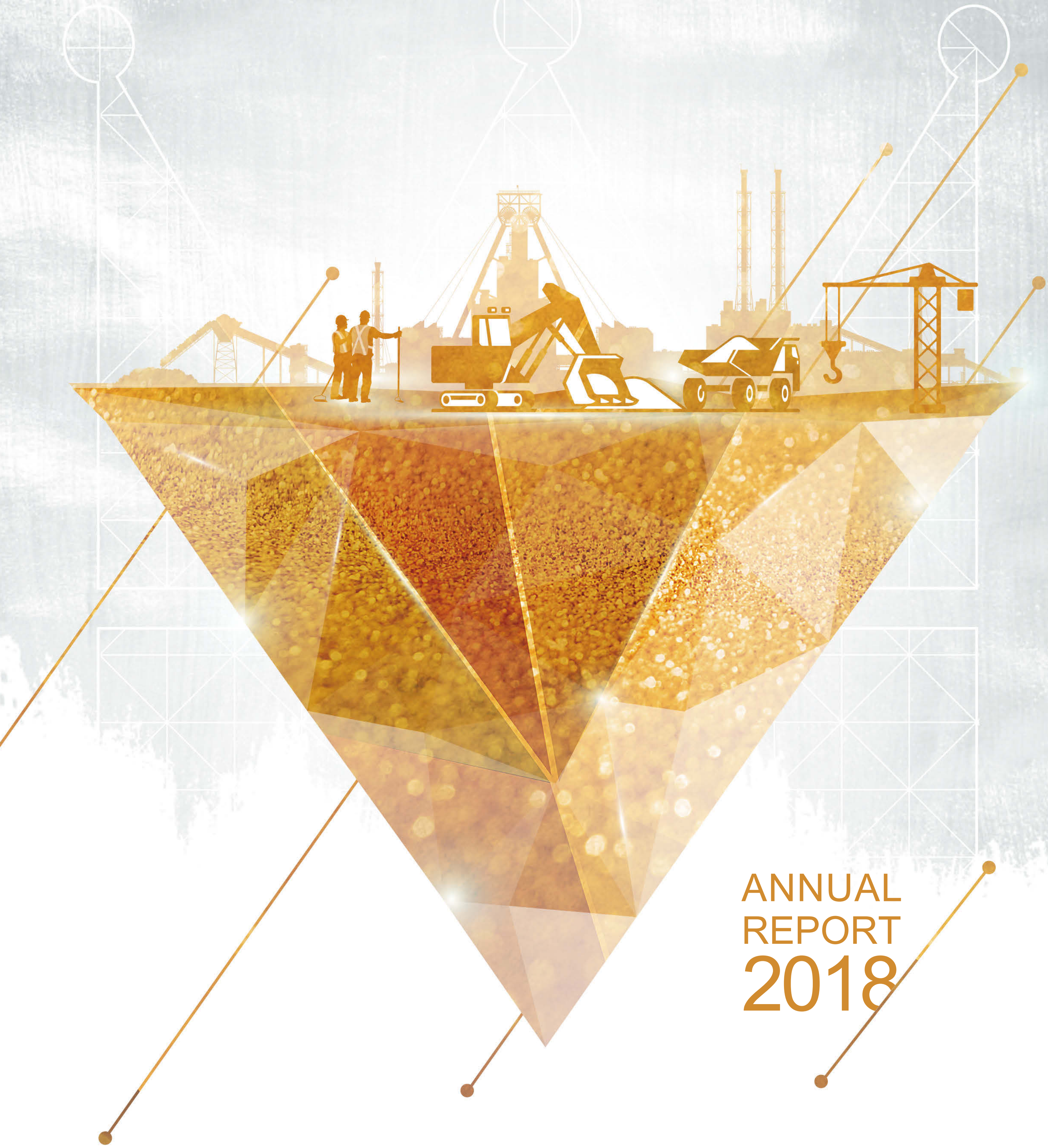
中國罕王控股有限公司

CHINA HANKING HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 03788



ANNUAL REPORT 2018

MISSION
As Emerging Key Player

VALUE
Always Beyond Expectations

CONTENTS

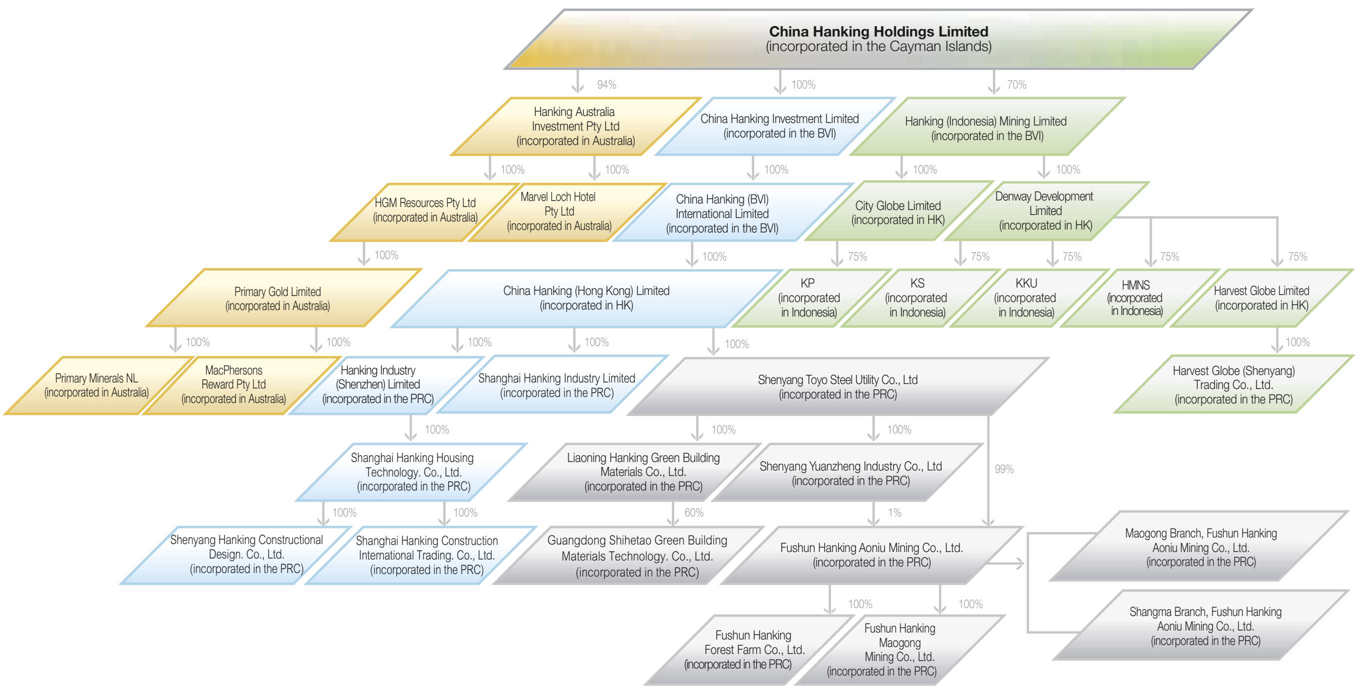
CORPORATE INFORMATION

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

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

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

Shareholding Structure of the Group Note



Note This shareholding structure chart reflects the Group's shareholding structure as at 31 December 2018.

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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AUTHORIZED REPRESENTATIVES

Mr. Zheng Xuezhi
Ms. So Lai Shan

JOINT COMPANY SECRETARIES

Ms. Zhang Jing
Ms. So Lai Shan

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CORPORATE INFORMATION

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DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Kenneth Jue Lee

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

HEALTH, SAFETY, ENVIRONMENTAL PROTECTION AND COMMUNITY COMMITTEE

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

FINANCIAL HIGHLIGHTS

CONSOLIDATED STATEMENT OF REPORT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Continuing Operations:					
Revenue	**1,165,491**	1,055,763	812,217	927,219	1,356,037
Cost of sales	**(655,189)**	(575,217)	(573,717)	(721,459)	(883,535)
Gross Profit	**510,302**	480,546	238,500	205,760	472,502
Other income	**4,174**	4,314	(642)	28,430	22,450
Other expense	**–**	–	15,641	1,099	2,653
Other gains and losses	**(66,217)**	(2,373)	(139,674)	(277,258)	(26,894)
Distribution and selling expenses	**(38,082)**	(34,466)	(37,603)	(38,386)	(42,249)
Administrative expenses	**(182,461)**	(132,375)	(143,416)	(190,736)	(198,208)
Research and development expenses	**(5,004)**	(475)	–	–	–
Finance costs	**(90,582)**	(105,093)	(121,045)	(143,787)	(97,887)
Profit (loss) before tax	**132,130**	210,078	(188,239)	(414,878)	132,367
Income tax expense (credit)	**52,792**	(80,017)	(7,640)	3,377	(58,791)
Profit (loss) for the year from continuing operations	**184,922**	130,061	(195,879)	(411,501)	73,576
Discontinued operation:					
Profit (loss) for the year from discontinued operation	**(10,882)**	734,926	(17,998)	9,823	(96,465)
Profit (loss) for the year	**174,040**	864,987	(213,877)	(401,678)	(22,889)
Owners of the Company	**179,660**	877,163	(207,408)	(381,596)	8,990
Non-controlling interests	**(5,620)**	(12,176)	(6,469)	(20,082)	(31,879)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31/12/2018	31/12/2017	31/12/2016	31/12/2015	31/12/2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current Assets	**2,459,302**	2,157,215	1,159,656	1,965,913	1,594,903
Non-current Assets	**1,224,299**	1,775,435	2,720,706	2,956,871	2,849,963
Current Liabilities	**2,107,814**	1,829,455	1,904,910	3,399,258	2,179,767
Non-current Liabilities	**34,937**	701,357	1,170,283	555,191	865,365
Equity attributable to owners of the Company	**1,352,443**	1,215,457	602,076	764,163	1,171,276
Non-controlling interests	**188,407**	186,381	203,093	204,172	228,458

SELECTED FINANCIAL RATIOS FROM CONTINUING OPERATIONS

	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross profit margin	**43.78%**	45.52%	29.36%	22.19%	34.84%
Net profit margin	**15.87%**	12.32%	-24.12%	-44.38%	5.43%
Gearing ratio	**58.17%**	64.35%	79.25%	80.33%	68.51%
Return ratio of total asset	**5.85%**	8.07%	-1.53%	-5.79%	10.36%

CHAIRMAN'S STATEMENT

Dear Shareholders,

In 2018, China Hanking adhered to the operation philosophy of "value creation" to constantly explore the development potential of the Company's existing resources, at the same time actively expanding its new projects and strengthening the development potential of the Company. On behalf of the Board, I am pleased to present to the shareholders the operating results of the Company in 2018.

Mr. Yang Jiye

Chairman of the Board

Since its listing, the Company has always considered precious metals as the priority mineral resources in its development. In 2011, we established a mining development team in Australia; in 2013, we acquired the Southern Cross Operation (SXO) Gold Project and commenced gold production in 2015. In 2017, we disposed of the SXO Gold Project, the purpose of which was to recover financial resources and invest such resources into projects with greater values. In February 2018, we decided to commence the acquisition of PGO, a gold company listed in Australia, during the window period of the general downturn of the Australian stock market. Eventually, in June 2018, the Company completed the acquisition of all issued shares of PGO. The total consideration for the acquisition of PGO amounted to approximately AUD35,386,000 at an acquisition price of AUD5.75 cents per share, which is lower than the price of AUD8.8 cents per share valued by an independent institution in Australia.

At present, the PGO gold project has approximately 2 million ounces of resources and approximately 230,000 ounces of reserves. This concentrated allocation of resources is favourable to the management of production and reduction of cost at the later stage. Upon the completion of the acquisition of the PGO gold project, we achieved breakthrough from the restrictions of previous feasibility researches and proposed a brand-new innovative mining design plan, which is not only conducive to environmental risks mitigation and government approval, but has also saved infrastructure investment and operating expenses of AUD20 million for the Company. In addition, we have completed the geochemical sampling for 65 square kilometers around the existing mining area of the PGO project, during which we have discovered the presence of gold anomalies of 4-kilometre long and 1-kilometre wide, evidencing the huge prospecting potential of the PGO gold project. Currently, the PGO gold project is accelerating and pushing forward the approval of the mining of Toms Gully. It is expected to commence the construction of underground mining works and the maintenance of processing plant in the second half of 2019, and will commence gold production in 2020.

As to iron ore business, the phase four technology improvement on the processing plant of the Group's Maogong Mine has been completed, which has provided support for the production expansion of Maogong Mine. In 2018, Maogong Mine had a production volume of 1.32 million tonnes of iron ore concentrates, representing a year-on-year increase of 17%, and will continue to grow in 2019.

CHAIRMAN'S STATEMENT

The high-quality iron ore concentrates produced by the Company helped to lower the production cost for customers, who were, in turn, willing to offer a higher selling price for the Company's iron ore concentrates. Moreover, we continued to promote refined management policies and optimized the management model. As a result, we have achieved a net profit margin of 20% for the iron ore business, representing a year-on-year increase of 4 percentage points.

The Company always adheres to the principles of "safety, community harmony and green mine", striving to reduce the impact of its production activities on the environment by recycling and reusing the resources. In 2018, the Company's green building materials project was completed and commenced production. The project used iron tailings of Maogong Mine to produce foamed ceramics, a new kind of environment-friendly material.

Maogong Mine

OUTLOOK

In 2019, facing challenges such as rising protectionism and unilateralism, the global economy will slow down; and the Chinese economy will be under increasing downward pressure that lead to subdued consumption growth and sluggish meaningful investment. Despite these pressures, the global economy will maintain its growth. In particular, the resilient Chinese economy will continue to achieve mid-to-high level economic growth and the demand for most types of resources will maintain growth momentum. Meanwhile, after the decrease of capital investment in the mining industry over the years, the growth rate of most types of resources on the supply front has slowed down or even recorded negative growth, hence the supply-demand dynamic has become more balanced or even with surplus demand.

We will actively develop new projects, at the same time continuously enhancing the competitiveness of our existing projects so as to seize the development opportunities brought by the changes in the supply-demand relationship in the mining industry.

APPRECIATION

In 2018, revenue from the Group's continuing operations was RMB1.17 billion, representing an increase of 10% year-on-year; and the net profit from continuing operations was RMB185 million, representing an increase of 42% year-on-year, both signifying further improvement of the quality of operation. Such achievements would not be possible without the efforts of all staff of the Group and the support from the shareholders and partners of the Company. On behalf of the Board, I hereby wish to express my heartfelt gratitude to the management and all staff of the Group for their efforts and contributions over the past year.

To reward the shareholders of the Company, a final dividend of HK$0.02 was proposed by the Board for 2018. Meanwhile, in order to share greater fruits of value creation of the Company with the shareholders, the Board will consider to further increase the payout ratio in the years to come.

Mr. Yang Jiye
Chairman of the Board

MANAGEMENT DISCUSSION AND ANALYSIS

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OPERATION REVIEW

1. Promoting the development of the gold project

Since our investment in PGO (a company listed on the Australian Securities Exchange (ASX: PGO)) in 2014, the Company has been its sole largest shareholder. In the first half of 2018, the Company acquired all of the issued shares of PGO at an offer price of approximately AUD35,386,000 in cash. PGO has JORC Code-compliant resource of approximately 2 million ounces at an average grade of 1.1 gram/ton gold and ore reserve of approximately 0.23 million ounces at an average grade of 3.9 gram/ton gold in order to further consolidate our gold business in Australia. In the second half of 2018, we conducted chemical tests near the Rustlers Roost mine and finished the chemical sampling covering 65 square kilometres, where we found a gold-inauger anomaly that was 4-kilometre long and 1-kilometer wide. This suggested great prospecting potential in the region.

2. Increasing output of high-grade iron ore concentrates resulting in stable revenues

Through continuous development and research as well as constant technology improvements, the output and sales volume of Maogong Mine, the major operating mine of the Group which is located in Fushun County, Fushun City, continued to grow with an improved efficiency. The output of Maogong Mine amounted to 1,316 thousand metric tons in 2018 (2017: 1,129 thousand metric tons), representing a year-on-year increase of 16.56%, which accounted for 73.31% of the Group's output of iron ore concentrates. Driven by the output increase of Maogong Mine, the output of iron ore concentrates of the Group amounted to 1,795 thousand metric tons in 2018, representing a year-on-year increase of 1.76%. In 2018, regarding the iron ore business, the Group continued to push forward the refined management policies and optimize its management model. The net profit margin of the iron ore business was 19.93%, representing a year-on-year increase of approximately 4 percentage points.

Exploration of PGO gold project

3. Commencement of production of the green building materials project ("Green Building Materials Project")

   The Green Building Materials Project was approved for launch by the Board at the end of August 2017. It only took one year to complete the incorporation of company and the construction of plant and to realize production. After three months of trial production, Hanking Green Building Materials started its official production in November 2018. As at 31 December 2018, Hanking Green Building Materials produced a total of 7,900 cubic meters of partition boards and 13,900 meters of board linings, and sold 2,400 cubic meters of partition boards which achieved a sales revenue of RMB2,090,000.

IRON ORE BUSINESS

According to the statistics of the National Bureau of Statistics, during January to December 2018, the cumulative output of crude steel, steel and iron were 928.26 million metric tons, 1,105.52 million metric tons and 771.05 million metric tons respectively, representing a year-on-year increase of 6.6%, 8.5% and 3.0%.

In 2018, the demand of iron ores recovered with the increasing downstream efficiency. Due to the increased endeavor in environmental protection and safety inspections, the frequency of production activities has decreased which reduced the production of domestic iron ore. The release cycle of new production capacity of iron ores in the four major mines nearly completed, resulting in a steady growth in the marginal supply of iron ores. In 2018, the import volume of iron ore was basically the same as in 2017. According to the Platts Price Index, the lowest and highest price of the iron ore concentrates at a grade of 62% were US$62.5/metric ton and US$79.95/metric ton respectively. After a period of fluctuation and adjustment, the volatility rate is 27%.

In 2019, the increase in imported iron ore concentrates will slow down with the decreasing flexibility of the total supply of domestic iron ore concentrates. Driven by the supply-side structural reform, the demand for medium- and high-grade iron ore will further increase which is beneficial to high-quality iron ore concentrate producers including Hanking.

1. Operation review

   The Group completed phase four technology improvement of Maogong Mine as scheduled so as to ensure a steady enhancement in production. The output of Maogong Mine amounted to 1,316 thousand metric tons in 2018 (2017: 1,129 thousand metric tons), representing a year-on-year increase of 16.56%. Due to closed pits in certain mining areas, the output of Aoniu Mine was reduced. However, driven by the production expansion of Maogong Mine, the output of iron ore concentrates by the Group amounted to 1,795 thousand metric tons in 2018, representing a year-on-year increase of 1.76%, while the sales volume of iron ore concentrates amounted to 1,805 thousand metric tons, representing a year-on-year increase of 2.09%.

MANAGEMENT DISCUSSION AND ANALYSIS

Table 1 – Output and sales volume of iron ore

	For the year ended 31 December (thousand metric tons)		
	2018	2017	Change
Stripping amount Note 1	**1,256**	2,892	-56.57%
Output of iron ore	**5,877**	5,736	2.46%
Output of iron ore concentrates	**1,795**	1,764	1.76%
Sales volume of iron ore concentrates	**1,805**	1,768	2.09%

Note 1: The decrease in stripping amount was mainly due to the completion of open pit mining.

The iron ore business of the Company is situated at the famous iron ore metallogenic belt of Anshan to Benxi where iron ore resource is rich and in good quality. Over the past couple of years, the Company has been working hard to improve the quality of its iron ore concentrate products. The Company produced iron ore concentrates at a stable grade of approximately 69% with low content of sulfur, phosphorus and other impurity substance, enabling our clients to significantly reduce their production costs. Therefore, the Company reached new annual sales agreements with our major customers at the beginning of 2018, increasing the sales price of iron ore concentrates by RMB21 per metric ton. Benefiting from the rising sales price and a favourable market condition, the Group's average sales price of iron ore concentrates was RMB645 per metric ton in 2018 (2017: RMB597 per metric ton), representing an increase of RMB48 per metric ton or 8.04% as compared with that for the corresponding period of last year.

Open pit mining completed in 2018, attributing an increase of 11.72% in consolidated mining costs. In order to ensure a stable production, the large-scale processing equipment parts such as high-pressure rolls was replaced which resulted in a year-on-year increase in processing costs. As the open-pit mining areas were closed, a year-on-year increase of 41.67% in mine management expense was attributable to the termination compensation incurred from the dismissal of production personnel of the Group and the investment in greening expenditures. The above-mentioned main reasons resulted in an average cash operation costs of per metric ton of iron ore concentrates of RMB315 (2017: RMB284), representing a year-on-year increase of 10.92%. Through technology improvement, Hanking conducted various measures to control costs, including increasing the iron ore output of high-quality Maogong Mine, optimizing the management model that encourages the initiation of teams and individuals and strengthening the inventory management and thus continued to maintain the low-cost competitive advantages of the Company.

Table 2 – Cash operation costs of the iron ore business

	For the year ended 31 December 2018 (RMB/ metric ton of iron ore concentrate)	2017 (RMB/ metric ton of iron ore concentrate)	Change
Mining	**143**	128	11.72%
Processing	**81**	77	5.19%
Transportation	**19**	19	–
Tax	**38**	36	5.56%
Mine management	**34**	24	41.67%
Total	**315**	284	10.92%

In 2018, the gross profit of the iron ore business was approximately RMB512,429,000 (2017: RMB480,546,000), the gross profit rate was 44.05% (2017: 45.52%), the net profit was RMB231,831,000 (2017: RMB168,699,000), and the net profit rate was 19.93% (2017: 15.98%), with an EBITDA of approximately RMB503,501,000 (2017: RMB519,769,000). The profit margin of EBITDA was 43.28% (2017: 49.23%), representing a year-on-year decrease of approximately 6 percentage points, which was mainly due to the increase in cost caused by decrease in proportion of open-pit mining and the increase in administrative expenses during the year.

In 2018, the capital expenditure of the iron ore business mainly included the expenditure of phase four technology improvement and expansion. As of 31 December 2018, the capital expenditure of iron ore business was approximately RMB241,661,000 (2017: RMB176,391,000), mainly including expenditure for plants, machines and equipment and properties as well as expenditure for acquisition of land of approximately RMB219,872,000 and approximately RMB18,511,000 respectively. The capital commitment amounted to approximately RMB29,382,000 (2017: RMB65,388,000).

MANAGEMENT DISCUSSION AND ANALYSIS

2. Operating mines

1) Maogong Mine

Maogong Mine is located in the township of Shiwen, Fushun County, Fushun City, and is operated by Maogong branch of Aoniu Mining, a subsidiary of the Company. Maogong Mine owns mining licenses covering areas totaling 2.37 square kilometers and exploration permits covering areas totaling 8.85 square kilometers, and has extensive infrastructures including paved roads, water and electricity supplies.

An independent third party conducted underground mining according to the mining design of Maogong Mine made by the Company. Based on the technology improvement in 2015, 2016 and 2017, the Company implemented phase four technology improvement on the processing plant of Maogong Mine in 2018, and therefore laid a foundation for further increase in the output of the Maogong Mine in the future.

Table 3 – Operation breakdown of Maogong Mine

Maogong Mine	For the year ended 31 December		
	2018	2017	Change
Output of iron ore concentrates (thousand metric tons)	**1,316**	1,129	16.56%
Sales volume of iron ore concentrates (thousand metric tons)	**1,317**	1,129	16.65%
Mining costs (RMB per metric ton of iron ore concentrate)	**191**	182	4.95%
Of which, underground mining by contractor *Note 1*	**143**	131	9.16%
Processing costs (RMB per metric ton of iron ore concentrate) *Note 2*	**111**	103	7.77%
Government tax (RMB per metric ton of iron ore concentrate)	**39**	40	-2.50%
Freight on sales (RMB per metric ton of iron ore concentrate) *Note 3*	**14**	10	40.00%

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

Note 2: Affected by the production cycle, replacement of large parts resulted in an increase in processing costs.

Note 3: The transportation service was provided by independent third parties. Due to changes in customers, the transportation distance extends, resulting in increased cost of transportation.

2) Aoniu Mine

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

In 2018, Aoniu Mine was engaged in both open-pit mining and underground mining. An independent third party was engaged to undertake the underground mining works in accordance to the Hanking's mining design plan. The open-pit mining area was closed in the second half of 2018, resulting in a decline in the output of Aoniu Mine. In the second half of 2018, we completed the treatment of filling and reshaping after closure of open-pit mining and will start tree planting in 2019.

Table 4 – Operation breakdown of Aoniu Mine

Aoniu Mine	**For the year ended 31 December**		
	2018	2017	Change
Output of iron ore concentrates (thousand metric tons)	**479**	635	-24.57%
Sales volume of iron ore concentrates (thousand metric tons)	**488**	639	-23.63%
Mining costs (RMB per metric ton of iron ore concentrate) *Note 1*	**177**	161	9.94%
Of which, underground mining by contractor *Note 2*	**83**	59	40.68%
Processing costs (RMB per metric ton of iron ore concentrate) *Note 3*	**124**	131	-5.34%
Government tax (RMB per metric ton of iron ore concentrate) *Note 4*	**33**	29	13.79%
Freight on sales (RMB per metric ton of iron ore concentrate) *Note 5*	**33**	34	-2.94%

Note 1: Open pit mining completed in 2018 and hence resulted in increase in consolidated mining costs.

Note 2: In 2018, substantial increase in drivage quantity and decline in iron ore concentrate output resulted in increase in underground mining cost per metric ton by contractor.

Note 3: In 2018, strengthening the maintenance of processing equipment led to reduction in maintenance cost.

Note 4: The output of iron ore concentrate in Aoniu Mining decreased in 2018, resulting in increase in governmental taxes and fees for iron ore concentrates in Aoniu Mine per metric ton.

Note 5: The transportation service was provided by independent third parties.

MANAGEMENT DISCUSSION AND ANALYSIS

3) Shangma Mine

Shangma Mine is located at the center of the iron ore belt in Fushun City. Production at Shangma Mine was suspended in 2018. The Company conducted exploration at the area where Shangma Mine is located, which will provide geographic evidence support for subsequent resource development and expansion of mining area.

Based on the principle of centralized operation management of the iron ore business, the assets and undertakings of Shangma Mining was transferred to the Shangma branch of Aoniu Mining. In December 2018, Aoniu Mining entered into the share transfer agreement with an independent third party for the disposal of the entire equity interests in Shangma Mining for a total consideration of RMB4,000,000. The disposal was completed on 29 December 2018. As of 31 December 2018, the consideration has not been received and was included in other receivables.

4) Xingzhou Mine

On 13 April 2017, Aoniu Mining entered into the equity interest transfer agreement with an independent third party to dispose of all its equity interest in Xingzhou Mining. The total consideration of the disposal is RMB360,000,000 with reference to the unaudited total assets of Xingzhou Mining as at 28 February 2017 and the shareholder's loan. Aoniu Mining will receive RMB360,000,000 in cash as a result of the disposal, including the recovery of the shareholder's loan at a sum of RMB340,000,000 and the equity consideration of RMB20,000,000. In the first half of 2018, the above-mentioned disposal was completed, and a gain on disposal of RMB13,732,000 was recognised by the Group. Given the pledge over the mining rights and equipment, the registration of change of mining rights and registration of equity change of Xingzhou Mining are in process. As agreed in the agreement, RMB130,000,000 of the consideration has not been paid. The amount was included in other receivables by the Group.

3. Iron ore resources and reserves

In 2018, Shangma Mine completed a total of 19 surface drilling holes and drilled 5,809.32 meters which increased ore resource of approximately 3.95 million ounces. Maogong Mine completed a total of 16 surface drilling holes and drilled 6,375.12 meters. Aoniu Mine completed 1 drilling hole and drilled 550 meters, laying the foundation for continuous increase in resources. Exploration expenditure was approximately RMB5,645,000.

As of the end of 2018, the Group owned approximately 99,978 thousand metric tons of iron ore resources while the differences from the resource amount at the end of 2017 was mainly due to the reduction in the resource amount owned by Xingzhou Mine that was disposed of. The increased amount in iron ore resources and the resources amount at the end of 2018 for each mine are as follows:

Table 5 – Iron ore resources as at the end of 2018

Mines	Resources category	Increased amount for 2018 (metric ton)	Resources amount at the end of 2018 (metric ton)	TFe (%)
Aoniu Mine	Indicated[1]	0	13,607,756	30.34
	Inferred[2]	0	20,610,590	31.89
Subtotal of Aoniu Mine		0	34,218,346	31.27
Maogong Mine	Indicated	0	23,761,821	32.79
	Inferred	0	5,978,499	30.15
	Inferred*	0	217,700	22.47
Subtotal of Maogong Mine		0	29,958,020	32.19
Shangma Mine	Indicated[3]	9,698,997	17,821,400	30.34
	Inferred[4]	-5,747,000	17,980,200	30.14
Subtotal of Shangma Mine		3,951,997	35,801,600	30.24
Total[5]	Indicated	9,698,997	55,190,977	31.39
	Inferred	-5,747,000	44,569,289	30.95
	Inferred*	0	217,700	22.47
Total resources		3,951,997	99,977,966	31.17

* *Represents low-grade ore body*

1 The resources amount includes approximately 11,364 thousand metric tons of the resources amount which does not show on the mining licenses.
2 The resources amount includes approximately 16,164 thousand metric tons of the resources amount which does not show on the mining licenses.
3 The resources amount includes approximately 13,607 thousand metric tons of the resources amount which does not show on the mining licenses.
4 The resources amount includes approximately 13,253 thousand metric tons of the resources amount which does not show on the mining licenses.
5 The resources amount includes portion of the resources amount which does not show on the mining licenses.

Note 1: For the estimation of iron ore resources, firstly, the industrial parameters were determined in accordance with the requirements of the general standard of the geological exploration profession in the PRC "Geological and Exploration Standards for Iron, Manganese and Chrome Deposits" (DZ/T0200-2002); and then the "Geological Block" method was selected based on the geological characteristics of the ore bodies to estimate the amount of ore resources using the volume and specific gravity of ore body in each block. The resources category classification is based on the extent of geological exploration work carried out and comparable to the JORC Code.

Note 2: The figures do not imply precision and may not add up due to rounding. Mineral resources are quoted inclusive of mineral reserves.

As of the end of 2018, the Group owned 43,900 thousand metric tons of JORC Code-compliant iron ore reserves while the differences from the resource amount at the end of 2017 was mainly due to the reduction of the reserved amount owned by Xingzhou Mine that was disposed of. The increased amount in iron ore reserves for each mine and the reserves at the end of 2018 are as follows:

Table 6 – Iron ore reserves as at the end of 2018

Mines	Reserves category	Increased amount for 2018 (metric ton)	Reserves at the end of 2018 (metric ton)	TFe (%)
Aoniu Mine	Probable Ore Reserve	0	2,243,717	25.21
Maogong Mine	Probable Ore Reserve	0	23,761,821	27.32
	Probable Ore Reserve*	0	72,567	22.47
Shangma Mine	Probable Ore Reserve	5,381,097	17,821,400	25.51
Subtotal	Probable Ore Reserve	5,381,097	43,826,938	26.48
	Probable Ore Reserve*	0	72,567	22.47
Total	Probable Ore Reserve and Probable Ore Reserve*	5,381,097	43,899,505	26.47

* *Represents low-grade ore body*

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

4. Green Building Materials Project

Continuously upholding the principles of "safety, community harmony and green mine", the Group strives to improve resource utilization and mitigate impacts of production activities on the environment by ways of recycling and technology upgrade. The iron tailings produced by Maogong Mine of the Company had low sulfur and phosphorus content and high silicon and aluminum content, making it perfect to be used as the main raw materials for the production of foamed ceramics.

The Green Building Materials Project was approved for launch by the Board at the end of August 2017. In October 2017, Hanking Green Building Materials was established. In August 2018, the first production line began production with an annual production capacity of 60,000 cubic meters which adopted the tunnel kiln technology and mainly produced foamed ceramics partition boards. Such products are mainly used as external wall insulation board and interior wall board due to its light, fireproof, anti-flaming, moisture-proof, insulation, sound-proof and other properties, and can be used as new wall materials to replace the existing wall materials in the domestic market and has huge market potential. In 2018, Hanking Green Building Materials produced 7,900 cubic meters of partition boards and 13,900 meters of board linings, and sold 2,400 cubic meters of partition boards, which achieved a sales revenue of approximately RMB2,090,000.

Foamed ceramics partition boards of Hanking Green Building Materials have completed the ISO9001 Quality Management System Certification. Hanking Green Building Materials also participated in the establishment of enterprise standards for foamed ceramics partition boards and applied for 11 patents, and will continue to invest in research and development and consolidate its technological leadership.

GOLD BUSINESS

In the first half of 2018, the continued increase in the US dollar index suppressed the gold price. However, US stocks declined sharply since the fourth quarter while the yield on three-year and five-year US Treasury inverted. The United States suspended the tightening of its monetary policies. International gold price rebounded from August and the London gold price closed at US$1,278 per ounce at the end of the year and continued to rise steadily in early 2019.

1. Low-cost acquisition of PGO gold project

Pursuant to the established strategy, the Company has been proactively developing the precious metal sector, in an effort to create maximum value for the shareholders.

The Company has been the single largest shareholder of PGO since 2014, which is an Australian listed gold company. PGO owned interests in the Coolgardie gold project in Western Australia and the Toms Gully gold project and the RustlersRoost gold project in the Northern Territory.

In February 2018, with the approval of the Board of the Company, Hanking Australia Investment initiated the acquisition of PGO. On 20 February 2018, Hanking Australia Investment and PGO, through friendly negotiations, have entered into (i) a Bid Implementation Agreement, under which Hanking Australia Investment has agreed to make a recommended conditional takeover bid for all of the issued shares of PGO at an offer price of AUD0.0575 per share in cash; and (ii) in conjunction with the Bid Implementation Agreement, the loan and facility agreement, pursuant to which Hanking Australia Investment has agreed to provide PGO with an unsecured loan facility of AUD1.5 million to assist PGO in funding its short term working capital needs and other approved project activities during the offer period.

On 10 April 2018, the above-mentioned acquisition was approved by the Foreign Investment Review Board of Australia and HGM Resources Pty Ltd ("**HGM**"), a wholly-owned subsidiary of Hanking Australia Investment, announced the conditions precedent for the off-market takeover bid of all the shares of PGO have been satisfied. On 26 April 2018, HGM held an interest in 93.71% of the shares in PGO. As HGM has a relevant interest in more than 90% of shares of PGO, HGM would proceed with compulsory acquisition of all of the outstanding shares of PGO (including shares issued on the exercise of unlisted options of PGO within six weeks after the notice of compulsory acquisition) on 26 April 2018 in accordance with the compulsory acquisition process under Part 6A.1 of the Corporations Act of Australia. In June 2018, the acquisition of all issued shares of PGO was completed. The total consideration for the acquisition of PGO was approximately AUD35,386,000. The acquisition price of PGO by the Company, i.e. AUD5.75 cents per share, was lower than AUD8.8 cents per share, the evaluation price by an Australian independent agency. Compared with the SXO project sold, the project resources of PGO are more concentrated which is beneficial to the management and cost reduction.

2. Operation after the Acquisition

Located approximately 90 kilometers south of Darwin, Northern Territory, Toms Gully Project owned by PGO is a high-grade gold mine for underground mining with JORC2012 resources of 315,000 ounces at the grade of 8.9 gram/ton. In August 2013, PGO completed the feasibility study on the gold mine and recorded a JORC probable reserve of 175,000 ounces at the grade of 6.9 gram/ton (gold price was AUD1,550/ounce). Following the acquisition of PGO, our Australia team of the Company overcame the previous limitation of the feasibility study on the Toms Gully gold project and adopted an innovative mining design. Currently, PGO is expediting the approval for the Toms Gully gold project and it is expected to commence the construction of underground mining project and the repair of a processing plant in the second half of 2019.

Meanwhile, our Australia team has also stepped up the geological exploration work to pave way for increasing resources in the future. We conducted chemical tests near the Rustlers Roost mine and finished the chemical sampling covering 65 square kilometres, where we found a gold-in-auger anomaly that was 4-kilometre long and 1-kilometer wide. This suggested great prospecting potential in the region.

As PGO gold project is still under preparation for production, no sales were recorded for the gold business in 2018. For the twelve months ended 31 December 2018, the capital expenditure of the gold business was RMB215,771,000 (2017: RMB84,332,000), which was mainly for the acquisition of PGO project and exploration expenses.

3. Resources and reserves

As at the end of 2018, PGO had JORC Code-compliant resources of approximately 2 million ounces of gold at an average grade of 1.1 gram/ton and ore reserve of approximately 0.23 million ounces of gold at an average grade of 3.9 gram/ton.

Table 7 – Gold mine resources as at the end of 2018

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

Table 8 – Gold mine reserves as at the end of 2018

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

MANAGEMENT DISCUSSION AND ANALYSIS

4. Other business in Australia

As at 31 December 2018, Hanking Australia Investment also held the equity interests in two listed companies in Australia with a fair value of RMB9,359,000. Hanking Australia Investment is currently monitoring other gold mine projects and seeking new opportunities for mergers and acquisitions.

5. Incentive scheme

On 17 December 2018, the Company entered into an agreement with Best Fate Limited ("**Best Fate**"), pursuant to which the Company agreed to transfer 3% shares of Hanking Australia Investment to Best Fate at the consideration of AUD1,260,000 (equivalent to approximately RMB6,232,338). The beneficial owners of Best Fate are the executive Directors of the Company and/or directors of Hanking Australia Investment. Following the completion of share transfer, the total number of issued shares of Hanking Australia Investment would be held by the Company and the directors and management of Hanking Australia Investment as to 94% and 6% respectively. Details of which are set out in the announcement of the Company dated 17 December 2018.

Moreover, at the extraordinary general meeting of the Company held on 25 January 2019, the adoption of the share option scheme of Hanking Australia Investment and the relevant mandate limit were approved. The scheme mandate limit is 10% of the shares of Hanking Australia Investment in issue as at the adoption date of the scheme. The scheme will be valid for 48 months from the date of adoption. Details of which are set out in the circular of the Company dated 9 January 2019.

The above incentive schemes were designed to recognize the contribution of the Australian management team and provide an award and incentive, so that they would continue to diligently contribute to the long-term development of Hanking Australian Investment.

NICKEL BUSINESS

On 5 July 2018, the Company entered into a share sale and purchase agreement with Tuochuan Capital Limited and Mr. Yang Jiye, pursuant to which the Company has agreed to sell, and Tuochuan Capital Limited has agreed to purchase, 70% equity interests of Hanking (Indonesia) for a total consideration of RMB350,000,000. Mr. Yang Jiye acted as the guarantor of Tuochuan Capital Limited. Pursuant to the agreement, Tuochuan Capital Limited may at its discretion pay the purchase price by cash in one lump sum to the Company within twelve months after the completion date and shall, at the same time, also pay the interest accrued on the purchase price from the completion date to the payment date at the interest rate of 5.6% annually. Details of which are set out in the circular of the Company dated 6 August 2018. The transaction was approved by independent shareholders of the Company at the extraordinary general meeting held on 24 August 2018. As at the date of this report, given that certain conditions precedent remained outstanding, the transaction was not completed and the nickel business was presented in the consolidated accounts of the Group as assets held for sale.

Prospect and Countermeasures

In 2019, the Group plans to produce 1,850 thousand metric tons of iron ore concentrates. It will achieve steady production of the iron ore business, increase resources reserve, enhance corporate management, lower production cost and continue to improve profitability. On the other hand, the Green Building Materials Project plans to produce 50,000 cubic metres of foamed ceramics and expand market sales. It will also push forward the research and development of deep processing products and promote resources recycling.

The gold business will proceed with exploration to increase the resources reserves of existing mines and restart gold production in 2019. In the meantime, it will implement merger and acquisition strategy with reference to the market, projects under monitoring and its own funding capability.

The Board would like to emphasize that due to the uncertainties in metal prices, the domestic raw materials market and the production environment, the above plans are made solely on the basis of the current market situation and the existing conditions of the Group. The Board may adjust the relevant production plan according to the changes in the situation.

Safety, Environmental Protection, Employee and Remuneration Policy

As at 31 December 2018, the Group had a total of 880 employees (as at 31 December 2017: a total of 978 employees).

As at 31 December 2018, the aggregate remuneration expenses and other employee benefits costs of the Group amounted to approximately RMB119,442,000 (2017: RMB136,785,000). Employee costs included basic salary, commission and bonus, housing allowance, pension, medical insurance, occupational injury insurance and other insurances required by the government. In accordance with the remuneration policy of the Company, the income of employees is related to the performance of individual employees and the operating performance of the Company. The Company carried out performance assessment to motivate employees, so as to enhance its operating performance.

In order to improve the overall quality and professional skills of the employees, the Group has developed and implemented the Administrative System on Training. In 2018, the Group has organized a number of internal and external training for its employees. For further details on this aspect, please refer to the Environmental, Social and Governance Report issued by the Company for the year 2018.

FINANCIAL REVIEW

1. Revenue, Cost of Sales, Gross Profit

For the year of 2018, revenue from the Group's continuing operations was RMB1,165,491,000, representing an increase of RMB109,728,000 or 10.39% over the corresponding period of last year, mainly due to: 1) an increase of RMB48/metric ton in the selling price of iron ore concentrates over the corresponding period of last year, resulting in an increase in revenue of RMB85,373,000; and 2) an increase of 37,000 metric tons or 2.11% in the sales volume of iron ore concentrates over the corresponding period of last year, resulting in an increase in revenue of RMB22,265,000.

For the year of 2018, cost of sales incurred by the Group's continuing operations amounted to RMB655,189,000, representing an increase of RMB79,972,000 or 13.90% over the corresponding period of last year, mainly attributable to: 1) the decrease in proportion of open-pit mining of iron ores from last year and the subsequent year-on-year increase in unit cost of sales of iron ore concentrates, which resulted in the increase of RMB63,624,000 in cost of sales; and 2) the increase in sales volume of iron ore concentrates from the corresponding period of last year, which resulted in an increase of RMB12,131,000 in the cost of sales.

For the year of 2018, gross profit of the Group's continuing operations was RMB510,302,000, representing an increase of RMB29,756,000 or 6.19% over the corresponding period of last year. As compared to the corresponding period of last year, gross profit margin of the Group's continuing operations decreased from 45.52% to 43.78% in 2018.

2. Other Income, Other Gains and Losses

For the year of 2018, other income from the Group's continuing operations was RMB4,174,000, representing a decrease of RMB140,000 or 3.25% over the corresponding period of last year. Other income mainly represented interest income.

For the year of 2018, other losses of the Group's continuing operations were RMB66,217,000, representing an increase of RMB63,844,000 or 2,690.43% over the corresponding period of last year. This was mainly attributable to the completion of open pit mining at Aoniu Mine during the year, which led the Group to make provisions for impairment of long-term assets amounting to RMB64,188,000, as compared to no such provisions in 2017. For details of provisions for impairment of long-term assets, please refer to note 22 to the consolidated financial statements. Other losses mainly consisted of the provision for asset impairment, foreign exchange losses, fair value gain on financial assets at FVTPL, loss from disposal of properties, plants and equipment, and other overheads.

3. Distribution and Selling Expenses, Administrative Expenses

For the year of 2018, the distribution and selling expenses of the Group's continuing operations were RMB38,082,000, representing an increase of RMB3,616,000 or 10.49% as compared to the corresponding period of last year, which was mainly due to the increase in sales volume of iron ore concentrates from the corresponding period of last year and the increase in transportation cost as a result of the change in transport distance. Selling and distribution expenses consisted of transportation expenses, labour expenses and others.

For the year of 2018, the administrative expenses of the Group's continuing operations were RMB182,461,000, representing an increase of RMB50,086,000 or 37.84% as compared to the corresponding period of last year. The increase was mainly attributable to the increase in labour expenses due to the dismissal of employees after the completion of open pit mining at Aoniu Mine and the increase in the workforce after the acquisition of the gold business in Australia. Administrative expenses included remuneration paid to the management and administrative staff of the Group, depreciation and amortization, leasing and office expenses, business development expenses, professional consultation and service expenses, taxation expenses, bank charges, inventory depreciation reserves, provisions for bad debts and others.

4. Finance Costs and Income Tax Expense

For the year of 2018, the finance costs of the Group's continuing operations were RMB90,582,000, representing a decrease of RMB14,511,000 or 13.81% as compared to the corresponding period of last year. Finance costs included interest expenses on bank borrowing, discount expenses and other finance expenses. The decrease in finance costs from the corresponding period of last year was mainly due to a decrease of RMB28,407,000 in interest expenses as a result of a decrease in bank borrowings, as well as an increase of RMB13,242,000 in discount interest expenses as a result of an increase in discounting of bank acceptance bills.

For the year of 2018, the income tax credit of the Group's continuing operations was RMB52,792,000, representing a decrease in the income tax expenses of RMB132,809,000 or 165.98% over the corresponding period of last year. Income tax expense included the total amount of current tax payable and deferred tax. The decrease in income tax expenses for the year was mainly due to the decrease in current income tax charge as a result of internal restructuring of the iron ore business and deductible loss from the disposal of Xingzhou Mining, and the increase in income tax credit for the year from the deferred tax assets recognized in respect of the timing differences arising from deductible losses, etc.

5. Changes in Fair Values of Available-for-Sale Investments

After the application of IFRS 9 Financial Instruments on 1 January 2018, the Group classified the available-for-sale investments as financial assets at fair value through profit or loss in the consolidated statement of financial position, with the changes in fair value entirely recognised in the statement of profit or loss. For 2018, the Group recorded fair value gain on financial assets at FVTPL amounting to RMB7,883,000.

6. Profit for the Year and Total Comprehensive Income

Based on the reasons mentioned above, the profit for the year of the Group's continuing operations was RMB184,922,000 for the year of 2018, representing an increase of RMB54,861,000 or 42.18% as compared to RMB130,061,000 for the corresponding period of last year.

Loss for the year of the Group's discontinued operations was RMB10,882,000 for the year 2018, which mainly represented the operating loss of nickel mines of the discontinued operation. The Group recorded a profit of RMB734,926,000 for the corresponding period of last year, which mainly comprised profit made in 2017 before the disposal of SXO Gold Project, the gains on the disposal of SXO Gold Project and the operating loss of nickel mines.

Based on the profit for the year, and affected by the changes in fair values of receivables at fair value through other comprehensive income and foreign currency translation etc., the total comprehensive income was RMB148,153,000 for the year of 2018, representing a decrease of RMB739,985,000 or 83.32% as compared to the corresponding period of last year.

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

As of 31 December 2018, the net value of property, plant and equipment of the Group was RMB710,054,000, representing a decrease of RMB155,367,000 or 17.95% as compared to the end of the previous year, which was mainly due to the reclassification of assets relating to the nickel business to assets classified as held for sale, as a result of the disposal of the nickel business approved at the general meeting in the year.

As of 31 December 2018, the inventories of the Group were RMB73,294,000, representing a decrease of RMB16,375,000 or 18.26% as compared to the end of the previous year.

As of 31 December 2018, the intangible assets of the Group were RMB279,270,000, representing a decrease of RMB397,167,000 or 58.71% from the end of last year, which was mainly due to the increase in mining right and exploration assets of RMB214,212,000 following the completion of acquisition of PGO in Australia during the year, and the disposal of the nickel business approved at the general meeting in the year, which led to the reclassification of assets relating to the nickel business to assets classified as held for sale.

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

As of 31 December 2018, trade receivables of the Group were RMB164,114,000, representing a decrease of RMB53,330,000 over the end of last year, mainly attributable to the decrease in balance of trade receivable of the iron ore concentrates.

As of 31 December 2018, bills receivables of the Group (bank acceptance bills) were RMB275,014,000, representing a decrease of RMB148,058,000 over the end of last year.

As of 31 December 2018, other receivables of the Group were RMB278,391,000, representing an increase of RMB98,572,000 over the end of last year, which was mainly due to the recognition of the remaining disposal proceeds receivable amounting to RMB130,000,000 during the year after the completion of the disposal of Xingzhou Mining.

After the application of IFRS 9 Financial Instruments on 1 January 2018, the Group has classified the bill receivables as receivables at fair value through other comprehensive income based on the characteristics of the business model and contractual cash flow. The fair value and expected credit losses were assessed at the end of the reporting period, with the changes in the fair value included in other comprehensive income and the expected credit losses included in other gains or losses.

As of 31 December 2018, trade payables of the Group were RMB12,404,000, representing a decrease of RMB13,555,000 over the end of last year. As of 31 December 2018, bills payables of the Group were RMB420,000,000, representing an increase of RMB391,500,000 over the end of last year. As of 31 December 2018, other payables of the Group were RMB132,653,000, representing a decrease of RMB316,975,000 over the end of last year, which was mainly due to the decrease of RMB230,000,000 in other payables as a result of the completion of disposal of Xingzhou Mining.

9. Cash Use Analysis

The summary of the Group's consolidated statement of cash flows for the year of 2018 is set out below.

	For the year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Net cash flows from operating activities	**974,644**	344,134
Net cash flows from investing activities	**(450,432)**	853,823
Net cash flows from financing activities	**(580,739)**	(860,405)
Net (decrease) increase in cash and cash equivalents	**(56,527)**	337,552
Cash and cash equivalents at the beginning of the year	**394,911**	70,162
Assets reclassified as held for sale	**(8,980)**	(6,113)
Effect of changes in foreign exchange rate on cash and cash equivalents	**(740)**	(6,690)
Cash and cash equivalents at the end of the year	**328,664**	394,911

The net cash inflow from operating activities during the year of 2018 was RMB974,644,000. The amount was mainly attributed to the profit before tax of RMB123,272,000, together with depreciation and amortization of RMB173,480,000, long-term asset impairment loss of RMB64,188,000, finance costs of RMB91,184,000, a decrease of approximately RMB122,593,000 in trade, bills and other receivables and an increase of approximately RMB391,500,000 in bills payables.

For the year of 2018, the net cash outflow from investing activities amounted to RMB450,432,000. The amount mainly included the amount of RMB169,988,000 paid for the acquisition of PGO in Australia, the amount of RMB204,846,000 paid for the addition of plant and equipment as well as acquisition of properties in order to achieve expansion of production capacity and technological upgrade, and the amount of RMB32,810,000 paid for the acquisition of intangible assets.

For the year of 2018, the net cash outflow from financing activities was RMB580,739,000, which was mainly from the new bank borrowings of RMB1,056,082,000, the repayment of bank loans of RMB1,575,476,000, the settlement of loan interest of RMB50,932,000 and the payment of dividend of RMB14,962,000.

10. Cash and Borrowings

As of 31 December 2018, bank balance and cash of the Group amounted to RMB328,664,000, together with pledged bank deposits of RMB44,280,000, representing a decrease of RMB71,215,000 or 16.03% in aggregate as compared to the end of last year.

As of 31 December 2018, the balance of bank borrowings of the Group was RMB1,108,500,000, representing a decrease of RMB498,807,000 as compared to the end of last year. Among which, excluding the entire amount of margin lending, the balance of bank borrowings amounted to RMB770,500,000. Save for the information disclosed above or otherwise in this report, the Group has no outstanding mortgage, pledge, debentures or other loan capital issued or agreed to be issued, bank overdrafts, loans, liabilities under acceptance or other similar liabilities, hire purchase and finance lease commitments, or any guarantees or other material contingent liabilities. The Directors have confirmed that, save as disclosed above, there was no material change in the debts or contingent liabilities of the Group since 31 December 2017.

11. Gearing Ratio

The gearing ratio, as calculated by dividing total liabilities by total assets, of the Group decreased from 64.35% as at 31 December 2017 to 58.17% as at 31 December 2018.

12. Major Risks

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

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

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

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

13. Pledge of Assets and Contingent Liabilities

Some of the bank borrowings of the Group are secured by the mining rights certificates. As of 31 December 2018, the aggregate net carrying value of the pledged mining rights amounted to RMB16,054,000.

As of 31 December 2018, the Group had no material contingent liabilities.

14. Capital Commitment

As at 31 December 2018, the capital commitment of the Group was RMB37,636,000, representing a decrease of RMB27,752,000 or 42.44% over that of last year. The capital commitment mainly consisted of the amount of RMB457,000 for the underground mining works of Maogong Mine, the amount of RMB28,925,000 for the underground mining works of Shangma Mine and the exploration expense of the gold mine in Australia of RMB8,254,000.

15. Capital Expenditure

The Group's capital expenditure increased from approximately RMB260,723,000 in 2017 to approximately RMB457,432,000 in 2018. Expenditure incurred in 2018 mainly included (i) expenditure for plants, machines and equipment and properties amounting to RMB221,431,000; (ii) expenditure for intangible assets amounting to RMB217,490,000; (iii) expenditure for land amounting to RMB18,511,000. Among which, the expenditure for intangible assets was mainly attributable to the increase in mining rights and exploration assets due to the acquisition of PGO in Australia.

16. Significant Foreign Investments Held

Save for the equity interests in two companies listed on the Australian Securities Exchange held by the Group, the Group did not hold any other significant investments as of 31 December 2018.

17. Material Acquisitions and Disposals of Subsidiaries and Associated Companies

In February 2018, Hanking Australia Investment, a subsidiary of the Company, and PGO, a company listed on the Australian Securities Exchange, through friendly negotiations, have entered into (i) the Bid Implementation Agreement, under which Hanking Australia Investment has agreed to make a recommended conditional takeover bid for all of the issued shares of PGO at an offer price of AUD0.0575 per share in cash; and (ii) in conjunction with the Bid Implementation Agreement, the Loan and Facility Agreement, pursuant to which Hanking Australia Investment has agreed to provide PGO with an unsecured loan facility of AUD1,500,000 to assist PGO in funding its short term capital needs and the working capital needs of other approved projects during the offer period. On 8 June 2018, the acquisition of all of PGO's shares was eventually completed. The total consideration for the acquisition of PGO was AUD35,386,000. Please refer to the "Low-cost acquisition of PGO gold project" on page 21 of this report for details.

Aoniu Mining, a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with an independent third party on 13 April 2017 to dispose of all its equity interests in Xingzhou Mining. The total consideration of the disposal was RMB360,000,000 with reference to the unaudited total assets of Xingzhou Mining and the shareholder's loan as at 28 February 2017. Aoniu Mining will receive RMB360,000,000 as a result of the disposal, including the recovery of the shareholder's loan at a sum of RMB340,000,000 and the equity consideration of RMB20,000,000. During the year, the above-mentioned disposal was completed, and a gain on disposal of RMB13,732,000 was recognised by the Group. Given the pledge over the mining rights and equipment, the registration of change of mining rights and registration of equity change of Xingzhou Mining are in process. As agreed in the agreement, RMB130,000,000 of the consideration has not been paid. The amount was included in other receivables by the Group.

On 5 July 2018, the Company entered into a share sale and purchase agreement with Tuochuan Capital Limited and Mr. Yang Jiye (as the guarantor), pursuant to which, the Company has agreed to sell, and Tuochuan Capital Limited has agreed to purchase, 70% equity interests of Hanking (Indonesia) for a total consideration of RMB350,000,000. It is expected that the Company will record a premium of approximately RMB130,000,000 as a result of the disposal. As the purchaser of the transaction is a controlling shareholder of the Company, the difference between the sale price and the profit attributable to the Company (i.e. the above-mentioned premium arising from the disposal) shall be credited to capital surplus. Accordingly, the Company will not record any profit or loss as a result of the disposal. The transaction was considered and approved by the independent shareholders of the Company at the extraordinary general meeting held on 24 August 2018. As of 31 December 2018, as one of the conditions precedent of the transaction, i.e. 99% equity interests of Fushun Hanking Ginseng & Iron Trading Company Limited* (撫順罕王人參鐵貿易有限公司) having been pledged to the Company, was not satisfied, the transaction did not proceed to completion. The relevant assets and liabilities of the nickel mines in Indonesia have been classified as assets classified as held for sale and liabilities associated with assets classified as held for sale and are separately presented in the consolidated statement of financial position. Please refer to "Nickel Business" on page 24 of this report for details.

Save as aforesaid, the Group had no other material acquisitions or disposals of subsidiaries and associated companies during the year of 2018.

18. Significant Subsequent Events

An extraordinary general meeting of the Company was held on 25 January 2019, during which the share option scheme and the relevant mandate limit was approved and adopted by Hanking Australia Investment, a subsidiary of the Company. The scheme is designed to recognize the contributions of selected key persons (including the employees and directors of Hanking Australia Investment and its related bodies corporates, and any person the board of directors of Hanking Australia Investment determines to be a key person when issuing or granting the options) to the Company, and provide an incentive for and to motivate them to remain in their employment with the Company. The scheme mandate limit is 10% of the shares of Hanking Australia Investment in issue on the date on which the scheme was adopted. The scheme shall be valid and effective for a period of 48 months from the date of adoption. Details of which are set out in the circular of the Company dated 9 January 2019.

On 1 April 2019, the Company entered into a share sale and purchase agreement with China Hanking (BVI) Limited (the "**Seller**"), Mr. Yang Jiye (the "**Seller Guarantor**") and Tuochuan Capital Limited ("**Tuochuan Capital**"), pursuant to which the Seller has conditionally agreed to sell, and the Company has conditionally agreed to purchase the 100% equity interest of Tuochuan (Hong Kong) Limited, a wholly-owned subsidiary of the Seller (the "**Target Company**") at the consideration of RMB1,020 million. Among which, the Seller Guarantor and Tuochuan Capital have irrevocably and unconditionally guaranteed to the Company that the amount of RMB350 million which is payable by Tuochuan Capital to the Company for purchase of the equity interest in Hanking (Indonesia), a subsidiary of the Company, shall be paid directly by Tuochuan Capital to the Seller to partially offset the Consideration. The remaining RMB670 million shall be payable by the Company to the Seller in RMB or its equivalent (using the average benchmark interest rate issued by the People's Bank of China five days before the date of the payment) by electronic transfer of immediately available funds through one or more instalments within one year after the completion date. The Target Company will become a subsidiary of the Company upon the completion of the transaction. The Company believes that by acquiring the Target Company, the Company will extend its industrial chain into the ductile pig iron area and increase the value of the high-quality iron ore concentrate produced by the Company; in addition, the acquisition will improve the Company's profitability and reduce its connected transaction significantly. The transaction constitutes a very substantial acquisition of the Company which is subject to the approval at the general meeting of the Company. As the Seller is a connected person of the Company, this transaction also constitutes a connected transaction of the Company which is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Details of which are set out in the announcement of the Company dated 1 April 2019.

REPORT OF THE DIRECTORS

1. PRINCIPAL ACTIVITIES

The Group is a fast-growing international mining and metals group of companies, mainly engaging in exploitation, mining and processing of mineral resources across the globe and marketing. The Group is mainly engaged in exploration, mining and processing of iron, gold and other strategic metals and marketing of mineral products as well as development of mineral resources. Details of the principal subsidiaries of the Company are set out in note 39 to the consolidated financial statements.

2. BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the future business development are provided in the section headed "Chairman's Statement" of this annual report. Description of possible risks and uncertainties that the Group may be facing can be found in paragraph 12 "Major Risks" of the section headed "Financial Review". Also, the financial risk management objectives and policies of the Group can be found in note 46 to the consolidated financial statements. Particulars of important events affecting the Group that have occurred from the end of the reporting period to the Latest Practicable Date are provided in paragraph 18 "Significant Subsequent Events" of the section headed "Financial Review". A financial summary of the Group is provided on page 5 of this annual report, setting out an analysis of the Group's performance during the year using key financial performance indicators. In addition, discussions on the Group's environmental policies, relationships with its stakeholders and the Group's compliance with the relevant laws and regulations which have a significant impact on the Group are contained in the sections headed "Corporate Governance Report" and "Report of the Directors" of this annual report respectively, which can also be found in the Environmental, Social and Governance Report of the Company.

3. RESULTS

The profit of the Group for the year ended 31 December 2018, and the position of the Company and the Group as at that date are set out on pages 78 to 81 of this annual report.

4. PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group and the Company for the year ended 31 December 2018 are set out in note 19 to the consolidated financial statements.

5. SHARE CAPITAL

As at 31 December 2018, the total number of authorized Shares of the Company was 10,000,000,000 Shares with a par value of HK$0.1 each, the total authorized capital was HK$1,000,000,000, and the number of Shares in issue was 1,827,829,000 Shares. During the year, the Company repurchased and cancelled a total of 2,171,000 Shares.

6. PRE-EMPTION RIGHT

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

7. DISTRIBUTABLE RESERVE

The share premium of the Company is available for paying distributions or dividends to the Shareholders subject to the provisions of the Articles of Association and provided that immediately following the distribution or dividend payment the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Articles of Association, dividends can be distributed out of the profits, special reserve and share premium of the Company. The Company's reserve available for distribution to the Shareholders as at 31 December 2018 amounted to approximately RMB524,912,000.

8. DIVIDEND

During the reporting period, the Company declared and distributed a dividend of HK$0.01 per Share for the year ended 31 December 2017 to the owners of the Company whose names appeared on the register of members on 1 June 2018, totaling HK$18,300,000 (equivalent to RMB14,962,000). Details of which are set out in the interim results announcement of the Company dated 24 August 2018.

Dividend Policy

The payment and amount of any dividends will be determined at the discretion of the Directors of the Company by taking into account relevant factors, including but not limited to the earnings, capital requirements, surplus, financial condition and future development of the Company. In addition, the constitutional documents of the Company and the Companies Law set forth requirements related to the declaration, payment and amount of dividends. Under the constitutional documents of the Company and the Companies Law, payment of proposed dividends out of the share premium account is possible, provided that the Company is able to fully settle its debts when they fall due in the ordinary course of business.

The ability to declare future dividends will also depend on the availability of dividends, if any, received from PRC operating subsidiaries. Pursuant to the PRC laws, dividends may only be paid out of distributable profits, which represent the retained profits after tax, as defined in the PRC GAAP, less any reversal of accumulated losses and the required allocations to statutory reserves made by PRC operating subsidiaries of the Company. In general, the Company will not declare dividends in a year where the Company does not have any distributable profits.

Taking into account our present financial position, the Company currently intend to distribute to the owners of the Company not less than 10% of our annual distributable profit attributable to owners of the Company in respect of each financial year. However, such intention provides no guarantee or representation or indication that the Company must or will declare and pay dividends in such manner or declare. The Company cannot assure the Shareholders that dividends will be paid in the future or as to the timing of any dividends that may be paid in the future.

Subsequent to the end of the reporting period, the Board recommended the payment of a final dividend of HK$0.02 per Share for the year ended 31 December 2018 to Shareholders. The payment of the dividend will be conditional upon the approval of the Shareholders at the annual general meeting of the Company to be held on Thursday, 30 May 2019. It is expected that the final dividend will be paid to the Shareholders by 15 August 2019.

Closure of Register of Members

The annual general meeting of the Company is scheduled to be held on Thursday, 30 May 2019. The register of members of the Company will be closed from Thursday, 23 May 2019 to Thursday, 30 May 2019 (both days inclusive) to determine the entitlement to attend and vote at the annual general meeting. In order to attend and vote at the 2019 annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 22 May 2019.

In order to determine the Shareholders who are entitled to receive the final dividend, the register of members of the Company will also be closed from Tuesday, 16 July 2019 to Friday, 19 July 2019, both days inclusive, during which period no transfer of Shares will be registered. For unregistered Shareholders who wish to be eligible to receive the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 15 July 2019. Shareholders whose names appear on the register of members of the Company on Friday, 19 July 2019 will be entitled to receive the final dividend.

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

The Company repurchased a total of 966,000 Shares on 19, 20, 23 and 24 July 2018 and cancelled such Shares on 3 August 2018. It repurchased a total of 1,205,000 Shares on 10 and 11 December 2018 and cancelled such Shares on 28 December 2018. Details of the repurchase of Shares are as follows:

		Price per Share (HK$)		
Month of repurchase	**Number of Shares repurchased**	**Highest**	**Lowest**	**Aggregate repurchase price (HK$)**
July	966,000	0.96	0.90	917,570
December	1,205,000	0.90	0.83	1,071,370

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

Saved for disclosed above, for the year ended 31 December 2018, the Company or its subsidiaries did not sell or redeem any listed securities of the Company.

10. MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2018, according to the Listing Rules, the purchase from the Company's five largest suppliers in aggregate accounted for 43.60% of the Company's total purchase for the year. In particular, the total purchase from the largest supplier accounted for 17.49% of the Company's total purchase for the year.

For the year ended 31 December 2018, the sales to the Company's five largest customers in aggregate contributed 97.07% to the Company's total sales for the year. In particular, the sales to the largest customer contributed 31.62% to the Company's total sales for the year.

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

11. BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Group as of 31 December 2018 are set out in note 33 to the consolidated financial statements.

12. DIRECTORS AND SENIOR MANAGEMENT

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

Name	Position in the Company	Date of Appointment/Re-election	Position and Date of Resignation
Yang Jiye	Executive Director, Chairman of the Board and Chief Executive Officer and President	Re-elected as executive Director on 27 May 2016 Appointed as Chief Executive Officer and President on 20 March 2018	N/A
Zheng Xuezhi	Executive Director, Chief Financial Officer and Vice President	Re-elected as executive Director on 24 May 2018	N/A
Qiu Yumin	Executive Director, Vice President and chief executive officer and president of Hanking Australia Investment	Appointed as chief executive officer and president of Hanking Australia Investment on 25 July 2016 Re-elected as executive Director on 22 May 2017	N/A
Xia Zhuo	Executive Director, Vice President and president of Hanking (Indonesia)	Re-elected as executive Director on 27 May 2016	Resigned as Joint Company Secretary on 24 August 2018
Kenneth Jue Lee	Non-executive Director	Re-elected as non-executive Director on 22 May 2017	N/A
Wang Ping	Independent non-executive Director	Re-elected as independent non-executive Director on 27 May 2016	N/A
Wang Anjian	Independent non-executive Director	Re-elected as independent non-executive Director on 22 May 2017	N/A
Ma Qingshan	Independent non-executive Director	Re-elected as independent non-executive Director on 24 May 2018	N/A
Huang Jinfu	Vice President, director and president of Aoniu Mining	Appointed as president of Aoniu Mining on 15 September 2017 Appointed as Vice President of the Company on 24 August 2018	N/A
Pan Guocheng	Executive Director, Chief Executive Officer and President	Re-elected as executive Director and appointed as Chief Executive Officer and President on 28 May 2015 Re-designated from executive Director to non-executive Director on 20 March 2018	Resigned as Chief Executive Officer and President on 20 March 2018 Retired from non-executive Director on 24 May 2018

REPORT OF THE DIRECTORS

According to the requirement under Article 84(1) of the Articles of Association, at each annual general meeting, one third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The retiring Directors, being eligible, may offer themselves for re-election. Mr. Yang Jiye, Mr. Xia Zhuo and Mr. Wang Ping will retire as Directors at the annual general meeting to be held on 30 May 2019 and, being eligible, will offer themselves for re-election as Directors.

13. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Detailed biographies of Directors and senior management are set out on pages 69 to 72 of this annual report.

14. DIRECTORS' SERVICE CONTRACT

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

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

15. CONFIRMATION OF INDEPENDENCE

The Company has received the written confirmation of their independence of 2018 from each of the independent non-executive Directors and considered them to be independent of the management and free of any relationship that could materially interfere with the exercise of their independent judgment.

16. REMUNERATION FOR DIRECTORS AND TOP 5 HIGHEST PAID EMPLOYEES

Detailed information on remuneration for Directors and top 5 highest paid employees are provided in notes 15 and 16 to the consolidated financial statements.

For the year ended 31 December 2018, none of the Directors has agreed with the Company to waive any remuneration.

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

17. DIRECTOR'S INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in paragraph 23 "Connected Transactions" of this section, during the year ended 31 December 2018, the Company has not directly or indirectly entered into transactions, arrangements or contracts of significance, in which any Director had material interests, and which were relevant to the business of the Company and remained valid at any time during the year or at the end of the year.

18. INDEMNITIES MADE TO THE DIRECTORS

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

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

(1) Excluded Businesses

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

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

	For the year ended 31 December (Unit: RMB'000)		
	2018	2017	2016
Total assets	**416,442**	415,360	271,460
Total liabilities	**453,823**	432,350	269,500
Profit/loss	**-20,174**	-18,650	-11,390

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

As at 31 December 2018, save as disclosed below, the Directors and their associates did not hold any interests in any business which, either directly or indirectly, competes or is likely to compete against the business of the Group:

Name of Directors	**Positions in the Company**	**Positions in Competing Business**
Xia Zhuo	Executive Director	director of Hanking Group

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

So far as the Company is aware, as at 31 December 2018, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions taken or deemed to have under such provisions of the SFO), or was, pursuant to Section 352 of the SFO, required to be recorded in the register referred to therein, or was otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"), were as follows:

(1) Interests in the shares of the Company:

Name of Director and Chief Executive	Status/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding
Yang Jiye[1]	Founder of discretionary trust	494,360,500 (long positions)	27.05%
	Interest in controlled corporation	305,881,000 (long positions)	16.73%
Xia Zhuo[2]	Interest in controlled corporation	19,130,589 (long positions)	1.05%
	Beneficial owner	60,000 (long positions)	Less than 0.01%
Zheng Xuezhi	Beneficial owner	2,452,000 (long positions)	0.13%

REPORT OF THE DIRECTORS

Notes:

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

2. Mr. Xia Zhuo holds 54.38% interest in Splendour Ventures Limited. As a result, Mr. Xia Zhuo is deemed to be interested in 19,130,589 Shares held by Splendour Ventures Limited. The accurate percentage of the 60,000 Shares beneficially owned by Mr. Xia Zhuo is 0.00328258%.

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

Name of Director and Chief Executive	Name of Associated Corporation	Status/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding
Qiu Yumin[1]	Hanking Australia Investment Pty Ltd	Interest in controlled corporation	6,300,000 (long positions)	3.00%
Yang Jiye[2]	Hanking Australia Investment Pty Ltd	Interest in controlled corporation	6,300,000[3] (long positions)	3.00%
Zheng Xuezhi[2]	Hanking Australia Investment Pty Ltd	Interest in controlled corporation	6,300,000[3] (long positions)	3.00%

Notes:

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

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

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

Save as disclosed above, as at 31 December 2018, none of the Directors and chief executives of the Company had any interest or short position in the Shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position taken or deemed to have under such provisions of the SFO), or which was required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which was otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

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

As at 31 December 2018, as far as the Directors of the Company, having made all reasonable enquires, are aware, the following persons (other than the Directors and chief executives of the Company) had interests or short positions in the Shares or underlying shares of the Company which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be recorded in the register kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholders	Status/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding
Yang Min[1]	Interest in controlled corporation	506,025,000 (long positions)	27.68%
	Founder of discretionary trust	13,820,166 (long positions)	0.76%
China Hanking (BVI) Limited	Beneficial owner	506,025,000 (long positions)	27.68%
Bisney Success Limited	Beneficial owner	494,360,500[2] (long positions)	27.05%
Le Fu Limited	Interest in controlled corporation	494,360,500[2] (long positions)	27.05%
UBS Nominees Limited	Nominee for the Trustee	494,360,500[2] (long positions)	27.05%
UBS Trustees (BVI) Limited	Trustee	494,360,500[2] (long positions)	27.05%
Tuochuan Capital Limited	Beneficial owner	305,881,000 (long positions)	16.73%
China Citic Bank Corporation Limited	Person having a security interest in Shares	280,000,000 (long positions)	15.32%
Xinfu Branch, Bank of Fushun Co., Ltd.	Person having a security interest in Shares	500,000,000 (long positions)	27.35%

REPORT OF THE DIRECTORS

Notes:

1. Ms. Yang Min holds 100% interest in China Hanking (BVI) Limited and serves as settlor and beneficiary of management trust which holds the entire issued share capital of Best Excellence Limited. Thus Ms. Yang Min is deemed to be interested in 506,025,000 Shares held by China Hanking (BVI) Limited and 13,820,166 Shares held by Best Excellence Limited.

2. These 494,360,500 Shares are the block of shares.

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

22. MANAGEMENT CONTRACTS

For the year ended 31 December 2018, there is no contract entered into by the Company or subsisting relating to the management and administration of the entire or any part of business of the Company.

23. CONNECTED TRANSACTIONS

For the year ended 31 December 2018, the Group carried out certain one-off connected transactions, details of which are set out below:

a. Disposal of the equity interests in Hanking (Indonesia)

On 5 July 2018, the Company entered into a share sale and purchase agreement with Tuochuan Capital Limited ("**Tuochuan Capital**") and Mr. Yang Jiye ("**Mr. Yang**"), pursuant to which the Company has agreed to sell, and Tuochuan Capital has agreed to purchase, 70% equity interests of Hanking (Indonesia) for a total consideration of RMB350,000,000. Mr. Yang acted as the guarantor of Tuochuan Capital. Pursuant to the agreement, it was agreed that Tuochuan Capital may at its discretion pay the purchase price by cash in one lump sum to the Company within twelve months after the completion date and shall, at the same time, also pay the interest accrued on the purchase price from the completion date to the payment date at the interest rate of 5.6% annually. The transaction was approved by independent shareholders of the Company at the extraordinary general meeting held on 24 August 2018. As at the date of this report, given that certain conditions precedent remained outstanding, the transaction was not completed and the nickel business was presented in the consolidated accounts of the Group as assets held for sale.

Tuochuan Capital is a wholly-owned subsidiary of Mr. Yang and hence it is his associate. Therefore, it is a connected person of the Company. Details of which are set out in the announcement of the Company dated 5 July 2018 and the circular dated 6 August 2018.

b. Capital contribution to Hanking Australia Investment

On 24 August 2018, the Company, Hanking Australia Investment, Dr. Qiu Yumin ("**Dr. Qiu**") and Golden Resource Pty Ltd ("**Golden Resource**") entered into the Loan Capitalisation Agreement. Pursuant to which, the Company proposed to make additional capital contribution in an amount of AUD42,000,000 (equivalent to approximately RMB210,600,600) to Hanking Australia Investment. After completion of the capital increase, Hanking Australia Investment would still be held as to 97% by the Company and 3% by Golden Resource respectively, leaving the shareholding structure of Hanking Australia Investment unchanged.

Dr. Qiu is an executive Director of the Company and Golden Resource is an associate of Dr. Qiu, hence they are both connected persons of the Company. Details of which are set out in the announcement of the Company dated 24 August 2018.

c. Disposal of 3% shares of Hanking Australia Investment to senior management of the Company

On 17 December 2018, the Company entered into an agreement with Best Fate Limited ("**Best Fate**"), pursuant to which the Company agreed to transfer 3% shares of Hanking Australia Investment to Best Fate at the consideration of AUD1,260,000 (equivalent to approximately RMB6,232,338). Upon completion of the Agreement, the total number of issued shares of Hanking Australia Investment will be held by the Company, Golden Resource and Best Fate as to approximately 94%, 3% and 3%, respectively.

The beneficial owners of Best Fate are the executive Directors of the Company and/or directors of Hanking Australia Investment (a non-wholly-owned subsidiary of the Company), hence Best Fate is a connected person of the Company. Details of which are set out in the announcement of the Company dated 17 December 2018.

REPORT OF THE DIRECTORS

During the year ended 31 December 2018, the Group carried out the following continuing connected transaction:

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

		2018	
Items of Continuing Connected Transactions	**Connected Person**	**Annual Transaction Amount Cap (RMB'000)**	**Actual Transaction Amount (RMB'000)**
Sales of Iron Ore Concentrates	Fushun Hanking D.R.I., Dalian Huaren and Fushun Deshan	484,000	452,456

Sales of Iron Ore Concentrates

Fushun Hanking D.R.I. is principally engaged in production and sale of high purity casting pig iron and ductile pig iron, 99% interest of which is indirectly owned by Ms. Yang Min. According to Chapter 14A of the Listing Rules, Fushun Hanking D.R.I. is a connected person of the Company. The Company concluded a procurement agreement with Fushun Hanking D.R.I. on 16 September 2011. According to the agreement, the Company will, through its subsidiaries, provide iron ore concentrates to Fushun Hanking D.R.I. for a term of three years commencing from the listing date. On 15 October 2013, the Company entered into a new agreement on the sale of iron ore concentrates with Fushun Hanking D.R.I. and Dalian Huaren (as an agent of Fushun Hanking D.R.I.) for a term of three years commencing from 1 January 2014 and ending on 31 December 2016. The annual transaction amount cap for each of the three years is RMB480,000,000.

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

On 26 September 2017 and 10 November 2017 respectively, the Company, through its subsidiaries, entered into the supplemental agreements with Fushun Hanking D.R.I., Dalian Huaren and Fushun Deshan to revise each annual transaction amount cap under the New Iron Ore Concentrates Sale Agreement dated 22 November 2016 to RMB484,000,000. The actual transaction amount of the continuing connected transaction for 2018 was RMB452,456,000.

The independent non-executive Directors of the Company have reviewed the above-mentioned continuing connected transaction and confirmed that this transaction has been conducted:

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

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

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

Pursuant to Rule 14A.56 of the Listing Rules, the Board engaged the auditor of the Company to perform certain factual finding procedures in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has reported their conclusion to the Board that:

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

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

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

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

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

24. COMPLIANCE WITH NON-COMPETITION AGREEMENT

The Company signed a non-competition agreement (the "**Non-Competition Agreement**") with the Controlling Shareholders on 16 June 2011. In accordance with the Non-Competition Agreement, the independent non-executive Directors of the Company are responsible for reviewing and considering whether to exercise such option and pre-emptive right, as well as entitled to conduct annual review on the compliance with the undertakings under the Non-Competition Agreement on behalf of the Company. During the year of 2018, each Controlling Shareholder of the Company has made annual confirmation of compliance with the Non-Competition Agreement, and the independent non-executive Directors of the Company have also reviewed the implementation of the Non-Competition Agreement, and confirmed that the Controlling Shareholders have fully abided by the agreement without any breach of the agreement.

25. RETIREMENT AND EMPLOYEES' BENEFIT PLAN

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

26. COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE

Save as disclosed herein, during the period from 1 January 2018 to 31 December 2018, the Company has complied with the remaining code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules and, meanwhile, complied with most of the best practices as recommended therein. Please refer to the Corporate Governance Report of this annual report for details.

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

27. ENVIRONMENTAL PROTECTION AND SOCIAL RESPONSIBILITY

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

28. PUBLIC FLOAT

Based on the information publicly available to the Company, and to the knowledge of the Directors, the public held not less than 25% of Shares as at the Latest Practicable Date prior to the issue of this annual report, which was in compliance with the requirement of the Listing Rules.

29. SIGNIFICANT LEGAL PROCEEDINGS

For the year ended 31 December 2018, the Group was not involved in any significant legal proceedings or arbitration. To the knowledge of the Directors, there are no significant legal proceedings or claims pending or threatened.

30. AUDIT COMMITTEE

The audit committee under the Board of the Company has reviewed the announcement of Annual Results for 2018 and the consolidated financial statements for the year ended 31 December 2018.

31. AUDITOR

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

32. 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.

33. SIGNIFICANT CONTRACTS

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

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

For the year ended 31 December 2018, the Company has not granted financial assistance and guarantee to its affiliated company.

35. LOAN TO A GIVEN ENTITY

For the year ended 31 December 2018, the Group has granted a loan of RMB10,000,000 to a given entity. Please refer to note 24 to the consolidated financial statements for details.

36. CONTINUING DISCLOSURE UNDER THE LISTING RULES

On 2 November 2018, Tuochuan Capital Limited ("**Tuochuan Capital**") pledged 280,000,000 Shares, which represented approximately 15.31% of the issued share capital of the Company as at 2 November 2018, in favour of China Citic Bank Corporation Limited, Dalian Branch ("**Citic Bank**") as security for a term loan facility up to a maximum aggregate amount of RMB157,500,000 provided by the Citic Bank to Aoniu Mining. Details of which are set out in the announcement of the Company dated 7 November 2018.

Saved as disclosed above, the Company had no other disclosure obligations under Rule 13.20, Rule 13.21 and Rule 13.22 of the Listing Rules as at 31 December 2018.

37. TAXATION RELIEF

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

38. DEBENTURES

For the year ended 31 December 2018, the Company did not issue any debentures.

39. EQUITY-LINKED AGREEMENTS

For the year ended 31 December 2018, no equity-linked agreements were entered into by the Company or subsisted at the end of that year.

40. CHARITABLE DONATIONS

The Group made donation for charitable purposes in an aggregate amount of RMB300,000 during the year ended 31 December 2018.

41. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

Please refer to "Significant Subsequent Events"on page 32 of this report for details.

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

27 March 2019

CORPORATE GOVERNANCE REPORT

The Company believes that good corporate governance provides a framework that is essential for ensuring effective management, business growth and shareholder value. On 19 March 2013, the Board approved and adopted the Corporate Governance Policies developed by the Company. The Corporate Governance Policies of the Company, which is prepared in accordance with the principles, code provisions and certain recommended best practices of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, is in the best interest of the Company and its Shareholders. During the period from 1 January 2018 to 31 December 2018, save as disclosed in paragraph 26 "Compliance with Code on Corporate Governance" of the section headed "Report of the Directors" above, the Company has complied with the Corporate Governance Policies as well as the remaining code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. Meanwhile, it has also complied with most of the recommended best practices of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. Details of the code provisions adopted and complied with by the Company during the period are set out below.

BOARD COMPOSITION

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

For the period from 1 January 2018 to the date of this annual report, the re-designation, resignation and appointment of Directors are set out as follows:

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

At the annual general meeting of the Company held on 24 May 2018, in accordance with Article 84(1) of the Articles of Association, Mr. Zheng Xuezhi (executive Director), Dr. Pan Guocheng (non-executive Director) and Mr. Ma Qingshan (independent non-executive Director) retired by rotation at the annual general meeting. Among which, Mr. Zheng Xuezhi and Mr. Ma Qingshan, being eligible, offered themselves for re-election, while Dr. Pan Guocheng did not offer himself for re-election as he would like to focus on his other business and accordingly has retired as a non-executive Director upon conclusion of the annual general meeting in accordance with the Articles of Association.

Following his retirement as a non-executive Director, Dr. Pan Guocheng also ceased to be the chairman of the HSEC Committee. Since 24 May 2018, Dr. Qiu Yumin has been appointed as the chairman of the HSEC Committee.

Given the above re-designation, resignation and appointment of directors, details of the directors of the Company for 2018 are as follows:

During the period from 1 January 2018 to 19 March 2018, the Board comprised the following members:

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

During the period from 20 March 2018 to 23 May 2018, the Board comprised the following members:

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

During the period from 24 May 2018 to 31 December 2018, the Board comprised the following members:

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

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

As of 31 December 2018, the Company had three independent non-executive Directors in total, representing more than one-third of the total number of Directors. Mr. Wang Ping has over 22 years' experience in corporate finance, audit, accounting and taxation; Dr. Wang Anjian has extensive experience in research of resource strategy; and Mr. Ma Qingshan has over 17 years of extensive experience in management and consultation.

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

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

For the year ended 31 December 2018, the Directors have participated in the following training on a director of a listed company, so as to continuously develop their expertise and professional skills.

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

In order to gain the latest information of their specialized fields, each of the Directors proactively attended seminars related to various industries, including the 2018 International Mining and Resources Conference (IMARC) in Australia, the seminar on tax impact analysis organized by PricewaterhouseCoopers, the Marketing and Promotion Conference of Northern Territory Government in Shenzhen, the 6th Northeastern University MBA Forum and the 2nd Members' Meeting of Yangtze River International Chamber of Commerce.

COMPANY SECRETARY

On 24 August 2018, (1) Mr. Xia Zhuo resigned as a joint company secretary of the Company in order to focus on other businesses of the Company, but remained as an executive Director. Moreover, in order to comply with the provisions in relation to the appointment of an external service provider as the company secretary under the Guidance for Boards and Directors issued by the Hong Kong Stock Exchange in July 2018, Ms. Mok Ming Wai resigned as a joint company secretary of the Company; and (2) Ms. Zhang Jing and Ms. So Lai Shan were appointed as joint company secretaries of the Company.

For the year ended 31 December 2018, both Ms. Zhang Jing and Ms. So Lai Shan have participated in not less than 15 hours' professional training. Ms. So's primary contact person at the Company was Ms. Zhang Jing.

On 24 August 2018, (1) Ms. Mok Ming Wai resigned as an authorised representative ("**Authorised Representative**") of the Company as required under Rule 3.05 of the Listing Rules; and (2) Ms. So Lai Shan was appointed as an Authorised Representative. Mr. Zheng Xuezhi remains as the other Authorised Representative of the Company.

LIABILITY INSURANCE

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

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

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

The appointment of independent non-executive Directors strictly adheres to the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules. The Company has received the written confirmation of their independence for 2018 from each of the independent non-executive Directors and considers them to be independent of the management and not having any relationship that could materially interfere with the exercise of their independent judgment.

During the reporting period, the independent non-executive Directors of the Company actively took part in the meetings held by the Board and all specialized committees, during which independent professional comments and suggestions were given in respect of the business development, significant decisions, risk management and internal control of the Company. On 23 August 2018, the independent non-executive Directors and the Chairman of the Board made a thematic discussion, so as to evaluate the results of the Company for the first half of 2018 and the overall operating management capacity of the senior management in 2018.

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

SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules, and also formulated the Written Guideline on Dealings in the Securities of the Company by Directors and the Relevant Employees (the "**Company Guideline**"), which adopted the standards equivalent to the provisions of Appendix 10 to the Listing Rules as the model code regarding dealings in the Company's securities by the Directors and the relevant employees. After making specific enquiries to all Directors and the relevant employees of the Company, all of them have confirmed that they have complied with the Model Code and the Company Guideline throughout the year ended 31 December 2018.

THE CHAIRMAN OF THE BOARD AND THE CHIEF EXECUTIVE OFFICER

Pursuant to the Guidelines regarding the Division of Functions between the Board and Senior Management ("**Guidelines**") formulated by the Company, the Chairman of the Board is responsible for the management of the Board to ensure its effective operation. The Chief Executive Officer is responsible for daily operational activities of the Group and responsible to the Board for the overall operations of the Group. The management shall provide the Directors and the members of the specialized committees under the Board with information and materials related to the operation on a monthly basis, so as to update them with the latest developments of the Company and facilitate the discharge of duties better.

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

GENERAL MEETING, BOARD MEETING AND SPECIALIZED COMMITTEE MEETING

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

The Company convened two general meetings and eight Board meetings in 2018. During the reporting period, details of Directors' attendance of the Board meetings, meetings of the specialized committees under the Board and general meetings are as follows:

		Specialized Committees under the Board				
Name of Directors	**Board of Directors**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**HSEC Committee**	**General Meetings**
Non-executive Director						
Kenneth Jue Lee	8/8	2/2	2/2	N/A	N/A	2/2
Executive Directors						
Yang Jiye	8/8	N/A	N/A	2/2	1/1	2/2
Zheng Xuezhi	8/8	N/A	N/A	N/A	N/A	2/2
Qiu Yumin	8/8	N/A	N/A	N/A	1/1	2/2
Xia Zhuo	7/8	N/A	N/A	N/A	N/A	2/2
Independent non-executive Directors						
Wang Ping	8/8	2/2	2/2	N/A	N/A	2/2
Wang Anjian	8/8	2/2	N/A	2/2	1/1	2/2
Ma Qingshan	7/8	N/A	2/2	2/2	N/A	1/2

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

CORPORATE GOVERNANCE REPORT

(A) Audit Committee

During the period from 1 January 2018 to 31 December 2018, the Audit Committee comprised the following members:

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

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

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

During the year of 2018, the Audit Committee held a total of two meetings, at which the Audit Committee reviewed the annual and half-year financial results and financial reports of the Group for the year 2017 and the first half of 2018 respectively, the 2017 internal control report and the 2018 audit plan of the Company's internal audit department, the implementation of non-competition agreement by controlling shareholders of the Company and the annual statement made by them, terms of the connected transactions and other issues, and also discussed the appointment of auditors and the determination of their remuneration. All members of the Audit Committee have attended the above two meetings and the external auditors have attended the first meeting.

(B) Remuneration Committee

During the period from 1 January 2018 to 31 December 2018, the Remuneration Committee comprised the following members:

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

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

During the year of 2018, the Remuneration Committee held two meetings:

On 19 March 2018, the Company convened the first meeting of the Remuneration Committee for 2018, at which the committee mainly reviewed the remuneration of the Directors and senior management of the Company for the year of 2017 as well as the remuneration policies and structure for the year of 2018. It was resolved to propose to the Board the terms of the Director's service agreement for the third session of the Board of the Company.

On 23 August 2018, the Company convened the second meeting of the Remuneration Committee for 2018, at which the committee mainly considered the appointment letter of new senior management members and their remunerations to be submitted to the Board, and the grant of awards to Dr. Qiu Yumin, the chief executive officer and president of Hanking Australia Investment. The Share Option Scheme of Hanking Australia Investment was also considered and approved.

(C) Nomination Committee

During the period from 1 January 2018 to 31 December 2018, the Nomination Committee comprised the following members:

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

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

Nomination procedures for Directors

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

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

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

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

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

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

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

    3.4 integrity and reputation;

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

    3.6 potential contributions to the Board; and

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

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

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

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

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

In 2018, the Nomination Committee held two meetings, at which the retiring Director Mr. Zheng Xuezhi was nominated for re-election as executive Director, Dr. Pan Guocheng as non-executive Director and Mr. Ma Qingshan as independent non-executive Director. The independence of Mr. Wang Ping, Dr. Wang Anjian and Mr. Ma Qingshan was assessed. The members, structure and composition of the Board were reviewed, and the sufficiency of time and efforts contributed by the Directors of the Company for the performance of their duties was also discussed. The committee also considered and approved the recommendation to the Board in relation to appointing Mr. Yang Jiye as the Chief Executive Officer and President of the Company; Ms. Zhang Jing and Ms. So Lai Shan as the joint company secretaries of the Company and Ms. So Lai Shan as the Authorised Representative.

Diversity Policies

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

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

Measurable Objectives of Diversity Policy

Selection of candidates for directorship is based on a range of diversity perspectives, and the ultimate decision is based on the merit and contribution that the selected candidates will bring to the Board. As at 31 December 2018, the Board comprised eight Directors, all of them are male. There was one Director at the age range of 31-40, three Directors at the range of 41-50, three Directors at the range of 51-60 and one Director aged over 61, of which five Directors are from Mainland China, two from Hong Kong and one from Australia. All Directors have received tertiary education or above, and two of them have obtained a doctorate degree. The Directors have rich experiences in enterprise operation and management and risk management and control, mine site exploration, development, operation and investment, geology and mineral resources, financial affairs, financing and securities, and constantly enhance their professional skills through continuous learning and training. The Nomination Committee has reviewed the members, structure and composition of the Board, and was of the opinion that the extensive experiences and skills of the Directors in various fields and the rational structure of the Board may enable the Company to maintain high standard operation.

CORPORATE GOVERNANCE REPORT

Educational and professional background	Number of Directors	Percentage of the total number of Directors
Mine site exploration, development and operation and geology	Totalling two people, including Qiu Yumin and Wang Anjian	2/8
Financial, investment and financing	Totalling three people, including Zheng Xuezhi, Kenneth Jue Lee and Wang Ping	3/8
Enterprise management and risk management and control	Totalling three people, including Yang Jiye, Xia Zhuo and Ma Qingshan	3/8

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

During the period from 1 January 2018 to 23 May 2018, the HSEC Committee comprised the following members:

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

During the period from 24 May 2018 to 31 December 2018, the HSEC Committee comprised the following members:

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

In 2018, the HSEC Committee held one meeting, at which the committee considered and approved the establishment of the Environmental, Social and Governance Task Force and included the materiality assessment process in the Environmental, Social and Governance Report.

CORPORATE GOVERNANCE

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

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

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

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

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

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

The Company compiled the existing corporate governance system and dispatched it to the Directors in 2018. The Board reviews the corporate governance initiatives of the Group on an annual basis.

REMUNERATION OF AUDITORS

The Shareholders of the Company approved the resolution for the re-appointment of Deloitte Touche Tohmatsu as the auditor of the Company for 2018 and authorizing the Board to determine its remuneration at the annual general meeting held on 24 May 2018. The Company re-appointed Deloitte Touche Tohmatsu as the auditor of the Company for the year of 2018 with a term of one year ending on the date of the 2019 annual general meeting. As of 31 December 2018, details of the audit and non-audit services provided by the auditor to the Group are as follows:

Audit Service	The total fee charged for the audit service in 2018 was approximately RMB3,467,000, among which, the total fee charged for providing the Group with the review of the interim financial statements as of 30 June 2018 and audit of the financial statements for the year ended 31 December 2018 was RMB2,244,000 (excluding taxation and sundries). The fee charged for providing an audit for the acquisition of Tuochuan (Hong Kong) Limited was approximately RMB1,223,000 (excluding taxation and sundries).
Non-audit Service	The total fee charged for providing the Group with the consulting services on taxation was approximately HK$15,000 (excluding taxation and sundries).

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

The Directors acknowledged their responsibilities for preparing the financial statements for the year ended 31 December 2018, which gave a true and fair view of the state of affairs of the Group and of the results and cash flows for that year. The Company allocated sufficient resources to prepare the audited account. Senior management was required to present and explain the financial reporting and matters that materially affected or may have material impact on the financial performance and operations of the Company to the Audit Committee and the Board and respond to the queries and concerns raised by the Audit Committee and the Board to their satisfaction. The consolidated financial statements have been prepared in accordance with the IFRS. In addition, the financial statements included appropriate disclosure made in accordance with the Listing Rules and the Companies Ordinance. The responsibility of the independent auditor engaged by the Company for the preparation of the financial statements of the Group was set out in the independent auditor's report of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for the risk management and internal control system of the Group, including setting management structure and granting the appropriate authorization, identifying proper accounting policy and providing reliable financial information for internal and external use. The measures above were designed to provide reasonable (but not absolute) assurance against material misstatement or loss, and to manage (but not fully eliminate) risks of failure in operational systems and in achieving the Group's objectives. The Board authorized the Audit Committee to supervise the financial reporting system, risk management and internal control system of the Company; to review the financial control of the Company and to review the risk management and internal control system of the Company; to discuss the risk management and internal control system with the management and to ensure that the management has performed its duties in establishing an effective system; to consider major investigation findings on risk management and internal control matters and the response of the management on investigation findings on its own initiative or as delegated by the Board. In 2018, the Board reviewed the effectiveness of the risk management and internal control system of the Company and its major subsidiaries, which covered financial control and non-financial control.

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

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

The Group has formulated the Information Disclosure Management System and the Administrative Rules Governing Related Party Transactions, and also formulated the Inside Information Disclosure System to identify and process the inside information. The Board has assessed the effectiveness of the procedures for identifying and processing inside information on due course, so as to maintain the confidentiality of inside information prior to the disclosure with proper approval and disseminate such information in an effective and consistent manner.

The Group has established a specialized internal audit organ ("**Audit Department**"), formulated relevant mechanism, and set up proper internal control procedures to ensure the effectiveness of internal control and risk management, and extend its application to all subsidiaries controlled by the Group. The Audit Department was directly under the leadership of the Audit Committee, thus the annual audit report and plan of the Audit Department were approved by the Audit Committee. The Audit Department independently carried out the internal audit and monitoring work of the Company. Pursuant to the work program approved by the Audit Committee, based on the internal control, daily monitoring and project monitoring as well as focusing on the probability of risks and impact on the Company's objectives, in 2018, the Audit Department conducted effectiveness test and evaluation with a focus on key aspects including the procurement business, tax risk, underground mining works and review of construction costs, and expressed assessment opinions on risk management and internal control.

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

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

ARTICLES OF ASSOCIATION

For the year 2018, there were no material changes to the Articles of Association.

COMMUNICATION POLICY WITH SHAREHOLDERS

The Company attached great importance to the communication with Shareholders and promoted understanding and communication with Shareholders through various channels, including general meetings, results briefings, road show activities, receiving guests and telephone counselling. In 2018, the Company organized 14 investor meetings, 3 media interviews and 2 results briefings.

(A) The rights of Shareholders

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

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

There are no provisions allowing Shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law (2012 Revision). However, pursuant to the Articles of Association, any member or members holding not less than one-tenth of paid-up capital of the Company, which entitled them to vote at the meeting, as at the date of submitting the request is or are entitled to give written request to the Board or the Company Secretary of the Company to request the Board to convene an extraordinary general meeting at any time and to handle the matters set out in the above request. The above meeting shall be convened within two (2) months after submitting the relevant request to the Company's principal place of business in Hong Kong, at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong and for the attention of the Company Secretary. If the Board has not convened the meeting within twenty-one (21) days after receiving the request, the requesting persons can convene the meeting by which all the reasonable expenses of petitioners so caused should be compensated by the Company.

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

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

For putting forward any enquiries or proposals to the Board, Shareholders may send written enquiries to the Company. The contact information is as follows:
Address: 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong
Tel: +852 3188 8333
Fax: +852 3188 8222

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

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

(C) Shareholders' enquiries

Any enquiries relating to your shareholding, for example, transfers of shares, change of address, loss of share certificates or dividend cheques, shall be sent or made to Computershare Hong Kong Investor Services Limited, the Company's share registrar in Hong Kong whose contact information is as follows:
Address: Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Tel: +852 2862 8628
Fax: +852 2865 0990 and +852 2529 6087
Website: www.computershare.com.hk

(D) Investor relations and communication

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

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

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

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

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

1. COMPOSITION OF DIRECTORS

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

Name	Age	Position/Title in the Group	Date of Appointment/Re-election	Roles and Responsibilities
Mr. Yang Jiye	41	Executive Director, Chairman of the Board, Chief Executive Officer and President	re-elected as executive Director on 27 May 2016 appointed as Chief Executive Officer and President on 20 March 2018	responsible for the formulation and implementation of the overall operation and development strategy of the Group, supervision on the execution and implementation of the strategies by the management and daily operation and management of the Group
Mr. Zheng Xuezhi	49	Executive Director, Chief Financial Officer, Vice President and president of Hanking Green Building Materials	re-elected as executive Director on 24 May 2018	responsible for the financial management and accounting of the Group
Dr. Qiu Yumin	56	Executive Director, Vice President and chief executive officer and president of Hanking Australia Investment	re-elected as executive Director on 22 May 2017	responsible for the daily operation management and investment of the Group's business in Australia
Mr. Xia Zhuo	53	Executive Director, Vice President and the president of Hanking (Indonesia)	re-elected as executive Director on 27 May 2016	responsible for the daily operation and management of the nickel business
Mr. Kenneth Jue Lee	51	Non-executive Director	re-elected as non-executive Director on 22 May 2017	N/A
Mr. Wang Ping	48	Independent non-executive Director	re-elected as independent non-executive Director on 27 May 2016	N/A
Dr. Wang Anjian	65	Independent non-executive Director	re-elected as independent non-executive Director on 22 May 2017	N/A
Mr. Ma Qingshan	40	Independent non-executive Director	re-elected as independent non-executive Director on 24 May 2018	N/A

Resignation/Retirement of Director

Name	Age	Position/Title	Date of Appointment	Date of Resignation/ Retirement	Roles and Responsibilities
Dr. Pan Guocheng	62	Non-executive Director	re-elected as executive Director on 28 May 2015 re-designated from executive Director to non-executive Director on 20 March 2018	24 May 2018	N/A

2. BIOGRAPHY OF NON-EXECUTIVE DIRECTOR

Mr. Kenneth Jue Lee, aged 51, is a non-executive Director. He has served on the Company's Board of Directors since 2012. Mr. Lee has more than 22 years of experience across private equity investments, corporate finance and business development in China. He is a partner at SAIF Partners, which manages one of the largest and most successful growth venture private equity investment funds in China that mainly focuses on the Chinese market. He is also a non-executive director of Sinovac Biotech Ltd. (NASDAQ-GM: SVA), a company listed in the USA. He is a board director for four other private Chinese companies backed by SAIF Partners. Mr. Lee graduated from Amherst College in Massachusetts, the USA. He acted as non-executive director of China Polymetallic Mining Limited (HKSE: 02133, a company listed on the Hong Kong Stock Exchange) during the period from April 2012 to August 2017. Save as disclosed above, over the past three years, he did not hold any directorships in any other listed public companies.

3. BIOGRAPHY OF EXECUTIVE DIRECTORS

Mr. Yang Jiye, aged 41, is an executive Director, Chairman of the Board and Chief Executive Officer and President. Meanwhile, he is also the chairman of Aoniu Mining, and the director of Hanking Green Building Materials, Hanking Australia Investment, HGM Resources Pty Ltd, PGO and Hanking (Indonesia). Mr. Yang is currently serving as the chairman of the board of directors of Liaoning Hanking Investment Co., Ltd. (遼寧罕王投資有限公司). With his previous and current positions in the Group, he has more than 16 years of experience in corporate governance and management. Over the past three years, he did not hold any directorships in any other listed public companies. Mr. Yang is the son of Ms. Yang Min, a Controlling Shareholder.

Mr. Zheng Xuezhi, aged 49, is an executive Director, the Chief Financial Officer and Vice President. Mr. Zheng joined the Group in 2008. He is the director of Aoniu Mining and the president of Hanking Green Building Materials. Mr. Zheng is responsible for financial management and accounting of the Group. Mr. Zheng is also a supervisor of Liaoning Hanking Investment Co., Ltd. and chairman of the board of directors of Luoyang Precision of Machine Equipment Technology Co., Ltd. (中機洛陽精密裝備科技股份有限公司). Being in his previous and current positions in the Group, Mr. Zheng has obtained more than 19 years of experience in financing, auditing, taxation and accounting. Mr. Zheng graduated from Northeast University (東北大學) with a master degree in business administration for executives. Mr. Zheng is a certified public accountant in the PRC. Over the past three years, he did not hold any directorships in any other listed public companies.

Mr. Xia Zhuo, aged 53, is an executive Director, Vice President and the president of Hanking (Indonesia). He is responsible for daily administrative matters of the Group. He is currently serving as the director of Aoniu Mining, the supervisor of Harvest Globe (Shenyang) Trading Co., Ltd. as well as the supervisor of KS and KKU. In addition, he also serves as the director of Hanking Group. Mr. Xia Zhuo has obtained more than 22 years of experience in the mining industry. Over the past three years, he did not hold any directorships in any other listed public companies.

Dr. Qiu Yumin, aged 56, is an executive Director and Vice President. He is also the director, chief executive officer and president of Hanking Australia Investment and the director of other Australian subsidiaries of the Company, including PGO. Dr. Qiu Yumin is a member of the Australian Institute of Geoscientists, and has over 21 years of experience in exploration and business development. Currently, Dr. Qiu serves as the non-executive director of Corazon Mining Ltd (ASX: CZN), a company listed in Australia. From 2014 to June 2018, he was the non-executive director of Primary Gold Limited (ASX: PGO), a company listed in Australia. Save as disclosed above, over the past three years, he did not hold any directorships in any other listed public companies.

4. BIOGRAPHY OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Ping, aged 48, is an independent non-executive Director. He is a non-practicing member of the Chinese Institute of Certified Public Accountants. Mr. Wang has over 22 years of experience in corporate finance, audit and accounting. Mr. Wang is currently acting as the non-executive director of Chongyi Zhangyuan Tungsten Co., Ltd. (SZSE: 002378), a company listed on the Shenzhen Stock Exchange, and Bojun Education Company Limited (HKSE: 1758), a company listed on the Hong Kong Stock Exchange. He also serves as the independent non-executive director of Shenzhen Zowee Tech. Co., Ltd. (SZSE: 002369) and Yunnan Energy New Material Co., Ltd (formerly known as "Yunnan Chuangxin New Material Co., Ltd.") (SZSE: 002812), both being companies listed on the Shenzhen Stock Exchange, as well as China Sinostar Group Company Limited (HKSE: 485), China Tianrui Group Cement Company Limited (HKSE: 1252) and Tourism International Holdings Limited (formerly known as "Jia Yao Holdings Limited") (HKSE: 1626), all being companies listed on the Hong Kong Stock Exchange. He also acted as the independent non-executive director of Shenzhen Fuanna Bedding and Furnishing Co., Ltd. (SZSE: 002327) from December 2013 to September 2017 and Chongyi Zhangyuan Tungsten Co., Ltd. (SZSE: 002378) from November 2010 to May 2017, and the independent non-executive director and the non-executive director of Sichuan Crun Co., Ltd. (SZSE: 002272) from March 2016 to August 2017 and from August 2017 to March 2019 respectively, all being companies listed on the Shenzhen Stock Exchange. Save as disclosed above, over the past three years, he did not hold any directorships in any other listed public companies.

Dr. Wang Anjian, aged 65, is an independent non-executive Director and has extensive experience in research of resource strategy. Dr. Wang Anjian is currently the honorary director and professor of the Research Center for Strategy of Global Mineral Resources, Chinese Academy of Geological Sciences, and he is also the standing director of Chinese Society for Environmental Sciences and the adjunct professor of China University of Geosciences (Beijing). Dr. Wang Anjian is currently acting as the independent non-executive director of Chongyi Zhangyuan Tungsten Co., Ltd. (SZSE: 002378), a company listed on the Shenzhen Stock Exchange. Save as disclosed above, over the past three years, he did not hold any directorships in any other listed public companies.

Mr. Ma Qingshan, aged 40, is an independent non-executive Director and has over 17 years of substantial experience in management and consultation. He has extensive experience in corporate strategic planning, business model and control model, digitalization and internet transformation, post-acquisition integration, corporate performance management, corporate investment management, business process optimization and global business development. Mr. Ma obtained a bachelor's degree in finance and e-commerce from Peking University, and is qualified as a Chartered Financial Analyst (CFA). Mr. Ma is currently acting as the independent non-executive director of Uni-Bio Science Group Limited (HKSE: 690), a company listed on the Hong Kong Stock Exchange. Save as disclosed above, over the past three years, he did not hold any directorships in any other listed public companies.

5. SENIOR MANAGEMENT

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

Name	Age	Position/Title	Biography
Yang Jiye	41	Chief Executive Officer and President	See "Biography of Executive Directors"
Zheng Xuezhi	49	Chief Financial Officer, Vice President and president of Hanking Green Building Materials	See "Biography of Executive Directors"
Qiu Yumin	56	Vice President as well as chief executive officer and president of Hanking Australia Investment	See "Biography of Executive Directors"
Xia Zhuo	53	Vice President and president of Hanking (Indonesia)	See "Biography of Executive Directors"
Huang Jinfu	62	Vice President and president of Aoniu Mining	See below

Mr. Huang Jinfu, aged 62, is the Vice President and the director and president of Aoniu Mining. He is responsible for the daily operation and management of the Group's iron ore business. Mr. Huang is a mineral processing engineer. He joined the Group in 2008 and has more than 37 years of experience in the mining industry.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Resignation of Senior Management

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

Name	Age	Date of Resignation and the Position/Title Resigned	Biography
Pan Guocheng	62	Resigned as Chief Executive Officer and President on 20 March 2018	–

6. JOINT COMPANY SECRETARIES

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

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

Deloitte. 德勤

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

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Hanking Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as "**the Group**") set out on pages 78 to 196, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Impairment of long-lived assets (including property, plant and equipment, mining rights, exploration and evaluation assets and prepaid lease payments) *Refer to notes 19 to 22*	
We identified impairment of property, plant and equipment, mining rights, exploration and evaluation assets and prepaid lease payments, being the major assets engaged in Iron Business (as defined in note 1) and Gold Business (as defined in note 1) as a key audit matter because these assets have been impacted by sustained volatility in commodity prices and assessment of impairment involved significant estimations of uncertainty. The management of the Group reviews the recoverable amounts of those assets which is the higher of its value-in-use and its fair value less cost of disposal to determine whether there is any impairment loss. The recoverable amounts of those tangible and intangible assets were determined based on a value-in-use calculation which is higher than fair value less cost of disposal and required significant management judgments and forward looking estimates with respect to the discount rate, iron ore and gold selling price and the assumptions adopted in the underlying cash flows of each asset or cash generating unit where such asset belongs. As stated in note 22, an impairment loss of RMB64,188,000 for property, plant and equipment and prepaid lease payments in respect of an open pit mining has been recognised during the year ended 31 December 2018.	Our procedures in relation to the management's impairment assessment included: • Understanding the management's approach on identification of indicators on the impairment of long-lived assets and checking whether the approach is reasonable and supportable; • Understanding and evaluating the design and implementation of key controls relevant to impairment assessment of long-lived assets; • Understanding the management's methodology adopted and the estimation on fair value and cost of disposal, such as the disposal plan and market value of the assets, and assessing whether they are reasonable and supportable; • Assessing whether the model used by the management in calculating the value-in-use of the individual cash-generating unit was in compliance with IAS 36 "*Impairment of Assets*"; and • Understanding the projected cash flows, evaluating the assumptions related to the production volumes, commodity selling prices, revenue growth rates, market outlook and industry trend, and comparing those inputs against available market data and externally available benchmarks as well as historical performance.

KEY AUDIT MATTERS *(CONTINUED)*

Key audit matter *(CONTINUED)*	**How our audit addressed the key audit matter** *(CONTINUED)*
Significant business disposed as discontinued operation *Refer to note 13*	
We identified the classification and presentation of the Nickel Business (as defined in note 1) to be disposed of as a key audit matter. During the year ended 31 December 2018, the Group entered into a share sale and purchase agreement pursuant to which the Company has agreed to sell, and the buyer has agreed to purchase the Nickel Business of the Group. The transaction was approved by the shareholders on 24 August 2018 and is expected to be completed within twelve months after the end of the reporting period. Accordingly, under IFRS 5 "*Non-current Assets Held for Sale and Discontinued Operations*" ("**IFRS 5**"), the Group is required to treat the Nickel Business as a discontinued operation and the related assets and liabilities will be classified as held for sale and measured in accordance with the regulations under IFRS 5. This resulted in a number of presentational changes and disclosures in the consolidated financial statements, including the restatement required for the corresponding figures of the consolidated statement of profit or loss and other comprehensive income and associated disclosures for the year ended 31 December 2017.	Our procedures in relation to the disposal of Nickel Business regarding discontinued operation included: • Understanding and evaluating the design and implementation of key controls in relation to making accounting judgements; • Reviewing the relevant disposal agreement, understanding the relevant agreement terms and analysing the reasonableness of the estimation on expected completion date of the disposal and the impact on the classification and presentation of Nickel Business; • Assessing the carrying amounts and fair values of the assets and liabilities as at 31 December 2018 and the results for the year ended 31 December 2018 of Nickel Business; and • Reviewing the relevant disclosures to assess if the presentation and related restatements were in compliance with IFRS 5.

OTHER INFORMATION

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2018

	NOTES	**Year ended 31/12/2018 RMB'000**	Year ended 31/12/2017 RMB'000 (Restated)
Continuing operations			
Revenue	5	**1,165,491**	1,055,763
Cost of sales		**(655,189)**	(575,217)
Gross profit		**510,302**	480,546
Other income	7	**4,174**	4,314
Other gains and losses	8	**(66,217)**	(2,373)
Distribution and selling expenses		**(38,082)**	(34,466)
Administrative expenses		**(182,461)**	(132,375)
Research and development expenses		**(5,004)**	(475)
Finance costs	9	**(90,582)**	(105,093)
Profit before tax	10	**132,130**	210,078
Income tax credit (expense)	11	**52,792**	(80,017)
Profit for the year from continuing operations		**184,922**	130,061
Discontinued operations			
(Loss) profit for the year from discontinued operations	13	**(10,882)**	734,926
Profit for the year		**174,040**	864,987
Other comprehensive (expense) income			
Item that will not be reclassified to profit or loss:			
Remeasurement of defined benefit pension plans		**–**	(79)
Items that may be reclassified subsequently to profit or loss:			
Fair value (loss) gain on:			
– receivables measured at fair value through other comprehensive income ("FVTOCI")		**(5,172)**	–
– available-for-sale investments		**–**	6,306
Reclassification adjustment for cumulative gain included in investments revaluation reserve upon disposal of available-for-sale investments		**–**	(10,229)
Reclassification adjustment for cumulative loss included in investments revaluation reserve upon impairment of available-for-sale investments		**–**	5,034
Exchange differences arising on translation of foreign operations		**(20,715)**	2,175
Reclassification of cumulative translation reserve upon disposal of a foreign operation to profit or loss		**–**	19,944
		(25,887)	23,230
Other comprehensive (expense) income for the year, net of income tax		**(25,887)**	23,151
Total comprehensive income for the year		**148,153**	888,138

(Continued)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2018

	NOTE	**Year ended 31/12/2018 RMB'000**	Year ended 31/12/2017 RMB'000 (Restated)
Profit (loss) for the year attributable to owners of the Company			
– from continuing operations		**185,230**	129,862
– from discontinued operations		**(5,570)**	747,301
Profit for the year attributable to owners of the Company		**179,660**	877,163
(Loss) profit for the year attributable to non-controlling interests			
– from continuing operations		**(308)**	199
– from discontinued operations		**(5,312)**	(12,375)
Loss for the year attributable to non-controlling interests		**(5,620)**	(12,176)
		174,040	864,987
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**158,360**	901,811
Non-controlling interests		**(10,207)**	(13,673)
		148,153	888,138
EARNINGS PER SHARE	18		
From continuing and discontinued operations			
Basic (RMB cents)		**9.8**	47.9
Diluted (RMB cents)		**N/A**	47.9
From continuing operations			
Basic (RMB cents)		**10.1**	7.1
Diluted (RMB cents)		**N/A**	7.1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2018

	NOTES	31/12/2018 RMB'000	31/12/2017 RMB'000
Non-current Assets			
Property, plant and equipment	19	**710,054**	865,421
Intangible assets	20	**279,270**	676,437
Prepaid lease payments	21	**117,480**	137,314
Available-for-sale investments	29	**–**	21,778
Financial assets at fair value through profit or loss ("FVTPL")	30	**9,359**	–
Deferred tax assets	23	**72,516**	10,189
Loan receivable	24	**10,000**	11,300
Deposits on acquisition of property, plant and equipment		**1,498**	49,199
Restricted deposits	25	**21,102**	3,797
Pledged bank deposits	31	**3,020**	–
		1,224,299	1,775,435
Current Assets			
Inventories	26	**73,294**	89,669
Prepaid lease payments	21	**28,226**	29,761
Trade, bills and other receivables	27	**442,505**	820,335
Receivables at FVTOCI	28	**275,014**	–
Tax recoverable		**–**	339
Available-for-sale investments	29	**–**	406,794
Financial assets at FVTPL	30	**459,993**	–
Pledged bank deposits	31	**20,158**	45,451
Bank balances and cash	31	**328,664**	394,911
		1,627,854	1,787,260
Assets classified as held for sale	13	**831,448**	369,955
		2,459,302	2,157,215
Current Liabilities			
Trade, bills and other payables	32	**565,057**	504,087
Contract liabilities		**3,167**	–
Borrowings	33	**1,108,500**	1,151,887
Consideration payable	34	**–**	65,180
Tax liabilities		**77,215**	84,614
Obligation under a finance lease	38	**2,638**	–
		1,756,577	1,805,768
Liabilities associated with assets classified as held for sale	13	**351,237**	23,687
		2,107,814	1,829,455
Net Current Assets		**351,488**	327,760
Total Assets less Current Liabilities		**1,575,787**	2,103,195

(Continued)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2018

	NOTES	31/12/2018 RMB'000	31/12/2017 RMB'000
Capital and Reserves			
Share capital	37	**148,960**	149,137
Reserves		**1,203,483**	1,066,320
Equity attributable to owners of the Company		**1,352,443**	1,215,457
Non-controlling interests	39	**188,407**	186,381
Total Equity		**1,540,850**	1,401,838
Non-current Liabilities			
Borrowings	33	**–**	455,420
Consideration payable	34	**–**	241,100
Rehabilitation provision	35	**23,648**	1,580
Retirement benefit obligations	36	**–**	1,558
Deferred tax liabilities	23	**–**	1,699
Obligation under a finance lease	38	**11,289**	–
		34,937	701,357
		1,575,787	2,103,195

The consolidated financial statements on pages 78 to 196 were approved and authorised for issue by the board of directors on 27 March 2019 and are signed on its behalf by:

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018

	Attributable to owners of the Company														
	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000 (note a)	Future development funds reserve RMB'000 (note b)	Investments revaluation reserve RMB'000	FVTOCI reserve RMB'000	Translation reserve RMB'000	Share-based payment reserve RMB'000	Special reserve RMB'000 (note c)	Actuarial reserve on retirement benefit plan RMB'000	Other reserve RMB'000 (note d)	(Accumulated losses) retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2017	149,137	495,537	84,970	512,098	11,767	–	(51,322)	2,936	(557,161)	207	(614)	(45,479)	602,076	203,093	805,169
Profit (loss) for the year	–	–	–	–	–	–	–	–	–	–	–	877,163	877,163	(12,176)	864,987
Disposal of available-for-sale investments	–	–	–	–	(10,229)	–	–	–	–	–	–	–	(10,229)	–	(10,229)
Impairment loss on available-for-sale investments	–	–	–	–	4,883	–	–	–	–	–	–	–	4,883	151	5,034
Reclassification of cumulative translation reserve upon disposal of a foreign operation to profit or loss	–	–	–	–	–	–	19,944	–	–	–	–	–	19,944	–	19,944
Other items of other comprehensive income (expense) for the year	–	–	–	–	6,506	–	3,599	–	–	(55)	–	–	10,050	(1,648)	8,402
Total comprehensive income (expense) for the year	–	–	–	–	1,160	–	23,543	–	–	(55)	–	877,163	901,811	(13,673)	888,138
Transfer to future development funds reserve, net of utilisation	–	–	–	40,522	–	–	–	–	–	–	–	(40,522)	–	–	–
Recognition of share-based payment (note 42)	–	–	–	–	–	–	–	31,344	–	–	–	–	31,344	–	31,344
Disposal of subsidiaries (note 14)	–	–	–	–	–	–	–	(34,280)	–	–	–	34,280	–	(3,039)	(3,039)
Special Dividend paid (as defined in note 17)	–	(319,774)	–	–	–	–	–	–	–	–	–	–	(319,774)	–	(319,774)
Profit appropriation to surplus reserve	–	–	26,111	–	–	–	–	–	–	–	–	(26,111)	–	–	–
Balance at 31 December 2017	149,137	175,763	111,081	552,620	12,927	–	(27,779)	–	(557,161)	152	(614)	799,331	1,215,457	186,381	1,401,838
Effect arising from adoption of IFRS 9 (see note 2)	–	–	–	–	(12,927)	(4,568)	–	–	–	–	–	12,655	(4,840)	–	(4,840)
Balance at 1 January 2018 (restated)	149,137	175,763	111,081	552,620	–	(4,568)	(27,779)	–	(557,161)	152	(614)	811,986	1,210,617	186,381	1,396,998
Profit (loss) for the year	–	–	–	–	–	–	–	–	–	–	–	179,660	179,660	(5,620)	174,040
Other comprehensive expense for the year	–	–	–	–	–	(5,172)	(16,128)	–	–	–	–	–	(21,300)	(4,587)	(25,887)
Total comprehensive (expense) income for the year	–	–	–	–	–	(5,172)	(16,128)	–	–	–	–	179,660	158,360	(10,207)	148,153
Transfer to future development funds reserve, net of utilisation	–	–	–	41,429	–	–	–	–	–	–	–	(41,429)	–	–	–
Waiver of Capital Injection from non-controlling interests (note e)	–	–	–	–	–	–	–	–	–	–	–	–	–	6,280	6,280
Reclassification upon disposal of Xingzhou Mining (as defined in note b) (note 14)	–	–	(2,674)	–	–	–	–	–	–	–	–	2,674	–	–	–
Dividend paid (note 17)	–	–	–	–	–	–	–	–	–	–	–	(14,962)	(14,962)	–	(14,962)
Profit appropriation to surplus reserve	–	–	13,916	–	–	–	–	–	–	–	–	(13,916)	–	–	–
Repurchase of ordinary shares (note 37)	(177)	(1,563)	–	–	–	–	–	–	–	–	–	–	(1,740)	–	(1,740)
Disposal of 3% shares of Hanking Australia Investment (as defined in note 12) to senior management of the Company (note 39a)	–	–	–	–	–	–	–	–	–	–	168	–	168	5,953	6,121
Balance at 31 December 2018	148,960	174,200	122,323	594,049	–	(9,740)	(43,907)	–	(557,161)	152	(446)	924,013	1,352,443	188,407	1,540,850

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018

Notes:

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

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

(b) Pursuant to the regulation of the PRC, Fushun Hanking Aoniu Mining Co., Ltd. ("**Aoniu Mining**"), Fushun Hanking Maogong Mining Co., Ltd., Fushun Hanking Xingzhou Mining Co., Ltd. ("**Xingzhou Mining**"), and Fushun Hanking Shangma Mining Co., Ltd. ("**Shangma Mining**"), subsidiaries of the Group (as defined in note 1), are required to transfer an amount to a future development fund at RMB5-10 (2017: RMB5-10) per ton of iron ore mined annually which will be used for enhancement of safety production environment and improvement of facilities. The fund can only be used for the future development of the Iron Business (as defined in note 1) and is not available for distribution to shareholders.

The future development funds provided during the year ended 31 December 2018 amounted to RMB58,412,000 (2017: RMB52,264,000). The amount utilised during the year was RMB16,983,000 (2017: RMB11,742,000).

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

(d) Other reserve represented (1) the dilution impact to the Group's equity interest in Hanking Australia Pty Ltd. ("**Hanking Australia**") from 100% to 97% for the year ended 2016 as a result of the share subscription transaction as more fully explained in note 42, and (2) the impact to the Group's equity interest in Hanking Australia Investment from 97% to 94% for the year ended 31 December 2018 as a result of share transfer with details set out in note 39.

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2018

	NOTE	Year ended 31/12/2018 RMB'000	Year ended 31/12/2017 RMB'000
OPERATING ACTIVITIES			
Profit before tax from continuing and discontinued operations		**123,272**	1,270,738
Adjustments for:			
Finance costs		**91,184**	120,805
Interest income		**(4,241)**	(3,244)
Impairment loss on property, plant and equipment and prepaid lease payments		**64,188**	–
Impairment loss on other receivables		**406**	–
Loss (gain) on disposal of property, plant and equipment		**11,060**	(584)
Impairment loss on available-for-sale investments reclassified from investments revaluation reserve		**–**	5,034
Depreciation of property, plant and equipment		**96,146**	149,966
Release of prepaid lease payments		**28,554**	28,244
Amortisation of intangible assets		**48,780**	55,088
Gain on disposal of subsidiaries after tax	14	**(6,779)**	(1,091,085)
Gain on disposal of available-for-sale investments		**–**	(10,229)
Fair value gain on disposal of financial assets at FVTPL		**(7,883)**	–
Net foreign exchange (gain) loss		**(3,580)**	4,101
Recognition of equity-settled share-based payment		**–**	31,344
Waiver of Capital Injection from a director		**6,280**	–
Operating cash flows before movements in working capital		**447,387**	560,178
Increase in inventories		**(18,223)**	(16,755)
Increase in trade, bills and other receivables		**(201,803)**	(413,142)
Decrease in receivables at FVTOCI		**324,396**	–
Increase in trade, bills and other payables		**443,047**	240,970
Increase in contract liabilities		**3,040**	–
Increase in retirement benefit obligations		**–**	34
Cash generated from operations		**997,844**	371,285
Income tax paid		**(23,200)**	(27,151)
NET CASH FROM OPERATING ACTIVITIES		**974,644**	344,134

(Continued)

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2018

	NOTES	**Year ended 31/12/2018 RMB'000**	Year ended 31/12/2017 RMB'000
INVESTING ACTIVITIES			
Payment of consideration payable for acquisition of subsidiaries		**(2,000)**	(1,000)
Interest received		**4,241**	3,244
Purchases of property, plant and equipment		**(205,071)**	(285,711)
Net cash inflow arising from disposal of Gold Business (as defined in note 1)	14	**–**	1,166,751
Capital gain tax paid for disposal of Gold Business	14	**(14,241)**	–
Net cash outflow arising from disposal of Shangma Mining	14	**(605)**	–
Net cash outflow on acquisition of PGO (as defined in note 1)	12	**(169,988)**	–
Proceeds on disposal of available-for-sale investments		**–**	1,662,734
Purchases of available-for-sale investments		**–**	(1,660,996)
Purchases of financial assets at FVTPL		**(554,507)**	–
Proceeds on disposal of financial assets at FVTPL		**507,144**	–
Addition of intangible assets		**(32,810)**	(25,986)
Payments for prepaid lease payments		**(12,754)**	(12,918)
Proceeds on disposal of property, plant and equipment		**33,881**	11,192
Withdrawal of restricted deposits		**–**	304
Placement of restricted deposits		**(3,722)**	(3,791)
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(450,432)**	853,823
FINANCING ACTIVITIES			
Withdrawal of pledged bank deposits in relation to borrowings and credit facilities		**30,317**	97,795
Placement of pledged bank deposits in relation to borrowings and credit facilities		**(8,044)**	(99,554)
Payment of finance lease for a finance lease contract		**(15,984)**	–
Prepayment for a finance lease contract		**–**	(8,543)
Repurchase and cancellation of ordinary shares		**(1,740)**	–
New borrowings raised		**1,056,082**	1,292,136
Repayments of borrowings		**(1,575,476)**	(1,743,091)
Interest paid		**(50,932)**	(79,374)
Dividend paid to owners of the Company		**(14,962)**	(319,774)
NET CASH USED IN FINANCING ACTIVITIES		**(580,739)**	(860,405)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(56,527)**	337,552
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**394,911**	70,162
Bank balances and cash of Xingzhou Mining eliminated upon transfer to assets classified as held for sale		**–**	(6,113)
Bank balances and cash of Hanking (Indonesia) eliminated upon transfer to assets classified as held for sale		**(8,980)**	–
Effect of foreign exchange rate changes		**(740)**	(6,690)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash		**328,664**	394,911

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2018

1. GENERAL

China Hanking Holdings Limited (the "**Company**") is a limited company incorporated in the Cayman Islands on 2 August 2010 and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its parent and ultimate parents are Bisney Success Limited, Tuochuan Capital Limited and China Hanking (BVI) Limited. Its ultimate controlling shareholders are Mr. Yang Jiye, who is also the chief executive officer, president and executive director of the Company, and Ms. Yang Min, who resigned as the executive director on 18 March 2016 (collectively, the "**Controlling Shareholders**"). The address of the registered office of the Company in Cayman Islands is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of principal place of business of the Company in Hong Kong is 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

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

The Company is an investing holding company. Details of the Company's subsidiaries and their principal activities are set out in note 39.

An operating segment regarding gold business (the "**Gold Business**") was discontinued in the previous year along with the completion of the Group's disposal of Hanking Australia Pty Ltd ("**Hanking Australia**") with its subsidiaries in 2017. However, the Group resumed its operation in the Gold Business upon the successful acquisition of Primary Gold Limited ("**PGO**"), an independent third party and a public company previously listed on Australian Securities Exchange, in 2018. Further details are set out in note 12.

During the year ended 31 December 2018, the Group's nickel ore exploration, mining, smelting and sale business in Indonesia ("**Nickel Business**") was discontinued upon Hanking (Indonesia) Mining Limited ("**Hanking (Indonesia)**") and its subsidiaries being classified as held for sale as disclosed in note 13.

In terms of continuing operations, the Company and its subsidiaries (the "**Group**") as at 31 December 2018 are engaged in 3 principal activities:

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

(ii) Gold Business; and

(iii) building materials production and sale.

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

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

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

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

IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers and the related Amendments*
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*
Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
Amendments to IAS 28	*As part of the Annual Improvements to IFRSs 2014-2016 Cycle*
Amendments to IAS 40	*Transfers of Investment Property*

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

2.1 IFRS 15 "Revenue from Contracts with Customers"

The Group has applied IFRS 15 for the first time in the current year. IFRS 15 superseded IAS 18 "*Revenue*", IAS 11 "*Construction Contracts*" and the related interpretations.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- production and sales of iron ore concentrates
- production and sales of raw nickel
- sales of raw and leftover materials
- production and sales of building materials

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2018

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

2.1 IFRS 15 "Revenue from Contracts with Customers" *(continued)*

Information about the Group's performance obligations and the accounting policies resulting from application of IFRS 15 are disclosed in notes 5 and 3 respectively.

Except for the classification in respect of consideration received in advance from the customers from "other payables" to "contract liabilities" since 1 January 2018, the application of IFRS 15 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. The effect of initial application of IFRS 15 at the date of initial application on 1 January 2018 are set out in Note 2.3.

The following tables summarise the impacts of applying IFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 and its consolidated statement of cash flows for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	Note	**As reported** RMB'000	**Reclassification** RMB'000	**Amounts without application of IFRS 15** RMB'000
Current Liabilities				
Trade, bills and other payables	32	565,057	3,167	568,224
Contract liabilities		3,167	(3,167)	–

Impact on the consolidated statement of cash flows

	As reported RMB'000	**Adjustments** RMB'000	**Amounts without application of IFRS 15** RMB'000
OPERATING ACTIVITIES			
Increase in trade,bills and other payables	442,771	3,040	445,811
Increase in contract liabilities	3,040	(3,040)	–

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

2.2 IFRS 9 "Financial Instruments"

In the current year, the Group has applied IFRS 9 "*Financial Instruments*" and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("**ECL**") for financial assets and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 "*Financial Instruments: Recognition and Measurement*".

Accounting policies resulting from application of IFRS 9 are disclosed in note 3.

Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement of financial assets subject to ECL under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.2 IFRS 9 "Financial Instruments" *(continued)*

	Notes	Available-for-sales investments RMB'000	Financial assets at FVTPL required by IFRS 9 RMB'000	Receivables at FVTOCI RMB'000	Amortised cost previously classified as loans and receivables (including cash and cash equivalents) RMB'000	Deferred tax assets RMB'000	Investments revaluation reserve RMB'000	FVTOCI reserve RMB'000	Retained earnings RMB'000
Closing balance at 31 December 2017 – IAS 39		428,572	–	–	1,150,918	10,189	12,927	–	799,331
Effect arising from initial application of IFRS 9:									
Reclassification:									
From available-for-sale investments	(a)	(428,572)	428,572	–	–	–	(12,927)	–	12,927
From loans and receivables	(b)	–	–	631,014	(631,014)	–	–	–	–
Remeasurement:									
Impairment under ECL model – other receivables	(c)	–	–	–	(362)	90	–	–	(272)
Fair value adjustment of receivables at FVTOCI	(b)	–	–	(6,090)	–	1,522	–	(4,568)	–
Opening balance at 1 January 2018		–	428,572	624,924	519,542	11,801	–	(4,568)	811,986

(a) Available-for-sale investments

From available-for-sale investments to financial assets at FVTPL

At the date of initial application of IFRS 9, the Group's listed equity investments of RMB21,778,000 and unlisted managed investment funds of RMB406,794,000, totaling RMB428,572,000, were reclassified from available-for-sale investments to financial assets at FVTPL. The respective fair value gain of RMB7,831,000 and RMB5,096,000, net of income tax, relating to those listed equity investments and unlisted investment funds previously carried at fair value, totaling RMB12,927,000, were transferred from investments revaluation reserve to retained earnings.

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

2.2 IFRS 9 "Financial Instruments" *(continued)*

(b) Loans and receivables

As part of the Group's cash flow management, the Group has the practice of discounting part of the bills to financial institutions and endorsing part of the bills to suppliers before the bills are due for payment and derecognise the bills discounted or endorsed on the basis that the Group has transferred substantially all risks and rewards to the relevant counterparties. Accordingly, the Group's bills receivables of RMB631,014,000 were considered as within the business model both to hold to collect contractual cash flows and to sell, and reclassified to receivables at FVTOCI. The related difference of RMB6,090,000 between the fair value and carrying amount was adjusted to receivables at FVTOCI and FVTOCI reserve as at 1 January 2018 and the corresponding deferred tax assets of RMB1,522,000 were recognised and credit to FVTOCI reserve as at 1 January 2018 accordingly.

(c) Impairment under ECL model

The Group always applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables. The ECL on trade receivables is assessed individually by estimation based on historical credit loss experience, past default experience and credit rating of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Loss allowances for receivables at FVTOCI and other financial assets at amortised cost mainly comprise other receivables, loan receivable, pledged bank deposits, restricted deposits, and bank balances of which were measured on 12-month ECL ("**12m ECL**") basis, as there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the additional credit loss allowance on financial assets at amortised cost of RMB362,000 and the corresponding deferred tax assets of RMB90,000, totaling RMB272,000 have been recognised against retained earnings. The additional loss allowance is charged against the respective assets.

No loss allowances were recognised for bank balances, pledged bank deposits, restricted deposits, trade receivables and receivables at FVTOCI as at 31 December 2017 and 1 January 2018. All loss allowances for financial assets including other receivables as at 31 December 2017 reconciled to the opening loss allowance as at 1 January 2018 is as follows:

	Other receivables RMB'000
At 31 December 2017 – IAS39	7,553
Amounts remeasured through opening retained earnings	362
At 1 January 2018	7,915

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2018

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

2.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards, amendments and interpretation

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	31 December 2017 (Audited) RMB'000	**IFRS 9** RMB'000	**IFRS 15** RMB'000	**1 January 2018** (Restated) RMB'000
Non-current assets				
Available-for-sale investments	21,778	(21,778)	–	–
Financial assets at FVTPL	–	21,778	–	21,778
Deferred tax assets	10,189	1,612	–	11,801
Current assets				
Trade, bills and other receivables	820,335	(631,376)	–	188,959
Receivables at FVTOCI	–	624,924	–	624,924
Available-for-sale investments	406,794	(406,794)	–	–
Financial assets at FVTPL	–	406,794	–	406,794
Net current assets	**327,760**	**(6,452)**	–	**321,308**
Current liabilities				
Trade, bills and other payables	504,087	–	(127)	503,960
Contract liabilities	–	–	127	127
Total assets less current liabilities	**2,103,195**	**(4,840)**	–	**2,098,355**
Capital and reserves				
Reserves	1,066,320	(4,840)	–	1,061,480
Equity attributable to owners of the Company	1,215,457	(4,840)	–	1,210,617
Total equity	**1,401,838**	**(4,840)**	–	**1,396,998**

Note: For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31 December 2018, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2018 as disclosed above.

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

New and amendments to IFRSs that have been issued but not yet effective

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

IFRS 16	*Leases*[1]
IFRS 17	*Insurance Contracts*[3]
IFRIC 23	*Uncertainty over Income Tax Treatments*[1]
Amendments to IFRS 3	*Definition of a Business*[4]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to IAS 1 and IAS 8	*Definition of Material*[5]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
Amendments to IFRSs	*Annual Improvements to IFRS Standards 2015-2017 Cycle*[1]

1 Effective for annual periods beginning on or after 1 January 2019

2 Effective for annual periods beginning on or after a date to be determined

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

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

5 Effective for annual periods beginning on or after 1 January 2020

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

IFRS 16 "Leases"

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

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, IFRS 16 requires sales and leaseback transactions to be determined based on the requirements of IFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. IFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2018

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

IFRS 16 "Leases" *(continued)*

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

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

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB31,243,000 as disclosed in note 41. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of RMB1,983,000 as rights under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 "*Determining whether an Arrangement contains a Lease*" and not apply this standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. Therefore, the Group did not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group elected the modified retrospective approach for the application of IFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained earnings without restating comparative information.

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

IFRS 16 "Leases" *(continued)*

The Group used the following practical expedients on a lease-by-lease basis when applying IFRS 16 retrospectively to leases previously classified as operating leases applying IAS 17:

- Apply a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).
- Use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.
- Exclude initial direct costs from the measurement of a right-of-use asset at the date of initial application.
- Account for leases for which the lease term ends within 12 months of the date of initial application as 'short-term leases'.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Basis of consolidation *(continued)*

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

Changes in the Group's ownership interests in existing subsidiaries

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

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9/IAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Acquisition of a subsidiary not constituting a business

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Non-current assets held for sale

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

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

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell, except for financial assets within the scope of IFRS 9/IAS 39, which continue to be measured in accordance with the accounting policies as set out in respective sections.

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in note 2)

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods underlying the particular performance obligation is transferred to the customer.

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in note 2) *(continued)*

Variable consideration

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

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

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

The Group produces iron ore concentrates, raw nickel, foamed ceramics and raw and leftover materials and sells products directly to customers. Revenue is recognised at a point in time when a customer obtains control of the products and the Group satisfies the performance obligation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Leases

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

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

Leasehold land and building

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

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

Foreign currencies

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

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Foreign currencies *(continued)*

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

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

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

Borrowing costs

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

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

Government grants

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Retirement benefit costs and termination benefits

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

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

Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);

- net interest expense or income; and

- remeasurement.

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Short-term employee benefits

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

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

Share-based payment arrangements

Equity-settled share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 42.

Share options granted to employees

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

When share options are exercised, the amount previously recognised in share-based payment reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payment reserve will continue to be held in other reserves.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2018

3. 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 of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Property, plant and equipment

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

Freehold lands are carried at cost less any recognised impairment loss.

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

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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.

Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Intangible assets

Intangible assets acquired separately

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Intangible assets *(continued)*

Internally-generated intangible assets – research and development expenditure

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Intangible assets *(continued)*

Internally-generated intangible assets – exploration and evaluation assets

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

Exploration and evaluation assets comprise costs directly attributable to:

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

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

Mining rights

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Intangible assets *(continued)*

Impairment on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

Inventories

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

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Provisions

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

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

Closure and rehabilitation

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

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

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

Financial assets

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in note 2)

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

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

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

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

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

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

All other financial assets are subsequently measured at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(continued)*

Financial assets *(continued)*

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in note 2) *(continued)*

(i) ***Amortised cost and interest income***

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

(ii) ***Receivables classified as at FVTOCI***

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

(iii) ***Financial assets at FVTPL***

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade and other receivables, loan receivable, receivables at FVTOCI, pledged bank deposits, restricted deposits and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

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

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

(i) Significant increase in credit risk

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 2) (continued)

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

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

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

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

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

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

(ii) Definition of default

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 2) (continued)

(ii) Definition of default *(continued)*

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

(iii) Credit-impaired financial assets

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

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 2) (continued)

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(continued)*

Financial assets *(continued)*

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

On derecognition of an investment in a receivables classified as at FVTOCI upon application of IFRS 9, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(continued)*

Financial liabilities and equity *(continued)*

Financial liabilities at amortised cost

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

Derecognition of financial liabilities

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

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

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

Critical judgements in applying accounting policies *(continued)*

Judgement in determining the classification of bills receivables

As part of the Group's cash flow management, part of the bills will be discounted to financial institutions or endorsed to suppliers before the bills are due for payment. Upon the initial application of IFRS 9 on 1 January 2018, the management of the Group considered that the Group's business model over bills receivables is held to both collect contractual cash flows and sell them. Therefore, the management of the Group has satisfied that bills receivables are classified as receivables at FVTOCI.

Nickel Business classified as held for sale

During the year ended 31 December 2018, the Group entered a share sale and purchase agreement pursuant to which the Company has agreed to sell, and the buyer has agreed to purchase the Nickel Business of the Group. The transaction was approved by the shareholders on 24 August 2018. As the management of the Group expected that the transaction will be completed within twelve months, the assets and liabilities of Nickel Business have been classified as held for sale and treated as a discontinued operation as required by IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". As at 31 December 2018, assets and liabilities relating to Nickel Business amounting to RMB831,448,000 and RMB351,237,000 have been classified as held for sale and presented as current assets and current liabilities, respectively.

Key sources of estimation uncertainty

Estimated impairment of long-lived assets (property, plant and equipment, mining rights, exploration and evaluation assets and prepaid lease payments)

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

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

As at 31 December 2018, the carrying amount of long-lived assets (property, plant and equipment, mining rights, exploration and evaluation assets and prepaid lease payments) is RMB1,131,412,000 (net of accumulated impairment loss of RMB88,364,000) (2017: RMB1,708,266,000 (net of accumulated impairment loss of RMB24,176,000)).

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

Key sources of estimation uncertainty *(continued)*

Amortisation of mining rights

Mining rights are amortised over the shorter of the unexpired period of the rights or the estimated useful lives of the mines using the units of production method.

Engineering estimates of the Group's mine reserves are inherently imprecise and represent only approximate amounts because of the significant judgments involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mine reserves can be designated as "proved" and "probable". Proved and probable mine reserve estimates are updated on regular intervals taking into account recent production and technical information about each mine. This change is considered as a change in estimate for accounting purposes and is reflected on a prospective basis in amortisation rates. Changes in the estimate of mine reserves are also taken into account in impairment assessment of related non-current assets. As at 31 December 2018, the carrying amount of mining rights is RMB34,791,000 (2017: RMB642,355,000).

Depreciation of property, plant and equipment

The Group estimates useful lives and related depreciation charges for its items of property, plant and equipment. This estimation is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations. Management will increase the depreciation charge where useful lives are less than previously estimated, or it will record reserve for technically obsolete assets. As at 31 December 2018, the carrying amount of property, plant and equipment is RMB710,054,000 (2017: RMB865,421,000).

Estimated impairment of financial assets

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

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

Key sources of estimation uncertainty *(continued)*

The directors of the Company estimate the amount of loss allowance for ECL on financial assets (including trade and other receivables, loan receivable, receivables at FVTOCI, restricted deposits, pledged bank deposits and bank balances), based on the credit risk of these assets. The estimation of the credit risk of these assets involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly. As at 31 December 2018, the carrying amount of the financial assets which are subject to ECL measurement and not held for sale is approximately RMB991,351,000 (net of allowance for doubtful debts of RMB8,321,000).

Recognition of deferred tax assets

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

As at 31 December 2018, the Group has recognised deferred tax asset in the amount of RMB72,516,000 (2017: RMB10,189,000).

Fair value measurements and valuation process

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

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

Information about the valuation techniques and inputs used in determining the fair value of various assets is disclosed in note 46(c).

5. REVENUE

A. For the year ended 31 December 2018

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

	For the year ended 31 December 2018		
	Iron RMB'000	Others RMB'000	Total RMB'000
Sales of goods (recognised at a point in time)			
Iron ore concentrates	1,160,761	–	1,160,761
Building materials	–	2,090	2,090
Raw and leftover materials	2,640	–	2,640
Total	1,163,401	2,090	1,165,491
Geographical markets			
Mainland China	1,163,401	2,090	1,165,491

(ii) Performance obligations for contracts with customers

The Group produces and sales iron ore concentrates, buildings materials (i.e., foamed ceramics) and raw and leftover materials directly to customers.

Revenue is recognised when control of the goods has transferred, being the time when the goods are delivered and accepted. Following acceptance, the customers have primary responsibility on the goods and bears the risks of obsolescence and loss in relation to the goods. Therefore, the directors of the Company have justified that the performance obligation in respect of the sales income is satisfied at a point in time and recognised revenue at a point in time. The normal credit term is 7 days for iron ore concentrates and 30 days for building materials upon acceptance. The Group may request certain of its customers to place up to 100% of the contract sum as deposits in respect of sales of iron ore concentrates, depending on the background, historical experience of and business relationship with them. The deposit received is accounted for as "contract liabilities" since the initial adoption of IFRS 15 on 1 January 2018. The related performance obligation is expected to be satisfied within one year.

Within the year ended 31 December 2018, the Group signed contracts with certain customers which contain variable considerations allowing the customers to adjust additional unit price in the following month based on market price of the previous month. The related revenue from additional unit price would be recognised when the adjustment was made in the following month.

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for the year ended 31 December 2018

5. REVENUE *(CONTINUED)*

B. For the year ended 31 December 2017

An analysis of the Group's revenue from continuing operations is as follows:

	For the year ended 31/12/2017 RMB'000 (Restated)
Sales of iron ore concentrates	1,054,975
Sales of raw and leftover materials	788
	1,055,763

6. OPERATING SEGMENTS

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

An operating segment regarding "Gold Business" was discontinued in the previous year along with the completion of the Group's disposal of Hanking Australia and its subsidiaries during the year ended 31 December 2017. However, the Group resumed its operation in the Gold Business upon the successful acquisition of PGO, an independent third party and a public company previously listed on Australian Securities Exchange, in this year. Further details are set out in note 12.

During the year ended 31 December 2018, the Group's Nickel Business was discontinued upon Hanking (Indonesia) and its subsidiaries being classified as held for sale as disclosed in note 13(A).

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

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

6. OPERATING SEGMENTS *(CONTINUED)*

Segment revenues and results

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

For the year ended 31 December 2018

Continuing operations

	Iron Business RMB'000	Gold Business RMB'000	Others RMB'000	Total RMB'000
Segment revenue (all from external sales)	**1,163,401**	**–**	**2,090**	**1,165,491**
Segment profit (loss)	**179,039**	**(21,194)**	**(6,418)**	**151,427**
Central administration costs and directors' emoluments				**(24,450)**
Other income and other gains and losses				**5,153**
Profit before tax from continuing operations				**132,130**

For the year ended 31 December 2017

Continuing operation

	Iron Business and total RMB'000 (Restated)
Segment revenue (all from external sales)	1,055,763
Segment profit	248,591
Recognition of share-based payment	(3,523)
Central administration costs and directors' emoluments	(19,986)
Finance costs	(5,618)
Other income and other gains and losses	(9,386)
Profit before tax from continuing operations	210,078

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6. OPERATING SEGMENTS *(CONTINUED)*

Segment revenues and results *(continued)*

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit earned or loss incurred from each segment before tax and discontinued operations, without allocation of recognition of share-based payment, central administration costs and directors' emoluments, other income and other gains and losses (except for impairment loss on property, plant and equipment, intangible assets and prepaid lease payments), and certain finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

Segment assets

	31/12/2018 RMB'000	31/12/2017 RMB'000 (Restated)
Continuing operations		
Iron Business	**2,494,505**	2,833,932
Gold Business	**236,332**	–
Total reportable segment assets	**2,730,837**	2,833,932
Other reporting segment	**104,517**	–
Assets relating to discontinued operations (note)	**831,448**	852,888
Unallocated		
Property, plant and equipment	**13**	1,573
Available-for-sale investments	**–**	21,778
Financial assets at FVTPL	**9,359**	–
Restricted deposits	**–**	666
Inventories	**–**	85
Other receivables	**6,128**	1,908
Bank balances and cash	**1,299**	219,820
Consolidated assets	**3,683,601**	3,932,650

Note: The comparative figure has been restated to represent the Nickel Business as a discontinued operation.

6. OPERATING SEGMENTS *(CONTINUED)*

Segment assets and liabilities *(continued)*

Segment liabilities

	31/12/2018 RMB'000	31/12/2017 RMB'000 (Restated)
Continuing operations		
Iron Business	**1,730,983**	2,159,062
Gold Business	**38,075**	–
Total reportable segment liabilities	**1,769,058**	2,159,062
Other reporting segment	**13,956**	–
Liabilities relating to discontinued operations (note)	**351,237**	352,825
Unallocated		
Other payables	**8,500**	4,684
Tax liabilities	**–**	14,241
Consolidated liabilities	**2,142,751**	2,530,812

Note: The comparative figure has been restated to represent the Nickel Business as a discontinued operation.

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

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

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

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for the year ended 31 December 2018

6. OPERATING SEGMENTS *(CONTINUED)*

Other segment information

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

For the year ended 31 December 2018

Continuing operations

	Iron Business RMB'000	Gold Business RMB'000	Total reportable segments RMB'000	Others RMB'000	Total RMB'000
Addition to non-current assets (note)	**194,467**	**215,771**	**410,238**	**47,183**	**457,421**
Depreciation and amortisation	**169,693**	**623**	**170,316**	**899**	**171,215**
Impairment loss on property, plant and equipment	**53,654**	**–**	**53,564**	**–**	**53,654**
Impairment loss on prepaid lease payments	**10,534**	**–**	**10,534**	**–**	**10,534**
Impairment losses on other receivables	**406**	**–**	**406**	**–**	**406**
Loss on disposal of property, plant and equipment	**(11,056)**	**–**	**(11,056)**	**(4)**	**(11,060)**

For the year ended 31 December 2017

Continuing operation

	Iron Business and total RMB'000 (Restated)
Addition to non-current assets (note)	176,391
Depreciation and amortisation	171,703
Gain on disposal of property, plant and equipment	583

6. OPERATING SEGMENTS *(CONTINUED)*

Geographical information

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

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

	Revenue from external customers Year ended		Non-current assets(note)	
	31/12/2018 RMB'000	31/12/2017 RMB'000 (Restated)	**31/12/2018 RMB'000**	31/12/2017 RMB'000 (Restated)
Continuing operations				
PRC	**1,165,491**	1,055,763	**894,233**	963,050
Australia	**–**	–	**214,069**	1,546
	1,165,491	1,055,763	**1,108,302**	964,596

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

Information about major customers

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

	Year ended	
	31/12/2018 RMB'000	31/12/2017 RMB'000
Continuing operations		
Customer A (revenue from iron ore concentrates sales)	**368,556**	237,594
Customer B (revenue from iron ore concentrates sales)	**297,432**	N/A*
Customer C (revenue from iron ore concentrates sales)	**231,956**	214,075
Customer D (revenue from iron ore concentrates sales)	**155,024**	332,747

* For the year ended 2017, the corresponding revenue of this customer did not contribute over 10% of the total revenue of the Group.

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for the year ended 31 December 2018

7. OTHER INCOME

	Year ended 31/12/2018 RMB'000	Year ended 31/12/2017 RMB'000 (Restated)
Continuing operations		
Bank interest income	**4,009**	3,021
Government grants (note)	**137**	762
Others	**28**	531
	4,174	4,314

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

8. OTHER GAINS AND LOSSES

	Year ended 31/12/2018 RMB'000	Year ended 31/12/2017 RMB'000 (Restated)
Continuing operations		
(Loss) gain on disposal of property, plant and equipment	**(11,060)**	583
Cumulative gain on disposal of available-for-sale investments reclassified from investments revaluation reserve	**–**	10,229
Fair value gain on financial assets at FVTPL	**7,883**	–
Net foreign exchange loss	**(4,124)**	(6,339)
Gain on disposal of subsidiaries (note 14)	**6,779**	–
Recognition of loss allowance on other receivables	**(406)**	–
Impairment loss on property and plant, and prepaid lease payments (note)	**(64,188)**	–
Impairment loss of available-for-sale investments	**–**	(5,034)
Others	**(1,101)**	(1,812)
	(66,217)	(2,373)

Note: In 2018, an open pit mining of Aoniu Mining was completed and the directors of the Company considered that the completion of that open pit mining would deteriorate the recoverable amount of these assets in Aoniu Mining, including the building and land use right of its processing plant. After the projection of future cash flows of Aoniu Mining, an impairment loss of RMB53,654,000 for property, plant and equipment and an impairment loss of RMB10,534,000 for prepaid lease payment were recognised during the year ended 31 December 2018. Detailed assumptions for impairment test are disclosed in note 22.

9. FINANCE COSTS

	Year ended 31/12/2018 RMB'000	Year ended 31/12/2017 RMB'000 (Restated)
Continuing operations		
Interests on bank and other borrowings	**50,723**	79,130
Interests on bills discounted	**39,205**	25,963
Interest under a finance lease contract	**654**	–
	90,582	105,093

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2018

10. PROFIT BEFORE TAX

Profit before tax from continuing operations has been arrived at after charging:

	Year ended 31/12/2018 RMB'000	Year ended 31/12/2017 RMB'000 (Restated)
Cost of inventories recognised as an expense	**569,025**	514,310
Auditors' remuneration	**4,100**	2,244
Impairment loss on other receivables recognised	**406**	5,034
Depreciation of property, plant and equipment	**94,275**	98,945
Amortisation of intangible assets	**48,399**	44,606
Release of prepaid lease payments	**28,554**	28,244
Total depreciation and amortisation	**171,228**	171,795
Capitalised in inventories	**(147,078)**	(153,423)
	24,150	18,372
Analysed at:		
– Charged in research expenditure	**1,435**	136
– Charged in administrative expenses	**22,715**	18,236
	24,150	18,372
Salary and other benefits including staff's bonus	**88,022**	71,447
Director's bonus	**15,280**	21
Retirement benefits scheme contributions	**16,140**	16,503
Share-based payment	**–**	3,523
Total staff costs (including directors)	**119,442**	91,494
Capitalised in inventories	**(32,151)**	(43,558)
	87,291	47,936
Analysed at:		
– Charged in research expenditure	**1,958**	186
– Charged in distribution and selling expenses	**1,069**	622
– Charged in administrative expenses	**84,264**	47,128
	87,291	47,936

10. PROFIT BEFORE TAX *(CONTINUED)*

Profit before tax from continuing operations has been arrived at after charging:

	Year ended 31/12/2018 RMB'000	Year ended 31/12/2017 RMB'000 (Restated)
Research expenditure		
- Depreciation and amortisation	**1,435**	136
- Staff costs	**1,958**	186
- Technical service fee	**1,207**	115
- Others	**404**	38
	5,004	475

11. INCOME TAX CREDIT (EXPENSE)

	Year ended 31/12/2018 RMB'000	Year ended 31/12/2017 RMB'000 (Restated)
Continuing operations		
Current tax		
PRC Enterprise Income Tax ("**EIT**") – current	**16,412**	66,723
(Over) under provision in prior years	**(234)**	4,895
	16,178	71,618
Deferred tax		
Current year (credit) charge (note 23)	**(68,970)**	8,399
Total income tax (credit) expense recognised in the current year	**(52,792)**	80,017

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

Certain subsidiaries located in Hong Kong, Australia and Indonesia had no provision for corporate tax made as there were no assessable profits arising from these jurisdictions for both years.

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for the year ended 31 December 2018

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

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

	Year ended 31/12/2018 RMB'000	Year ended 31/12/2017 RMB'000 (Restated)
Profit before tax (from continuing operations)	**132,130**	210,078
Tax at the PRC income tax rate of 25% (2017: 25%)	**33,032**	52,520
Tax effect of expenses not deductible for tax purposes	**6,276**	26,459
Tax effect of income not taxable for tax purposes	**(101,002)**	(8,178)
Deductible temporary differences and tax losses not recognised	**9,136**	6,923
Utilisation of deductible temporary differences and tax losses previously not recognised	**–**	(2,602)
(Over) under provision in respect of prior years	**(234)**	4,895
Income tax (credit) expense for the year (relating to continuing operations)	**(52,792)**	80,017

12. ACQUISITION OF A SUBSIDIARY

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

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

12. ACQUISITION OF A SUBSIDIARY *(CONTINUED)*

Consideration transferred

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

Assets and liabilities assumed at the date of acquisition:

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

Net cash outflow on acquisition of PGO:

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

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12. ACQUISITION OF A SUBSIDIARY *(CONTINUED)*

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

13. DISCONTINUED OPERATIONS AND NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Below is a summary of (loss) profit for the years from discontinued operations:

	Year ended 31/12/2018 RMB'000	Year ended 31/12/2017 RMB'000 (Restated)		
	Nickel Business and total	Nickel Business	Gold Business	Total
(Loss) profit before tax	**(8,858)**	(32,230)	1,092,890	1,060,660
Income tax (expense) credit	**(2,024)**	2,128	(327,862)	(325,734)
(Loss) profit for the year	**(10,882)**	(30,102)	765,028	734,926
(Loss) profit for the year attributable to				
– owners of the Company	**(5,570)**	(16,335)	763,636	747,301
– non-controlling interests	**(5,312)**	(13,767)	1,392	(12,375)
	(10,882)	(30,102)	765,028	734,926

13. DISCONTINUED OPERATIONS AND NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE *(CONTINUED)*

(A) Nickel Business held for sale

On 5 July 2018, the Company entered into a share sale and purchase agreement with Tuochuan Capital Limited and Mr. Yang Jiye (as the guarantor), pursuant to which the Company has agreed to sell, and Tuochuan Capital Limited has agreed to purchase, the entire 70% of equity interest of Hanking (Indonesia) held by the Company for a total consideration of RMB350,000,000. Hanking (Indonesia) and its subsidiaries constitute the Nickel Business of the the Group. The transaction was approved by the shareholders on 24 August 2018. The disposal is still underway as at 31 December 2018 as certain proceeding condition has not yet been met. The management of the Group believes that the sale is highly probable to be completed within twelve months after the reclassification. Assets and liabilities of Hanking (Indonesia), which are expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position (see below). The net proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss has been recognised.

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

	Year ended 31/12/2018 RMB'000	Year ended 31/12/2017 RMB'000
Revenue	**42,847**	35,271
Cost of sales	**(30,933)**	(15,932)
Other income	**247**	2,179
Other gains and losses	**7,554**	(3,592)
Distribution and selling expenses	**(8,331)**	(7,727)
Administrative expenses	**(19,640)**	(25,775)
Other expenses	**–**	(3,008)
Finance costs	**(602)**	(13,646)
Loss before tax	**(8,858)**	(32,230)
Income tax (expense) credit	**(2,024)**	2,128
Loss for the year	**(10,882)**	(30,102)

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13. DISCONTINUED OPERATIONS AND NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE *(CONTINUED)*

(A) Nickel Business held for sale *(continued)*

During the year ended 31 December 2018, the Nickel Business paid RMB20.6 million (2017: RMB4.6 million) in respect of operating cash flows and contributed RMB21.8 million (2017: RMB12.0 million) to the Group's financing cash flows.

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

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

13. DISCONTINUED OPERATIONS AND NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE *(CONTINUED)*

(B) Disposal of Gold Business

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

The consolidated profit for the year from the discontinued Gold Business was set out below.

	For the period from 1 January 2017 to date of disposal RMB'000
Profit of Gold Business for the period	29,626
Gain on disposal of Gold Business	763,223
Acceleration of share-based payment charged to profit or loss due to disposal of Hanking Australia (note 42)	(27,821)
	765,028

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

	For the period from 1 January 2017 to date of disposal RMB'000
Revenue	212,702
Cost of sales	(195,219)
Other income	23,740
Administrative expenses	(15,197)
Other gains and losses	5,666
Finance costs	(2,066)
Profit before tax	29,626
Income tax expense (note)	–
Profit for the period	29,626

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2018

13. DISCONTINUED OPERATIONS AND NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE *(CONTINUED)*

(C) Disposal of Xingzhou Mining

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

The assets and liabilities attributable to Xingzhou Mining, which are expected to be sold within twelve months, have been classified as assets and liabilities associated with assets classified as held for sale and are separately presented in the consolidated statement of financial position as at 31 December 2017. Xingzhou Mining is included in the Group's Iron Business for segment reporting purposes (see note 6).

Assets and liabilities of Xingzhou Mining classified as held for sale as at 31 December 2017 were as follows:

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

The disposal was completed during the current year. Further information is detailed in note 14.

14. DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2018

Disposal of Xingzhou Mining

As detailed in note 13 (C), the disposal of Xingzhou Mining, which was previously classified as assets and liabilities held for sale, was completed during the year.

A disposal gain after tax of RMB13,732,000 was recognised. Among the total consideration of RMB360,000,000, RMB130,000,000 was not yet settled by the buyer and is included in "other receivables" as at 31 December 2018. The consideration receivable is unsecured, interest free, and repayable on demand.

Disposal of Shangma Mining

Based on the principle of centralised operation management at the Iron Business, the assets and undertakings of Shangma Mining was transferred to the Shangma branch at Aoniu Mining. As such, the mining operation of Shangma mine subsequently operated under Aoniu Mining.

During the year, the Group entered into a share transfer agreement with an independent third party for disposal of its entire 100% equity interest in a subsidiary, Shangma Mining at a cash consideration of RMB4,000,000. The disposal was completed on 29 December 2018 on which date the Group lost control of Shangma Mining. Consideration has not yet been received and is included in "other receivables" as at 31 December 2018. The consideration receivable is unsecured, interest free and will be settled within 12 months since completion of the disposal.

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

	RMB'000
Loan receivable	1,300
Trade and other receivables	9,108
Bank balances and cash	605
Trade and other payables	(60)
Net assets disposed of	10,953

	Year ended 31/12/2018
Loss on disposal of the subsidiary	
Consideration receivable	4,000
Less: net assets disposal of	(10,953)
Loss on disposal	(6,953)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2018

14. DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

Net cash outflow arising from disposal of Shangma Mining

	Year ended 31/12/2018 RMB'000
Cash flows used in the disposal of a subsidiary	
Cash consideration received	–
Less: bank balances and cash disposal of	(605)
	(605)

For the year ended 31 December 2017

Disposal of Gold Business

As referred to note 13(B), the Group discontinued its Gold Business carried out by Hanking Australia and its subsidiaries during the year ended 31 December 2017. Details relating to the Gold Business on the date of disposal were as follows:

Consideration

	RMB'000
Consideration received:	
Cash received (note a)	1,277,579

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

	RMB'000
Property, plant and equipment	535,737
Intangible assets	136,972
Restricted deposits	17,637
Inventories	60,008
Trade and other receivables	30,437
Bank balance and cash	2,096
Borrowings	(132,909)
Trade and other payables	(140,769)
Amount due to a related party	(273,178)
Rehabilitation provision	(134,731)
Net assets disposed of	101,300

14. DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

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

Disposal of Gold Business *(continued)*

Gain on disposal of Gold Business

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

Notes:

(a) Consideration had been fully received in the year ended 31 December 2017.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2018

14. DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

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

Net cash inflow arising on disposal of Gold Business:

	RMB'000
Cash consideration received	1,277,579
Add: receipt of advance previously made to Hanking Australia on date of disposal	273,178
Less: bank balances and cash disposed of	(2,096)
Less: Transaction costs paid	(68,289)
Less: capital gain tax paid	(327,862)
	1,152,510
Analysed at:	
Net cash inflow (outflow) arising on disposal of Gold Business:	
For the year ended 31 December 2017	1,166,751
For the year ended 31 December 2018 (note)	(14,241)
	1,152,510

Note: The amount represented the capital gain tax paid during the year ended 31 December 2018.

Cash flows from (used in) Gold Business:

	For the period from 1 January 2017 to date of disposal RMB'000
Net cash flows from operating activities	42,252
Net cash flows used in investing activities	(65,258)
Net cash flows used in financing activities	(7,826)
Net cash flows	(30,832)

15. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the 9 (2017: 9) directors were as follows:

	For the year ended 31 December 2018				
	Directors' fees RMB'000	Retirement benefit scheme contributions RMB'000	Salary, wages and other allowance RMB'000	Performance incentive payments RMB'000	Total RMB'000
Executive directors (note d):					
– Yang Jiye (note a)	–	112	1,912	–	2,024
– Pan Guocheng (note b)	–	–	637	9,000	9,637
– Zheng Xuezhi (note c)	–	170	1,096	–	1,266
– Xia Zhuo	–	86	960	–	1,046
– Dr. Qiu (as defined in note 42)	–	250	2,626	6,280	9,156
Non-executive directors (note e):					
– Kenneth Jue Lee	171	–	–	–	171
– Pan Guocheng (note b)	34	–	–	–	34
Independent non-executive directors (note f):					
– Wang Ping	214	–	–	–	214
– Wang Anjian	171	–	–	–	171
– Ma Qingshan	156	–	–	–	156
	746	618	7,231	15,280	23,875

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2018

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

	For the year ended 31 December 2017					
	Directors' fees RMB'000	Retirement benefit scheme contributions RMB'000	Salary, wages and other allowance RMB'000	Performance incentive payments RMB'000	Share-based payment (note 42) RMB'000	Total RMB'000
Executive directors (note d):						
– Yang Jiye (note a)	1,600	164	–	21	–	1,785
– Pan Guocheng (note b)	–	120	3,000	–	–	3,120
– Zheng Xuezhi (note c)	–	120	1,200	–	–	1,320
– Xia Zhuo	–	39	960	–	–	999
– Dr. Qiu (as defined in note 42)	–	198	2,082	–	31,344	33,624
Non-executive directors (note e):						
– Kenneth Jue Lee	173	–	–	–	–	173
Independent non-executive directors (note f):						
– Wang Ping	216	–	–	–	–	216
– Wang Anjian	173	–	–	–	–	173
– Ma Qingshan	104	–	–	–	–	104
	2,266	641	7,242	21	31,344	41,514

Notes:

(a) Yang Jiye was the chief executive officer ("**CEO**") for the period from 26 August 2014 to 28 May 2015. He was re-designated from an executive director to a non-executive director with effect from 17 December 2015 and further re-designated as an executive director of the Company on 18 March 2016. On 19 March 2018, he was re-designated as CEO. The directors' fee entitled by Yang Jiye is for serving as a director of the Company.

(b) Pan Guocheng was the CEO from the listing date of the Company and resigned as CEO and was appointed as the chairman of the board on 26 August 2014. He was re-designated as the CEO with effect from 28 May 2015. His emoluments disclosed above include those for services rendered by him as the CEO. On 19 March 2018, he was re-designated from CEO to non-executive director. He resigned as non-executive director on 24 May 2018.

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

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

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

Notes: *(continued)*

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

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

The performance incentive payment is mainly determined on the basis of the Group's and individual performance for each of years ended 31 December 2018 and 2017.

During the year, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2017: None). None of the directors of the Company has waived any remuneration in the year ended 31 December 2018 (2017: None).

16. FIVE HIGHEST PAID EMPLOYEES

During the year, the five highest paid individuals included 4 directors (2017: 4 directors), details of whose emoluments are set out in note 15 above. The emoluments of the remaining 1 (2017: 1) highest paid individual of 2018 were as follows:

	Year ended 31/12/2018 RMB'000	Year ended 31/12/2017 RMB'000
Employee		
– Salaries and other benefits	**1,100**	1,153
– Share-based payments	**–**	–
– Retirements benefits scheme contributions	**345**	262
– Performance incentive payments	**40**	165
	1,485	1,580

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16. FIVE HIGHEST PAID EMPLOYEES *(CONTINUED)*

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

	2018 No. of Individuals	2017 No. of Individuals
HKD1,000,001 to HKD1,500,000	**1**	–
HKD1,500,001 to HKD2,000,000	**1**	2
HKD2,000,001 to HKD2,500,000	**1**	1
HKD3,500,001 to HKD4,000,000	**–**	1
HKD10,000,001 to HKD10,500,000	**1**	–
HKD10,500,001 to HKD11,000,000	**1**	–
HKD40,000,001 to HKD40,500,000	**–**	1

17. DIVIDENDS

	Year ended	
	31/12/2018 RMB'000	31/12/2017 RMB'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2017 Final – HKD0.01 (2017: nil) per share (note a)	**14,962**	–
Special dividend – nil (2017: HKD0.2) per share (note b)	**–**	319,774
	14,962	319,774

Notes:

(a) During the current year, a final dividend of HKD1 cent per share amounting to HKD18,300,000 (equivalent to RMB14,962,000) in aggregate was declared and paid to the owners of the Company whose names appear on the register of members of the Company on 5 June 2018.

(b) During the year ended 31 December 2017, a special dividend of HKD0.2 per share amounting to HKD366,000,000 (equivalent to RMB319,774,000) in aggregate in respect of the disposal of Gold Business was declared and paid to the owners of the Company whose names appear in the register of members on 26 May 2017.

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2018 of HKD0.02 (2017: a final dividend in respect of the year ended 31 December 2017 of HKD0.01) per ordinary share in an aggregated amount of HKD36,590,000 (2017:HKD18,300,000) has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meetings.

18. EARNINGS PER SHARE

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

From continuing and discontinued operations

	Year ended	
	31/12/2018	31/12/2017
	RMB'000	RMB'000
		(Restated)
Profit for the year from continuing and discontinued operations attributable to owners of the Company	**179,660**	877,163
Less: loss (profit) for the year from discontinued operation attributable to owners of the Company	**5,570**	(747,301)
Profit for the year from continuing operations attributable to owners of the Company, for the purposes of basic earnings per share	**185,230**	129,862

	Number of shares	
	31/12/2018	31/12/2017
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,829,505,000**	1,830,000,000

The weighted average number of ordinary shares for the year ended 31 December 2018 for the purpose of basic earnings per share has been adjusted for a total sum of 2,171,000 shares repurchased in July and December 2018.

From discontinued operations

Basic loss per share for the discontinued operation is RMB0.3 cents per share (2017: basic earnings per share RMB40.8 cents (restated) for the discontinued operations), based on the loss for the year from the discontinued operation of RMB5,570,000 (2017: profit for the year from the discontinued operations of RMB747,301,000 (restated)) and the denominators detailed above for basic earnings per share.

The Company did not have dilutive potential ordinary shares in issue for the year ended 31 December 2018. Diluted earnings per share presented is the same as basic earnings per share for the year ended 31 December 2017.

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for the year ended 31 December 2018

19. 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 2017	4,653	433,509	704,229	640,062	23,889	168,770	309,511	2,284,623
Additions	–	12,342	71,640	5,374	2,164	2,511	126,539	220,570
Transfer	–	135,736	–	19,242	279	–	(155,257)	–
Disposals	(4)	(2,344)	(542)	(7,531)	(1,848)	(15,352)	–	(27,621)
Disposal of a subsidiary	–	(20,197)	(664,703)	(201,078)	(2,246)	(4,269)	(12,355)	(904,848)
Reclassified as held for sale	–	(52,660)	–	(40,171)	(1,116)	(4,881)	(32,372)	(131,200)
Exchange adjustments	(305)	(1,308)	31,332	6,548	(307)	(591)	(7,481)	27,888
At 31 December 2017	4,344	505,078	141,956	422,446	20,815	146,188	228,585	1,469,412
Additions	–	35,742	–	6,737	5,035	5,770	166,939	220,223
Acquired on acquisition of PGO	–	779	–	–	429	–	–	1,208
Transfer	–	106,941	10,434	87,488	258	–	(205,121)	–
Disposals	–	(42,264)	–	(15,648)	(771)	(24,339)	–	(83,022)
Reclassified as held for sale	(4,177)	(31,642)	–	(46,234)	(6,443)	(11,173)	(149,314)	(248,983)
Exchange adjustments	(167)	(1,299)	–	(1,833)	(616)	(503)	(5,823)	(10,241)
At 31 December 2018	–	573,335	152,390	452,956	18,707	115,943	35,266	1,348,597
DEPRECIATION AND IMPAIRMENT								
At 1 January 2017	–	120,278	338,293	268,410	19,114	142,068	15,096	903,259
Provided for the year	–	22,171	62,304	52,429	2,820	10,242	–	149,966
Eliminated on disposals	–	(33)	–	(3,056)	(1,612)	(12,312)	–	(17,013)
Eliminated on disposal of Gold Business	–	(1,450)	(343,440)	(22,195)	(1,108)	(918)	–	(369,111)
Eliminated upon transfer to assets classified as held for sale	–	(29,926)	–	(28,965)	(840)	(4,829)	(11,148)	(75,708)
Exchange adjustments	–	(541)	16,107	(2,123)	(237)	(608)	–	12,598
At 31 December 2017	–	110,499	73,264	264,500	18,137	133,643	3,948	603,991
Provided for the year	–	30,865	20,406	39,293	2,261	3,321	–	96,146
Impairment loss recognised in profit or loss	–	53,654	–	–	–	–	–	53,654
Eliminated on disposals	–	(5,108)	–	(10,036)	(705)	(22,232)	–	(38,081)
Eliminated upon transfer to assets classified as held for sale	–	(11,957)	–	(46,206)	(6,188)	(9,573)	–	(73,924)
Exchange adjustments	–	(402)	–	(1,823)	(609)	(409)	–	(3,243)
At 31 December 2018	–	177,551	93,670	245,728	12,896	104,750	3,948	638,543
CARRYING VALUES								
At 31 December 2018	–	395,784	58,720	207,228	5,811	11,193	31,318	710,054
At 31 December 2017	4,344	394,579	68,692	157,946	2,678	12,545	224,637	865,421

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

The Group is in the process of applying for the title certificates for certain properties with carrying amount of RMB6,800,000 as at 31 December 2018 (2017: RMB12,894,000).

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

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

The freehold lands as at 31 December 2017 were located in Indonesia and were classified as assess held for sale during the year ended 31 December 2018.

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

Leased assets in respect of a building with carrying amount of RMB25,465,000 was held under a finance lease. No buildings were under finance lease as at 31 December 2017.

Certain property, plant and equipment of the Group had been pledged as securities for obtaining the bank borrowings as at 31 December 2018 and 2017 with details summarised in note 44.

During the year ended 31 December 2018, impairment loss of RMB53,654,000 was recognised for certain property, plant and equipment. Details of asset impairment and reasons are set out in note 22.

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20. INTANGIBLE ASSETS

	Software	Mining rights	Exploration and evaluation assets	Development cost	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST					
At 1 January 2017	8,768	1,245,219	112,245	–	1,366,232
Addition	279	34,703	4,768	–	39,750
Disposal of Gold Business	(2,807)	(157,566)	(80,102)	–	(240,475)
Reclassified as held for sale	–	(284,327)	–	–	(284,327)
Exchange adjustments	117	7,859	3,672	–	11,648
At 31 December 2017	6,357	845,888	40,583	–	892,828
Additions	1,917	–	15,708	1,421	19,046
Acquired on acquisition of PGO	–	–	198,444	–	198,444
Reclassified as held for sale	(401)	(562,355)	(2,757)	–	(565,513)
Exchange adjustments	(9)	–	(2,647)	–	(2,656)
At 31 December 2018	7,864	283,533	249,331	1,421	542,149
AMORTISATION AND IMPAIRMENT					
At 1 January 2017	6,080	362,119	2,546	–	370,745
Charge for the year	692	49,372	5,024	–	55,088
Amortisation eliminated upon disposal of Gold Business	(1,111)	(101,982)	(410)	–	(103,503)
Eliminated upon transfer to assets classified as held for sale	–	(110,820)	–	–	(110,820)
Exchange adjustments	29	4,844	8	–	4,881
At 31 December 2017	5,690	203,533	7,168	–	216,391
Charge for the year	329	47,137	1,314	–	48,780
Eliminated upon transfer to assets classified as held for sale	(348)	(1,928)	(5)	–	(2,281)
Exchange adjustments	(4)	–	(7)	–	(11)
At 31 December 2018	5,667	248,742	8,470	–	262,879
CARRYING VALUES					
At 31 December 2018	2,197	34,791	240,861	1,421	279,270
At 31 December 2017	667	642,355	33,415	–	676,437

20. INTANGIBLE ASSETS *(CONTINUED)*

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

As at 31 December 2017, exploration and evaluation assets only included the iron-ore mining located in the PRC, as the gold mine located in Australia was disposed of during the year ended 31 December 2017 as detailed in notes 13 and 14. During the year ended 31 December 2018, exploration and evaluation assets amounting to AUD40,691,000 (equivalent to RMB198,444,000) were acquired along with the successful acquisition of PGO as detailed in note 12.

Certain mining rights of the Group had been pledged as securities for obtaining the bank borrowings as at 31 December 2018 and 2017 and detail of which was summarised in note 44.

No impairment was recognised during the years ended 31 December 2018 and 2017. Details of the assets impairment are set out in note 22.

21. PREPAID LEASE PAYMENTS

	31/12/2018 **RMB'000**	31/12/2017 RMB'000
Analysed for the reporting purpose as:		
Current assets	**28,226**	29,761
Non-current assets	**117,480**	137,314
	145,706	167,075

The prepaid lease payments were amortised over the benefit periods from 5 to 50 years. Amount of RMB105,517,000 (2017: RMB127,397,000) represented the pre-paid rental to various farmers for mining purpose and no land certificates for these pre-paid rental have been obtained.

Lease asset in respect of a land with carrying amount of RMB11,400,000 was held under a finance lease as at 31 December 2018. No lands were under finance lease as at 31 December 2017.

Certain prepaid lease payments of the Group had been pledged as securities for obtaining the bank borrowings as at 31 December 2018 and 2017, detail of which was summarised in note 44.

During the year ended 31 December 2018, impairment loss of RMB10,534,000 was recognised for certain prepaid lease payments. Details of asset impairment and reason are set out in note 22.

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22. IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS WITH DEFINITE USEFUL LIVES

For the purpose of impairment testing, tangible and intangible assets with definite lives set out in notes 19 to 21 in relation to Iron Business have been allocated to 3 individual cash generating units (CGUs).

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

Aoniu Mine

The recoverable amount of Aoniu Mining has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 3-year period (2017: 4-year), and discount rate of 8% (2017: 8%). Other key assumptions for the value in use calculation's related to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. In 2018, due to the closing of an open pit mining, one processing plant of Aoniu Mining started to be suspended, the directors of the Company considered that the suspension would deteriorate the recoverable amount of these assets in Aoniu Mining. After reviewing the cash flow projection of Aoniu Mining, an impairment loss of RMB53,654,000 for property, plant and equipment and an impairment loss of RMB10,534,000 for prepaid lease payment were recognised during the year ended 31 December 2018.

Shangma Mine

The recoverable amount of Shangma Mining has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 9-year period (2017: 9-year), and discount rate of 10% (2017: 10%). Other key assumptions for the value in use calculations related to the estimation of cash inflows/outflows which include budgeted sales and gross margin; such estimation is based on the unit's past performance and management's expectations for the markets development.

Maogong Mine

During the years ended 31 December 2018 and 31 December 2017, management of the Group determines that there is no indicator of impairment on Maogong mine.

23. DEFERRED TAXATION

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

	31/12/2018 RMB'000	31/12/2017 RMB'000
Deferred tax assets	**72,516**	10,189
Deferred tax liabilities	**–**	(1,699)
	72,516	8,490

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

	ECL provision/ doubtful debts	Accelerated accounting/ tax depreciation	Accrued expenses	Tax losses	Deductible temporary difference arising from disposal of Xingzhou Mining	Impairment	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	1,888	5,801	238	8,714	–	–	(201)	16,440
Credit (charge) to profit or loss	–	940	(137)	(7,085)	–	–	11	(6,271)
Charge to other comprehensive income	–	–	–	–	–	–	(1,171)	(1,171)
Exchange differences	–	(407)	–	(72)	–	–	(29)	(508)
At 31 December 2017	1,888	6,334	101	1,557	–	–	(1,390)	8,490
Adjustments arising from adoption of IFRS 9 (Note 2)	90	–	–	–	–	–	1,522	1,612
As at 1 January 2018 (restated)	1,978	6,334	101	1,557	–	–	132	10,102
Credit (charge) to profit or loss	**101**	**(13,188)**	**(26)**	**1,220**	**62,000**	**16,047**	**838**	**66,992**
Credit to other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**1,724**	**1,724**
Exchange differences	**–**	**(203)**	**–**	**(58)**	**–**	**–**	**(15)**	**(276)**
Reclassified as held for sale	**–**	**(3,021)**	**–**	**(2,719)**	**–**	**–**	**(286)**	**(6,026)**
At 31 December 2018	**2,079**	**(10,078)**	**75**	**–**	**62,000**	**16,047**	**2,393**	**72,516**

At the end of the reporting period, the Group has unused tax losses of approximately RMB246 million (2017: RMB377 million) available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses (2017: RMB371 million) due to the unpredictability of future profit streams.

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23. DEFERRED TAXATION *(CONTINUED)*

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

	31/12/2018 RMB'000	31/12/2017 RMB'000
2018	**–**	106,692
2019	**66,845**	92,089
2020	**56,183**	85,985
2021	**9,900**	36,626
2022	**27,267**	40,801
2023	**60,032**	–
Unlimited	**25,715**	8,988
	245,942	371,181

At the end of the reporting period, the Group has other deductible temporary differences of RMB223,333,000 (2017: RMB219,015,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Under the Law of the PRC on EIT, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary difference attributable to accumulated profit of the PRC subsidiaries amounting to RMB1,852 million (2017: RMB1,510 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.

24. LOAN RECEIVABLE

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

25. RESTRICTED DEPOSITS

	31/12/2018 RMB'000	31/12/2017 RMB'000
Restricted deposits placed in banks in respect of:		
Iron Business (note)	**6,441**	3,131
Gold Business (note)	**13,630**	–
Others	**1,031**	666
	21,102	3,797

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

These restricted deposits bear interests ranging from 0.35% to 2.75% (2017: 0.35%).

26. INVENTORIES

	31/12/2018 RMB'000	31/12/2017 RMB'000
Finished goods	**12,468**	35,622
Work in progress	**39,539**	22,292
Auxiliary materials	**21,287**	31,755
	73,294	89,669

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27. TRADE, BILLS AND OTHER RECEIVABLES

	31/12/2018 RMB'000	31/12/2017 RMB'000
Trade receivables		
Related parties	**134,257**	142,607
Third parties	**29,857**	74,837
	164,114	217,444
Bills receivables (note i)	**–**	423,072
	164,114	640,516
Other receivables		
Advances to suppliers	**11,541**	8,830
Deposits (note ii)	**24,699**	44,590
Deposit for resource tax	**81,133**	102,726
Other tax recoverable	**887**	1,107
Value-added tax recoverable	**9,283**	5,475
Staff advance	**6,268**	6,739
Consideration receivables (note 14)	**140,121**	–
Others	**4,459**	10,352
Total other receivables	**278,391**	179,819
Total trade, bills and other receivables	**442,505**	820,335

Notes:

(i) On 1 January 2018, the Group adopted IFRS 9 "Financial Instruments". As part of the Group's cash flow management, substantial part of the bills receivables held by the Group were managed within a business model whose objective is both to collect the contractual cash flows and to sell the bills receivables by discounting some of the bills to financial institutions and endorsing some of them to suppliers before the bills are due for payment, and derecognising the bills discounted and endorsed on the basis that the Group has transferred substantially all risks and rewards to the relevant counterparties. Therefore, these bills receivables were measured at FVTOCI which are included in note 28.

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

The Group allows an average credit period of 7 days to its customers of iron ore concentrates and nickel ore and 30 days for building materials (2017: 7 days for iron ore concentrates and nickel ore). However, upon maturity of the credit period, the Group would further negotiate with its customers and may consider to accept a repayment to a later date, based on its customer's history of payments and credit quality, on a case-by-case basis. The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting period.

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

	31/12/2018 RMB'000	31/12/2017 RMB'000
Within 7 days	**38,926**	85,560
8 days to 30 days	**96,409**	58,937
31 days to 90 days	**28,247**	71,374
91 days to 1 year	**532**	1,573
	164,114	217,444

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

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

	31/12/2017 RMB'000
Related parties	
8 days to 90 days	90,600
91 days to 1 year	1,573
	92,173
Third parties	
8 days to 90 days	39,711

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. As at 31 December 2017, the Group did not provide any allowance on the remaining past due receivables due from related parties and third parties as there has not been a significant change in credit quality and the amounts are still considered recoverable based on the historical experience and settlements collected subsequent to the year end date. The Group does not hold any collateral over these balances. The related parties are those controlled by Ms. Yang Min and Mr. Yang Jiye, who are the Controlling Shareholders of the Group, and have a long history of business transactions with the Group. Settlements are collected on a regular basis. The management is closely monitoring the settlement position and considered those receivables are still considered collectible.

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

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

As at 31 December 2017, the Group's bills receivables were issued by banks with the following maturity.

	31 December 2017 RMB'000
Within 6 months	293,072
6 months to 1 year	130,000
	423,072

As at 31 December 2017, the Group's bills receivables were issued by banks with the following ageing based on issue date of the bills.

	31 December 2017 RMB'000
Within 6 months	348,072
6 months to 1 year	75,000
	423,072

As at 31 December 2017, included in the Group's bills receivables were amounts of RMB245,164,000 being transferred to certain banks by discounting the bills on a full recourse basis. If the bills receivables were not paid on maturity, the banks had the right to request the Group to pay the unsettled balance. As the Group had not transferred the significant risks and rewards relating to the bills receivables, it continued to recognise the full carrying amount of the bills receivables and had recognised the cash received as bank borrowings from discounting of the bills receivables with full recourse. The financial asset was carried at amortised cost in the consolidated statement of financial position. Such bills of the Group had been pledged as securities for obtaining the bank borrowings as at 31 December 2017 as summarised in note 44.

	As at 31 December 2017	
	Bills receivables discounted to banks with full recourse RMB'000	Total RMB'000
Carrying amount of transferred assets	245,164	245,164
Carrying amount of associated liabilities	(241,184)	(241,184)
Net position	3,980	3,980

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

Movement of the allowance for doubtful debts on trade receivables for the year ended 31 December 2017

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

Movement of allowance for doubtful debts on other receivables for the year ended 31 December 2017

	2017 RMB'000
1 January	9,931
Eliminated upon transfer to assets classified as held for sale	(2,378)
31 December	7,553

Movement of impairment on other receivables for the year ended 31 December 2018 under IFRS 9

	Lifetime ECL (not credit impaired) RMB'000	Lifetime ECL (credit impaired) RMB'000	Total RMB'000
As at 31 December 2017 under IAS 39	–	7,553	7,553
Adjustment upon application of IFRS 9	362	–	362
As at 1 January 2018 – As restated	362	7,553	7,915
– Impairment losses recognised	–	406	406
As at 31 December 2018	362	7,959	8,321

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28. RECEIVABLES AT FVTOCI

	31 December 2018 RMB'000
Receivables at FVTOCI comprise:	
Bills receivables (note)	**275,014**

Note: Included in the Group's bills receivables are amounts of RMB275,014,000 transferred to certain banks by discounting the bills on a full recourse basis. If the bills are not paid on maturity, the banks and the suppliers have the right to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to the bills receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received as bank borrowings from the discounting of the bills with full recourse. The financial asset is carried at fair value in the consolidated statement of financial position. Certain receivables at FVTOCI of the Group discounted had been pledged as securities for obtaining the bank borrowings as at 31 December 2018 as summarised in note 44.

	As at 31 December 2018	
	Receivables at FVTOCI discounted to banks with full recourse RMB'000	Total RMB'000
Carrying amount of transferred assets	**275,014**	**275,014**
Carrying amount of associated liabilities	**(268,471)**	**(268,471)**
Net position	**6,543**	**6,543**

Details of impairment assessment of receivables at FVTOCI for the year ended 31 December 2018 are set out in note 46.

As at 31 December 2018, the Group's receivables at FVTOCI were bills receivables with the following maturity.

	31 December 2018 RMB'000
Within 6 months	162,466
6 months to 1 year	112,548
	275,014

28. RECEIVABLES AT FVTOCI *(CONTINUED)*

As at 31 December 2018, the Group's receivables at FVTOCI were bills receivables with the following ageing based on issue date of the bills.

	31 December 2018 RMB'000
Within 6 months	140,805
6 months to 1 year	134,208
	275,014

29. AVAILABLE-FOR-SALE INVESTMENTS

	31 December 2017 RMB'000
Listed investments at fair value – non-current assets (note a)	21,778
Unlisted financial product investments at fair value – current assets (note b)	406,794
	428,572

Notes:

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

(b) As at 31 December 2017, the unlisted managed investments represented funds advanced to a licensed financial institution in the PRC with fixed maturity and a variable yield based on underlying investments. The investments were short-term in nature and all would be matured in one year, while the return of these investments was not guaranteed. Certain available-for-sale investments of the Group had been pledged as securities for obtaining the bank borrowings and issuing of bills as at 31 December 2017 as summarised in note 44.

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30. FINANCIAL ASSETS AT FVTPL

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

Notes:

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

(b) The unlisted managed investments represent funds advanced to a licensed financial institution in the PRC with fixed maturity and a variable yield based on underlying investments. The investments are short-term in nature and all will be matured in one year, while the return of these investments is not guaranteed. Certain financial assets at FVTPL of the Group had been pledged as securities for obtaining the bank borrowings and issuing of bills as at 31 December 2018 as summarised in note 44.

31. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

Bank balances and cash of the Group comprise cash and short term bank deposits with an original maturity of three months or less. The bank balances carry variable interest rates ranging from 0.35% to 2.75% (2017: from 0.20% to 0.455%) per annum.

As at 31 December 2018, pledged bank deposits of RMB23,178,000 (2017: RMB45,451,000) were security deposit for the issue of bills and carried fixed interest rate of 0.35% and 2.75% (2017: 0.35%) per annum.

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

	31/12/2018 RMB'000	31/12/2017 RMB'000
USD	**1,482**	209,449
HKD	**542**	9,535
AUD	**6,660**	1,900

32. TRADE, BILLS AND OTHER PAYABLES

	31/12/2018 **RMB'000**	31/12/2017 RMB'000
Trade payables		
Related parties	**3**	357
Third parties	**12,401**	25,602
	12,404	25,959
Bills payables	**420,000**	28,500
	432,404	54,459
Other payables		
Refundable deposits received (note a)	**–**	235,227
Payable for acquisition of property, plant and equipment	**27,570**	75,451
Other tax payables	**28,739**	44,252
Loans from independent third parties (note b)	**–**	20,274
Outsourced service payable	**31,606**	14,569
Payable for mining rights	**–**	13,764
Accrued expenses	**8,398**	7,975
Salary and bonus payables	**7,101**	6,788
Transportation fee payable	**6,125**	6,609
Payable for acquisition of prepaid lease payments	**–**	6,243
Interest payable	**1,462**	1,644
Advance from customers	**–**	127
Others	**21,652**	16,705
	132,653	449,628
Total trade, bills and other payables	**565,057**	504,087

Notes:

(a) The refundable deposits included mainly the interest-free earnest deposit of RMB230,000,000 received in respect of the Group's proposed disposal of Xingzhou Mining as at 31 December 2017. The deposits had been settled as part of the consideration upon the completion of the disposal during the year ended 31 December 2018.

(b) The loans were advanced by the independent third parties to KS and KKU, which were unsecured, interest-free and repayable on demand. The loans were provided to the Group in order to support the resumption of the Group's Nickel Business in Indonesia during the year ended 31 December 2017. Such amount was reclassified to liabilities associated with assets classified as held for sale as at 31 December 2018.

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

Payment terms with suppliers are mainly on credit within 90 days (2017: 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.

	31/12/2018 RMB'000	31/12/2017 RMB'000
Within 90 days	**8,393**	13,307
91 days to 1 year	**2,473**	10,385
1 year to 2 years	**609**	971
2 years to 3 years	**606**	439
Over 3 years	**323**	857
	12,404	25,959

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

	31/12/2018 RMB'000	31/12/2017 RMB'000
Within 6 months	**20,000**	14,000
6 months to 1 year	**400,000**	14,500
	420,000	28,500

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

	31/12/2018 RMB'000	31/12/2017 RMB'000
Within 6 months	**400,000**	17,500
6 months to 1 year	**20,000**	11,000
	420,000	28,500

33. BORROWINGS

	31/12/2018 RMB'000	31/12/2017 RMB'000
Bank loans	**1,108,500**	1,579,454
Other loans (note a)	**–**	27,853
	1,108,500	1,607,307
Secured and guaranteed	**752,500**	817,053
Secured and unguaranteed	**288,000**	610,254
Unsecured and guaranteed	**68,000**	180,000
	1,108,500	1,607,307
Fixed-rate	**1,108,500**	1,579,454
Floating-rate	**–**	27,853
	1,108,500	1,607,307
Carrying amount repayable (note b):		
Due within one year	**1,108,500**	1,151,887
More than one year, but not more than two years	**–**	455,420
	1,108,500	1,607,307

Notes:

(a) It represents loans advanced from a government authority for purchase of mining rights. The loan carried interest at the benchmark interest rate issued by the People's Bank of China ("**PBOC**") and was repayable within five years. Such loans had been all settled during the year ended 31 December 2018.

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

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33. BORROWINGS *(CONTINUED)*

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

	2018	2017
	%	%
Fixed-rate borrowings	**5.66-6.09**	4.35-6.09
Floating-rate borrowings	**–**	4.75

The unsecured bank borrowings of approximately RMB68,000,000 (2017: RMB180,000,000) at 31 December 2018 were jointly and severally guaranteed by the Controlling Shareholders of the Group and the companies controlled by them.

Save as the assets pledged as security for bank borrowings as set forth in note 44, the Controlling Shareholders, together with the companies controlled by them, provided guarantee to secured bank borrowings of the Group of approximately RMB752,500,000 (2017: RMB690,000,000).

34. CONSIDERATION PAYABLE

	31/12/2018	31/12/2017
	RMB'000	RMB'000
Analysed for the reporting purpose as:		
Current portion	**–**	65,180
Non-current portion	**–**	241,100
	–	306,280

Denway Development Limited, a subsidiary of Hanking (Indonesia), acquired 75% equity interest of KS and KKU from the independent third parties during the year of 2011. City Globe Limited, which is also a subsidiary of Hanking (Indonesia), acquired 75% equity interest of PT Konutara Prima ("**KP**") from the independent third parties during the year of 2012. Hanking (Indonesia) is 70% owned by the Group.

As at 31 December 2018, the consideration payable of RMB304,855,000 (2017: RMB306,280,000) was recognised at amortised cost with the effective interest rate of 14% at the date of acquisition. According to the acquisition agreements, it will be repaid on installment basis by reference to the progress of mining development with last payment fall due in the year of 2032. As at 31 December 2017, the amount of RMB65,180,000 repayable within the next twelve months was classified under current portion which was calculated based on directors' estimation on the project development progress.

As at 31 December 2018, consideration payable attributable to Hanking (Indonesia) amounting to RMB304,855,000 has been reclassified as liabilities associated with assets classified as held for sale.

35. REHABILITATION PROVISION

	2018 **RMB'000**	2017 RMB'000
At 1 January	**1,580**	110,628
Unwind of discount	**–**	527
Provisions made during the year	**–**	19,047
Eliminated upon disposal of subsidiaries	**–**	(134,731)
Acquired on acquisition of PGO	**23,903**	–
Effect of foreign currency exchange differences	**(316)**	6,109
Reclassified to liabilities associated with assets classified as held for sale	**(1,519)**	–
At 31 December	**23,648**	1,580

Rehabilitation provision balances as at 31 December 2017 were all related to Nickel Business which was reclassified as held for sale during the year ended 31 December 2018.

Rehabilitation provision balance as at 31 December 2018 represents the provisions undertaken with the completion of acquisition of PGO with details set out in note 12.

As at 31 December 2018, rehabilitation provision of RMB13,630,000 is secured by restricted deposits of same amount provided to government authority.

36. RETIREMENT BENEFIT OBLIGATIONS

The Group provides post-employment benefits for qualified employees in its subsidiaries located in Indonesia in accordance with Indonesia Labor Law. The number of employees entitled to the benefits are 36 employees and 28 employees in 2018 and in 2017, respectively.

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

	31/12/2018 **RMB'000**	31/12/2017 RMB'000
Current service cost	**–**	350
Interest expense	**–**	129
Total	**–**	479

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36. RETIREMENT BENEFIT OBLIGATIONS *(CONTINUED)*

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

	31/12/2018 RMB'000	31/12/2017 RMB'000
Present value of defined benefit obligations	**–**	1,558
Unrecognised actuarial losses	**–**	–
Net liabilities	**–**	1,558

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

	31/12/2018 RMB'000	31/12/2017 RMB'000
Balance at beginning of year	**1,558**	1,525
Expense in current year	**–**	479
Realisation during the year	**–**	(445)
Other comprehensive expense	**–**	105
Effect of foreign currency exchange differences	**(59)**	(106)
Reclassified as held for sale	**(1,499)**	–
Balance at end of year	**–**	1,558

The cost of providing post-employment benefit is calculated by independent actuary for the year ended 31 December 2018 and 2017, respectively. The actuarial valuation was carried out using the following key assumptions:

	2018	2017
Discount rate	**7.5-8%**	7.5-8%
Salary increment rate	**10%**	10%
Mortality rate	**100% TMI3**	100% TMI3
Morbidity rate	**5% TMI3**	5% TMI3
Resignation rate	**2% per annum until age 30 years, then decreasing**	2% per annum until age 30 years, then decreasing
Normal retirement rate	**100%**	100%

37. SHARE CAPITAL

The amount as at 31 December 2018 and 2017 represented the issued share capital of the Company. Details of movement of share capital of the Company are as follows:

	Number of shares		Share capital	
	2018	2017	**2018**	2017
	'000	'000	**HKD'000**	HKD'000
Ordinary shares of HKD0.1 each				
Authorised				
At 1 January and 31 December	**10,000,000**	10,000,000	**1,000,000**	1,000,000

	Number of shares		Share capital	
	2018	2017	**2018**	2017
	'000	'000	**RMB'000**	RMB'000
Issued and fully paid				
At beginning of year	**1,830,000**	1,830,000	**149,137**	149,137
Shares repurchased and cancelled	**(2,171)**	–	**(177)**	–
At end of year	**1,827,829**	1,830,000	**148,960**	149,137

All shares in issue rank pari passu in all respects.

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

Month of repurchase in 2018	**No. of ordinary shares of HKD0.10 each**	**Price per share Highest**	**Lowest**	**Aggregate consideration paid**
		RMB	RMB	RMB'000
July	966,000	0.83	0.77	793
December	1,205,000	0.80	0.77	947
	2,171,000			1,740

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

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38. OBLIGATION UNDER A FINANCE LEASE

	31/12/2018 RMB'000
Analysed for the reporting purpose as:	
Current liabilities	**2,638**
Non-current liabilities	**11,289**
	13,927

Certain buildings and prepaid lease payment of the Group during the year ended 31 December 2018 were leased in under finance lease from Fushun Hanking D.R.I Co., Ltd* '撫順罕王直接還原鐵有限公司' ("**Hanking D.R.I.**"), a related party of the Group controlled by the Controlling Shareholders since 1 January 2018. All interest rates inherent in the leases are fixed at the contract date over the lease terms.

The lease contract has a lease period of 20 years commencing from 1 January 2018 to 31 December 2037. The management of the Group classified such lease as a finance lease as the present value of the minimum lease payments amounted to substantially all of the fair value of the leased assets at the inception of the lease.

Pricing of rental of the buildings based on the construction and installation costs and relevant taxations of approximately RMB25,800,000 in relation to the buildings and constructions, which shall be prepaid upon signing of the leasing contract. As at 31 December 2018, RMB23,527,000 has been paid. The remaining amount of RMB2,273,000 will be settled within 12 months as represented by the directors of the Company.

The annual rental for the land shall be RMB1,000,000, and the aggregate land rental payable shall be RMB20 million which is calculated based on the lease term of twenty years. The obligations under the finance lease are calculated using internal rate of return of 5.45% per annum.

* English name is for identification purpose only.

38. OBLIGATION UNDER A FINANCE LEASE *(CONTINUED)*

	Minimum lease payments 31/12/2018 RMB'000	Present value of minimum lease payments 31/12/2018 RMB'000
Obligation under a finance lease payable:		
Within one year	**3,273**	**2,638**
More than one year but not more than two years	**1,000**	**384**
More than two years but not more than five years	**3,000**	**1,285**
More than five years	**14,000**	**9,620**
	21,273	**13,927**
Less: future finance charges	**(7,346)**	**N/A**
Present value of lease obligation	**13,927**	**13,927**
Less: Amount due for settlement within 12 months (shown under current liabilities)		**(2,638)**
Amount due for settlement after 12 months		**11,289**

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39. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

General information of subsidiaries

Details of the Group's subsidiaries as at 31 December 2018 and 2017 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 2018 %	31 December 2017 %	Notes
Directly held:						
China Hanking Investment Limited	Investment holding	The British Virgin Island ("**BVI**")	Ordinary shares USD1	100.00	100.00	
Hanking (Indonesia)	Investment holding	BVI	Ordinary shares USD10	70.00	70.00	
Hanking Australia Investment	Investment holding	Australia	Ordinary shares AUD42,000,000 (2017: Ordinary shares AUD100)	94.00	97.00	a
Indirectly held:						
China Hanking (Hong Kong) Limited	Investment holding	Hong Kong	Ordinary shares HKD1	100.00	100.00	
China Hanking (BVI) International Limited	Investment holding	BVI	Ordinary shares USD1	100.00	100.00	
Shenyang Toyo Steel Utility Co., Ltd* 瀋陽東洋煉鋼公用設施有限公司	Sales of iron ore mining products	PRC	Registered and paid-in capital USD84,000,000	100.00	100.00	
Shenyang Yuanzheng Industry Co., Ltd* 瀋陽元正實業有限公司	Sales of iron ore mining products	PRC	Registered and paid-in capital RMB5,000,000	100.00	100.00	
Fushun Hanking Aoniu Mining Co., Ltd* 撫順罕王傲牛礦業股份有限公司	Sales of iron ore mining products	PRC	Registered and paid-in capital RMB100,000,000	100.00	100.00	
Fushun Hanking Maogong Mining Co., Ltd* 撫順罕王毛公礦業有限公司	Sales of iron ore mining products	PRC	Registered and paid-in capital RMB5,000,000	100.00	100.00	

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

General information of subsidiaries *(continued)*

Name of subsidiary	Principal activity	Place of incorporation/ establishment and operation	Issued and fully paid up share capital/ registered capital	Proportion of ownership interest and voting power held by the Group 31 December 2018 %	31 December 2017 %	Notes
Fushun Hanking Xingzhou Mining Co., Ltd* 撫順罕王興洲礦業有限公司	Sales of iron ore mining products	PRC	Registered and paid-in capital RMB2,000,000	–	100.00	b
Fushun Hanking Shangma Mining Co., Ltd* 撫順罕王上馬礦業有限公司	Sales of iron ore mining products	PRC	Registered and paid-in capital RMB5,000,000	–	100.00	b
Fushun Hanking Forest Farm Co., Ltd.* 撫順罕王林場有限公司	Sales of agricultural and forestry products	PRC	Registered and paid-in capital RMB500,000	100.00	100.00	
City Globe Limited	Investment holding	Hong Kong	Ordinary shares HKD10,000	70.00	70.00	
KP	Sales of nickel ore mining products	Indonesia	Ordinary shares Indonesian Rupiah ("IDR") 27,600,000,000	52.50	52.50	
Denway Development Limited	Investment holding	Hong Kong	Ordinary shares HKD10,000	70.00	70.00	
KS	Sales of nickel ore mining products	Indonesia	Ordinary shares IDR66,800,000,000	52.50	52.50	
KKU	Sales of nickel ore mining products	Indonesia	Ordinary shares IDR66,800,000,000	52.50	52.50	
Harvest Globe Limited	Investment holding	Hong Kong	Ordinary shares HKD10,000	52.50	52.50	
Harvest (Shenyang) Trading Limited*	Sales of nickel ore mining products	PRC	Ordinary shares USD2,000,000	52.50	52.50	
PT Hanking Makmur Nickel Smelt	Metal processing	Indonesia	Ordinary shares IDR28,177,500,000	75.00	75.00	
HGM Resources Pty Ltd	Sales of gold mining products	Australia	Ordinary shares AUD100	94.00	–	c

* English name is for identification purpose only.

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

General information of subsidiaries *(continued)*

Name of subsidiary	Principal activity	Place of incorporation/ establishment and operation	Issued and fully paid up share capital/ registered capital	Proportion of ownership interest and voting power held by the Group 31 December 2018 %	31 December 2017 %	Notes
PGO	Sales of gold mining products	Australia	Ordinary shares AUD27,527,000	94.00	8.44	c
Primary Minerals NL	Sales of gold mining products	Australia	Ordinary shares AUD1,563,000	94.00	8.44	c
MacPhersons Reward Pty Ltd	Sales of gold mining products	Australia	Ordinary shares AUD200	94.00	8.44	c
Hanking Industry (Shenzhen) Limited* 罕王實業(深圳)有限公司	Investment holding	PRC	Registered capital RMB10,000,000	100.00	100.00	
Shanghai Hanking Housing Technology. Co., Ltd.* 上海罕王住宅工業科技有限公司	Trading of building materials	PRC	Registered capital RMB50,000,000	100.00	–	d
Shanghai Hanking Construction International Trading. Co., Ltd.* 上海罕建國際貿易有限公司	Trading of building materials	PRC	Registered capital RMB50,000,000	100.00	–	d
Shenyang Hanking Constructional Design. Co., Ltd.* 瀋陽罕王住工建築工程設計有限公司	Constructional design	PRC	Registered capital RMB4,000,000	100.00	–	d
Liaoning Hanking Green Building Materials Co., Ltd* 遼寧罕王綠色建材有限公司 ("**Hanking Green Building Materials**")	Manufacture and sales of green building materials	PRC	Registered capital RMB70,000,000	100.00	100.00	

* English name is for identification purpose only.

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

General information of subsidiaries *(continued)*

Name of subsidiary	Principal activity	Place of incorporation/ establishment and operation	Issued and fully paid up share capital/ registered capital	Proportion of ownership interest and voting power held by the Group 31 December 2018 %	31 December 2017 %	Notes
Guangdong Shihetao Green Building Materials Technology. Co., Ltd.* 廣東石和陶綠色建材科技有限公司	Manufacture and sales of green building materials	PRC	Registered capital RMB10,000,000	60.00	–	d
Shanghai Hanking Industry Limited* 上海罕王實業有限公司	Investment holding	PRC	Registered capital RMB5,000,000	100.00	–	d

* English name is for identification purpose only.

Notes:

(a) On 17 December 2018, the Company entered into an agreement with Best Fate Limited ("**Best Fate**") pursuant to which the Company agreed to transfer 3% shares of Hanking Australia Investment to Best Fate. The total number of issued shares of Best Fate is three, one each is held by Mr. Yang Jiye, Mr. Zheng Xuezhi and Mr. Tang Wenbin, respectively. Upon completion of the agreement, the total number of issued shares of Hanking Australia Investment will be held by the Company, Golden Resource Pty Ltd (the "**Golden Resource**") and Best Fate as to approximately 94%, 3% and 3%, respectively.

The consideration for the transfer is AUD1,260,000 (equivalent to approximately RMB6,121,000) which was negotiated on arm's length basis between the parties and was determined between the parties with reference to the fair value of Hanking Australia Investment as at 31 October 2018. The consideration shall be paid in one lump sum as soon as possible within three years after completion, together with interest of 5.6% per annum calculated from the date of completion to the date of such payment.

After the completion of the agreement, Mr. Yang Jiye, Mr. Zheng Xuezhi and Mr. Tang Wenbin shall continue to work at the Company and/or its subsidiaries for at least five years, during which period neither Mr. Yang Jiye, Mr. Zheng Xuezhi, Mr. Tang Wenbin nor Best Fate shall transfer any or all of the shares obtained under the agreement. Should Mr. Yang Jiye, Mr. Zheng Xuezhi, Mr. Tang Wenbin or Best Fate fail to fulfil the aforesaid obligations, the Company shall be entitled to repurchase the 3% shares of Hanking Australia Investment held by Best Fate at a consideration of AUD1,260,000, and Mr. Yang Jiye, Mr. Zheng Xuezhi, Mr. Tang Wenbin and Best Fate shall be obliged to assist.

(b) These subsidiaries were disposed of during the year ended 31 December 2018.

(c) These subsidiaries were acquired along with the acquisition of PGO during the year ended 31 December 2018.

(d) These subsidiaries were newly established during the year ended 31 December 2018.

None of the subsidiaries had issued any debt securities at the end of both 2018 and 2017.

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

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

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

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

Name of subsidiary	Place of incorporation/ principle place of business	Proportion of ownership interests and voting rights held by non-controlling interests 31/12/2018	31/12/2017	Loss allocated to non-controlling interests 31/12/2018 RMB'000	31/12/2017 RMB'000	Accumulated non-controlling interests 31/12/2018 RMB'000	31/12/2017 RMB'000
Hanking (Indonesia) (note)	BVI/Indonesia	30%	30%	5,312	13,768	176,501	186,000
Individually immaterial subsidiaries with non-controlling interests						11,906	381
						188,407	186,381

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

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

Hanking (Indonesia) and its subsidiaries

	As At 31/12/2018 RMB'000	As At 31/12/2017 RMB'000
Current assets	**75,570**	85,680
Non-current assets	**755,878**	772,056
Current liabilities	**461,724**	459,036
Equity attributable to owners of the Company	**193,223**	212,700
Non-controlling interests of Hanking (Indonesia)	**82,810**	91,157
Non-controlling interests of Hanking (Indonesia)'s subsidiaries	**93,691**	94,843

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

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

	Year ended 31/12/2018 RMB'000	Year ended 31/12/2017 RMB'000
Revenue	**42,847**	35,271
Expenses	**(53,652)**	(62,215)
Loss for the year	**(10,805)**	(26,944)
Loss attributable to owners of the Company	**(5,493)**	(13,176)
Loss attributable to the non-controlling interests of Hanking (Indonesia)	**(2,353)**	(5,647)
Loss attributable to the non-controlling interests of Hanking (Indonesia)'s subsidiaries	**(2,959)**	(8,121)
Loss for the year	**(10,805)**	(26,944)
Other comprehensive expense attributable to owners of the Company	**(13,984)**	(12,108)
Other comprehensive expense attributable to the non-controlling interests of Hanking (Indonesia)	**(5,994)**	(5,189)
Other comprehensive income attributable to the non-controlling interests of Hanking (Indonesia)'s subsidiaries	**1,807**	2,790
Other comprehensive expense for the year	**(18,171)**	(14,507)
Total comprehensive expense attributable to owners of the Company	**(19,477)**	(25,284)
Total comprehensive expense attributable to the non-controlling interests of Hanking (Indonesia)	**(8,347)**	(10,836)
Total comprehensive expense attributable to the non-controlling interests of Hanking (Indonesia)'s subsidiaries	**(1,152)**	(5,331)
Total comprehensive expense for the year	**(28,976)**	(41,451)
Dividends paid to non-controlling shareholders	**–**	–
Net cash flows used in operating activities	**(20,624)**	(4,641)
Net cash flows used in investing activities	**(20)**	(3)
Net cash flows from financing activities	**21,831**	12,034
Net cash flows	**1,187**	7,390

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40. CAPITAL COMMITMENTS

	31/12/2018 **RMB'000**	31/12/2017 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**37,636**	65,388

41. OPERATING LEASES

The Group as lessee

	Year ended **31/12/2018** **RMB'000**	Year ended 31/12/2017 RMB'000
Minimum lease payments paid under operating leases during the year:		
– Plant and machinery	**95**	8
– Premises	**5,677**	4,193
	5,772	4,201

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

	31/12/2018 **RMB'000**	31/12/2017 RMB'000
Within one year	**7,336**	4,448
In the second to fifth year inclusive	**18,549**	8,167
Over five years	**5,358**	3,904
	31,243	16,519

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

Leases are negotiated for an average term of 5.20 years.

42. SHARE-BASED PAYMENT TRANSACTIONS

For the year ended 31 December 2017

Pursuant to an agreement (the "**Share Subscription Agreement**") dated 23 June 2016 entered into between the Company, Hanking Australia, a wholly-owned subsidiary of the Company and Dr. Qiu, Hanking Australia agreed to allot and issue to Dr. Qiu (or his nominee(s)) 6,185,567 new shares of Hanking Australia (the "**Subscription Shares**"), of which (i) 4,123,711 new shares of Hanking Australia shall be issued at a cash consideration of AUD611,000 (equivalent to RMB3,075,000); and (ii) 2,061,856 new shares of Hanking Australia would be awarded to Dr. Qiu as a gift by Hanking Australia after having considered the contribution of Dr. Qiu in the acquisition of the gold mine in Western Australia and his continuous efforts in developing and expanding the Group's Gold Business in Australia. Upon completion of the agreement, the total number of issued shares of Hanking Australia would be held by the Company and Dr. Qiu as to approximately 97% and 3%, respectively.

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

Dr. Qiu and Hanking Australia entered into a new service contract within three months after the completion date that provides the term of Dr. Qiu's employment with Hanking Australia or any affiliated company designated by Hanking Australia will be for a period of five years from the date of the Share Subscription Agreement. Should Dr. Qiu's employment in Hanking Australia or any affiliated company designated by Hanking Australia terminates, the Company shall be entitled to request and Dr. Qiu shall be obliged to assist in the transfer back of the Subscription Shares held by him to the Company with no consideration.

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

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

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

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for the year ended 31 December 2018

43. RETIREMENT BENEFIT PLANS

Defined contribution plan

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

The Group made contributions to the retirement benefit schemes of RMB15,542,000 for the year ended 31 December 2018 (2017: RMB16,237,000).

Defined benefit plan

The amount of contributions made by the Group in respect of the retirement benefit scheme are disclosed in note 36.

44. PLEDGE OF ASSETS

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

	Carrying amounts	
	31/12/2018	31/12/2017
	RMB'000	RMB'000
Mining rights	**16,054**	102,999
Available-for-sale investments	**–**	406,794
Financial assets at FVTPL	**459,993**	–
Pledged bank deposits	**23,178**	45,451
Prepaid lease payments	**16,740**	19,003
Property, plant and equipment	**99,077**	112,836
Bills receivables	**–**	245,164
Receivables at FVTOCI	**275,014**	–

45. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of bank balances and cash, borrowings, consideration payable, obligation under a finance lease and equity which includes share capital and reserves.

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

46. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

Continuing operations

	31/12/2018 RMB'000	31/12/2017 RMB'000
Financial assets		
Financial assets at amortised cost (including cash and cash equivalents)	**716,337**	–
Receivables at FVTOCI	**275,014**	–
Financial assets at FVTPL	**469,352**	–
Loans and receivables (including cash and cash equivalents)	**–**	1,150,918
Available-for-sale investments	**–**	428,572
	1,460,703	1,579,490
Financial liabilities		
Liabilities measured at amortised costs	**1,629,319**	2,358,532
Obligation under a finance lease	**13,927**	–
	1,643,246	2,358,532

(b) Financial risk management objectives and policies

Continuing operations

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

The Group's activities expose it primarily to the market risks (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. There has been no change to the Group's exposure to these risks or the manner in which it manages and measures the risks. In addition, the Company has intra-group balances with several subsidiaries denominated in foreign currency which also expose the Group to foreign currency risk.

46. FINANCIAL INSTRUMENTS *(CONTINUED)*

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

Market risk

(i) Currency risk

The Group has bank balances, restricted deposits, bank borrowings, trade and other receivables and trade and other payables denominated in USD, HKD, AUD and IDR, which expose the Group to foreign currency risk.

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

	USD	
	Assets	**Liabilities**
	RMB'000	RMB'000
As at 31 December 2018	1,482	412
As at 31 December 2017	212,044	4,926

	HKD	
	Assets	**Liabilities**
	RMB'000	RMB'000
As at 31 December 2018	1,838	–
As at 31 December 2017	9,903	–

	AUD	
	Assets	**Liabilities**
	RMB'000	RMB'000
As at 31 December 2018	–	9,650
As at 31 December 2017	2,614	563

	IDR	
	Assets	**Liabilities**
	RMB'000	RMB'000
As at 31 December 2018	–	–
As at 31 December 2017	22,809	30,747

The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arises.

46. FINANCIAL INSTRUMENTS *(CONTINUED)*

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

Market risk *(continued)*

(i) Currency risk (continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 10% (2017: 10%) increase and decrease in RMB against AUD (2017: USD), 10% (2017: 10%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 10% (2017: 10%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit (2017: a negative number below indicates a decrease in post-tax profit) where a RMB strengthen 10% (2017: 10%) against AUD (2017: USD). For a 10% (2017: 10%) weakening of RMB against AUD (2017: USD), there would be an equal and opposite impact on the post-tax profit. The impact of USD, HKD and IDR (2017: AUD, HKD and IDR) is not presented, since the outstanding monetary items denominated in USD, HKD and IDR (2017: AUD, HKD and IDR) are not significant and their impact is immaterial.

	AUD impact 2018 RMB'000	USD impact 2017 RMB'000
Profit or loss	**965**	(15,534)

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

(ii) Interest rate risk

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

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46. FINANCIAL INSTRUMENTS *(CONTINUED)*

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

Market risk *(continued)*

(ii) Interest rate risk *(continued)*

Total interest income from financial assets that are measured at amortised cost is as follows:

	Year ended 31/12/2018 RMB'000
Other income	
Financial assets at amortised cost	**4,009**

	Year ended 31/12/2017 RMB'000
Other income	
Loans and receivables (including bank balances and cash)	3,021

Interest expense on financial liabilities not measured at fair value through profit or loss:

	Year ended 31/12/2018 RMB'000	Year ended 31/12/2017 RMB'000
Financial liabilities at amortised cost	**51,377**	79,130

(iii) Other price risk

The Group is exposed to other price risk in respect of its investments in unlisted managed investment funds and listed equity securities measured at FVTPL (2017: available-for-sale investments).

The fair value adjustment in unlisted managed investment funds will be affected either positively or negatively, amongst others, by the changes in the expected yield of the investments. No sensitivity analysis of other price risk in respect of unlisted managed investment fund has been prepared as the management estimates the actual yield would not significantly deviate from the expected yield.

46. FINANCIAL INSTRUMENTS *(CONTINUED)*

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

Market risk *(continued)*

(iii) ***Other price risk*** *(continued)*

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks to listed equity securities at the reporting date. If the prices of the respective equity instruments had been 5% (2017: 5%) higher, the post-tax profit for the year ended 31 December 2018 would increase by RMB328,000 as a result of the changes in fair value of investments at FVTPL (2017: other comprehensive income (net of tax) would increase by RMB756,000 as a result of the changes in fair value of available-for-sale investments). If the prices of the equity instruments had been 5% (2017: 5%) lower, the post-tax profit for the year ended 31 December 2018 (other comprehensive income for the year ended 2017) would decrease by the same amount.

Credit risk

Credit risk and impairment assessment

As at 31 December 2018, the Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations in relation to each class of recognised financial assets measured at amortised cost and FVTOCI is the carrying amounts of those assets stated in the consolidated statements of financial position.

The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group's credit risk is primarily attributable to its trade, bills and other receivables, loan receivable, receivables at FVTOCI, pledged deposits, bank balances and cash. In order to minimise the credit risk, the Group's management continuously monitors the level of exposure to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Trade receivables

In order to minimise the credit risk, the directors of the Company have delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up actions are taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of IFRS 9 (2017: incurred loss model) on trade balances individually. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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46. FINANCIAL INSTRUMENTS *(CONTINUED)*

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

Credit risk *(continued)*

Trade receivables (continued)

As at 31 December 2018, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB125,188,000 which are past due as at the reporting date. Out of the past due balances, RMB532,000 has been past due over 90 days, which is not considered as in default because the management of the Group, according to the historical settlement pattern, industry practice and the Group's historical actual loss experience, had assessed that the probability of settlement from their customers was high in respect of those debtors which had been past due over 90 days. The management of the Group considered that the risk of default became high and defaulted when those debtors had been past due over 1 year.

During the year ended 31 December 2018, the Group provided no impairment allowance for trade receivables, based on the individual analysis.

Other receivables and receivables at FVTOCI

For other receivables and receivables at FVTOCI, the Group has applied the general approach in IFRS 9 to measure the loss allowance approximate to such at 12m ECL when the directors of the Company did not expect any significant increase in credit risk. The ECL on these items are assessed individually, estimated based on historical credit loss experience on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Pledged deposits and bank balances

The pledged deposits and bank balances are determined to have low risk at the end of reporting period. The credit risk on pledged deposits and bank balances is limited because the counterparties are reputable banks and the risk of inability to pay or redeem at the due date is low.

In order to minimise credit risk, the Group has tasked its operation management committee to develop and maintain the Group's credit risk gradings to categorise exposures according to their degree of risk of default.

The credit rating information is supplied by independent rating agencies where available and, if not available, the operation management committee uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

46. FINANCIAL INSTRUMENTS *(CONTINUED)*

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

Credit risk *(continued)*

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial/ assets/other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The following table details the risk profile of the Group's financial assets which are subject to ECL assessment:

As at 31 December 2018

	Internal credit rating				
	Low risk	**Watch list**	**Doubtful**	**Loss**	**Total**
Total gross carrying amount (RMB'000)					
– trade receivables	131,556	32,026	532	–	164,114
– other receivables	152,990	15,675	976	7,959	177,600
– loan receivable	10,000	–	–	–	10,000
– receivables at FVTOCI	275,014	–	–	–	275,014
– pledged bank deposits	23,178	–	–	–	23,178
– restricted deposits	21,102	–	–	–	21,012
– bank balances	328,664	–	–	–	328,664
	942,504	47,701	1,508	7,959	999,672

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46. FINANCIAL INSTRUMENTS *(CONTINUED)*

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

Credit risk *(continued)*

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

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

	As At	
	31/12/2018	31/12/2017
Amount due from the largest debtor as a percentage to trade receivables	**81.48%**	65.34%
Total amounts due from the five largest debtors as a percentage to trade receivables	**99.52%**	94.01%

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

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

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

Other than the above, the Group does not have significant concentration of credit risk.

46. FINANCIAL INSTRUMENTS *(CONTINUED)*

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

Liquidity risk

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

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

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

Liquidity tables

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1 year to 2 years	>2 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2018							
Trade, bills and other payables	**–**	**520,819**	**–**	**–**	**–**	**520,819**	**520,819**
Borrowings – fixed rate	**5.78**	**93,732**	**1,062,348**	**–**	**–**	**1,156,080**	**1,108,500**
Obligation under a finance lease	**5.45**	**2,273**	**1,000**	**1,000**	**17,000**	**21,273**	**13,927**
		616,824	**1,063,348**	**1,000**	**17,000**	**1,698,172**	**1,643,246**
As at 31 December 2017							
Trade, bills and other payables	–	444,945	–	–	–	444,945	444,945
Consideration payable	14	–	94,789	120,000	517,000	731,789	306,280
Borrowings – floating rate	4.75	329	17,949	10,625	–	28,903	27,853
Borrowings – fixed rate	5.60	211,886	961,120	464,012	–	1,637,018	1,579,454
		657,160	1,073,858	594,637	517,000	2,842,655	2,358,532

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for the year ended 31 December 2018

46. FINANCIAL INSTRUMENTS *(CONTINUED)*

(c) Fair value measurements of financial instruments

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

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

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

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31/12/2018	31/12/2017				
Listed equity investments classified as financial assets at FVTPL (2017: available-for-sale investments)	**Listed equity securities in Australia: RMB9,359,000**	Listed equity securities in Australia: RMB21,778,000	Level 1	Quoted bid prices in an active market.	N/A	N/A
Unlisted managed investment funds classified as financial assets at FVTPL (2017: available-for-sale investments)	**Unlisted managed investment funds in the PRC: RMB459,993,000**	Unlisted managed investment funds in the PRC: RMB406,794,000	Level 2	Discounted cash flow was used to capture the present value of the expected future economic benefit that will flow to the Group.	N/A	N/A
Receivables at FVTOCI	**Receivables at FVTOCI in the PRC: RMB275,014,000**	N/A	Level 2	Income approach – in this approach, the discounted cash flow method was used to capture the present value of the cash flows to be derived from the receivables, using the discount rate that reflected the credit risk of the corresponding banks which are observable.	N/A	N/A

There was no transfer between level 1 and level 2 during the current year.

46. FINANCIAL INSTRUMENTS *(CONTINUED)*

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

Fair value of the Group's financial assets and liabilities that are not measured at fair value on a recurring basis

The fair value of financial assets and financial liabilities measured at amortised cost are determined by discounted cash flow method.

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

Fair value measurements and valuation processes

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2018

47. RECONCILIATION OF ASSETS AND LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Pledged bank deposits	Obligation under a finance lease	Borrowings	Dividend payable	Interest payable	Prepayment for a finance lease contract	Total
	Note 31	Note 38	Note 33	Note 17	Note 32		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018	45,451	–	(1,607,307)	–	(1,644)	8,543	(1,554,957)
Financing cash flows	(22,273)	15,984	519,394	14,962	50,932	–	578,999
Interests on bank and other borrowings	–	–	–	–	(50,750)	–	(50,750)
Interests on bills discounted	–	–	(20,587)	–	–	–	(20,587)
Dividend declared	–	–	–	(14,962)	–	–	(14,962)
New finance leases	–	(37,800)	–	–	–	–	(37,800)
Deposit paid to a finance lease contract	–	8,543	–	–	–	(8,543)	
Finance cost under a finance lease contract	–	(654)	–	–	–	–	(654)
At 31 December 2018	**23,178**	**(13,927)**	**(1,108,500)**	**–**	**(1,462)**	**–**	**(1,100,711)**
At 1 January 2017	43,692	–	(2,172,999)	–	(2,192)	–	(2,131,499)
Financing cash flows	1,759	–	450,955	319,774	79,374	8,543	860,405
Interests on bank and other borrowings	–	–	(2,409)	–	(78,860)	–	(81,269)
Interests on bills discounted	–	–	(25,963)	–	–	–	(25,963)
Eliminated upon disposal of Gold Business	–	–	132,909	–	–	–	132,909
Foreign exchange translation	–	–	10,200	–	34	–	10,234
Declaration of Special Dividend	–	–	–	(319,774)	–	–	(319,774)
	45,451	–	(1,607,307)	–	(1,644)	8,543	(1,554,957)

48. RELATED PARTY TRANSACTIONS

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

	Year ended 31/12/2018 RMB'000	Year ended 31/12/2017 RMB'000
Sales of goods to		
Dalian Huaren Trade Co., Ltd.		
大連華仁貿易有限公司 ("Dalian Huaren") (notes a and b)	**155,024**	332,747
Fushun Deshan Trade Co., Ltd.		
撫順德山貿易有限公司 ("Fushun Deshan") (note b)	**297,432**	80,953
Shenyang Shengtai Property Management Co., Ltd.		
瀋陽盛泰物業管理有限公司 (note a)	**18**	–
	452,474	413,700
Consulting fee charged by		
Tuochuan (Hong Kong) Limited (note c)	**1,404**	–
Rental expense charged by:		
Shenyang Shengtai Property Management Co., Ltd.		
瀋陽盛泰物業管理有限公司 (note a)	**1,894**	1,894
Hanking Industrial Group Co., Ltd.		
罕王實業集團有限公司 (note a)	**901**	526
	2,795	2,420
Waiver of Capital Injection from non-controlling interests:		
Dr. Qiu	**6,280**	–
Disposal of 3% shares of Hanking Australia Investment to:		
Best Fate (note 39)	**6,121**	–
Interest expense from finance lease charged by:		
Hanking D.R.I. (note c)	**654**	–

Notes:

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

(b) Dalian Huaren and Fushun Deshan acted as the agents of Hanking D.R.I., a related party of the Group, to purchase the iron ore concentrates from the Group. Hanking D.R.I. is controlled by the controlling shareholders and Dalian Huaren and Fushun Deshan are controlled by Ms. Yang Min.

(c) These companies are related parties controlled by the Controlling shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2018

48. RELATED PARTY TRANSACTIONS *(CONTINUED)*

Borrowings guaranteed by related parties were disclosed in note 33. Trade receivables from and trade payables to related parties are disclosed in notes 27 and 32, respectively. Nil and RMB6,901,000 (2017: RMB8,543,000 and RMB6,901,000) are included in deposit on acquisition of property, plant and equipment representing deposits paid to related parties in respect of acquisition of property, plant and equipment and prepaid lease payment, respectively.

The remuneration of key management personnel which represents the executive directors of the Company and key executives of the Group during the year was as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Director's fees	**–**	1,600
Retirement benefit scheme contributions	**963**	903
Salaries, bonus and other allowances	**8,331**	8,394
Performance incentive payments	**15,320**	186
Equity-settled share-based payment expenses	**–**	31,344
	24,614	42,427

49. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	31/12/2018 RMB'000	31/12/2017 RMB'000
Non-current Assets		
Property, plant and equipment	**14**	27
Interests in subsidiaries	**1,376,509**	883,015
Amount due from a subsidiary	**–**	6,370
	1,376,523	889,412
Current Assets		
Other receivables	**6,630**	596
Bank balances and cash	**1,299**	213,018
Amount due from a subsidiary	**6,370**	–
	14,299	213,614
Current Liabilities		
Other payables	**10,211**	3,628
Tax liability	**–**	14,241
Amount due to a subsidiary	**706,739**	670,965
	716,950	688,834
Net Current Liabilities	**(702,651)**	(475,220)
Total Assets less Current Liabilities	**673,872**	414,192
Capital and Reserves		
Share capital (see note 37)	**148,960**	149,137
Reserves	**524,912**	265,055
Total equity	**673,872**	414,192
	673,872	414,192

Note: As of 31 December 2018 and 2017, the Company had investment of one ordinary share of USD1 each in Hanking Investment.

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

Movement in the Company's reserves

	Share premium RMB'000	Special reserve RMB'000	(Accumulated losses) retained earnings RMB'000	Total RMB'000
At 1 January 2017	495,537	193,064	(778,781)	(90,180)
Profit and total comprehensive income for the year	–	–	675,009	675,009
Special dividend paid	(319,774)	–	–	(319,774)
At 31 December 2017	175,763	193,064	(103,772)	265,055
Profit and total comprehensive income for the year	–	–	276,382	276,382
Dividend paid	–	–	(14,962)	(14,962)
Repurchase of ordinary shares	(1,563)	–	–	(1,563)
At 31 December 2018	**174,200**	**193,064**	**157,648**	**524,912**

50. EVENT AFTER THE REPORTING PERIOD

An extraordinary general meeting of the Company was held on 25 January 2019, during which the share option scheme and the relevant mandate limit was approved and adopted by Hanking Australia Investment, a subsidiary of the Company. The scheme is designed to recognise the contributions of selected key persons (including the employees and directors of Hanking Australia Investment and its related bodies corporates, and any person the board of directors of Hanking Australia Investment determines to be a key person when issuing or granting the options) to the Group, and provide an incentive for and to motivate them to remain in their employment with the Company. The scheme mandate limit is 10% of the shares of Hanking Australia Investment in issue on the date on which the scheme was adopted. The scheme shall be valid and effective for a period of 48 months from the date of adoption. Details of which are set out in the circular of the Company dated 9 January 2019.

DEFINITIONS

"Aoniu Mine"	located at Hou'an Town, Fushun City, an iron mine operated through Aoniu Mining, a subsidiary of the Company
"Aoniu Mining"	Fushun Hanking Aoniu Mining Co., Ltd. (撫順罕王傲牛礦業股份有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
"Articles of Association"	the articles of association approved by the Company at the general meeting held on 16 September 2011, effective as from the time when the trading of Shares commenced on the Hong Kong Stock Exchange and as amended from time to time
"AUD"	the lawful currency of Australia
"Audit Committee"	the audit committee of the Board
"Australia"	The Commonwealth of Australia
"Board"	the board of Directors of the Company
"China" or "PRC"	the People's Republic of China. For the purpose of this report only, references in this report to the PRC or China do not include Hong Kong, Macau Special Administrative Region and Taiwan
"Companies Ordinance"	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong (as amended from time to time)
"the Company" or "our Company" or "we"	China Hanking Holdings Limited
"Controlling Shareholders"	has the meaning ascribed to it in the Listing Rules and unless the context requires otherwise, refers to Ms. Yang Min, Mr. Yang Jiye, China Hanking (BVI) Limited, Bisney Success Limited, Best Excellence Limited and Tuochuan Capital Limited
"Dalian Huaren"	Dalian Huaren Trade Co., Ltd. (大連華仁貿易有限公司), a limited liability company established in the PRC
"Directors"	the directors
"EBITDA"	the abbreviation of earnings before interest, taxes, depreciation and amortization

DEFINITIONS

"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
"the Group" or "Hanking" or "China Hanking"	China Hanking Holdings Limited and its subsidiaries
"Hanking Australia Investment"	Hanking Australia Investment Pty Ltd, a limited liability company established in Australia and a non wholly-owned subsidiary of the Company
"Hanking Green Building Materials"	Liaoning Hanking Green Building Materials Co., Ltd. (遼寧罕王綠色建材有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
"Hanking Group"	Hanking Group Co., Limited (罕王實業集團有限公司), a limited liability company established in the PRC on 4 April 1996, whose shares are held by Ms. Yang Min (88.96%) and other individuals. Hanking Group is a holding company controlled by a Controlling Shareholder
"Hanking (Indonesia)"	Hanking (Indonesia) Mining Limited, a limited company established in the BVI and a non wholly-owned subsidiary of the Company
"HSEC Committee"	the health, safety, environmental protection and community committee of the Board
"HMNS"	PT Hanking Makmur Nickel Smelt (罕王富域鎳冶煉有限公司), a limited company established in Indonesia and a non wholly-owned subsidiary of the Company
"HK$" or "HKD" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Indicated Resource"	an indicated resource is one which has been sampled by drill holes or other sampling procedures at locations too widely spaced to ensure continuity, but close enough to give a reasonable indication of continuity and where geoscientific data are known with a reasonable level of reliability

"Inferred Resource"	an inferred resource is one where geoscientific evidence from drill holes or other sampling procedures is such that continuity cannot be predicted with confidence and where geoscientific information may not be known with a reasonable level of reliability
"Indonesia"	The Republic of Indonesia
"Indonesian Rupiah"	the lawful currency of Indonesia
"JORC"	Australasian Joint Ore Reserves Committee
"JORC Code"	JORC Code, 2012 Edition
"KKU"	PT Karyatama Konawe Utara, a company established in Indonesia, an indirectly non wholly-owned subsidiary of the Company
"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"	17 April 2019, being the latest practicable date for the purpose of ascertaining certain information contained in this annual report prior to its publication
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Maogong Mine"	located at Shiwen Town, Fushun City, an iron mine operated through Maogong branch of Aoniu Mining
"Maogong Mining"	Fushun Hanking Maogong Mining Co., Ltd. (撫順罕王毛公鐵礦有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
"Nomination Committee"	the nomination committee of the Board
"Measured Resource"	a measured resource is one which the geologic feature, shape of the ore, occurrence, scale, ore quality, grade, as well as the mining technology condition and the continuity of the ore body have been ascertained according to the accuracy of prospecting in the mining area, the data that mineral deposit depended on is elaborate enough; and the one has high reliability

DEFINITIONS

"PGO"	Primary Gold Limited, a limited liability company established in Australia, which became a non wholly-owned subsidiary of the Company after 8 June 2018
"Remuneration Committee"	the remuneration committee of the Board
"RMB"	Renminbi Yuan, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended from time to time)
"Shangma Mine"	located at Shangma Town, Fushun City, an iron mine operated through Shangma branch of Aoniu Mining
"Shangma Mining"	Fushun Hanking Shangma Mining Co., Ltd. (撫順罕王上馬礦業有限公司), a company established in the PRC with limited liability, which was no longer a subsidiary of the Company during the period of this report
"Share(s)"	ordinary share(s) with a nominal value of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of Share(s)
"SXO"	located at Yilgarn goldfield in Western Australia (Southern Cross Operation, abbreviated as SXO)
"SXO Gold Project"	the Southern Cross Operation Gold Project located at Yilgarn goldfield in Western Australia, which was operated through the Company's subsidiary Hanking Gold Mining Pty Ltd before 20 April 2017
"US$" or "USD" or "US dollars"	United States dollars, the lawful currency of the United States
"Xingzhou Mine"	located at Dongzhou District, Fushun City, an iron mine operated through Xingzhou Mining
"Xingzhou Mining"	Fushun Hanking Xingzhou Mining Co., Ltd. (撫順罕王興洲礦業有限公司), a limited liability company established in the PRC, which was no longer a subsidiary of the Company during the period of this report