement, and the independent non-executive Directors have also reviewed the implementation of the Non-competition Agreement, and confirmed that the Controlling Shareholders have fully abided by the Non-competition Agreement without any breach of the Non-competition Agreement.

23. RETIREMENT AND EMPLOYEES' BENEFIT PLAN

Detailed information on the retirement and employees' benefit plan of the Company is provided in note 12 to the financial statements.

24. COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE

As a company listed on the main board of the Hong Kong Stock Exchange, the Company consistently commits to maintain high level of corporate governance. During the year ended 31 December 2013, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules, and has complied with most of the best practices as suggested therein. Please refer to Corporate Governance Report in this annual report for details.

25. PUBLIC FLOAT

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

REPORT OF THE DIRECTORS

26. SIGNIFICANT LEGAL PROCEEDINGS

For the year ended 31 December 2013, the Group has not been involved in any significant legal proceedings or arbitration. To the knowledge of the Directors, there are no significant legal proceedings or claim pending or threatened.

27. AUDIT COMMITTEE

The audit committee under the Board has reviewed the Company's annual results for 2013, and the financial statements for the year ended 31 December 2013.

28. AUDITOR

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

29. 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.

30. SIGNIFICANT CONTRACTS

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

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

For the year ended 31 December 2013, the Company has not granted financial assistance and guarantee to its affiliated company.

32. LOAN TO A GIVEN ENTITY

For the year ended 31 December 2013, the Group has granted a loan of RMB11,300 thousand to a given entity. Please refer to note 22 to the financial statements for details.

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

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

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

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

34. CHARITABLE DONATIONS

Donations made for charitable purposes by the Group during the year ended 31 December 2013 amounted to RMB1,510,000.

By order of the Board
Ms. Yang Min
Chairlady of the Board

18 March 2014

CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining and ensuring high standard of corporate governance. On 19 March 2013, the Board approved and adopted the Corporate Governance Policies developed by the Company. The Corporate Governance Policies of the Company, which is prepared in accordance with the principles, code provisions and certain recommended best practices of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules, is in the best interest of the Company and its shareholders. The Company believes that good corporate governance provides a framework that is essential for ensuring effective management, business growth and shareholder value.

During the period from 1 January 2013 to the date of this annual report, the Company has fully complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, and essentially complied with the recommended best practices of the Code.

The detailed discussions of the code provisions adopted and complied by the Company during the period are set out below.

BOARD COMPOSITION

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

During the period from 1 January 2013 to the date of this annual report, the Board consists of twelve members as follows:

Non-executive Directors	**Executive Directors**	**Independent non-executive Directors**
Ms. Yang Min *(Chairlady of the Board)*	Mr. Pan Guocheng *(Chief Executive Officer)*	Mr. Wang Ping
Mr. Yang Jiye *(Vice Chairman of the Board)*	Mr. Zheng Xuezhi	Mr. Johnson Chi-King Fu
Mr. Kenneth Jue Lee	Mr. Xia Zhuo	Mr. Chen Yuchuan
Mr. Lan Fusheng	Mr. Qiu Yumin	Mr. Wang Anjian

During the reporting period, the Company has appointed sufficient number of independent non-executive Directors who are equipped with relevant qualification in accordance with the requirements of the Listing Rules. As of the date of this report, the Company has four independent non-executive Directors in total, representing one-third of the total number of Directors. Mr. Wang Ping has over 17 years' experience in corporate finance, audit, accounting and taxation; Mr. Johnson Chi-King Fu has more than 31 years' experience in financial industry; Mr. Chen Yuchuan has obtained more than 53 years of experience in the area of mining and geology; and Mr. Wang Anjian has extensive experience in research of resource strategy.

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

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

For the year ended 31 December 2013, all Directors have participated in the following trainings on the roles, functions and duties of a director of a listed company, so as to continuously develop their expertise and professional skills.

	Training Scope		
Directors	**Corporate Governance**	**Listing Rules**	**Business/ management**
Non-executive Directors			
Ms. Yang Min	✓	✓	✓
Mr. Yang Jiye	✓	✓	✓
Mr. Kenneth Jue Lee	✓	✓	✓
Mr. Lan Fusheng	✓	✓	✓
Executive Directors			
Mr. Pan Guocheng	✓	✓	✓
Mr. Zheng Xuezhi	✓	✓	✓
Mr. Xia Zhuo	✓	✓	✓
Mr. Qiu Yumin	✓	✓	✓
Independent non-executive Directors			
Mr. Wang Ping	✓	✓	✓
Mr. Johnson Chi-King Fu	✓	✓	✓
Mr. Chen Yuchuan	✓	✓	✓
Mr. Wang Anjian	✓	✓	✓

CORPORATE GOVERNANCE REPORT

In order to gain the latest information of their specialized fields, each of the Directors proactively attended seminars related with their industries. For example, Ms. Yang participated in the Excellent Leadership program organized by School of Economics and Management, Tsinghua University; Mr. Pan Guocheng attended the International Mining Conference of China (中國國際礦業大會), the Australia Mining and Investment Summit (澳大利亞礦業與投資高峰會), the Mining and Investment Summit of London UK (英國倫敦礦業與投資高峰會), the Asia Nickel Mining Conference (亞洲鎳礦大會) and the Asia Mining Conference (亞洲礦業大會); and Mr. Zheng Xuezhi and Mr. Wang Ping participated in the seminar on the latest development of the environmental, social and governance report and the compliance with the Listing Rules organized by the Hong Kong Stock Exchange. Mr. Zheng Xuezhi also participated in the financial training on the International Accounting Standards and tax planning organized by Deloitte Touche Tohmatsu, so as to further enhance his professional skills.

COMPANY SECRETARY

The Company appointed Ms. Mok Ming Wai (a director of KCS Hong Kong Limited) as one of its joint company secretaries, whose primary corporate contact person at the Company is Mr. Xia Zhuo, an executive Director and the other joint company secretary of the Company.

In order to comply with the Rule 3.29 of the Listing Rules, both of the joint company secretaries Mr. Xia Zhuo and Ms. Mok Ming Wai have participated in no less than 15 hours' professional training for the year ended 31 December 2013.

Mr. Xia Zhuo participated in the intensified and continuous professional development program of joint members with 16.5 ECPD learning hours organized by the Hong Kong Institute of Chartered Secretaries, and also constantly enhanced his professional skills through internal training and self-study.

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 and/or appointment letters 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.

The appointment of independent non-executive Directors strictly adheres to the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules. The Company has received the written confirmation of their independence of 2013 from each of the independent non-executive Directors and considers them to be independent of the management and free of any relationship that could materially interfere with the exercise of their independent judgment.

During the reporting period, the independent non-executive Directors of the Company actively took part in the meetings held by the Board and all specialized committees, during which many independent professional comments and suggestions were raised in respect of the business development, significant decisions, risk management, internal control of the Company. On 27 August 2013, the independent non-executive Directors and Chairlady of the Board made a thematic discussion about the non-executive Directors' comments on the operation in 2013 and the recommendations and request in regard to the operation in 2014.

During the reporting period, the independent non-executive Directors of the Company had no objections to the resolutions made by the Board and specialized committees of the Company.

SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers 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. Specific enquiry has been made to all the Directors and all Directors have confirmed that they have complied with the Model Code and the Company Guideline throughout the year ended 31 December 2013. Specific enquiry has been made to the relevant employees and the Company confirmed that all the relevant employees have complied with the Company Guideline throughout the year ended 31 December 2013.

THE CHAIRLADY OF THE BOARD AND THE CHIEF EXECUTIVE OFFICER

The Company has developed the Guidelines regarding the Division of Functions between the Board and Senior Management in place. In respect of the separate roles of the chairlady of the Board and chief executive officer, for the financial year ended 2013, Ms. Yang Min, a non-executive Director, is the Chairlady of the Board and responsible for the management of effective operation of the Board. Mr. Pan Guocheng is the chief executive officer of the Company, responsible for daily operational activities of the Group and responsible to the Board for the overall operations of the Group. The management shall provide members of the Board and specialized committees under the Board with appropriate and sufficient information in a timely manner so as to update them with the latest developments of the Company and facilitate the discharge of duties better.

GENERAL MEETING, BOARD MEETING AND SPECIALIZED COMMITTEE MEETING

In 2013, the Company held one annual general meeting and two extraordinary general meetings in total. All the Directors attended the three general meetings.

The Company has sufficiently promulgated and published on its website the terms of reference of the four specialized committees under the Board (namely audit committee, nomination committee, remuneration committee and health, safety, environmental protection and community committee), so that they can properly perform their duties and functions and with the requirement of reporting their decisions or recommendations to the Board.

CORPORATE GOVERNANCE REPORT

The Board has convened four meetings during the year of 2013. During the reporting period, the details of Directors' attendance of the Board meetings, special committee meetings under the Board and general meetings are as follows:

Name of Directors	Board of Directors	Specialized Committees under the Board: Audit Committee	Remuneration Committee	Nomination Committee	Health, Safety, Environmental Protection and Community Committee	General Meetings
Non-executive Directors						
Yang Min	4/4	N/A	N/A	1/1	N/A	3/3
Yang Jiye	4/4	N/A	2/2	N/A	N/A	3/3
Lan Fusheng	3/4	N/A	N/A	N/A	1/1	3/3
Kenneth Jue Lee	4/4	N/A	N/A	N/A	N/A	3/3
Executive Directors						
Pan Guocheng	4/4	N/A	N/A	N/A	1/1	3/3
Zheng Xuezhi	4/4	N/A	N/A	N/A	N/A	3/3
Xia Zhuo	4/4	N/A	N/A	N/A	N/A	3/3
Qiu Yumin	4/4	N/A	N/A	N/A	N/A	3/3
Independent non-executive Directors						
Wang Ping	4/4	2/2	2/2	N/A	N/A	3/3
Johnson Chi-King Fu	4/4	2/2	N/A	1/1	N/A	3/3
Chen Yuchuan	4/4	N/A	2/2	1/1	N/A	3/3
Wang Anjian	4/4	2/2	N/A	N/A	1/1	3/3

Among other things, the meetings were held in way of a Board meeting instead of by way of written resolutions in case of any 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 transactions have attended the Board meetings. Minutes of Board meetings and specialized committee meetings were prepared and maintained by the company secretary.

(A) Audit Committee

All the existing members of the audit committee of the Company are comprised of independent non-executive Directors:

Mr. Wang Ping *(Chairman)*
Mr. Johnson Chi-King Fu
Mr. 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 also assist the Board in fulfilling its duties by providing an independent review and supervision of financial reporting, satisfying themselves as to the effectiveness of the internal controls of the Group and as to the adequacy of the external and internal audits.

During the year of 2013, the audit committee held a total of two meetings, at which the Audit Committee reviewed the half-year and annual financial results and financial reports of the Group for the first half of 2013 and the year 2012 respectively, and issues regarding the improvement and implementation of compliance procedures and internal control system as well as issues regarding the re-appointment of auditors and their remuneration. The external auditors and all members of the audit committee have attended the above meetings.

(B) Remuneration Committee

The existing members of the remuneration committee are as follows:

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

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 elsewhere in the Group for Directors, senior management and general staff) and implement the remuneration policies determined by the Board.

During the year of 2013, the remuneration committee held a total of two meetings, at which the Remuneration Committee mainly reviewed the remuneration policies and structure of the Directors and senior management of the Company and made recommendations for further improvement.

(C) Nomination Committee

The existing members of the nomination committee are as follows:

Non-executive Director	***Independent non-executive Directors***
Ms. Yang Min *(Chairlady)*	Mr. Johnson Chi-King Fu
	Mr. Chen Yuchuan

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

The Company revised the terms of reference and operating model of the nomination committee in August 2013, and included therein policies on the diversity of the Board (the revised terms of reference and operating model of the nomination committee had been published on the websites of the Hong Kong Stock Exchange and the Company), making efforts to keep an appropriate balance in diversity of skills, experience, opinions and points of view of the Board members, so as to support the execution of business strategies and efficiency of Board operation.

On 18 March 2013, the nomination committee held the first meeting of 2013, at which the members of the Nomination Committee were all present, and Ms. Yang Min was nominated to be re-elected as the non-executive Director, Mr. Pan Guocheng and Mr. Zheng Xuezhi as the executive Directors, and Mr. Wang Ping as the independent non-executive Director. The independence of Mr. Wang Ping, Mr. Johnson Chi-King Fu, Mr. Chen Yuchuan and Mr. Wang Anjian 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 were also discussed.

Diversity Policies

The Company will make efforts to keep an appropriate balance in diversity of skills, experience, opinions and points of view of the Board members, to support the execution of business strategies and efficiency of Board operation.

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, culture and educational background, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy as well as the business of the Company and specific needs from time to time, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Measurable Objectives of Diversity Policy

Selection of candidates for Board membership will be based on a range of diversity perspectives, including but not limited to gender, age, culture and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Board comprises twelve Directors, including 1 female and 11 male Directors. There are 1 Director at the age range of 31-40, 5 Directors at the range of 41-50, 5 Directors at the range of 51-60 and 1 Director aged over 61, of which 8 Directors are from Mainland China, 2 from Hong Kong, 1 from the U.S. and 1 from Canada. All Directors have received tertiary education or above, and three of them have obtained doctorate degree. The members of the Board have rich experiences in enterprise operation and management, mine site exploration, development, operation and investment, geology and mineral resources, financial, 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 is of the opinion that the rational structure of the Board and the extensive experiences and skills of the Directors in various fields may enable the Company to maintain high standard operation. Details on the Directors are set out in the section headed "Biographies of Directors and Senior Management" of this annual report.

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

With the aim of improving the management standard of health, safety, environmental protection and community of the Company, and to protect the health and safety of the employees and ensure production and operation safety, protect the eco-environment and maintain good relationship between the enterprise and the communities, the Board established the health, safety, environmental protection and community committee on 19 March 2013.

The existing members of the health, safety, environmental protection and community committee are as follows:

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

During the year of 2013, the health, safety, environmental protection and community committee held one meeting, at which the committee reviewed the Company's governance policies on health, safety, environmental protection and community and the content of the Environmental, Social and Governance Report for the 2013 financial year to be prepared by the Company.

CORPORATE GOVERNANCE

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

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

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

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

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

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

During the year, the Board held four meetings to deal with, discuss and review the aforesaid work.

REMUNERATION OF AUDITORS

The shareholders approved the resolution for the reappointment of Deloitte Touche Tohmatsu as the auditor of the Company for 2013 and authorizing the Board and the audit committee to determine its remuneration at the annual general meeting held on 31 May 2013. The Company continued to appoint Deloitte Touche Tohmatsu as the auditor of the Company for the year of 2013 with a term of one year to the date of the 2014 annual general meeting. As of 31 December 2013, the details of the audit and non-audit services provided by the auditor for the Group are as follows:

Audit Service	The total fee charged for providing the Group with the interim audit for the financial statements as of 30 June 2013 and annual audit for the financial statements as of 31 December 2013 was RMB2,500,000 (excluding miscellaneous fees and taxation).
Non-audit Service	The total fee charged for providing the Group with advisory services on tax affairs was RMB150,000 (excluding miscellaneous fees and taxation).

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 2013, which gave a true and fair view of the state of affairs of the Group and of the results and cash flows for that year. The Company allocated sufficient resources to prepare the audited accounts. Senior management was required to present and explain the financial reporting and matters that materially affected or may have material impact on the financial performance and operations of the Company to the audit committee and the Board and responded to the queries and concerns raised by the audit committee and the Board. The consolidated financial statements have been prepared in accordance with IFRS. In addition, the financial statements included appropriate disclosure made in accordance with the Listing Rules and the Companies Ordinance. The preparing responsibility of the external auditors of the Company on the financial statements of the Group was set out in the independent auditors' report of this annual report.

INTERNAL CONTROL

The Board has overall responsibility for the system of internal controls of the Group, including setting management structure and making appropriate authorization, identifying proper accounting policy and providing reliable financial information for internal and external use. The measures above were designed to provide reasonable (but not absolute) assurance against material misstatement or loss, and to manage (but not fully eliminate) the mistakes of the Group's operational systems and the risks of failure to achieve the Group's business objectives.

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

The management of the Company provides the members of the Board with the latest information of the Group monthly, which sets out the performance of the Company, the notarization of the financial position and prospects and well-understood assessment.

An Internal Control Application Manual was prepared by the Company to regulate control programs, mainly including transaction authorization control, responsibility dividing control, documents and records control, asset contact and recording control, independent audit control and electronic information system control.

The Group has established the Information Disclosure Management System, the Administrative Rules Governing Related Party Transactions, and the Inside Information Disclosure System which stipulate the relevant procedures for processing the inside information. The Board regularly evaluates the effectiveness of internal control.

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

The Company established an independent accounting organization to set out the duties and rights related to finance management, accounting and auditing, and assigned with relevant staff to ensure the smoothness of finance and accounting work and the separation of approval, implementation and recording function, and formulated rules relating to every aspect of financial and accounting, so as to be the guarantee fair execution.

The Board believes that the existing corporate internal control system has basically covered the operating conditions of the corporation and the internal control system the Company has adopted for the year ended 31 December 2013 was reasonable and effective.

ARTICLES OF ASSOCIATION

For the financial year ended 2013, there were no material changes to the Articles of Association.

COMMUNICATION POLICY WITH SHAREHOLDERS

The Company attached great importance to the communication with shareholders and promoted understanding and communication with shareholders through various channels of general meetings, results announcement conferences, road show activities, receiving guests and telephone counseling. In 2013, the Company organized various road show activities and analysts meetings.

(A) The rights of Shareholders

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

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

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law (2012 Revision). However, pursuant to the Articles of Association, member or members holding not less than one-tenth of paid-up capital of the Company entitled to vote at the meeting on the date of submitting requirements, are entitled to give written requirements to the Board or the Company Secretary of the Company to request the Board to convene an extraordinary general meeting at any time and to handle the matters set out in the above requirements. The above meeting shall commence within two (2) months after the satisfying the relevant requirements. The requests shall be sent to the principal place of business in Hong Kong of the Company, 8th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong and for the attention of the Company Secretary. If the Board had not convened the meeting within twenty-one (21) days after the requirements are satisfied, 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 failing, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

(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:	8th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong
Fax:	+852 3589 8555
Tel:	+852 3589 8899

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

Meanwhile, the chairlady of the Board as well as chairlady/chairmen of all of the Board 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 external auditors shall also be present at the meeting to assist the Directors to answer questions raised by the shareholders.

(C) Shareholders' enquiries

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

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

(D) Investor Relations and Communication

The Company promotes the effective communication with shareholders, investors and other rights persons and duly issues company consultancy and other related financial information at the website of the Hong Kong Stock Exchange (http://www.hkexnews.hk) and the Company's website (www.hankingmining.com) including detailed information related to the operations performance and momenta disclosed by annual report, interim report, news release and notice.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

1 COMPOSITION OF DIRECTORS

As at the Latest Practicable Date, the Board consisted of four executive Directors, four non-executive Directors and four 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
Ms. Yang Min	59	Non-executive Director and Chairlady of the Board	31 May 2013	She is responsible for the overall business strategies of the Group, but not participating in the day-to-day management of the business operations of the Group
Mr. Yang Jiye	36	Non-executive Director and Vice Chairman of the Board	25 February 2011	He is responsible for providing strategic advice to the Group, but not participating in the day-to-day management of the business operations of the Group
Mr. Pan Guocheng	57	Executive Director and Chief Executive Officer and President	31 May 2013	He is responsible for general management and daily operation of the Group
Mr. Zheng Xuezhi	44	Executive Director and Chief Financial Officer	31 May 2013	He is responsible for financial management of the Group
Mr. Xia Zhuo	48	Executive Director and Joint Company Secretary	25 February 2011	He is responsible for the daily work of the Board and the matters related to investors relations
Mr. Qiu Yumin	51	Executive Director and the president of Hanking Australia Pty Ltd. (罕王澳大利亞有限公司), a wholly-owned subsidiary of the Company	30 January 2012	He is responsible for exploration and development of the Group
Mr. Kenneth Jue Lee	46	Non-executive Director	30 January 2012	N/A
Mr. Lan Fusheng	49	Non-executive Director	30 January 2012	N/A
Mr. Wang Ping	43	Independent non-executive Director	31 May 2013	N/A
Mr. Johnson Chi-King Fu	59	Independent non-executive Director	25 February 2011	N/A
Mr. Chen Yuchuan	79	Independent non-executive Director	16 September 2011	N/A
Mr. Wang Anjian	60	Independent non-executive Director	30 January 2012	N/A

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

2. BIOGRAPHY OF NON-EXECUTIVE DIRECTORS

Ms. Yang Min, aged 59, is a non-executive Director and the chairlady of the Board. Ms. Yang is the founder of the Group. She is responsible for the overall business strategies of the Group. Since August 2008, she has served as the chairlady of the board of Aoniu Mining, director of Xingzhou Mining, Benxi Mining, Maogong Mining and Fushun Shangma and chairlady of the board of supervisors of KS, KKU and KP (all companies being subsidiaries of the Company). In addition, Ms. Yang is currently serving as the chairlady of the board of directors of Hanking Group. Ms. Yang has obtained more than 16 years of experience in the mining industry. Ms. Yang is currently holding a number of positions with various organizations. She serves as a representative of the twelfth National People's Congress (第十二屆全國人大代表), an executive member of the eleventh All-China Federation of Industry and Commerce (中華全國工商業聯合會) and the president of the presidium of the fifth board of supervisors of China Mining Association (中國礦業聯合會). Ms. Yang is the mother of Mr. Yang Jiye.

Mr. Yang Jiye, aged 36, is a non-executive Director and vice chairman of the Board as well as the vice chairman of the board of Aoniu Mining and the supervisor of KS, KKU and KP. He is currently the vice-chairman of the board of directors and president of Hanking Group and the chairman of the board of directors of Liaoning Hanking Investment Co., Ltd. (遼寧罕王投資有限公司). With his previous and current positions in the Group, he has more than 11 years of experience in corporate governance and management. Mr. Yang Jiye is the son of Ms. Yang Min.

Mr. Kenneth Jue Lee, aged 46, has been a non-executive Director of the Company since 30 January, 2012. He is a partner at SAIF Partners. SAIF Partners IV L.P. beneficially holds 93,107,000 shares of the Company, representing approximately 5.1% of the issued capital of the Company. Currently, Mr. Lee is also a non-executive director on the boards of four Chinese portfolio companies publicly listed on the stock exchanges in USA and Hong Kong and a board director for four other private Chinese companies backed by SAIF Partners. He has close to 20 years of experience across private equity investment, corporate finance, and business development in China.

Mr. Lan Fusheng, aged 49, is a non-executive Director. He has been an executive director of Zijin Mining Group Co., Ltd. (SEHK: 2899; SSE: 601899) since September 2000, responsible for investment and merger and acquisition. He is also the chairman of Gold Mountains (Hong Kong) International Mining Co., Ltd. As at the Latest Practicable Date, Gold Mountains (Hong Kong) International Mining Co., Ltd beneficially held 62,071,000 shares of the Company, representing approximately 3.4% of the issued share capital of the Company. Mr. Lan has 31 years of experience in geological exploration and investment.

3. BIOGRAPHY OF EXECUTIVE DIRECTORS

Mr. Pan Guocheng, aged 57, is an executive Director. He is also the chief executive officer and president of the Company and is responsible for the general management and daily operation of the Group. Currently, he is the director and president of Aoniu Mining and the supervisor of KS, KKU and KP (all companies being subsidiaries of the Company). Mr. Pan Guocheng held positions (including management positions) with various organizations, including director of technical development department at AngloGold North America, president of GeoSight, Inc. and China general manager of Gold Fields (BVI) Ltd.. Being in his previous and current positions in the Group, Mr. Pan Guocheng has obtained more than 23 years experience in operation management and project development from mining companies. He has published papers and reports in the areas of mineral exploration, mining engineering, mining reserve estimate, economic evaluation and statistic mining.

Mr. Zheng Xuezhi, aged 44, is an executive Director. He also serves as the chief financial officer of the Company and is responsible for financial management of the Group. Currently he is the director of Aoniu Mining and the supervisor of KS, KKU and KP (all companies being subsidiaries of the Company), as well as the director of Liaoning Hanking Investment Co., Ltd. Being in his previous and current positions in the Group, Mr. Zheng Xuezhi has obtained more than 12 years of experience in financing, auditing, accounting, and taxation. He is a certified public accountant and a certified public valuer in the PRC.

Mr. Xia Zhuo, aged 48, is an executive Director. He also serves as the joint company secretary of the Company and is responsible for daily administrative matters of the Group. He is currently serving as the director and board secretary of Aoniu Mining and the director of KS (both companies being subsidiaries of the Company). Currently, he also serves as the director of Hanking Industrial Group Co., Ltd. and Liaoning Hanking Investment Co., Ltd. Mr. Xia Zhuo has obtained more than 17 years of experience in the mining industry.

Mr. Qiu Yumin, aged 51, is an executive Director. Mr. Qiu joined the Group in 2011, responsible for the exploration business and development of the Group. He served as the vice president of the Company in 2012 and has been appointed as the executive director and president of Hanking Australia Pty Ltd. and Hanking Gold Mining Pty Ltd., wholly-owned subsidiaries of the Company since February 2013. He is also a director of Aoniu Mining. Mr. Qiu is responsible for the overall business management of Hanking Australia Pty Ltd. Mr. Qiu is a member of Australian Institute of Geoscientists and has published geological papers in international academic periodical of Australia, China, France, Japan and the United State. Mr. Qiu has over 16 years of experience in exploration and business development, including being a member of senior management in international mining companies for over 12 years. Currently, he is also a non-executive director of Kimberley Diamond Limited (ASX: KDL) in Australia.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

4. BIOGRAPHY OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Ping, aged 43, is an independent non-executive Director. Currently, he is the executive director and chief financial officer of China Vehicle Components Technology Holdings Limited (中國車輛零部件科技控股有限公司) (SEHK: 1269). He has over 16 years of experience in corporate financing, auditing, accounting and taxation. He is a fellow member of the Chinese Institute of Certified Public Accountants. He is currently serving as the independent non-executive director of Chongyi Zhangyuan Tungsten Co., Ltd. (崇義章源鎢業股份有限公司) (SZSE: 002378), China Tianrui Group Cement Company Limited (SEHK: 1252), and Shenzhen Fuanna Bedding & furnishing Company Limited (深圳市富安娜家居用品股份有限公司) (SZSE:002327).

Mr. Johnson Chi-King Fu, aged 59, is an independent non-executive Director. He was the China CEO of Rabobank Nederland, the chief executive officer of Hang Seng Bank (China) Limited and the Taiwan CEO of Standard Chartered Bank. He has over 30 years of experience in the financial industry. Mr. Fu has served as the group chief executive officer of Kingold Group Companies Ltd. since May 2013.

Mr. Chen Yuchuan, aged 79, is an independent non-executive Director. He is currently the director of the Science and Technology Committee of the Chinese Academy of Geological Sciences (中國地質科學院科技委), the director of the Mine and Geology Specialist Committee (礦床地質專業委員會), and the vice chairman of the International Association of the Genesis of Ore Deposits (國際礦床成因協會). He has obtained more than 53 years of experience in the area of mining and geology. He is an academician of the Chinese Academy of Engineering (中國工程院).

Mr. Wang Anjian, aged 60, is an independent non-executive Director. Mr. Wang is currently the director and researcher of the Research Center for Strategy of Global Mineral Resources, Chinese Academy of Geological Sciences, responsible for the organizing, researching and training and he is also the standing director of Chinese Society for Environmental Sciences and the adjunct professor of China University of Geosciences (Beijing). Mr. Wang has extensive experience in the research of resource strategy.

5. SENIOR MANAGEMENT

Name	Age	Position/Title	Biography	Remuneration (annual)
Pan Guocheng	57	Chief Executive Officer and President	See "Biography of Executive Directors"	See note 14 to the consolidated financial statements
Zheng Xuezhi	44	Chief Financial Officer	See "Biography of Executive Directors"	See note 14 to the consolidated financial statements
Lu Zengxiang	48	Vice President	See below	RMB2,398,000
Qiu Yumin	51	Vice President	See "Biography of Executive Directors"	See note 14 to the consolidated financial statements
Xia Zhuo	48	Joint Company Secretary	See "Biography of Executive Directors"	See note 14 to the consolidated financial statements
Huang Jinfu	57	General Manager of Aoniu Mining	See below	RMB3,291,000

Mr. Lu Zengxiang, aged 48, is a vice president of the Company and is responsible for business operation of the Group, especially the day-to-day operation of Maogong Mine, Xingzhou Mine, Benxi Mine and Shangma Mine. He is currently serving as director and vice president of operations of Aoniu Mining. Being in his previous and current positions in the Group, Mr. Lu Zengxiang has obtained more than 25 years of experience in the mining industry. Mr. Lu Zengxiang is a senior mining engineer with extensive academic products in the areas of metal mine construction, mining and safety management. To recognize the contributions and performance of Mr. Lu Zengxiang, Ms. Yang granted certain amount of share awards to Mr. Lu through the Diamond Trust founded by her in 2013.

Mr. Huang Jinfu, aged 57, the director and general manager of Aoniu Mine of the Company, and is responsible for its management and day-to-day operation. He joined the Group in 2008 and has more than 31 years of experience in the mining industry and is a mineral processing engineer. To recognize the contributions and performance of Mr. Huang Jinfu, Ms. Yang granted certain amount of share awards to Mr. Huang through the Diamond Trust founded by her in 2013.

6. JOINT COMPANY SECRETARY

Ms. Mok Ming Wai, is a director of KCS Hong Kong Limited, she has over 19 years' experience in professional and in-house experience in company secretarial field. Ms. Mok is a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in United Kingdom. Meanwhile, Ms. Mok is also the company secretary or joint company secretary of certain listed companies. Ms. Mok maintains contact with the senior management of the Company through close communication with the other joint company secretary of the Company.

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

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF CHINA HANKING HOLDINGS LIMITED

(中國罕王控股有限公司)

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Hanking Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 74 to 145, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
18 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2013

	NOTES	**2013 RMB'000**	2012 RMB'000 (Restated)
Revenue	8	**1,455,505**	1,397,240
Cost of sales		**(663,501)**	(648,440)
Gross profit		**792,004**	748,800
Investment and other income	9	**7,676**	14,626
Other expenses	10	**(38,711)**	(11,085)
Selling and distribution expenses		**(50,726)**	(55,853)
Administrative expenses		**(309,557)**	(247,136)
Finance costs	11	**(123,178)**	(86,787)
Profit before tax	12	**277,508**	362,565
Income tax expense	13	**(123,919)**	(128,744)
Profit for the year		**153,589**	233,821
Other comprehensive income (expense):			
Items that may be subsequently reclassified to profit or loss:			
Fair value gain (loss) on available-for-sale financial assets		**22,501**	(327)
Exchange differences on translation of financial statements of foreign operations		**(32,411)**	(1,879)
Other comprehensive loss for the year, net of income tax		**(9,910)**	(2,206)
Total comprehensive income for the year		**143,679**	231,615
Profit (loss) for the year attributable to:			
Owners of the Company		**192,661**	296,742
Non-controlling interests		**(39,072)**	(62,921)
		153,589	233,821
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**182,844**	295,526
Non-controlling interests		**(39,165)**	(63,911)
		143,679	231,615
EARNINGS PER SHARE			
– Basic and diluted (RMB cent per share)	17	**11**	16

STATEMENT OF FINANCIAL POSITION

as at 31 December 2013

	NOTES	31/12/2013 RMB'000	31/12/2012 RMB'000 (Restated)	1/1/2012 RMB'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	18	**1,376,231**	905,518	530,411
Intangible assets	19	**964,605**	884,720	810,479
Prepaid lease payments	20	**357,533**	351,393	285,781
Deferred tax assets	21	**6,476**	5,152	7,830
Loan receivable from a third party	22	**11,300**	15,300	16,000
Deposit on acquisition of property, plant and equipment		**28,914**	47,767	16,010
Restricted cash	23	**47,103**	–	–
		2,792,162	2,209,850	1,666,511
CURRENT ASSETS				
Inventories	24	**170,308**	97,378	55,122
Prepaid lease payments	20	**45,123**	47,026	25,302
Trade and other receivables	25	**422,140**	416,779	456,367
Tax recoverable		**7,872**	7,222	6,070
Amount due from non-controlling interests of subsidiaries	26	**–**	25,004	–
Loans receivable from related parties	27	**–**	8,766	386,439
Available-for-sale financial assets	28	**47,175**	2,941	–
Pledged bank deposits	29	**460,000**	–	–
Bank balances and cash	29	**369,995**	581,960	352,650
		1,522,613	1,187,076	1,281,950
CURRENT LIABILITIES				
Trade and other payables	30	**352,695**	273,466	270,409
Borrowings	31	**1,385,444**	800,000	299,943
Loans payable to non-controlling interest of a subsidiary	32	**3,873**	6,052	–
Loans payable to related parties	33	**–**	223,304	371,925
Consideration payable	34	**86,943**	143,320	59,028
Tax liabilities		**74,496**	197,077	203,243
		1,903,451	1,643,219	1,204,548
NET CURRENT (LIABILITIES) ASSETS		**(380,838)**	(456,143)	77,402
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,411,324**	1,753,707	1,743,913

STATEMENT OF FINANCIAL POSITION

as at 31 December 2013

	NOTES	**31/12/2013 RMB'000**	31/12/2012 RMB'000 (Restated)	1/1/2012 RMB'000 (Restated)
CAPITAL AND RESERVES				
Share capital	35	**149,137**	149,137	149,137
Reserves		**1,091,806**	1,232,385	1,189,986
Equity attributable to owners of the Company		**1,240,943**	1,381,522	1,339,123
Non-controlling interests		**259,274**	186,258	183,532
TOTAL EQUITY		**1,500,217**	1,567,780	1,522,655
NON CURRENT LIABILITIES				
Borrowings	31	**482,651**	–	–
Consideration payable	34	**355,261**	183,935	221,258
Rehabilitation provision		**71,115**	833	–
Retirement benefit obligations		**2,080**	1,159	–
		911,107	185,927	221,258

The consolidated financial statements on pages 74 to 145 were approved and authorised for issue by the board of directors on 18 March 2014 and are signed on its behalf by:

Yang Min
Director

Zheng XueZhi
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2013

	Attributable to owners of the Company										
	Paid-in capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000 (note a)	Future development funds reserve RMB'000 (note b)	Investments revaluation reserve RMB'000	Translation reserve RMB'000	Special reserve RMB'000 (note c)	Retained earnings RMB'000	Attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2012 as previously stated	149,137	495,537	73,269	267,406	–	–	(224,824)	500,416	1,260,941	1,664	1,262,605
Adjustment in respect of the acquisition from controlling shareholders	–	–	–	–	–	(3,229)	147,233	(65,822)	78,182	181,868	260,050
As restated	149,137	495,537	73,269	267,406	–	(3,229)	(77,591)	434,594	1,339,123	183,532	1,522,655
Profit for the year	–	–	–	–	–	–	–	296,742	296,742	(62,921)	233,821
Other comprehensive loss for the year	–	–	–	–	(327)	(889)	–	–	(1,216)	(990)	(2,206)
Total comprehensive income for the year	–	–	–	–	(327)	(889)	–	296,742	295,526	(63,911)	231,615
Distribution to the then equity shareholders upon acquisition of Fushun Shangma (note d)	–	–	–	–	–	–	(268,288)	(4,322)	(272,610)	(780)	(273,390)
Transfer to future development funds reserve, net of utilisation	–	–	–	104,952	–	–	–	(104,952)	–	–	–
2011 final dividend	–	–	–	–	–	–	–	(38,430)	(38,430)	–	(38,430)
Profit appropriation to surplus reserve	–	–	13,777	–	–	–	–	(13,777)	–	–	–
Contribution from then shareholders of subsidiaries (note e)	–	–	–	–	–	–	57,913	–	57,913	40,087	98,000
Acquisition of a subsidiaries (Note 36)	–	–	–	–	–	–	–	–	–	27,330	27,330
Balance at 31 December 2012(restated)	149,137	495,537	87,046	372,358	(327)	(4,118)	(287,966)	569,855	1,381,522	186,258	1,567,780
Profit for the year	–	–	–	–	–	–	–	192,661	192,661	(39,072)	153,589
Other comprehensive income for the year	–	–	–	–	22,501	(32,318)	–	–	(9,817)	(93)	(9,910)
Total comprehensive income for the year	–	–	–	–	22,501	(32,318)	–	192,661	182,844	(39,165)	143,679
Distribution to the then equity shareholders upon acquisition of Hanking Indonesia (note f)	–	–	–	–	–	(511)	(286,344)	(17,117)	(303,972)	(7,839)	(311,811)
Controlling shareholders' contribution	–	–	–	–	–	–	45	–	45	20	65
Deemed contribution from shareholders (note g)	–	–	–	–	–	–	17,104	–	17,104	–	17,104
Transfer to future development funds reserve, net of utilisation	–	–	–	(62,384)	–	–	–	62,384	–	–	–
2012 final dividend	–	–	–	–	–	–	–	(36,600)	(36,600)	–	(36,600)
Profit appropriation to surplus reserve	–	–	(2,269)	–	–	–	–	2,269	–	–	–
Capital contribution in a subsidiary	–	–	–	–	–	–	–	–	–	120,000	120,000
Balance at 31 December 2013	149,137	495,537	84,777	309,974	22,174	(36,947)	(557,161)	773,452	1,240,943	259,274	1,500,217

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.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2013

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

(b) Pursuant to regulation in the PRC, Fushun Hanking Aoniu Mining, Limited. ("Aoniu Mining"), Benxi Hanking Mining Co., Ltd. ("Benxi Mining"), Fushun Maogong Mining Co., Ltd. ("Maogong Mining"), Fushun Xingzhou Mining Co., Ltd. ("Xingzhou Mining"), Fushun Hanking Shangma Mining Company Limited ("Fushun Shangma") and Fushun Hanking Shangma Iron Mine ("Shangma Mining") are required to transfer an amount to a future development fund at RMB22 per ton of iron ore mined annually which will be used for enhancement of safety production environment and improvement of facilities. The fund can only be used for the future development of the iron ore mining business and is not available for distribution to shareholders.

RMB145,235,000 and RMB95,957,000 of future development fund was provided during the year ended 31 December 2012 and 2013, respectively. RMB40,283,000 and RMB33,573,000 of future development fund was utilised during the year ended 31 December 2012 and 2013, respectively.

(c) Special reserve mainly represented the contribution from/distribution to the then equity shareholders when the Company has the business combination involving entities under common control. The accounting policy of merger accounting are set out in Note 4 and details of movements of the special reserve during the year are set out in following notes.

(d) Pursuant to an extraordinary general meeting held on 21 September 2012, Aoniu Mining acquired 100% equity interest of Fushun Shangma from Shenyang Toyo Steel Company Limited (瀋陽東洋製鋼有限公司) (the "Acquisition of Fushun Shangma"). Details of the acquisition are set out in note 2.

Shangma Mining is a company established in the PRC and wholly-owned by Mr. Yang Jiye, one of the ultimate controlling parties (Ms. Yang Min and Mr. Yang Jiye) (the "Controlling Parties"). Prior to the Acquisition of Fushun Shangma, the mining operation of Shangma Mining and its related assets and liabilities (the "Shangma Mining Operation") had been transferred to Fushun Shangma on 31 May 2012. Certain non-core net assets of RMB173,390,000 was retained by Shangma Mining and treated as distribution in species to the Controlling Parties.

(e) The amount of RMB98,000,000 during the year ended 31 December 2012 is arose from capital contribution to the subsidiaries of Hanking (Indonesia) Mining Limited ("Hanking Indonesia") (formerly known as Northeastern Lion Limited) which is ultimately controlled by the Controlling Parties before the Company acquired 70% equity interest of Hanking Indonesia.

(f) Pursuant to an extraordinary general meeting held on 4 March 2013, the Company acquired 70% equity interest of Hanking Indonesia and its subsidiaries from Evergreen Mining Limited which is ultimately controlled by the Controlling Parties (the "Acquisition of Hanking Indonesia"). The subsidiaries of Hanking Indonesia mainly engaged in nickel ore mining business. Details of the acquisition are set out in note 2.

(g) The Controlling Parties transferred 11,983,334 shares of the Company to several directors and employees of the Company during the year ended 31 December 2013 with nil consideration, to recognise their past contribution to the Group. RMB17,104,000 was calculated on the basis of the share price on the date of transfer and recognised as an expense and special reserve respectively.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2013

	Note	2013 RMB'000	2012 RMB'000 (Restated)
OPERATING ACTIVITIES			
Profit before tax		**277,508**	362,565
Adjustments for:			
Finance costs		**123,178**	86,787
Interest income		**(6,448)**	(8,977)
Interest on available-for-sale financial assets		**–**	(2,433)
Impairment of property, plant and equipment		**3,996**	–
Loss on disposal of property, plant and equipment		**819**	786
Depreciation of property, plant and equipment		**96,212**	66,662
Release of prepaid lease payments		**46,945**	31,700
Amortisation of intangible assets		**21,418**	23,379
Share-based payment expenses		**17,104**	–
Net foreign exchange (gain) loss		**(18,608)**	2,166
Operating cash flows before movements in working capital		**562,124**	562,635
Increase in inventories		**(72,930)**	(28,780)
Decrease in trade and other receivables		**(9,627)**	37,587
Increase in trade and other payables		**42,378**	10,699
Increase in retirement benefit obligations		**921**	1,159
Cash generated from operations		**522,866**	583,300
Interest paid		**(92,255)**	(50,903)
Income tax paid		**(248,474)**	(149,748)
NET CASH FROM OPERATING ACTIVITIES		**182,137**	382,649
INVESTING ACTIVITIES			
Proceeds on disposal of available-for-sale financial assets		**–**	652,433
Payment of consideration payable for acquisition of a subsidiary		**(17,930)**	(83,850)
Interest received		**10,714**	3,956
Purchases and deposit paid for acquisition of property, plant and equipment		**(468,154)**	(405,429)
Acquisition of a subsidiary	36	**–**	(43,924)
Acquisition of available-for-sale financial assets		**(21,733)**	(653,268)
Repayments from related parties		**14,730**	341,155
Advance to related parties		**(5,964)**	(14,562)
Purchase of intangible assets		**(107,119)**	(29,245)
Advance to non-controlling interest of a subsidiary		**–**	(25,004)
Repayment from non-controlling interest of subsidiaries		**25,004**	–
Repayment from a third party		**4,000**	700
Payments for prepaid lease payments		**(51,182)**	(125,476)
Proceeds on disposal of property, plant and equipment		**412**	1,443
Increase in restricted cash		**(47,103)**	–
NET CASH USED IN INVESTING ACTIVITIES		**(664,325)**	(381,071)

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2013

	Notes	**2013** **RMB'000**	2012 RMB'000 (Restated)
FINANCING ACTIVITIES			
Increase in pledged bank deposits		**(460,000)**	–
Repayment of loans from non-controlling interest of a subsidiary		**(2,179)**	–
Loans from related parties		**1,916**	173,921
Repayments to related parties		**(225,220)**	(322,542)
Proceeds from borrowings		**2,410,359**	920,000
Repayment of borrowings		**(1,330,874)**	(369,946)
Contribution from then shareholders of subsidiaries		**–**	98,000
Capital contribution from non-controlling interest		**120,000**	–
Distribution to the then equity shareholders		**(205,788)**	(14,212)
Acquisition of non-controlling interests		**–**	(2,350)
Net cash outflow on deemed distribution	37	**–**	(214,008)
Dividend paid to the owners of the Company		**(36,600)**	(38,430)
Controlling shareholders' contribution		**65**	–
NET CASH GENERATED FROM FINANCING ACTIVITIES		**271,679**	230,433
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(210,509)**	232,011
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**581,960**	352,650
Effect of foreign exchange rate changes		**(1,456)**	(2,701)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER represented by bank balances and cash		**369,995**	581,960

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

1. GENERAL INFORMATION

The Company is a limited company incorporated in the Cayman Islands on 2 August 2010 and acts as an investment holding company. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30 September 2011.

The address of principal place of business of the Company in Hong Kong is 8th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong.

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

The Company is an investing holding company. The Group is engaged in iron ore, nickel ore and gold mining and processing. Details of the Company's subsidiaries are set out in note 42.

2. PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Business Combinations under Common Control:

The Acquisition of Fushun Shangma and the Acquisition of Hanking Indonesia from the Controlling Parties were completed on 21 September 2012 and 4 March 2013, respectively. All of these events involve business combinations under common control and as a result, the consolidated financial statements of the Group throughout the year ended 31 December 2012 and 2013 has been prepared using the principles of merger accounting, and includes the results and cash flows of the companies comprising the Group as if the business combination had occurred from the date when the combining entities or business first came under the control of the Controlling Parties, except that the results attributable to the owners of the group companies other than Ms. Yang Min and Mr. Yang Jiye prior to the Acquisition of Fushun Shangma and the Acquisition of Hanking Indonesia were treated as non-controlling interests. The consolidated statements of financial position of the Group as at 31 December 2012 have been prepared in accordance with the principles of merger accounting to present the assets and liabilities of the companies comprising the Group as if the group structure had been in existence as at those dates and in accordance with the respective equity interests in the individual companies attributable to Ms. Yang Min and Mr. Yang Jiye as at those dates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

2. PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

Business Combinations under Common Control: *(continued)*

a) Acquisition of Fushun Shangma:

Prior to the Acquisition of Fushun Shangma, the Controlling Parties, through their direct equity interest and ownership in certain related companies which had equity interest in, effectively controlled the following companies comprising the Group:

	1 January 2012 to 30 May 2012	31 May 2012 to 20 September 2012
Shangma Mining	**100.00%**	N/A
Fushun Shangma	**66.72%**	66.72%

Through the Acquisition of Fushun Shangma as detailed in the 2012 annual report of the Group dated 19 March 2013, the Company has 100% indirect equity interest in Fushan Shangma. The Acquisition of Fushun Shangma was completed on 21 September 2012.

b) Acquisition of Hanking Indonesia:

Prior to the Acquisition of Hanking Indonesia, the Controlling Parties, through their direct equity interest and ownership in certain related companies which had equity interest in, effectively controlled the following companies comprising the Group:

	1 January 2012 to 3 March 2013
Hanking Indonesia	66.72%

On 4 March 2013, the Company acquired 70% equity interest of Hanking Indonesia, a company controlled by Evergreen Mining Limited, which are indirectly controlled by the Controlling Parties, at a cash consideration of RMB311,811,000. The Acquisition of Hanking Indonesia has been considered as business combinations under common control and are accounted for using the principal of merger accounting.

The consideration payable for the Acquisition of Hanking Indonesia is accounted for as deemed distribution to the Controlling Parties and recorded under current liabilities as at 31 December 2013.

Upon completion of the Acquisition of Hanking Indonesia on 4 March 2013, the Company has 70% indirect equity interest in Hanking Indonesia.

2. PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

Business Combinations under Common Control: *(continued)*

b) Acquisition of Hanking Indonesia: *(continued)*

The effects of adopting merger accounting to account for the Acquisition of Hanking Indonesia for the current and prior years on the consolidated statement of profit or loss and other comprehensive income of the Group, are as follows:

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Increase in revenue	**–**	36,102
Increase in cost of sales	**–**	(28,266)
Increase in other income	**14**	89
Increase in other expenses	**(6,211)**	–
Increase in selling and distribution expenses	**(23)**	(26,570)
Increase in administrative expenses	**(23,976)**	(72,486)
Increase in finance costs	**(13,534)**	(35,883)
Increase in income tax expense	**–**	679
Net decrease in profit for the interim period	**(43,730)**	(126,335)
Impact on other comprehensive income (expense) for the interim period:		
Exchange differences on translation of financial statements of foreign operations	**1,802**	(1,879)
Net increase (decrease) in other comprehensive expense for the year	**1,802**	(1,879)
Net decrease in total comprehensive expense for the year	**(41,928)**	(128,214)
Decrease in profit for the year attributable to:		
Owners of the Company	**(35,969)**	(64,600)
Non-controlling interests	**(7,761)**	(61,735)
	(43,730)	(126,335)
Decrease in profit and total comprehensive income for the year attributable to:		
Owners of the Company	**(34,618)**	(65,489)
Non-controlling interests	**(7,310)**	(62,725)
	(41,928)	(128,214)
Decrease in earnings per share – Basic and diluted (RMB cent per share)	**(2)**	(4)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

2. PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

Business Combinations under Common Control: *(continued)*

b) Acquisition of Hanking Indonesia: *(continued)*

The effect of the Acquisition of Hanking Indonesia on the financial positions of the Group as at 1 January 2012 and 31 December 2012 is as follows:

	As at 1/1/2012 (originally stated) RMB'000	Adjustments RMB'000	As at 1/1/2012 (restated) RMB'000	As at 31/12/2012 (originally stated) RMB'000	Adjustments RMB'000	As at 31/12/2012 (restated) RMB'000
Property, plant and equipment	509,697	20,714	530,411	861,322	44,196	905,518
Intangible assets	316,144	494,335	810,479	318,192	566,528	884,720
Prepaid lease payments	307,943	3,140	311,083	395,481	2,938	398,419
Deferred tax assets	7,464	366	7,830	4,152	1,000	5,152
Deposit on acquisition of property, plant and equipment	16,010	–	16,010	25,010	22,757	47,767
Inventories	55,122	–	55,122	92,247	5,131	97,378
Trade and other receivables	437,942	18,425	456,367	371,862	44,917	416,779
Tax recoverable	6,070	–	6,070	7,198	24	7,222
Amount due from non-controlling interests of subsidiaries	–	–	–	–	25,004	25,004
Loans receivable from related parties	367,231	19,208	386,439	–	8,766	8,766
Loan receivable from a third party	16,000	–	16,000	15,300	–	15,300
Available-for-sale financial assets	–	–	–	2,941	–	2,941
Bank balances and cash	317,563	35,087	352,650	577,985	3,975	581,960
Trade and other payables	(266,088)	(4,321)	(270,409)	(261,352)	(12,114)	(273,466)
Borrowings	(299,943)	–	(299,943)	(800,000)	–	(800,000)
Loan payable to non-controlling interest of a subsidiary	–	–	–	(6,052)	–	(6,052)
Loans payable to related parties	(319,444)	(52,481)	(371,925)	–	(223,304)	(223,304)
Consideration payable	(2,350)	(277,936)	(280,286)	(85,788)	(241,467)	(327,255)
Tax liabilities	(206,756)	3,513	(203,243)	(197,053)	(24)	(197,077)
Rehabilitation provision	–	–	–	–	(833)	(833)
Retirement benefit obligations	–	–	–	–	(1,159)	(1,159)
	1,262,605	260,050	1,522,655	1,321,445	246,335	1,567,780
Equity attributable to owners of the Company	1,260,941	78,182	1,339,123	1,310,916	70,606	1,381,522
Non-controlling interests	1,664	181,868	183,532	10,529	175,729	186,258
Total effects on equity	1,262,605	260,050	1,522,655	1,321,445	246,335	1,567,780

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Application of new and revised IFRS (disclosure of a detailed of new and revised IFRS)

The Group has applied the following amendments to International Accounting Standards ("IASs"), International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB").

Amendments to IFRSs	Annual Improvements to IFRSs 2009 – 2012 Cycle
Amendments to IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements1
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income
IAS 19 (as revised in 2011)	Employee Benefits
IAS 27 (as revised in 2011)	Separate Financial Statements
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine

Except as described below, the application of the new and revised 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 13 Fair Value Measurement

The Group has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of IFRS 13 is broad: the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value.

IFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application. In accordance with the transitional provisions of IFRS 13, the Group has not made any new disclosures required by IFRS 13 for the 2012 comparative period. Disclosures of fair value information are set out in Note 7. Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

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

Application of new and revised IFRS (disclosure of a detailed of new and revised IFRS) *(continued)*

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to IAS 1 Presentation of Items of Other Comprehensive Income. Upon the adoption of the amendments to IAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed as the 'statement of profit or loss'. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. Furthermore, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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

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

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[1]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle[2]
IFRS 9	Financial Instruments[3]
IFRS 14	Regulatory Deferral Accounts[5]
IFRIC 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Available for application – the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalised
4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
5 Effective for first annual IFRS financial statements beginning on or after 1 January 2016

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

Application of new and revised IFRS (disclosure of a detailed of new and revised IFRS) *(continued)*

Annual Improvements to IFRSs 2010-2012 Cycle

The Annual Improvements to IFRSs 2010-2012 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to IFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to IFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to IFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short- term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors do not anticipate that the application of the amendments included in the Annual Improvements to IFRSs 2010-2012 Cycle will have a material effect on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

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

Application of new and revised IFRS (disclosure of a detailed of new and revised IFRS) *(continued)*

Annual Improvements to IFRSs 2011-2013 Cycle

The Annual Improvements to IFRSs 2011-2013 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to IFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of IAS 40; and
(b) the transaction meets the definition of a business combination under IFRS 3.

The directors do not anticipate that the application of the amendments included in the Annual Improvements to IFRSs 2011-2013 Cycle will have a material effect on the Group's consolidated financial statements

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of IFRS 9 are described as follows:

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

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

Application of new and revised IFRS (disclosure of a detailed of new and revised IFRS) *(continued)*

IFRS 9 Financial Instruments *(continued)*

Key requirements of IFRS 9 are described as follows: *(continued)*

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

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted. The directors of the Company anticipate that the application of IFRS 9 will have no material impact on the consolidated financial statements.

4. SUMMARY OF 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 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 and service.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

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

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

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

Basis of consolidation *(continued)*

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 intra-group 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 equity of the owners of the Company.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary 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.

Changes in the Group's ownership interests in existing subsidiaries

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

Merger accounting for business combination involving entities under common control

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

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

Revenue recognition

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

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

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

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

Leasing

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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 recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. 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.

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

Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Government grants

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

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

Retirement benefit costs

Payments to defined contribution retirement benefit plans 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 the reporting period. All actuarial gains and losses of defined benefit plans are recognised immediately in other comprehensive income in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Share-based payment transactions

Equity-settled share-based payment transactions

Shares granted to employees

The fair value of services received determined by reference to the fair value of shares granted is recognized as an expense in full at the grant date when the shares granted vest immediately with a corresponding increase in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

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

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes 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 differences between the carrying amounts of assets and liabilities in the these financial statements and the corresponding tax base 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 difference to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss.

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

Property, plant and equipment

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

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

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

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Such property, plant and equipment 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, plant and equipment, commences when the assets are ready for their intended use.

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

Prepaid lease payments

The payments made on the rental of land are accounted for as an operating lease which is released to the profit or loss on a straight-line basis over their relevant lease terms.

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

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

Intangible assets *(continued)*

Exploration and evaluation right

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

Exploration and evaluation assets comprise costs directly attributable to:

- Research and analysing existing exploration data;
- Conducting geological studies, exploratory drilling and sampling;
- Examining and testing extraction and treatment methods;
- Compiling pre-feasibility and feasibility studies;
- Costs incurred in acquiring mineral rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects; and
- Costs incurred in acquiring the concessionary rights, including but not limited to exploration rights, mining rights, right to railroad, port and road, right to use land, right to other facilities and right of first refusal to other materials.

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

Mining rights

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

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

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

Impairment losses on tangible and intangible assets

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

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

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

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

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the 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.

Closure and rehabilitation

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

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

Closure and rehabilitation *(continued)*

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

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

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

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

Effective interest method

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

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

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

Financial instruments *(continued)*

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

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

Impairment of financial assets

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

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

Loans and receivables are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been impacted. The objective evidence of impairment could include:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Financial instruments *(continued)*

Impairment of financial assets *(continued)*

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

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

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

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

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

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

Equity instruments

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

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

Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

Financial liabilities

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

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

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5. KEY SOURCE OF ESTIMATION UNCERTAINTY

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

Useful lives of mining rights

As at 31 December 2013, mining rights of RMB862,052,000 (31 December 2012: RMB854,209,000; 1 January 2012: RMB808,258,000) has been recognised in the Group's consolidated statement of financial position. Mining rights are amortised over the shorter of the unexpired period of the rights or the estimated useful lives of the mines using the units of production method.

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

Useful lives of property, plant and equipment

The Group estimates useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and actions of its competitors. Management will increase the depreciation charge where useful lives are less than previously estimated, or it will record reserve for technically obsolete assets. The carrying amount of property, plant and equipment at 31 December 2013 were RMB1,376,231,000 (31 December 2012: RMB905,518,000; 1 January 2012: RMB530,411,000).

Provision of closure and rehabilitation

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

The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for operating sites are recognised in the balance sheet by adjusting both the closure and rehabilitation asset and provision. For closed sites, changes to estimated costs are recognised immediately in the income statement.

6. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debts which includes the borrowings disclosed in note 31, and equity attributable to owners of the Company, comprising share capital and reserve.

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 associates with each class of capital. Based on recommendations of the management, the Group will balance its overall structure through the payment of dividends, capital injection as well as the issue of new debt or the redemption of existing debt.

7. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	31/12/2013 **RMB'000**	31/12/2012 RMB'000 (Restated)	1/1/2012 RMB'000 (Restated)
Financial assets:			
Loans and receivables (including cash and cash equivalents)	**1,131,696**	851,055	1,025,472
Available-for-sale financial assets	**47,175**	2,941	–
	1,178,871	853,996	1,025,472
Financial liabilities:			
Amortised costs	**2,564,022**	1,537,109	1,103,473

(b) Financial risk management objectives and policies

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

Market risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

7. FINANCIAL INSTRUMENTS *(CONTINUED)*

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

Interest risk

The Group is exposed to fair value interest rate risk mainly from its fixed-rate bank borrowings. The management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group is also exposed to cash flow interest rate risk in relation to floating-rate bank borrowings (see note 31 for details of these borrowings) and floating-rate bank balances.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for its floating rate bank borrowing. The analysis is prepared assuming the floating rate bank borrowing outstanding at the end of the reporting period were outstanding for the whole year. 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2013 would decrease/increase approximately by RMB4,676,000 (2012: decrease/increase approximately by RMB1,500,000). This is mainly attributable to the Group's exposure to interest rates on its floating-rate bank borrowings.

The sensitivity analyses below have been determined based on the exposure to interest rates for its floating rate bank balances. The analysis is prepared assuming the floating rate bank balances outstanding at the end of the reporting period were outstanding for the whole year. 10 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 10 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2013 would increase/decrease approximately by RMB277,000 (2012: increase/decrease approximately by RMB436,000). This is mainly attributable to the Group's exposure to interest rates on its floating-rate bank balances.

7. FINANCIAL INSTRUMENTS *(CONTINUED)*

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

Currency risk

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

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

	USD	
	Assets	**Liabilities**
	RMB'000	RMB'000
As at 31 December 2012	22,290	–
As at 31 December 2013	159,641	698,095

	HKD	
	Assets	**Liabilities**
	RMB'000	RMB'000
As at 31 December 2012	595	–
As at 31 December 2013	1,011	–

	AUD	
	Assets	**Liabilities**
	RMB'000	RMB'000
As at 31 December 2012	4,545	–
As at 31 December 2013	11,841	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

7. FINANCIAL INSTRUMENTS *(CONTINUED)*

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

Currency risk *(continued)*

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against USD, HKD and AUD, 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax profit where a 5% weakening of RMB against USD, HKD and AUD. For a 5% strengthen of RMB against USD, HKD and AUD, there would be an equal and opposite impact on the post-tax profit and the balances below would be negative.

	2013 **RMB'000**	2012 RMB'000
Profit (loss) for the year	**(19,710)**	1,029

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

Credit risk

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

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

The Group has concentration of credit risk as 100% of the Group's trade and bill receivables as at 31 December 2013 of approximately RMB194,890,000 (2012: RMB175,678,000), were derived from four customers (2012: five customers). In order to minimise the credit risk, the directors of the Company continuously monitor the level of exposure to ensure that follow-up actions and/or corrective actions are taken promptly to lower exposure or even to recover the overdue debts.

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

7. FINANCIAL INSTRUMENTS *(CONTINUED)*

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

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with the terms of borrowings.

At 31 December 2013, the Group has net current liability of RMB380,830,000. Aoniu had an unutilised banking facility of RMB400,000,000 which will be expired after 31 December 2014. The directors of the Company are satisfied that the Group will have sufficient financial resource to meet its financial obligation as they fall due for the foreseeable future after taking into account of the available banking facilities and internally generated funds. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

The following table details the Group's 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 of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

7. FINANCIAL INSTRUMENTS *(CONTINUED)*

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

Liquidity risk *(continued)*

Liquidity table

	Weighted average interest rate	demand or less than 3 months	Repayable on 4 months to 1 year	1 year to 5 years	>5 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2013							
Trade and other payables		249,850	–	–	–	249,850	249,850
Loans payable to non-controlling interests of a subsidiary		3,873	–	–	–	3,873	3,873
Consideration payable	14.00	–	347,648	90,000	517,000	–	442,204
Bank borrowings – floating rate	2.99	6,182	526,714	143,643	199,504	876,042	848,095
Bank borrowings – fixed rate	6.67	16,840	889,007	151,557	–	1,057,404	1,020,000
		276,745	1,763,369	385,200	716,504	3,141,817	2,564,022
As at 31 December 2012							
Trade and other payables	–	180,498	–	–	–	180,498	180,498
Loans payable to non-controlling interests of a subsidiary	13.9	6,052	–	–	–	6,052	6,052
Loans payable to related parties	–	223,304	–	–	–	223,304	223,304
Consideration payable	14.00	85,788	49,639	171,150	517,000	823,577	327,255
Bank borrowings – floating rate	6.78	206,782	206,202	–	–	412,984	400,000
Bank borrowings – fixed rate	7.54	7,441	404,402	–	–	411,843	400,000
		709,865	660,243	171,150	517,000	2,058,258	1,537,109
As at 1 January 2012							
Trade and other payables	–	151,319	–	–	–	151,319	151,319
Loans payable to related parties	–	371,925	–	–	–	371,925	371,925
Consideration payable	14.00	2,350	83,850	220,789	285,000	591,989	280,286
Bank borrowings – floating rate	6.85	53,698	205,023	–	–	258,721	250,000
Bank borrowings – fixed rate	6.41	789	50,145	–	–	50,934	49,943
		580,081	339,018	220,789	285,000	1,424,888	1,103,473

7. FINANCIAL INSTRUMENTS *(CONTINUED)*

(c) Fair value of financial instruments

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

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

Some of the Group's financial assets and financial liabilities 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 and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/financial liabilities	Fair value as at 31/12/2013	Fair value as at 31/12/2012	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Available-for-sale financial assets in the consolidated statement of financial position	**Listed equity securities in Australia: RMB47,175,000**	Listed equity securities in Australia: RMB2,941,000	Level 1	Quoted bid prices in an active market.	N/A	N/A

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

8. REVENUE AND SEGMENT INFORMATION

(a) Revenue

	2013 RMB'000	2012 RMB'000 (Restated)
Iron ore concentrates	**1,372,505**	1,360,014
Nickel ore	**82,293**	36,102
Sales of raw and leftover materials	**707**	1,124
	1,455,505	1,397,240

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

8. REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

(b) Segment information

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

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 2013

	Iron RMB'000	Nickel RMB'000	Gold RMB'000	Total RMB'000
REVENUE				
External sales	1,373,212	82,293	–	1,455,505
Internal-segment sales	–	–	–	–
Segment revenue	1,373,212	82,293	–	1,455,505
Segment profit (loss)	460,380	(86,498)	(46,283)	327,599
Central administration costs and directors' salaries				(29,021)
Finance costs				(9,118)
Other income and expense				(11,952)
Group's profit before tax				277,508

8. REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

(b) Segment information *(continued)*

Segment revenues and results *(continued)*

For the year ended 31 December 2012 (restated)

	Iron RMB'000	Nickel RMB'000	Gold RMB'000	Total RMB'000
REVENUE				
External sales	1,361,138	36,102	–	1,397,240
Inter-segment sales	–	–	–	–
	1,361,138	36,102	–	1,397,240
Segment profit (loss)	504,757	(127,991)	(1,314)	375,452
Central administration costs and directors' salaries				(11,024)
Other income and expense				(1,863)
Group's profit before tax				362,565

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment profit represents the profit earned by each segment without central administration costs and directors' salaries, financial costs and other income and expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

8. REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

(b) Segment information *(continued)*

Segment assets and liabilities

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

Segment assets

	31/12/2013 RMB'000	31/12/2012 RMB'000 (Restated)
Iron	**3,012,928**	2,575,189
Nickel	**860,076**	755,577
Gold	**292,853**	43,143
Total segment assets	**4,165,857**	3,373,909
Other receivables	**970**	198
Bank balance and cash	**147,894**	22,808
Property, plant and equipment	**54**	11
Consolidated assets	**4,314,775**	3,396,926

Segment liabilities

	31/12/2013 RMB'000	31/12/2012 RMB'000 (Restated)
Iron	**1,747,956**	1,333,523
Nickel	**293,686**	492,641
Gold	**72,367**	–
Total segment assets	**2,114,009**	1,826,164
Borrowings	**698,095**	–
Other payables	**2,454**	2,982
Consolidated liabilities	**2,814,558**	1,829,146

8. REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

(b) Segment information *(continued)*

Other segment information

2013

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

	Iron RMB'000	Nickel RMB'000	Gold RMB'000	Total RMB'000
Addition to non-current assets	**281,375**	**101,895**	**173,423**	**556,693**
Depreciation and amortisation	**102,198**	**14,491**	**938**	**117,627**
Impairment loss of property, plant and equipment	**3,996**	**–**	**–**	**3,996**
Loss on disposal of property, plant and equipment	**794**	**25**	**–**	**819**

2012

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

	Iron RMB'000	Nickel RMB'000	Gold RMB'000	Total RMB'000
Addition to non-current assets	447,786	41,484	378	489,648
Depreciation and amortisation	85,995	3,952	92	90,039
Loss on disposal of property, plant and equipment	667	119	–	786

Revenue from major products and services

There is sole product for iron and nickel segment, iron ore concentrates and nickel ore, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

8. REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

(b) Segment information *(continued)*

Geographical information

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

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

	Revenue from external customers Year ended		**Non-current assets**	
	31/12/2013 RMB'000	31/12/2012 RMB'000	**31/12/2013 RMB'000**	31/12/2012 RMB'000
PRC	**1,383,843**	1,361,138	**1,798,204**	1,516,784
Indonesia	**71,662**	36,102	**726,364**	624,469
Australia	**–**	–	**173,801**	378
	1,455,505	1,397,240	**2,698,369**	2,141,631

Note: Non-current assets excluded financial assets, deposit on acquisition of property, plant and equipment and deferred tax assets.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are all from iron ore concentrates and as follows:

	2013 RMB'000	2012 RMB'000 (Restated)
Customer A	**805,815**	669,084
Customer B	**286,979**	189,049
Customer C	**222,598**	222,000

9. INVESTMENT AND OTHER INCOME

	2013 RMB'000	2012 RMB'000 (Restated)
Bank interest income	**6,448**	8,977
Interest on non-listed available-for-sale financial assets	**–**	2,433
Government grants (note)	**375**	3,200
Dividends from equity investments	**598**	–
Others	**255**	16
	7,676	14,626

Note: The amount of RMB3,200,000 recognised in 2012 represented an unconditional government grant in recognition of the Group's contribution to environmental protection, restoration and rehabilitation.

Government grants are recognised in the consolidated statement of comprehensive income when received and when all conditions as specified in the grants have been met.

10. OTHER EXPENSES

	2013 RMB'000	2012 RMB'000 (Restated)
Net foreign exchange loss	**35,873**	2,166
Loss on disposal of property, plant and equipment	**819**	786
Donations	**1,510**	4,410
Others	**509**	3,723
	38,711	11,085

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

11. FINANCE COSTS

	2013 **RMB'000**	2012 RMB'000 (Restated)
Interests on bank borrowings wholly repayable within five years	**80,162**	47,196
Interests on bills discounted with no recourse	**14,923**	3,576
Imputed interest of consideration payable	**26,856**	35,884
Interests on loans payable to non-controlling interest of a subsidiary wholly repayable within five years	**–**	131
Unwinding of discounts on provisions	**1,237**	–
	123,178	86,787

12. PROFIT BEFORE TAX

Profit before taxation has been arrived at after charging:

	2013 **RMB'000**	2012 RMB'000 (Restated)
Cost of inventories recognized as an expense	**562,484**	528,752
Auditors' remuneration	**2,500**	2,246
Release of prepaid lease payments	**46,945**	31,700
Impairment loss of property, plant and equipment	**3,996**	–
Write-down of inventories (included in cost of sales)	**1,455**	–
Depreciation and amortisation:		
– Property, plant and equipment	**96,212**	66,662
– Intangible assets (included in cost of sales and administrative expenses)	**21,418**	23,379
	117,630	90,041
Staff costs (including directors):		
– Salary and other benefits	**211,784**	176,381
– Retirement benefits scheme contributions	**20,653**	13,820
	232,437	190,201

13. INCOME TAX EXPENSE

	2013 RMB'000	2012 RMB'000 (Restated)
Income tax expenses comprise:		
PRC enterprise income tax ("EIT") – current	**124,486**	128,092
(Over) under provision in prior years	**757**	(1,347)
Deferred tax – current year (Note 21)	**(1,324)**	1,999
	123,919	128,744

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

China Hanking Investment Limited ("Hanking Investment"), China Hanking (BVI) International Limited ("Hanking International") and Hanking Indonesia were incorporated in the British Virgin Islands ("BVI") and are not subject to income tax of any jurisdiction during the year (2012:nil).

China Hanking Hong Kong Limited ("Hanking HK"), Denway Development Limited, City Globe Limited and Harvest Globe Limited were incorporated in Hong Kong and Hong Kong Profits Tax rate is 16.5% (2012:16.5%).

Hanking Australia Pty Ltd. ("Hanking Australia") and Hanking Gold Mining Pty Ltd. were incorporated in Australia and Australia profits tax rate is 30% (2012: 30%). They have no assessable profits subject to Australia profits tax during the current year.

Subsidiaries of Hanking Indonesia were incorporated in Indonesia and Indonesia profits tax rate is 25% (2012: 25%). They have no assessable profits subject to Indonesia profits tax during the current year (2012: nil).

The tax charge for the year can be reconciled to the profit per the consolidated statement of comprehensive income as follows:

	2013 RMB'000	2012 RMB'000 (Restated)
Profit before tax	**277,508**	362,565
Tax at the PRC income tax rate of 25% (2012:25%)	**69,377**	90,641
Tax effect of expenses that are not deductible for tax purpose	**14,294**	24,450
Tax effect of income that are not taxable for tax purpose	**(1,597)**	(147)
Effect of different tax rate of subsidiaries	**9,427**	(1,136)
Tax effect of deductible tax losses not recognized	**32,306**	13,438
Utilization of deductible temporary differences not recognised in prior years	**(645)**	(11)
Withholding income tax	**–**	2,856
(Over) under provision in prior years	**757**	(1,347)
	123,919	128,744

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14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the 12 (2012: 15) directors were as follows:

	For the year ended 31 December 2013					
	Directors' fees RMB'000	Retirement benefit scheme contributions RMB'000	Salary, wages and other allowance RMB'000	Share-base payments RMB'000	Performance incentive payments RMB'000	Total RMB'000
Executive directors:						
– Pan Guocheng	–	–	3,000	6,001	1,022	10,023
– Zheng Xuezhi	–	43	622	3,077	453	4,195
– Xia Zhuo	–	36	740	–	375	1,151
– Qiu Yumin	–	–	1,547	–	200	1,747
Non-executive directors:						
– Yang Min	1,800	–	–	–	–	1,800
– Yang Jiye	600	–	–	–	–	600
– Lee Jue	96	–	–	–	–	96
– Lan Fusheng	96	–	–	–	–	96
Independent non-executive directors:						
– Chen Yuchuan	231	–	–	–	–	231
– Wang Ping	199	–	–	–	–	199
– Johnson Fu	199	–	–	–	–	199
– Wang Anjian	137	–	–	–	–	137
	3,358	79	5,909	9,078	2,050	20,474

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

	For the year ended 31 December 2012				
	Directors' fees RMB'000	Retirement benefit scheme contributions RMB'000	Salary, wages and other allowance RMB'000	Performance incentive payments RMB'000	Total RMB'000
Executive directors:					
– Pan Guocheng	–	–	3,000	26	3,026
– Zheng Xuezhi	–	170	727	258	1,155
– Lu Zengxiang (resigned on 30 January 2012)	–	12	26	–	38
– Xia Zhuo	–	123	519	173	815
– Huang Jinfu (resigned on 30 January 2012)	–	20	43	–	63
– Qiu Yumin (appointed on 30 January 2012)	–	–	1,262	316	1,578
Non-executive directors:					
– Yang Min	1,800	–	–	–	1,800
– Yang Jiye	600	–	–	–	600
– Mao Guosheng (resigned on 30 January 2012)	–	–	–	–	–
– Lee Jue (appointed on 30 January 2012)	90	–	–	–	90
– Lan Fusheng (appointed on 30 January 2012)	90	–	–	–	90
Independent non-executive directors:					
– Chen Yuchuan	156	–	–	–	156
– Wang Ping	188	–	–	–	188
– Johnson Fu	203	–	–	–	203
– Wang Anjian (appointed on 30 January 2012)	90	–	–	–	90
	3,217	325	5,577	773	9,892

Mr Pan Guocheng is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

The performance related payment is mainly determined on the basis of the Group's and individual performance for each of years ended 31 December 2013 and 2012.

In the year ended 31 December 2013, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any remuneration in the year ended 31 December 2013.

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15. EMPLOYEES' EMOLUMENTS

During the year, the five highest paid individuals included three directors (2012: four directors), details of whose emoluments are set out in Note 14. The emoluments of the remaining highest paid individual of 2013 were as follows:

	Salaries and other benefits RMB'000	Share-based payments RMB'000	Retirements benefits scheme contributions RMB'000	Performance incentive payments RMB'000	Total RMB'000
2013	**1,457**	**3,315**	**63**	**917**	**5,752**
2012	757	–	162	–	919

Their emoluments were within the following bands:

	2013 No. of employees	2012 No. of employees
HK$1,000,001 to HK$1,500,000	**–**	1
HK$1,500,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$2,500,000	**–**	–
HK$2,500,001 to HK$3,000,000	**–**	–
Above HK$3,000,000	**2**	–

16. DIVIDENDS

	2013 RMB'000	2012 RMB'000 (Restated)
Dividends recognised as distribution during the year: 2012 Final – RMB2.0 cents (2012: 2011 Final – RMB2.1 cents) per share	**36,600**	38,430

The final dividend of RMB2.0 cents per share in respect of the year ended 31 December 2013 (total: RMB36,600,000) (2012: final dividend of RMB2.0 cents per share in respect of the year ended 31 December 2012(total: RMB36,600,000)) has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

17. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company of RMB192,661,000 (2012: RMB296,742,000) and the weighted average number of 1,830,000,000 shares (2012: 1,830,000,000 shares).

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 2013 and 2012.

18. PROPERTY, PLANT AND EQUIPMENT

	Freehold lands RMB'000	Buildings RMB'000	Mining structure RMB'000	Plant and machinery RMB'000	Other equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST								
At 1 January 2012(restated)	5,188	110,460	–	199,299	10,389	169,443	229,701	724,480
Acquisition of a subsidiary (Note 36)	–	4,381	–	12,639	–	264	226	17,510
Additions	1,035	9,459	–	22,706	3,158	44,159	347,288	427,805
Transfer	–	158,625	–	4,626	265	13,432	(176,948)	–
Disposals	–	(1,920)	–	(6,167)	(729)	(19,390)	–	(28,206)
Effect of foreign currency exchange differences	(331)	(190)	–	(606)	(75)	(54)	(235)	(1,491)
At 31 December 2012(restated)	5,892	280,815	–	232,497	13,008	207,854	400,032	1,140,098
Additions	–	15,480	–	137,579	4,954	24,872	407,188	590,073
Transfer	–	158,711	253,920	81,939	251	4,514	(499,335)	–
Disposals	–	(4,757)	–	(4,608)	(17)	(6,901)	–	(16,283)
Effect of foreign currency exchange differences	(1,362)	(5,091)	–	(9,130)	(540)	(977)	(2,379)	(19,479)
At 31 December 2013	4,530	445,158	253,920	438,277	17,656	229,362	305,506	1,694,409
ACCUMULATED DEPRECIATION AND IMPAIRMENT								
At 1 January 2012(restated)	–	26,280	–	83,797	3,860	80,132	–	194,069
Provided for the year	–	6,557	–	23,717	2,762	33,626	–	66,662
Elimination on disposals	–	(1,229)	–	(5,684)	(685)	(18,379)	–	(25,977)
Effect of foreign currency exchange differences	–	(10)	–	(131)	(16)	(17)	–	(174)
At 31 December 2012(restated)	–	31,598	–	101,699	5,921	95,362	–	234,580
Provided for the year	–	16,015	7,175	32,366	4,307	36,349	–	96,212
Impairment losses recognised in profit or loss	–	1,364	–	2,632	–	–	–	3,996
Elimination on disposals	–	(4,243)	–	(4,393)	(8)	(6,408)	–	(15,052)
Effect of foreign currency exchange differences	–	(144)	–	(1,039)	(144)	(231)	–	(1,558)
At 31 December 2013	–	44,590	7,175	131,265	10,076	125,072	–	318,178
CARRYING VALUES								
At 1 January 2012(restated)	5,188	84,180	–	115,502	6,529	89,311	229,701	530,411
At 31 December 2012(restated)	5,892	249,217	–	130,798	7,087	112,492	400,032	905,518
At 31 December 2013	4,530	400,568	246,745	307,012	7,580	104,290	305,506	1,376,231

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

The Group is in the process of applying for the title certificates for certain properties with carrying amount of RMB217,529,000 as at 31 December 2013 (31 December 2012: RMB186,648,000, 1 January 2012: RMB33,242,000).

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

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

The freehold lands are located in Indonesia.

The mining structures include the main and auxiliary mine shafts and underground tunnels. 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.

The Group assessed the recoverable amount of certain buildings and plant and equipment and recognized impairment loss of RMB3,996,000 for the year ended 31 December 2013 (2012: nil) (included in administrative expenses).

19. INTANGIBLE ASSETS

	Software RMB'000	Mining rights RMB'000	Exploration and evaluation assets RMB'000	Total RMB'000
COST				
At 1 January 2012(restated)	3,135	905,935	–	909,070
Addition	1,230	–	28,015	29,245
Acquisitions of a subsidiary (Note 36)	–	68,402	–	68,402
Effect of foreign currency exchange differences	(27)	–	–	(27)
At 31 December 2012(restated)	4,338	974,337	28,015	1,006,690
Addition	3,504	–	103,615	107,119
Transfer	–	28,015	(28,015)	–
Effect of foreign currency exchange differences	(96)	–	(5,763)	(5,859)
At 31 December 2013	7,746	1,002,352	97,852	1,107,950
AMORTISATION				
At 1 January 2012(restated)	914	97,677	–	98,591
Amortisation for the year	928	22,451	–	23,379
At 31 December 2012(restated)	1,842	120,128	–	121,970
Amortisation for the year	1,244	20,174	–	21,418
Effect of foreign currency exchange differences	(41)	(2)	–	(43)
At 31 December 2013	3,045	140,300	–	143,345
CARRYING VALUES				
At 1 January 2012(restated)	2,221	808,258	–	810,479
At 31 December 2012(restated)	2,496	854,209	28,015	884,720
At 31 December 2013	4,701	862,052	97,852	964,605

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19. INTANGIBLE ASSETS *(CONTINUED)*

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

As at 31 December 2013, the Company has pledged mining rights of having a net book value of approximately RMB287,150,000 (31 December 2012: RMB254,514,000, 1 January 2012: RMB251,655,000) to secure the bank borrowings of RMB500,000,000 (31 December 2012: RMB300,000,000, 1 January 2012: RMB200,000,000).

The feasibility study regarding the iron-ore mining was completed and commenced to operation, accordingly the exploration and evaluation assets was transferred to mining assets during the year ended 31 December 2013. The gold mine area was still in the stage of geological prospecting and the cost was still recorded as exploration and evaluation assets as at 31 December 2013.

20. PREPAID LEASE PAYMENTS

	31/12/2013 **RMB'000**	31/12/2012 RMB'000 (Restated)	1/1/2012 RMB'000 (Restated)
Analysed for the reporting purpose as:			
Current portion	**45,123**	47,026	25,302
Non-current portion	**357,533**	351,393	285,781
	402,656	398,419	311,083

The prepaid lease payments were amortised over the benefit periods from 5 to 50 years. Amount of RMB275,843,000 (31 December 2012: RMB298,048,000; 1 January 2012: RMB221,232,000), represented the pre-paid rental to various farmers and no land certificates for these pre-paid rental have been obtained.

As at 31 December 2013, the Company has pledged prepaid lease payments with the carrying amount of RMB15,337,000 (31 December 2012: RMB15,668,000, 1 January 2012: RMB15,999,000) have been pledged to secure the advance from customer of RMB60,000,000 (31 December 2012: RMB60,000,000, 1 January 2012: RMB60,000,000) (Note 30).

21. DEFERRED TAXATION

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

	Allowance for bad debt RMB'000	Accelerated accounting depreciation RMB'000	Accrued expenses RMB'000	Tax Loss RMB'000	Total RMB'000
At 1 January 2012(restated)	448	3,711	3,305	366	7,830
Distribution of assets/liabilities of Shangma Mining (Note 37)	–	(510)	(169)	–	(679)
(Charge) credit to profit or loss	–	(406)	(2,228)	635	(1,999)
At 31 December 2012(restated)	448	2,795	908	1,001	5,152
Credit (charge) to profit or loss	–	239	1,319	(234)	1,324
At 31 December 2013	**448**	**3,034**	**2,227**	**767**	**6,476**

At 31 December 2013, the Group has unused tax losses of RMB193,866,000 (31 December 2012: RMB76,092,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

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

	31/12/2013 RMB'000	31/12/2012 RMB'000
2014	**–**	336
2015	**4,659**	5,449
2016	**16,878**	16,555
2017	**44,561**	53,752
2018	**114,132**	–
Unlimited	**13,636**	–
	193,866	76,092

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21. DEFERRED TAXATION *(CONTINUED)*

Except for the above temporary differences, at the end of the reporting period the Group has other deductible temporary differences of RMB1,455,000 (31 December 2012: nil). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Under EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary difference attributable to accumulated profit of the PRC subsidiaries amounting to RMB1,172 million (2012: RMB820 million), as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

22. LOAN RECEIVABLE FROM A THIRD PARTY

The amount mainly represented advance to 撫順縣上馬鄉政府 for the purpose of reallocation of local farmers. The amount was unsecured, interest free and expected to be collected within one year.

23. RESTRICTED CASH

The restricted cash of Hanking Australia amounted to RMB47,103,000 represented unconditional performance bonds which is administered by the Environment Division of the Department of Mines and Petroleum of Australia as security for mine operators to meet the rehabilitation requirements on its tenements.

24. INVENTORIES

	31/12/2013 RMB'000	31/12/2012 RMB'000 (Restated)	1/1/2012 RMB'000 (Restated)
Auxiliary materials	**59,726**	39,340	23,249
Work in progress	**54,914**	27,431	25,270
Finished goods	**55,668**	30,607	6,603
	170,308	97,378	55,122

25. TRADE AND OTHER RECEIVABLES

	31/12/2013 RMB'000	31/12/2012 RMB'000 (Restated)	1/1/2012 RMB'000 (Restated)
Trade receivables			
– related parties	**8,776**	41,699	6,917
– third parties	**57,266**	34,264	10,153
– bills receivables (note a)	**128,848**	99,715	216,073
	194,890	175,678	233,143
Other receivables			
– advance to suppliers	**15,868**	11,239	18,497
– interest receivable on bank deposits	**755**	5,021	–
– deposits (note b)	**24,091**	23,168	22,868
– deposit for resource tax	**145,911**	182,789	160,519
– value-added tax recoverable	**11,427**	–	–
– staff advances	**5,636**	2,726	6,968
– others	**23,562**	16,158	14,372
	227,250	241,101	223,224
Total trade and other receivables	**422,140**	416,779	456,367

Notes:

(a) The Group pledged bills receivable with carrying amount of RMB108,133,000 to secure the bank borrowings of RMB99,943,000 as of 1 January 2012.

(b) The PRC local governments required mining companies to pay various environment protection deposits, to fulfill the environment obligation during the mining process.

The Group allows an average credit period of 7 days to its customers of iron ore concentrates and 15 days to its customers of nickel ore. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period.

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25. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

	31/12/2013 RMB'000	31/12/2012 RMB'000 (Restated)	1/1/2012 RMB'000 (Restated)
Within 7 days	**64,713**	39,052	17,070
8 days to 3 months	**1,329**	27,164	–
3 months to 1 year	**–**	9,747	–
	66,042	75,963	17,070

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

Movement in the allowance for trade receivable

	2013 RMB'000	2012 RMB'000 (Restated)
Opening and closing balance	**182**	182

According to the credit period policy of the Group, the trade receivables due from third parties which has an ageing over 7 days and trade receivables due from related parties which has an ageing over 90 days of its iron ore customers, and trade receivables due from third parties which has an ageing over 15 days of its nickel ore were regarded as past due. Ageing of trade receivables which are past due but not impaired is analysed as follow:

	31/12/2013 RMB'000	31/12/2012 RMB'000 (Restated)	1/1/2012 RMB'000 (Restated)
8 days to 3 months	**1,329**	27,164	–
3 months to 1 year	**–**	9,747	–
	1,329	36,911	–

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

25. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

Movement of allowance for doubtful debts on other receivables

	2013 RMB'000	2012 RMB'000 (Restated)
Opening balance	**1,721**	20,279
Reversal	**(117)**	–
Distribution of assets/liabilities of Shangma Mining (Note 37)	**–**	(18,558)
Closing balance	**1,604**	1,721

26. AMOUNT DUE FROM NON-CONTROLLING INTERESTS OF SUBSIDIARIES

The amounts as at 31 December 2012 were interest free, unsecured and repayable on demand. The amount had been settled during the year ended 31 December 2013.

27. LOANS RECEIVABLE FROM RELATED PARTIES

				Maximum amount outstanding during	
	31/12/2013 RMB'000	31/12/2012 RMB'000 (Restated)	1/1/2012 RMB'000 (Restated)	**2013 RMB'000**	2012 RMB'000
Hanking Industrial Group Co., Ltd. 撫順罕王實業集團有限公司	**–**	8,766	87,818	**8,766**	87,818
PT. Hanking Aoniu Mining Indonesia	**–**	–	144	**–**	144
Fushun Hanking D.R.I. Co., Ltd. 撫順罕王直接還原鐵有限公司	**–**	–	107,980	**–**	107,980
Liaoning Hanking Investment Co., Ltd. 遼寧罕王投資有限公司	**–**	–	150,403	**–**	150,403
Shenyang Toyo Steel Co., Ltd. 瀋陽東洋制鋼有限公司	**–**	–	30,094	**–**	30,094
Shenyang Hanking Department Store 瀋陽罕王百貨有限公司	**–**	–	10,000	**–**	10,000
	–	8,766	386,439		

These companies are controlled by Ms. Yang Min. The loans were interest-free, unsecured and repayable on demand. These amounts have been settled during the years ended 31 December 2012 and 2013.

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28. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31/12/2013 RMB'000	31/12/2012 RMB'000 (Restated)	1/1/2012 RMB'000 (Restated)
Listed investments at fair value	**47,175**	2,941	–

The listed investments represents the Group's equity interests in two companies listed on Australian Securities Exchange. The investments are measured at fair value at the end of the reporting period.

29. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

Bank balances and cash of the Group comprise cash and short term bank deposits with an original maturity of three months or less. The bank balances carry variable interest rates of 0.35% (2012: 0.50%) per annum.

The pledged bank deposits at 31 December 2013 were for the purpose of issuance of notes payable and carried fixed interest rate of 2.03% per annum.

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

	31/12/2013 RMB'000	31/12/2012 RMB'000 (Restated)	1/1/2012 RMB'000 (Restated)
USD	**159,641**	22,290	78,345
HKD	**1,011**	595	9,719
AUD	**11,841**	4,545	–

30. TRADE AND OTHER PAYABLES

	31/12/2013 RMB'000	31/12/2012 RMB'000 (Restated)	1/1/2012 RMB'000 (Restated)
Trade payable			
– related parties	**6,970**	2,559	7,628
– third parties	**45,467**	27,538	14,545
– bills payable	**7,345**	–	10,235
	59,782	30,097	32,408
Other payables			
– advance from customer (note a)	**78,291**	60,000	60,000
– other tax payables	**16,601**	18,905	38,337
– payable of acquisition of property, plant and equipment	**131,306**	97,285	43,985
– payable of acquisition of prepaid lease payment	**–**	–	6,440
– outsourced service payable	**12,235**	17,121	40,599
– transportation fee payable (note b)	**13,930**	12,310	7,262
– accrued expenses	**7,953**	14,063	12,091
– accrued listing expenses	**–**	–	8,662
– salary and bonus payables	**9,112**	7,128	6,760
– interest payable	**2,830**	–	–
– others	**20,655**	16,557	13,865
	352,695	273,466	270,409

Notes:

a) As at 31 December 2013, the Company has pledged prepaid lease payments of having a carrying amount of approximately RMB15,337,000 (31 December 2012: RMB15,668,000; 1 January 2012: RMB15,999,000) to secure the advance from a customer of RMB60,000,000 (31 December 2012: RMB60,000,000; 1 January 2012: RMB60,000,000). The advance is interest-free and repayable on demand.

b) Amounts of approximately RMB7,350,000 (2012: RMB9,180,000) was due to Fushun Mingyang Transportation Co., Ltd. (撫順名揚運輸有限公司) as at 31 December 2013. Ms. Yang Min has significant influence in that entity.

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30. TRADE AND OTHER PAYABLES *(CONTINUED)*

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

	31/12/2013 RMB'000	31/12/2012 RMB'000 (Restated)	1/1/2012 RMB'000 (Restated)
Within 3 months	**44,739**	23,291	9,611
3 months to 1 year	**1,963**	5,859	2,403
1 year to 2 years	**4,843**	747	3,276
2 year to 3 years	**692**	109	6,883
Over 3 years	**200**	91	–
	52,437	30,097	22,173

31. BORROWINGS

	31/12/2013 RMB'000	31/12/2012 RMB'000 (Restated)	1/1/2012 RMB'000 (Restated)
Fixed-rate bank loans-secured	**950,000**	100,000	49,943
Fixed-rate bank loans-unsecured	**70,000**	300,000	–
Floating-rate bank loans-secured (note)	**848,095**	200,000	250,000
Floating-rate bank loans-unsecured (note)	**–**	200,000	–
	1,868,095	800,000	299,943
Amount repayable:			
Due within one year (amount shown under current liabilities)	**1,385,444**	800,000	299,943
More than one year, but not exceeding two years (amount shown under non-current liabilities)	**482,651**	–	–
	1,868,095	800,000	299,943
Effective interest rates of bank borrowings	**4.34%**	6.78%	6.85%

Note: The floating-rate bank loans of RMB150,000,000 carry interest at 105% of the interest rate of RMB loan promulgated by the People's Bank of China. The USD loans of RMB698,095,000 carry 3-month LIBOR plus 150-205 base points of the interest rate.

31. BORROWINGS *(CONTINUED)*

The bank borrowings of RMB500,000,000 (31 December 2012: RMB300,000,000; 1 January 2012: RMB200,000,000) were secured by the mining rights with the carrying amounts of RMB287,150,000 (31 December 2012: RMB254,514,000; 1 January 2012: RMB251,655,000). The bank borrowings of RMB798,095,000 were (31 December 2012: nil; 1 January 2012: nil) secured by the letter of credit of the Group. The bank borrowings of RMB330,000,000 (31 December 2012: nil; 1 January 2012: nil) were secured by bank deposits of RMB460,000,000 (31 December 2012: nil; 1 January 2012: nil). The bank borrowings of RMB170,000,000 were guaranteed by the related parties Ms. Yang Ming and Hanking Industrial Group Co., Ltd..

On the top of the pledge of mining rights as of 1 January 2012, the bank borrowings of RMB100,000,000 were also guaranteed by related parties, Hanking Industrial Group Co., Ltd. and its subsidiaries. The guarantee was released during the year ended 31 December 2012. The bank borrowings of RMB99,943,000 as of 1 January 2012 were secured by the bills receivable with carrying amount of RMB108,133,000.

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

The amount of RMB3,873,000 as at 31 December 2013 are interest free, unsecured and repayable on demand. The amounts of RMB6,052,000 as at 31 December 2012 carried interest at rates ranged from 12% to 18% per annum.

33. LOANS PAYABLE TO RELATED PARTIES

	31/12/2013 RMB'000	31/12/2012 RMB'000 (Restated)	1/1/2012 RMB'000 (Restated)
Hanking Industrial Group Co., Ltd. 撫順罕王實業集團有限公司	**–**	43,850	400
Hanking Aoniu Investment (Hong Kong) Co. Ltd	**–**	73,199	1,967
PT. Hanking Aoniu Mining Indonesia	**–**	106,255	50,114
Fushun Hanking Mining Co., Ltd. 撫順罕王礦業有限公司	**–**	–	1,937
Liaoning Hanking Mining Development Co., Ltd. 遼寧罕王礦業發展有限公司	**–**	–	263,586
Dalian Huaren Trading Co., Ltd. 大連華仁貿易有限公司	**–**	–	53,921
	–	223,304	371,925

These companies are controlled by Ms. Yang Min. These loans were interest-free, unsecured and repayable on demand and have been settled during the years ended 31 December 2012 and 2013, respectively.

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34. CONSIDERATION PAYABLE

	31/12/2013 RMB'000	31/12/2012 RMB'000 (Restated)	1/1/2012 RMB'000 (Restated)
Analysed for the reporting purpose as:			
Current portion	**86,943**	143,320	59,028
Non-current portion	**355,261**	183,935	221,258
	442,204	327,255	280,286

The amount as at 31 December 2013 represented:

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

As at 31 December 2013, the consideration payable of RMB250,393,000 (31 December 2012: RMB241,467,000; 1 January 2012: RMB277,936,000) was recognised at amortised cost using the effective interest method at the date of acquisition. According to the acquisition agreements, it will be repaid on installment basis by reference to the progress of mining development with last payment fall due in the year of 2032. The amount repayable within the next twelve months is classified under current portion which is calculated based on directors' estimation on the project development progress.

(b) The remaining balance of RMB191,811,000 at 31 December 2013 represented the consideration payable to Evergreen Mining Limited arising from the acquisition of 70% equity of Hanking Indonesia. Pursuant to the terms of the agreement, the amount could be repayable after the next twelve months, accordingly, the amount is classified as non-current portion.

As at 31 December 2012, consideration payable of RMB85,788,000 represented the remaining balance of consideration payable to Shenyang Toyo Steel Company Limited arising from the acquisition of 100% equity of Fushun Shangma. The amount had been fully settled during the year ended 31 December 2013.

35. SHARE CAPITAL

The amount as at 31 December 2013 and 2012 represented the then issued share capital of the Company. Details of movement of share capital of the Company are as follow:

	Number of shares		Share capital	
	2013	2012	**2013**	2012
	'000	'000	**RMB'000**	RMB'000
Ordinary shares of HK$0.1 each				
Authorised				
At 1 January and 31 December 2013	**10,000,000**	10,000,000	**N/A**	N/A
Issued				
At 1 January and 31 December 2013	**1,830,000**	1,830,000	**149,137**	149,137

All shares in issue rank pari passu in all respects.

36. ACQUISITION OF A SUBSIDIARY

a) On 30 May 2012, City Globe Limited, a subsidiary of Hanking Indonesia, acquired 75% equity interest in KP. The acquisition has been accounted for as acquisition of assets as the major assets of KP were mining rights and KP did not carry out any business operation prior to the acquisition. The details of assets and liabilities of KP on acquisition date are as following:

	RMB'000
Property, plant and equipment	74
Intangible assets	68,402
Other receivables	306
Bank balances and cash	226
Other payables	(3,012)
Net assets acquired	65,996
Less: non-controlling interests	(16,499)
	49,497
Total consideration:	
Cash consideration paid	38,000
Consideration payable included in liabilities as at 31 December 2012	11,497
	49,497
Net cash out flow arising on acquisition:	
Cash consideration paid	38,000
Less: cash and cash equivalent balance acquired	(226)
	37,774

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for the year ended 31 December 2013

36. ACQUISITION OF A SUBSIDIARY

b) On 30 November 2012, Aoniu Mining injected RMB13,240,000 to the registered capital of Yingkou Xinwang Alloy Furnace Co., Ltd. ("Yingkou Xinwang"), represented the 55% equity interest of enlarged net assets of Yingkou Xinwang. The acquisition has been accounted for acquisition of assets as Yingkou Xinwang as it was not considered as a business at the date of acquisition. The details of assets and liabilities of Yingkou Xinwang on acquisition date are as following:

	RMB'000
Property, plant and equipment	17,436
Inventories	13,476
Other receivables	7,172
Bank balances and cash	7,090
Loans payable from shareholders	(6,052)
Other payables	(15,051)
Net assets acquired	24,071
Less: non-controlling interests	(10,831)
Total cash consideration paid	13,240
Net cash out flow arising on acquisition	6,150

37. DISTRIBUTION OF ASSETS/LIABILITIES OF SHANGMA MINING

On 31 May 2012, the mining operations of Shangma Mining and its related assets and liabilities were transferred to Fushun Shangma with a consideration of RMB212,458,000. At the same time, certain non-core assets and liabilities of Shangma Mining had been retained by Shangma Mining. The retained assets were treated as a distribution in species to the equity owners. The details of these assets and liabilities retained as at 31 May 2012 are as follow:

	RMB'000
Other receivables	14,500
Loans receivable from related parties	51,080
Consideration receivable from Fushun Shangma	212,458
Bank balances and cash	1,550
Tax recoverable	15,685
Deferred tax assets	679
Other payables	(72,565)
Borrowings	(49,997)
Net assets retained by Shangma Mining	173,390
Net cash outflow on deemed distribution	1,550
Consideration payable settled by Fushun Shangma during the year ended 31 December 2012	212,458
Total	214,008

38. CAPITAL COMMITMENTS

	2013 **RMB'000**	2012 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**340,455**	138,848

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

39. OPERATING LEASES

The Group as lessee

	2013	2012
	RMB'000	RMB'000
Minimum lease payments paid under operating leases during the year:		
– Plant and machinery	**5,781**	–
– Premises	**5,829**	6,757
	11,610	6,757

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

	2013	2012
	RMB'000	RMB'000
Within one year	**875**	1,548
In the second to fifth years inclusive	**2,133**	2,819
	3,008	4,367

40. RETIREMENT BENEFIT PLANS

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

The amounts of contributions made by the Group in respect of the retirement benefit scheme are disclosed in Note 12.

41. RELATED PARTY TRANSACTIONS

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

	2013 RMB'000	2012 RMB'000
Sales of goods to		
Fushun Hanking D.R.I. Co., Ltd. 撫順罕王直接還原鐵有限公司 (note a)	**–**	237,840
Dalian Huaren Trade Co., Ltd. 大連華仁貿易有限公司 (note a&c)	**286,979**	79,688
	286,979	317,528
Goods sales to		
上海罕王國際貿易有限公司 (note a)	**–**	31,696
Material purchased from		
Shanghai Hanking International Trade Co., Ltd. 上海罕王國際貿易有限公司 (note a)	**1,400**	891
Fushun County Dawei Foundry 撫順縣大維鑄造廠	**–**	1,162
Fushun Hanking Department Store. 撫順罕王商場有限公司 (note a)	**4**	–
	1,404	2,053
Processing fee paid to:		
Benxi Hanking Iron Processing Co. Ltd. 本溪罕王鐵選有限公司 (note a)	**32,071**	28,468
Rental expense paid to:		
Shenyang Shengtai Property Management Co., Ltd. 瀋陽盛泰物業管理有限公司 (note a)	**4,190**	4,800
Transportation fee paid to		
Fushun Mingyang Transport Co., Ltd. 撫順名揚運輸有限公司 (note b)	**25,926**	26,030

Note:

(a) These companies are the related parties which are controlled by Ms. Yang Min.

(b) Fushun Mingyang Transport Co., Ltd. is wholly owned by Mr. Yang Xinhuan, the nephew of Ms. Yang Min.

(c) Dalian Huaren Trade Co., Ltd. acted as an agent of Fushun Hanking D.R.I. Co., Ltd. to purchase the iron ore concentrates from STSU and purchased iron ore concentrates of RMB286,979,000 were delivered to Fushun Hanking D.R.I. Co., Ltd..

Except those disclosed in Notes 14 and 15 for directors and employees' emoluments, no compensation was made to other key management personnel of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

42.1 General information of subsidiaries

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

Name of subsidiary	Principal activity	Place of Incorporation/ establishment and operation	Issued and fully paid up share capital/ registered capital	Proportion of ownership interest and voting power held by the Group 31 December 2012 %	31 December 2013 %
Directly held:					
Hanking Investment	Investment holding	The British Virgin Island ("BVI")	Ordinary shares USD1.00	100.00	100.00
Hanking Australia Pty Ltd	Investment holding	Australia	Ordinary shares AUD100.00	100.00	100.00
Hanking Indonesia	Investment holding	BVI	Ordinary shares USD10	70.00	70.00
Indirectly held:					
Hanking HK	Investment holding	Hong Kong	Ordinary shares HK$1.00	100.00	100.00
Hanking International	Investment holding	BVI	Ordinary shares USD1.00	100.00	100.00
STSU (公用設施)	Sales of iron ore mining products	PRC	Registered and paid-in capital USD84,000,000	100.00	100.00
Shenyang Yuanzheng (瀋陽元正)	Sales of iron ore mining products	PRC	Registered and paid-in capital RMB5,000,000	100.00	100.00
Aoniu Mining (傲牛礦業)	Sales of iron ore mining products	PRC	Registered and paid-in capital RMB100,000,000	100.00	100.00
Maogong Mining (毛公礦業)	Sales of iron ore mining products	PRC	Registered and paid-in capital RMB5,000,000	100.00	100.00
Xingzhou Mining (興洲礦業)	Sales of iron ore mining products	PRC	Registered and paid-in capital RMB2,000,000	100.00	100.00
Hanking Mining (Hong Kong) Limited (罕王礦業(香港)有限公司)	Investment Holding	Hong Kong	Ordinary shares USD9,900,000	100.00	100.00

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

42.1 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 2012 %	31 December 2013 %
Yingkou Xingwang (營口鑫旺)	Sales of iron ore mining products	PRC	Registered and paid-in capital RMB11,110,000	55.00	55.00
Benxi Mining (本溪礦業)	Sales of iron ore mining products	PRC	Registered and paid-in capital RMB20,000,000	100.00	100.00
Shangma Mining (上馬礦業)	Sales of iron ore mining products	PRC	Registered and paid-in capital RMB5,000,000	100.00	100.00
City Globe Limited	Investment Holding	Hong Kong	Ordinary shares HKD10,000	70.00	70.00
PT Konutara Prima	Investment holding	Indonesia	Ordinary shares IDR27,600,000,000	52.50	52.50
Denway Development Limited	Investment Holding	Hong Kong	Ordinary shares HKD10,000	70.00	70.00
PT Konutara Sejati	Sales of nickel ore mining products	Indonesia	Ordinary shares IDR66,800,000,000	52.50	52.50
PT Karyatama Kona Utara	Investment Holding	Indonesia	Ordinary shares IDR66,800,000,000	52.50	52.50
Harvest Globe Limited	Investment Holding	Hong Kong	Ordinary shares HKD10,000	52.50	52.50
Harvest (Shenyang) Trading Limited	Sales of nickel ore mining products	PRC	Ordinary shares USD2,000,000	52.50	52.50
Hanking Gold Mining Pty Ltd.	Investment holding	Australia	Ordinary shares AUD100.00	–	100.00

Notes:

(a) Wholly-owned foreign enterprise.

(b) Private owned enterprise with limited liability.

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for the year ended 31 December 2013

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

42.1 General information of subsidiaries *(continued)*

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

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

Name of Subsidiary	Place of Incorporation and principle place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interest		Accumulated non-controlling interests	
		31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012
				RMB'000	RMB'000	RMB'000	RMB'000
Hanking Indonesia (Note)	BVI Indonesia	30%	30%	(19,083)	(39,141)	253,772	175,729
Individually immaterial subsidiaries with non-controlling interests						5,502	10,529
						259,274	186,258

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

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

Hanking Indonesia and its subsidiaries

	12/31/2013 RMB'000	12/31/2012 RMB'000
Current assets	**117,950**	87,795
Non-current assets	**739,565**	637,419
Current liabilities	**296,710**	478,878
Non-current liabilities	**–**	–
Equity attributable to owners of the Company	**438,619**	113,388
Non-controlling interests	**122,186**	132,948

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

42.1 General information of subsidiaries *(continued)*

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

Hanking Indonesia and its subsidiaries (continued)

	For the year ended 12/31/2013 RMB'000	For the year ended 12/31/2012 RMB'000
Revenue	**71,662**	36,102
Expenses	**(147,145)**	(162,436)
Loss for the year	**(75,483)**	(126,334)
Other comprehensive loss	**(10,111)**	(1,880)
Total comprehensive loss	**(85,594)**	(128,214)
Loss attributable to owner of the Company	**(60,522)**	(103,739)
Loss attributable to non-controlling interests	**(14,961)**	(22,595)
	(75,483)	(126,334)
Total comprehensive Loss attributable to owner of the Company	**(74,834)**	(105,165)
Total comprehensive income attributable to non-controlling interests	**(10,760)**	(23,049)
	(85,594)	(128,214)
Dividends paid to non-controlling shareholders	**–**	–

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43. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	31/12/2013 RMB'000	31/12/2012 RMB'000
Non-current Assets		
Unlisted investments in subsidiaries	**–**	–
Amounts due from subsidiaries	**1,233,529**	524,493
Property, plant and equipment	**54**	11
Current Assets		
Bank balances and cash	**147,894**	22,808
Others receivables	**3,361**	16,928
Current Liabilities		
Borrowing	**405,444**	–
Consideration Payable (see note 34)	**191,811**	–
Others payables	**2,455**	2,982
Net Current (Liabilities) Assets	**(448,455)**	36,754
Total Assets less Current Liabilities	**785,128**	561,258
Capital and Reserves		
Share capital (see note 35)	**149,137**	149,137
Reserves	**343,340**	412,121
Total equity	**492,477**	561,258
Non-current Liabilities		
Borrowing	**292,651**	–

Note: As of 31 December 2013 and 2012, the Company had investment of one ordinary share of US$1 each in Hanking Investment.

43. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(CONTINUED)*

Movement in reserve

	Share capital RMB'000	Special reserve RMB'000	Share premium and retained earnings RMB'000	Total RMB'000
At 1 January 2012	149,137	175,960	274,360	599,457
Profit and total comprehensive income for the year	–	–	231	231
Dividends	–	–	(38,430)	(38,430)
At 31 December 2012	149,137	175,960	236,161	561,258
Profit and total comprehensive income for the year	–	17,104	(49,285)	(32,181)
Dividends	–	–	(36,600)	(36,600)
At 31 December 2013	**149,137**	**193,064**	**150,276**	**492,477**

DEFINITIONS

"Aoniu Mine"	located at Hou'an Town, Fushun City, an iron mine operated through Aoniu Mining, a subsidiary of the Company
"Aoniu Mining"	Fushun Hanking Aoniu Mining Limited (撫順罕王傲牛礦業股份有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
"Articles of Association"	the articles of association approved by the Company at the general meeting held on 16 September 2011, effective as from the time when the trading of the Company's shares commenced on the Stock Exchange of Hong Kong Limited and as amended from time to time
"AUD"	the lawful currency of Australia
"Australia"	The Commonwealth of Australia
"Benxi Iron Processing"	Benxi Hanking Iron Processing Co., Ltd. (本溪罕王鐵選有限公司), a limited liability company established in the PRC
"Benxi Mine"	located at Benxi City, an iron mine operated through Benxi Mining, a subsidiary of the Company
"Benxi Mining"	Benxi Hanking Mining Co., Ltd. (本溪罕王礦業有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
"Board"	the board of Directors of the Company
"China" or "PRC"	the People's Republic of China. Unless the context requires, references in this report to the PRC or China do not include Hong Kong, Macau Special Administrative Region and Taiwan
"City Globe"	City Globe Limited, a limited liability company incorporated in Hong Kong which holds 75% equity interest in KP
"Companies Ordinance"	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong (as amended from time to time)
"the Company" or "our Company" or "we"	China Hanking Holdings Limited

"Controlling Shareholders"	has the meaning ascribed to it in the Listing Rules and unless the context requires otherwise, refers to Ms. Yang Min, Mr. Yang Jiye, China Hanking (BVI) Limited, Bisney Success Limited and Best Excellence Limited
"Dalian Huaren"	Dalian Huaren Trade Co., Ltd. (大連華仁貿易有限公司), a limited liability company established in the PRC
"Dawei Casting"	Fushun County Dawei Casting Factory (撫順縣大維鑄造廠), a company established in the PRC and wholly-owned by Ms. Yang Min
"Denway Development"	Denway Development Limited, a limited liability company incorporated in Hong Kong which holds 75% equity interest in KS and KKU
"Directors"	the directors of the Company
"EBITDA"	the abbreviation of earnings before interest, taxes, depreciation and amortization
"Evergreen Mining"	Evergreen Mining Limited, a limited liability company incorporated in the BVI on 23 November 2012, an indirectly wholly-owned subsidiary of Hanking Group
"Fushun Hanking D.R.I."	Fushun Hanking D.R.I. Co., Ltd. (撫順罕王直接還原鐵有限公司), a limited liability company established in the PRC
"Fushun Shangma"	Fushun Hanking Shangma Mining Company Limited, a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
"the Group"	China Hanking Holdings Limited and its subsidiaries
"Hanking Australia Pty Ltd"	a limited liability company established in the Australia and a wholly-owned subsidiary of the Company
"Hanking Group"	Hanking Group Co., Limited (罕王實業集團有限公司), a limited liability company established in the PRC on 4 April 1996, whose shares are held by Ms. Yang Min (60.67%) and Mr. Yang Jiye (28.29%) and other individuals. Hanking Group is a holding company and is controlled by the Controlling Shareholders
"Hanking (Indonesia) Mining Limited"	Hanking (Indonesia) Mining Limited, a limited company established in the BVI, a non wholly-owned subsidiary of the Company

DEFINITIONS

"Harvest Globe"	Harvest Globe Limited, a limited liability company established in Hong Kong, a non wholly-owned subsidiary of Denway Development
"HK$" or "HK dollars"	the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Indicated Resource"	an indicated resource is one which has been sampled by drill holes or other sampling procedures at locations too widely spaced to ensure continuity, but close enough to give a reasonable indication of continuity and where geoscientific data are known with a reasonable level of reliability
"Inferred Resource"	an inferred resource is one where geoscientific evidence from drill holes or other sampling procedures is such that continuity cannot be predicted with confidence and where geoscientific data may not be known with a reasonable level of reliability
"Indonesia"	The Republic of Indonesia
"Indonesia nickel ore project"	Indonesia laterite nickel project operated by KKU, KP and KS
"Indonesian Rupiah"	the lawful currency of Indonesia
"JORC"	Australasian Joint Ore Reserves Committee
"KKU"	PT Karyatama Konawe Utara, a company established in Indonesia, an indirectly non wholly-owned subsidiary of the Company
"KP"	PT Konutara Prima, a company established in Indonesia, an indirectly non wholly-owned subsidiary of the Company
"KS"	PT Konutara Sejati, a company established in Indonesia, an indirectly non wholly-owned subsidiary of the Company
"Latest Practicable Date"	4 April 2014, being the latest practicable date for the purpose of ascertaining certain information contained in this annual report prior to its publication

"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Maogong Mine"	located at Shiwen Town, Fushun City, an iron mine operated through Maogong Mining, a subsidiary of the Company
"Maogong Mining"	Fushun Hanking Maogong Mining Co., Ltd. (撫順罕王毛公鐵礦有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
"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
"Mingcheng Transportation"	Fushun Mingcheng Transportation Co., Ltd. (撫順名城運輸有限公司), a limited liability company established in the PRC
"Mingyang Transport"	Fushun Mingyang Transport Co., Ltd. (撫順名揚運輸有限公司), a limited liability company established in the PRC, an affiliate of Fushun Mingcheng Transportation Co., Ltd. (撫順名城運輸有限公司)
"Northeastern Lion"	Northeastern Lion Limited, a limited company established in the BVI and currently renamed Hanking (Indonesia) Mining Limited, which indirectly holds 75% equity interest in KKU, KS and KP
"Prospectus"	the prospectus of the Company published on 20 September 2011
"RMB"	Renminbi Yuan, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended from time to time)
"Shangma Mine"	located at Fushun Shangma, an iron mine operated through Fushun Shangma, a subsidiary of the Company
"Shengtai Property"	Shenyang Shengtai Properties Management Co., Ltd (瀋陽盛泰物業管理有限公司), a limited liability company established in the PRC
"SXO"	located at the center of Yilgarn goldfield in Western Australia (Southern Cross Operation, abbreviated as SXO)

DEFINITIONS

"US$" or "US dollars"	United States dollars, the lawful currency of the United States
"STSU"	Shenyang Toyo Steel Utility Co., Ltd, a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
"Xingzhou Mine"	located at Dongzhou District, Fushun City, an iron mine operated through Xingzhou Mining, a subsidiary of the Company
"Xingzhou Mining"	Fushun Xingzhou Mining Limited (撫順興洲礦業有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company