罕王
HANKING

CHINA HANKING HOLDINGS LIMITED
中國罕王控股有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock code: 03788)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

BUSINESS HIGHLIGHTS

1. *Official commencement of production of the gold mine*

After the acquisition of 100% equity interest of the SXO gold mine project located in Western Australia (the "**Australia Gold Project**") by China Hanking Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") in 2013, and through team building, exploration activities and asset maintenance, open-pit gold mining at Cornishman officially commenced in August 2014, and dry commissioning of the processing plant commenced on 18 December 2014. A total of 1,322,050 cubic meters material was mined and 14,660 tons of ore were crushed as of 31 December 2014.

In December 2014, Hanking Gold Mining Pty Ltd. ("**Hanking Gold**") also formed an alliance with a specialist underground Australian mining company to jointly develop the Nevoria East Underground Gold Mine. This alliance allowed the Company to better utilize its assets such as the processing plant and other infrastructure to increase the total gold production of the Company. The Company plans to produce 100,000 ounces gold in 2015, thus effectively increasing the value of the Australia Gold Project.

2. *Substantial increase in output and sales of iron ore concentrates*

In 2013, the phase II technology upgrading and expansion of the First Processing Plant of Aoniu Mine and the construction of the new processing plant of Maogong Mine with an annual processing capacity of 3 million tons were completed, and both plants were put into operation. This took the raw iron ore processing capacity of the Company to reach 10,000,000 tons for the first time, laying a solid foundation for the increase in output of iron ore concentrates of the Company in 2014. In 2014, the output of iron ore concentrates of the Company amounted to 1,901,000 tons, representing an increase of 15.9% as compared with the year before, and the sales of iron ore concentrates amounted to 1,940,000 tons (2013: 1,606,000 tons), representing an increase of 20.8% as compared with the year before.

3. *Continuous increase in resources*

Through two exploration programs, the total gold ore resources that complied with the Australasian Code for Reporting of Mineral Resources and Ore Reserves by the Joint Ore Reserves Committee (version 2012) ("**JORC Code**") of the Australia Gold Project have increased to 23,375,000 tons at an average grade of 3.8 gram/tonne for 2.83 million ounces, representing an increase of 425,000 ounces (increase of 18%) over those at the time of acquisition of the Australia Gold Project. The resources of the iron ore business of the Company had a net increase of 2,819 thousand tons of ore from the surroundings of existing mining license areas. As of the end of 2014, the JORC Code-compliant iron ore resources of the iron ore business of the Company amounted to 225,115 thousand tons, at a TFe grade of 28.7%.

FINANCIAL HIGHLIGHTS

The revenue of the Group in 2014 amounted to RMB1,368,652,000, representing a decrease of RMB86,853,000 or 6.0% as compared with the corresponding period of last year.

The profit for the year attributable to owners of the Company was RMB8,990,000, representing a decrease of 95.3% as compared with last year.

The basic earnings per share was RMB0.5 cent, representing a decrease of RMB10 cent as compared with last year.

The board of directors (the "**Board**") of the Company is pleased to announce the consolidated results of the Group for the year ended 31 December 2014 (the "**Annual Results for 2014**").

FINANCIAL STATEMENTS AND NOTES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	NOTES	2014 RMB'000	2013 RMB'000
Revenue	2	**1,368,652**	1,455,505
Cost of sales		**(887,981)**	(663,501)
Gross profit		**480,671**	792,004
Investment and other income	3	**24,328**	7,676
Other expenses and losses	4	**(49,066)**	(38,711)
Distribution and selling expenses		**(44,678)**	(50,726)
Administrative expenses		**(264,678)**	(309,557)
Finance costs	5	**(113,364)**	(123,178)
Profit before tax	6	**33,213**	277,508
Income tax expense	7	**(56,102)**	(123,919)
(Loss) profit for the year		**(22,889)**	153,589
Other comprehensive (expense) income:			
Items that may be subsequently reclassified to profit or loss:			
Fair value (loss) gain on available-for-sale financial assets		**(22,174)**	22,501
Exchange differences on translation of financial statements of foreign operations		**(18,820)**	(32,411)
Other comprehensive loss for the year, net of income tax		**(40,994)**	(9,910)
Total comprehensive (expense) income for the year		**(63,883)**	143,679
Profit (loss) for the year attributable to:			
Owners of the Company		**8,990**	192,661
Non-controlling interests		**(31,879)**	(39,072)
		(22,889)	153,589
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(33,067)**	182,844
Non-controlling interests		**(30,816)**	(39,165)
		(63,883)	143,679
EARNINGS PER SHARE			
– Basic and diluted (RMB cent per share)	9	**0.5**	10.5

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	NOTES	31/12/2014 RMB'000	31/12/2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,450,984**	1,376,231
Intangible assets		**1,038,886**	964,605
Prepaid lease payments		**314,534**	357,533
Deferred tax assets		**8,475**	6,476
Loan receivable from a third party		**11,300**	11,300
Deposit on acquisition of property, plant and equipment		**21,770**	28,914
Restricted cash		**4,014**	47,103
		2,849,963	2,792,162
CURRENT ASSETS			
Inventories		**137,306**	170,308
Prepaid lease payments		**63,100**	45,123
Trade and other receivables	*10*	**572,019**	422,140
Tax recoverable		**11,743**	7,872
Available-for-sale financial assets		**8,695**	47,175
Pledged bank deposits		**502,453**	460,000
Bank balances and cash		**299,587**	369,995
		1,594,903	1,522,613
CURRENT LIABILITIES			
Trade and other payables	*11*	**425,859**	352,695
Borrowings	*12*	**1,636,485**	1,385,444
Loans payable to non-controlling interest of a subsidiary		**3,173**	3,873
Consideration payable		**82,683**	86,943
Tax liabilities		**31,567**	74,496
		2,179,767	1,903,451
NET CURRENT LIABILITIES		**(584,864)**	(380,838)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,265,099**	2,411,324

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	NOTES	31/12/2014 RMB'000	31/12/2013 RMB'000
CAPITAL AND RESERVES			
Share capital	13	**149,137**	149,137
Reserves		**1,022,139**	1,091,806
Equity attributable to owners of the Company		**1,171,276**	1,240,943
Non-controlling interests		**228,458**	259,274
TOTAL EQUITY		**1,399,734**	1,500,217
NON CURRENT LIABILITIES			
Borrowings	12	**589,683**	482,651
Consideration payable		**206,652**	355,261
Rehabilitation provision		**68,090**	71,115
Retirement benefit obligations		**940**	2,080
		865,365	911,107
		2,265,099	2,411,324

Notes:

1. GENERAL INFORMATION

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

The address of principal place of business of the Company in Hong Kong is 36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

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

The Company is an investing holding company. The Group is principally engaged in mining and processing of iron ore, nickel ore and gold.

2. REVENUE

	2014	2013
	RMB'000	*RMB'000*
Iron ore concentrates	**1,347,329**	1,372,505
Nickel ore	**15,117**	82,293
Sales of raw and leftover materials	**6,206**	707
	1,368,652	1,455,505

3. INVESTMENT AND OTHER INCOME

	2014	2013
	RMB'000	*RMB'000*
Bank interest income	**22,168**	6,448
Government grants *(note)*	**412**	375
Dividends from equity investments	**946**	598
Others	**802**	255
	24,328	7,676

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

4. OTHER EXPENSES AND LOSSES

	2014 *RMB'000*	2013 *RMB'000*
Net foreign exchange loss	**14,557**	35,873
Loss on disposal of property, plant and equipment	**10,223**	819
Donations	**380**	1,510
Impairment loss on financial assets		
– available-for-sale equity investments	**21,747**	–
Others	**2,159**	509
	49,066	38,711

5. FINANCE COSTS

	2014 *RMB'000*	2013 *RMB'000*
Interests on bank borrowings wholly repayable within five years	**96,443**	80,162
Interests on bills discounted with no recourse	**1,444**	14,923
Imputed interest of consideration payable	**14,343**	26,856
Unwinding of discounts on provisions	**1,134**	1,237
	113,364	123,178

6. PROFIT BEFORE TAX

Profit before taxation has been arrived at after charging (crediting):

	2014 *RMB'000*	2013 *RMB'000*
Cost of inventories recognised as an expense	**765,997**	562,484
Auditors' remuneration	**2,500**	2,500
Release of prepaid lease payments	**51,982**	46,945
Impairment loss of property, plant and equipment	**7,909**	3,996
Write-down of inventories (included in cost of sales)	**7,693**	1,455
Impairment loss (reversal of impairment) on other receivables	**1,189**	(117)
Depreciation and amortisation:		
– Property, plant and equipment	**172,527**	96,212
– Intangible assets (included in cost of sales and administrative expenses)	**15,114**	21,418
	187,641	117,630
Staff costs (including directors):		
– Salary and other benefits	**155,640**	211,784
– Retirement benefits scheme contributions	**21,947**	20,653
	177,587	232,437

7. INCOME TAX EXPENSE

	2014	2013
	RMB'000	*RMB'000*
Income tax expenses comprise:		
PRC enterprise income tax ("**EIT**") – current	**56,999**	124,486
Under provision in prior years	**1,102**	757
Deferred tax – current year	**(1,999)**	(1,324)
	56,102	123,919

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

China Hanking Investment Limited ("**Hanking Investment**"), China Hanking (BVI) International Limited ("**Hanking International**") and Hanking (Indonesia) Mining Limited ("**Hanking (Indonesia)**") were incorporated in the British Virgin Islands ("**BVI**") and are not subject to income tax of any jurisdiction during the year (2013:nil).

China Hanking Hong Kong Limited ("**Hanking HK**"), Denway Development Limited, City Globe Limited and Harvest Globe Limited were incorporated in Hong Kong and Hong Kong Profits Tax rate is 16.5% (2013:16.5%). These companies have no assessable profits subject to Hong Kong profits tax during the current year (2013: nil).

Hanking Australia Pty Ltd. ("**Hanking Australia**") and Hanking Gold were incorporated in Australia and Australia profits tax rate is 30% (2013: 30%). These companies have no assessable profits subject to Australia profits tax during the current year (2013: nil).

Subsidiaries of Hanking (Indonesia) were incorporated in Indonesia and Indonesia profits tax rate is 25% (2013: 25%). These companies have no assessable profits subject to Indonesia profits tax during the current year (2013: nil).

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

	2014	2013
	RMB'000	*RMB'000*
Profit before tax	**33,213**	277,508
Tax at the PRC income tax rate of 25% (2013:25%)	**8,303**	69,377
Tax effect of expenses that are not deductible for tax purpose	**7,149**	14,294
Tax effect of income that are not taxable for tax purpose	**–**	(1,597)
Effect of different tax rate of subsidiaries	**(526)**	9,427
Tax effect of tax losses/deductible temporary differences not recognised	**43,660**	32,306
Utilisation of deductible temporary differences not recognised in prior years	**(3,586)**	(645)
Under provision in prior years	**1,102**	757
	56,102	123,919

8. DIVIDENDS

	2014	2013
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2013 Final – RMB2.0 cents		
(2013: 2012 Final – RMB2.0 cents) per share	**36,600**	36,600

The Board did not propose final dividend in respect of the year ended 31 December 2014 (2013: final dividend of RMB2.0 cents per share in respect of the year ended 31 December 2013 (total: RMB36,600,000)).

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company of RMB8,990,000 (2013: RMB192,661,000) and the weighted average number of 1,830,000,000 shares (2013: 1,830,000,000 shares).

Diluted earnings per share presented is the same as basic earnings per share as the Company did not have dilutive potential ordinary shares in issue in both 2014 and 2013.

10. TRADE AND OTHER RECEIVABLES

	31/12/2014	31/12/2013
	RMB'000	*RMB'000*
Trade receivables		
– related parties	**36,569**	8,776
– third parties	**88,253**	57,266
	124,822	66,042
– bills receivables	**209,955**	128,848
	334,777	194,890
Other receivables		
– advance to suppliers	**17,016**	15,868
– interest receivable on bank deposits	**10,413**	755
– deposits *(note)*	**26,840**	24,091
– deposit for resource tax	**123,912**	145,911
– value-added tax recoverable	**23,079**	11,427
– staff advances	**13,827**	5,636
– others	**22,155**	23,562
	237,242	227,250
Total trade and other receivables	**572,019**	422,140

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

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

	31/12/2014	31/12/2013
	RMB'000	*RMB'000*
Within 7 days	**33,044**	64,713
8 days to 3 months	**91,778**	1,329
	124,822	66,042

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

Movement in the allowance for trade receivable

	2014	2013
	RMB'000	*RMB'000*
Opening and closing balance	**182**	182

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

	31/12/2014	31/12/2013
	RMB'000	*RMB'000*
8 days to 3 months	**91,778**	1,329

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

Movement of allowance for doubtful debts on other receivables

	2014	2013
	RMB'000	*RMB'000*
Opening balance	**1,604**	1,721
Impairment losses recognised	**1,189**	–
Impairment losses reversed	**–**	(117)
Closing balance	**2,793**	1,604

11. TRADE AND OTHER PAYABLES

	31/12/2014	31/12/2013
	RMB'000	*RMB'000*
Trade payable		
– related parties	**6,724**	6,970
– third parties	**77,840**	45,467
	84,564	52,437
– bills payable	**35,851**	7,345
	120,415	59,782
Other payables		
– advance from customer *(Note a)*	**30,000**	78,291
– other tax payables	**14,018**	16,601
– acquisition of property plant and equipment	**153,689**	131,306
– outsourced service payable	**6,586**	12,235
– transportation fee payable *(Note b)*	**27,565**	13,930
– accrued expenses	**40,167**	7,953
– salary and bonus payables	**11,727**	9,112
– interest payable	**7,673**	2,830
– others	**14,019**	20,655
	305,444	292,913
	425,859	352,695

Notes:

a) As at 31 December 2014, the Group has pledged prepaid lease payments of having a carrying amount of approximately RMB15,006,000 (31 December 2013: RMB15,337,000) to secure the advance from a customer of RMB30,000,000 (31 December 2013: RMB60,000,000) for purchase of iron ore.

b) Amounts of approximately RMB10,555,000 (2013: RMB7,350,000) was due to Fushun Mingyang Transportation Co., Ltd. (撫順名揚運輸有限公司) as at 31 December 2014. Fushun Mingyang Transportation Co., Ltd. is wholly owned by Mr. Yang Xinhuan, the nephew of Ms. Yang Min.

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

	31/12/2014	31/12/2013
	RMB'000	*RMB'000*
Within 3 months	**66,728**	44,739
3 months to 1 year	**14,108**	1,963
1 year to 2 years	**1,384**	4,843
2 years to 3 years	**1,528**	692
Over 3 years	**816**	200
	84,564	52,437

12. BORROWINGS

	31/12/2014	31/12/2013
	RMB'000	*RMB'000*
Secured bank loans		
Fixed-rate	**1,387,758**	950,000
Floating-rate *(note)*	**838,410**	848,095
	2,226,168	1,798,095
Unsecured fixed-rate bank loans	**–**	70,000
	2,226,168	1,868,095
Amount repayable:		
Due within one year (amount shown under current liabilities)	**1,636,485**	1,385,444
More than one year, but not exceeding two years (amount shown under non-current liabilities)	**589,683**	482,651
	2,226,168	1,868,095
Effective interest rates of bank borrowings	**5.58%**	4.34%

Note: The floating-rate bank loans of RMB40,000,000 carry interest at 108% of the interest rate of RMB loan promulgated by the People's Bank of China. The United States dollar loans of RMB798,410,000 carry 3-month LIBOR plus 100-255 base points of the interest rate.

The bank borrowings of RMB887,758,000 (31 December 2013: RMB500,000,000) were secured by the mining rights with carrying amounts of RMB284,404,000 (31 December 2013: RMB287,150,000). The bank borrowings of RMB798,410,000 were (31 December 2013: RMB798,095,000) secured by the letter of credit of the Group. The bank borrowings of RMB540,000,000 (31 December 2013: RMB170,000,000) were guaranteed by the related parties Ms. Yang Min and Hanking Industrial Group Co., Ltd.. At 31 December 2013, bank borrowings of RMB330,000,000 were secured by bank deposits of RMB460,000,000.

13. SHARE CAPITAL

The amount as at 31 December 2014 and 2013 represented the then issued share capital of the Company. Details of movement of share capital of the Company are as follow:

	Number of shares		**Share capital**	
	2014	2013	**2014**	2013
	'000	*'000*	***RMB'000***	*RMB'000*
Ordinary shares of HK$0.1 each				
Authorised				
At 1 January and 31 December 2014	**10,000,000**	10,000,000	**N/A**	N/A
Issued				
At 1 January and 31 December 2014	**1,830,000**	1,830,000	**149,137**	149,137

All shares in issue rank pari passu in all respects.

OPERATION REVIEW

Iron ore business

1. Operation review

In 2013, the phase II technology upgrading and expansion of the First Processing Plant of Aoniu Mine and the construction of the new processing plant of Maogong Mine with an annual processing capacity of 3 million tons were completed, and both plants were put into operation. This took the raw iron ore processing capacity of the Company to reach 10,000 thousand tons for the first time, laying a solid foundation for the increase in output of iron ore concentrates of the Company in 2014. In 2014, the output of iron ore concentrates of the Company amounted to 1,901 thousand tons, representing an increase of 15.9% as compared with the previous year.

In 2014, the price of iron ore continued to fall, mainly due to the oversupply resulting from the mass production of iron ore around the world. The tightening of financing and shortage in cash position for the iron ore industry, and the occurrence of risk events also led to the plunge in iron ore prices. In light of these market conditions, the Company further improved the quality and grade of iron ore concentrates, adjusted sales strategies, and strictly controlled costs, which ensured the smooth and orderly production, sales and operations. In 2014, the average selling price of iron ore concentrates produced by the Company was RMB691/ton (2013: RMB854/ton), representing a year-on-year decrease of 19.1%.

Considering the market condition of declining price of iron ore concentrates, the Company proactively adopted a number of measures, including increasing the frequency of communication with customers, strengthening product transportation arrangements and ensuring the smooth sales and collection of accounts receivable, such that all major iron ore mines achieved zero inventory by the end of the year. As of 31 December 2014, the sales volume of iron ore concentrates amounted to 1,940 thousand tons (2013: 1,606 thousand tons).

In 2014, the Company saw the market downturn as an opportunity to carry out a special efficiency assessment and profitability analysis on each open-pit mining area in respect of various practical problems occurring in the course of open-pit mining. The Company adjusted its production layout on the principle of "efficiency first", which effectively improved the production output structure. Meanwhile, the Company adjusted the direction of investment to projects with high efficiency in terms of output-to-input ratio, concentrating on the processing technological transformation projects of mines. While the new processing plant of Maogong Mine needs to be further optimized, the processing technological transformation projects of other mines in general have been completed, which improved the production efficiency in 2014 and laid foundation for the implementation of 2015 production plans.

In 2014, the revenue of iron ore business of the Company was RMB1,349,784,000 (2013: RMB1,373,212,000), representing a year-on-year decrease of 1.7%, with earnings before interest, taxes, depreciation and amortization (“**EBITDA**”) of RMB479,633,000 (2013: RMB647,116,000), representing a year-on-year decrease of RMB167,483,000, which was mainly due to the decline of the average selling price of iron ore concentrates and the increase in underground mining production. The profit margin of EBITDA was 35.5% (2013: 47.1%), representing a decrease of 11.6 percentage points as compared with the previous year.

The average cash operation cost of all mines was RMB389 (2013: RMB354) per ton of iron ore concentrates. The increase in cash operation costs was mainly due to the increase in costs as a result of expansion of underground mining at Aoniu Mine in 2014. Despite the increase in cash operation costs of the iron ore business in 2014, the Group has continued to maintain the apparent core competitive advantage of low cost over peers in the industry.

The breakdown of cash operation costs is shown below:

	For the year ended 31 December		
(RMB/ton of iron ore concentrate)	**2014**	2013	Change
Mining	**153**	129	24
Processing	**117**	104	13
Transportation	**21**	21	0
Tax	**62**	63	-1
Mine Management	**37**	37	0
Total	**389**	354	35

2. Operating mines

1) Aoniu Mine

Aoniu Mine is located in the township of Hou'an, Fushun County, Fushun City, and is operated by the Company through its subsidiary Fushun Hanking Aoniu Mining Limited ("**Aoniu Mining**"). Aoniu Mine owns mining licenses covering areas totaling 1.8911 square kilometers ("**km²**") and has extensive infrastructures including highways, water and electricity supplies, and etc. As of the end of 2014, there were three mining establishments at Aoniu Mine, of which No.1 and No.2 are open-pit mines and No.3 is an underground mine. Iron ores from the open-pit mines were supplied to the First Processing Plant, while those from No.3 underground mine were supplied to the Second Processing Plant. In 2013, No.3 underground mine entered into an "underground mining construction contract" with an independent third party, who was responsible for the underground mining establishment/development works and was engaged to undertake underground mining. As of the end of 2014, the main components of underground mining establishment/development works were completed, and the work of shaft and drift development amounted to 10,194 meters/95,917 cubic meters. Underground mining above the level of 315 meters commenced officially when the underground mining license was granted on 6 January 2014.

Aoniu Mine has two processing plants with an annual ore processing capacity of 3 million tons. The phase III technology upgrading of the First Processing Plant was completed in 2014, and both the First and Second Processing Plant possessed the capability of producing iron ore concentrates with a grade of 69%. These plants began to produce such high quality iron ore concentrates at the end of 2014, so as to adapt to the market trend and achieve profit maximization.

Aoniu Mine	**For the year ended 31 December**	
	2014	2013
Output of iron ore concentrates (thousand tons)	**1,019**	787
Sales amount of iron ore concentrates (thousand tons)	**1,045**	764
Mining costs (RMB per ton of iron ore concentrate)	**150**	99
of which, underground mining by contractor	**54**	N/A
Processing costs (RMB per ton of iron ore concentrate)	**114**	131
Government tax (RMB per ton of iron ore concentrate) (*Note 1*)	**62**	56
Freight on sales (RMB per ton of iron ore concentrate) (*Note 2*)	**29**	30

Note 1: Government tax per ton of iron ore concentrate increased as a result of increase in business taxes and surcharges due to increased sales amount.

Note 2: As transportation service was provided by third parties, freight on sales represented prices of the transportation contracts.

As of the end of 2014, the power line rollout and installation works of the 66KV transformer station, the technology upgrading project of the processing plant and the construction of the contingent storage pond of the tail dam at Aoniu Mine were completed, and the main components of the underground mining establishment/development works were completed. In 2014, the capital expenditure of Aoniu Mine was RMB28,058,000, of which expenditure for acquisition of lands amounted to RMB4,163,000, and expenditure for plant buildings and equipments amounted to RMB21,108,000. The capital commitment amounted to RMB8,499,000.

2) *Maogong Mine*

Maogong Mine is located in the township of Shiwen, Fushun County, Fushun City, and is operated by the Company through its subsidiary Fushun Hanking Maogong Mining Co., Ltd. ("**Maogong Mining**"). Maogong Mine owns mining licenses covering areas totaling 2.37 km^2, and has extensive infrastructures including highways, water and electricity supplies. In 2014, Maogong Mine was mainly engaged in open-pit mining, while an independent third party was engaged to undertake the shaft and drift development of the underground mining works and the mining at the stage of infrastructure construction. As of the end of 2014, the construction of main shaft and the excavation of the east ventilation shaft of the underground mining works were completed, which amounted to 2,781.22 meters/83,091 cubic meters of shaft and drift development. Maogong Mine currently has two processing plants with an annual ore processing capacity of 3 million tons.

Maogong Mine	**For the year ended 31 December**	
	2014	2013
Output of iron ore concentrates (thousand tons)	**381**	374
Sales amount of iron ore concentrates (thousand tons)	**387**	364
Mining costs (RMB per ton of iron ore concentrate)	**209**	143
Processing costs (RMB per ton of iron ore concentrate)	**184**	104
Government tax (RMB per ton of iron ore concentrate)	**67**	54
Freight on sales (RMB per ton of iron ore concentrate) *(Note)*	**9**	9

Note: As transportation service was provided by third parties, freight on sales represented prices of the transportation contracts.

The increase of mining and processing costs was due to mining at the low grade area in 2014.

In 2014, Maogong Mine focused on the shaft and drift development of the underground mining works. As of 31 December 2014, the capital expenditure of Maogong Mine was RMB90,931,000, of which expenditure for acquisition of lands amounted to RMB5,896,000, and expenditure for plant buildings and equipments amounted to RMB83,331,000. The capital commitment amounted to RMB169,383,000.

3) Benxi Mine

Benxi Mine is located in Pingshan District, Benxi City, and is operated by the Company through its subsidiary Benxi Hanking Mining Co., Ltd. ("**Benxi Mining**"). Benxi Mine owns mining licenses covering areas totaling 0.25 km^2, and has extensive infrastructures including highways, water and electricity supplies. In 2014, shaft and drift development works were completed, and the focus of task has shifted to mining development. An independent third party was engaged by Benxin Mine to undertake the underground mining. In addition, the power transmission and distribution civil and installation works for the new 66KV transformer station were completed in 2014.

Pursuant to the iron ore processing service agreement entered into with Benxi Hanking Iron Processing Co., Ltd. ("**Benxi Iron Processing**"), Benxi Mining engaged Benxi Iron Processing to provide iron ore processing service. Please refer to the section "Non-exempt Continuing Connected Transactions" in the 2014 annual report of the Company for details.

Benxi Mine	**For the year ended 31 December**	
	2014	2013
Output of iron ore concentrates (thousand tons)	**270**	266
Sales amount of iron ore concentrates (thousand tons)	**273**	251
Mining costs (RMB per ton of iron ore concentrate) *(Note 1)*	**534**	309
of which, underground mining by contractor	**252**	135
Processing costs (RMB per ton of iron ore concentrate)	**166**	186
of which, ore processing by contractor	**104**	121
Government tax (RMB per ton of iron ore concentrate)	**55**	79
Freight on sales (RMB per ton of iron ore concentrate)	**N/A** *(Note 2)*	10

Note 1: The main reasons for the increase in mining costs included (1) depreciation charge was provided for the underground mining works after they were designated as fixed assets in January 2014, while no depreciation charge was included in the mining costs in 2013 as the underground mining works had not been inspected and accepted in the year; and (2) underground mining was adopted throughout 2014.

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

As of 31 December 2014, the capital expenditure of Benxi Mine was RMB23,731,000, of which expenditure for plant buildings and equipments amounted to RMB20,319,000.

4) Xingzhou Mine

Xingzhou Mine is located in Dongzhou District, Fushun City, and is operated by the Company through its subsidiary Fushun Hanking Xingzhou Mining Limited ("**Xingzhou Mining**"). Xingzhou Mine owns mining licenses covering areas totaling 1.2935 km^2, and has extensive infrastructures including highways, water and electricity supplies. Xingzhou Mine has two processing plants with an annual iron ore processing capacity of 1.5 million tons. In order to improve productivity and facilitate sustainable development, the Company launched the overall project planning for the processing plant of Xingzhou Mine, and production at Xingzhou Mine was suspended in the second half of 2014. This project planning will also be the priority task for Xingzhou Mine and the Company in 2015.

Xingzhou Mine	**For the year ended 31 December**	
	2014	2013
Output of iron ore concentrates (thousand tons)	**76**	67
Sales amount of iron ore concentrates (thousand tons)	**77**	80
Mining costs (RMB per ton of iron ore concentrate)	**189**	233
of which: outsourced	**96**	N/A
Processing costs (RMB per ton of iron ore concentrate)	**269**	389
Government tax (RMB per ton of iron ore concentrate)	**71**	142.25
Freight on sales (RMB per ton of iron ore concentrate) *(Note)*	**20**	19

Note: As transportation service was provided by third parties, freight on sales represented prices of the transportation contracts.

In 2014, the capital expenditure of Xingzhou Mine was RMB20,129,000, of which expenditure for acquisition of lands amounted to RMB13,018,000, and expenditure for plant buildings and equipments amounted to RMB7,111,000. The capital commitment amounted to RMB975,000.

5) Shangma Mine

Shangma Mine is located at the center of the iron ore belt in Fushun City, which is situated between Aoniu Mine and Xingzhou Mine, serving as a link connecting the two major mines. Shangma Mine owns mining licenses covering areas totaling 4.9849 km^2. Given the large areas of land taken by open-pit mining and the higher mining costs of Shangma Mine, the Company conducted comprehensive and systematic planning on the mining operation of the area with high growth potential, and decided to transform the overall mining operation at Shangma Mine to underground mining and closed the open pits. In 2014, Shangma Mine focused on the construction of the underground mining development works, among which, shaft and drift development works amounted to 3,833.6 meters/26,508.78 cubic meters for No.4 Mining Area, and production stage development has commenced. In Yanghu Beishan Mining Area, shaft and drift development works amounted to 949.7 meters/8,107 cubic meters.

Shangma Mine	**For the year ended 31 December**	
	2014	2013
Output of iron ore concentrates (thousand tons)	**154**	147
Sales amount of iron ore concentrates (thousand tons)	**158**	147
Mining costs (RMB per ton of iron ore concentrate)	**341**	390
Processing costs (RMB per ton of iron ore concentrate)	**192**	178
Government tax (RMB per ton of iron ore concentrate)	**69**	60
Freight on sales (RMB per ton of iron ore concentrate) *(Note)*	**28**	30

Note: As transportation service was provided by third parties, freight on sales represented prices of the transportation contracts.

As of 31 December 2014, the capital expenditure of Shangma Mine was RMB37,647,000, of which, expenditure for acquisition of lands amounted to RMB1,941,000, expenditure for plant buildings and equipments amounted to RMB27,970,000 and expenditure for intangible assets amounted to RMB7,736,000. The capital commitment amounted to RMB175,938,000.

GOLD MINING BUSINESS

1. Operating review

The Company acquired the 100% equity interest of the Australia Gold Project in 2013, and discovered the Frasers South gold deposit, carried out exploration, asset maintenance and team building. Gold mining business of the Company achieved the following breakthroughs in 2014:

(1) built a competent and efficient gold mining management and operation team with experts in safety and environmental protection, surveying, mining, processing and metallurgy, laying a solid foundation for the long-term growth of Hanking Gold;

(2) based on the concept of "achieving efficiency through scientific management", established the systematic Enterprise Resource Planning (EPR) management system to implement cost management;

(3) designed and implemented the Cornishman drilling program, which increased the JORC Code-compliant resources at Cornishman gold deposit for 20 times. As of the end of 2014, the JORC Code-compliant gold resources of the Australia Gold Project was increased to 23,375 thousand tons at an average grade of 3.8 gram/ton for 2.83 million ounces, representing an increase of 425,000 ounces (increase of 18%) as compared to that as at the date of acquisition. As of the end of 2014, the JORC Code-compliant gold reserves of the Australia Gold Project which were included in phase I mining plan amounted to 330 thousand tons at an average grade of 3.4 gram/ton for 364 thousand ounces gold;

(4) open pit gold mining at Cornishman Gold Mine commenced on 28 August 2014 and 1,322,050 cubic meters of material was mined by 31 December 2014;

(5) successfully completed the refurbishment and technical innovation of the processing plant. The plant dry commission started on 18 December 2014 and 14,660 tons of ores were crushed by 31 December 2014;

(6) Hanking Gold and Pit N Portal Corporate Service Pty ("**PNP**", a specialized underground mining service in Australia) formed an alliance to jointly develop the Nevoria East Underground Gold Mine. This partnership allowed the Company to better utilize its assets including the processing plant and other infrastructure to increase the total gold production and reduce unit costs of the Company, thus effectively increasing the value of the Australia Gold Project.

In 2014, the gold ore business division of the Company did not have any sale, but focused on exploration, stripping and processing plant refurbishment. As at 31 December 2014, the EBITDA of the gold mining business was RMB-32,615,000, representing a year-on-year increase of RMB11,493,000, and the capital expenditure amounted to RMB130,971,000 (31 December 2013: RMB44,108,000).

2. Gold production

In light of the market conditions and the Company's actual situation, the Company developed a gold mining business strategy with low investments and quick returns. Guided by this strategy, Hanking Gold cooperated with Entech Pty Ltd and Como Engineering Pty Ltd ("**Como**") respectively from early 2014 to conduct feasibility studies and issue reports in respect of gold mining design and optimized design of processing plant of the Australia Gold Project. According to the feasibility studies, the Company's phase I mining plan included four open-pit gold mines, namely Cornishman, Nevoria, Frasers and Aquarius, with operating duration of four years. Meanwhile, Hanking Gold completed the feasibility study on Nevoria East Underground Gold Mine in September 2014, which is designed to operate for two years. The Company is carrying out the feasibility study and design of phase II mining plan, which will greatly extend the life of the mine.

1) Processing plant refurbishment

According to the feasibility studies, all ores will be processed in the central processing plant at Marvel Loch (the "**Processing Plant**") owned by Hanking Gold, which has a production capacity of 2.4 million tons/year. The Processing Plant had been under maintenance since its acquisition. Therefore, on 28 July 2014, Hanking Gold and Como entered into a processing plant refurbishment contract, pursuant to which, Hanking Gold cooperated with Como in respect of the refurbishment and optimization of the Processing Plant, including installation, refurbishment and construction. The refurbishment was completed by Como in November 2014 in accordance with the contract, and accepted by Hanking Gold in late November 2014. The program greatly enhanced the reliability and overall operating efficiency of the Processing Plant for gold production in 2015.

2) Open-pit mining

Following the evaluation of 10 companies participating in the tender, Hanking Gold and Watpac Limited ("**Watpac**", a specialized mining service company) entered into a mining service agreement in respect of open-pit mining project on 31 July 2014. Watpac provides services including drilling, blasting, loading, unloading and hauling which shall comply with the requirements of Australian laws regarding production safety and environmental protection. On 28 August 2014, Hanking Gold officially commenced stripping operations at the open pit of Cornishman, targeting to complete the stripping amount of 1.2 million cubic meters in 2014. As of 31 December 2014, the actual stripping amount was 1,322,050 cubic meters. The total service fees paid by Hanking Gold to Watpac amounted to AUD5,926,407 (including goods and service tax).

3) Nevoria East underground mining

In December 2014, Hanking Gold and PNP, an Australia-based company, entered into a strategic partnership agreement to jointly develop the Nevoria East Underground Gold Mine. As of 31 December 2014, the project excavated 23,159 tons of waste rock and completed 264 meters decline development.

4) Ore transportation

Ores need to be transported directly from mines to Marvel Loch Processing Plant. For example, ores from Cornishman and Nevoria Gold Mines (including Nevoria East Underground Gold Mine) will be transported to the processing plant through the Hanking Gold haulage roads, while those from Aquarius and Frasers Gold Mines will be transported to Cornishman Gold Mine through public road and then onto the Hanking Gold haulage road before arriving at the processing plant.

Through open tendering, Hanking Gold entered into a transportation service agreement with Hampton Transport Services Pty Ltd. ("**Hampton**", a well-known transportation company) on 7 August 2014, entrusting Hampton to provide ore transportation, large ore crushing and other services. The contract took effect from 28 August 2014. The service fees were determined based on the unit price as stipulated in the contract and the actual quantity of transported and crushed ores. Hampton began to provide ore transportation and related services from October 2014. As of 31 December 2014, Hampton transported a total of 32,600 tons of ores, and was paid by Hanking Gold the service fees totaling AUD270,002 (including fixed costs and goods and service tax).

5) Production technology and process

The processing plant of the Australia Gold Project adopts the industry-proven carbon in pulp (CIP) production technology, and dry commission commenced on 18 December 2014. As at 31 December 2014, a total of 14,660 tons of ores were crushed. It is expected to process 1,200 thousand tons of ores in 2015.

Production process: ore will be crushed by tertiary crushers into a particle size of about 12 millimeters and stored in fine ore bin. The ore will then be grinded to about 150 microns with ball mills. Coarse native gold will be extracted through a Nelson Acacia gravity separation system, while finer gold will be extracted by means of tank leaching and activated carbon adsorption. After being further extracted through electrolysis, the gold will be poured into gold dore at the gold room before delivery to the Perth Mint for sale.

3. Developments of gold mines

1) Potential exploration

Upon the completion of acquisition of 100% equity interest of the Australia Gold Project in 2013, the resources and reserves of Hanking Gold further expanded, demonstrating the capability of the Company's management team and the great potential of the Australia Gold Project. With the existing mining rights and resources, the Company will continue to carry out resources upgrade and feasibility studies to convert more underground resources into JORC Code-compliant reserves for development, so as to maximize the value of mines.

2) Partnership in mining

As a mining partner of Nevoria East Underground Gold Mine, PNP is an Australian company specialized in mining equipments and underground mining services with extensive experience in low-cost underground mining. The key production management and technical personnel of PNP previously worked at the Australia Gold Project, so they are familiar with the local conditions. Profits will be distributed between both parties by way of profit sharing. Therefore, the partnership can maximize PNP's strengths in underground mining equipments and low-cost underground mining techniques, and better utilize the existing assets of Hanking Gold, such as the processing plant and other infrastructure, achieving synergies and economies of scale as well as win-win cooperation.

Based on this cooperation, Hanking Gold will explore more potential cooperation opportunities in respect of other assets covered by its mining rights over an area of 930 km^2.

3) Acquisition of mining rights of surrounding areas

In 2014, Hanking Gold completed the acquisition of a mining right over the northern part of Cornishman Gold Mine. The drilling works in 2014 and subsequent resources assessment further showed that the northern part had great potential to become another open pit. The acquisition expanded the total resources of Cornishman Gold Mine, and is useful in our open-pit mining plan at the northern part of Cornishman Gold Mine.

NICKEL ORE BUSINESS

To implement the Law on Mineral and Coal Mining (No. 4 of 2009, Laws of Indonesia), Indonesian government authorities promulgated a regulation on 13 January 2014, pursuant to which all holders of mining production operation licenses shall undertake mineral processing and refining within the territory of Indonesia in order to export a certain amount of products. In addition, the Ministry of Energy and Mineral Resources of the Republic of Indonesia formulated the Regulation of the Minister of Energy and Mineral Resources No. 1 of 2014 on the increase of added value of mineral through mineral processing and refining activities in Indonesia, which imposes timing and quantitative restrictions on export of extracted mineral products as well as the minimum standards on refining and purification in Indonesia. Therefore, as of 31 December 2014, the Group mined 183.7 thousand tons of nickel ore (2013: 780 thousand tons), and achieved sales of 60.5 thousand tons (2013: 315 thousand tons).In order to develop the abundant nickel resources of the Indonesia project, the Company must, in accordance with Indonesian laws, construct smelting plant for producing ferronickel products in Indonesia. In 2014, the Company incorporated PT Hanking Makmur Nickel Smelt as the entity for the smelting project. In 2014, in respect of mining and smelting of nickel ore, following preparatory works were done by Indonesia Project Company:

1. Site preparation for construction phase I smelter project was basically completed in the port area;

2. In Sarimukti camp, an independent assay laboratory of 1,100 square meters has been built in an area of 1 hectare and put into use. It is equipped with X-ray fluorescence analyzers which can perform assay on a complete set of composition analyses on minerals;

3. Under the government's coordination and cooperation, a 5.4 kilometers county-level road was built in the mining area of PT. Stargate Pasific Resources and open to traffic on 29 October 2014, which directly connects the smelting camp with external roads;

4. Construction of a 16 kilometers road connecting the mining area of North Park to the jetty of PT Bhumi Swadaya Mineral ("**Jetty BSM**") was completed, contributing to the development of an internal transportation system;

5. At Jetty BSM, 8 berths for barges of 3,000 tons and above were built, and the site with an area of nearly 5 hectares stockpiled more than 500,000 tons of ores. The annual handling capacity of Jetty BSM is more than 6 million tons;

6. K7 platform in the North Park was completed, which can store 500,000 tons of ores in transit. Corridor for the conveyer belt from the mining area to K7 platform has been cleared; and

7. Camp construction: four camps including Sarimukti, PT Karyatama Konawe Utara, Molore and K7 platform were basically completed. Together with Langgikima guest house, a living quarter combination of "four camps and one guest house" was formed.

As of 31 December 2014, being affected by the Export Bans, the Group's revenue of nickel ore business was RMB18,868,000, representing a year-on-year decrease of RMB63,425,000. The capital expenditure amounted to RMB41,818,000 (2013: RMB111,151,000), and the capital commitment was RMB69,119,000.

FINANCIAL REVIEW

1. Income, Cost of Sales, Gross Profit

For the year of 2014, the Group's revenue was RMB1,368,652,000, representing a decrease of RMB86,853,000 or 6.0% over the corresponding period of last year, mainly due to the decrease of RMB67,176,000 in revenue from nickel ore business as compared to the corresponding period of last year after suspension of production, while the impact of growth in sales volume on revenue also being partly offset by the decrease in selling price of iron ore concentrates.

For the year of 2014, the Group's cost of sales was RMB887,981,000, representing an increase of RMB224,480,000 or 33.8% over the corresponding period of last year, mainly attributable to the increase in the sales volume of iron ore concentrates and the rising production costs due to the transition to underground mining of the iron ore mines.

For the year of 2014, the Group's gross profit was RMB480,671,000, representing a decrease of RMB311,333,000 or 39.3% over the corresponding period of last year. As compared to the corresponding period of last year, gross profit margin of the Group declined significantly from 54.4% to 35.1% in 2014 which was mainly due to the slipping of the average unit selling price of iron ore concentrates and the rising production costs due to the transition to underground mining of the iron ore mines.

2. Other Income and Expenses

For the year of 2014, the Group's other income was RMB24,328,000, representing an increase of RMB16,652,000 or 216.9% over the corresponding period of last year. Other income mainly included interest income and investment income.

For the year of 2014, the Group's other expenses were RMB49,066,000, representing an increase of RMB10,355,000 or 26.7% over the corresponding period of last year. For the main reasons of such increase, please refer to paragraph 5 "The Profit and Losses on Changes in Fair Values of Available-for-Sale Financial Assets" as set out in this section. Other expenses consisted of asset impairment losses, foreign exchange loss, loss from disposal of properties, plants and equipment, charity donation and other overheads.

3. Selling and Distribution Expenses, Administrative Expenses

For the year of 2014, the selling and distribution expenses of the Group were RMB44,678,000, representing a decrease of RMB6,048,000 or 11.9% as compared to the corresponding period of last year, which was mainly due to the suspension of production in nickel mine. Selling and distribution expenses consisted of transportation expenses, labour expenses and others.

For the year of 2014, the administrative expenses of the Group were RMB264,678,000, representing a decrease of RMB44,879,000 or 14.5% as compared to the corresponding period of last year. Administrative expenses included remuneration paid to the Group's management and administrative staff, depreciation and amortization, leasing and office expenses, business development expenses, professional consultation and service expenses, taxation expenses, bank charges, inventory depreciation reserves, accrued doubt debt reserves and others.

4. Financing Cost, Income Tax Expense

For the year of 2014, the financing costs of the Group were RMB113,364,000, which decreased by RMB9,814,000 or 8.0% as compared to the corresponding period of last year. The decrease was mainly due to the decrease in amortization expenses of the long-term payables. Financing costs included bank borrowing interest expenses, discount expenses and other financing expenses and the amortization of the long-term payable discount charges. For the year of 2014, the income tax expenses of the Group were approximately RMB56,102,000, which decreased by RMB67,817,000 or 54.7% as compared to the corresponding period of last year. Income tax expenses included the total amount of current tax payable and deferred tax.

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

For the year of 2014, the aggregate fair value losses and impairment loss on available-for-sale financial assets of the Group were RMB43,921,000, of which RMB22,174,000 was incurred by offsetting the revenue recognized in profit of the period in the previous year and RMB21,747,000 was recognized in other expenses. Such losses were attributed to the impairment loss of the shares of the Australian listed company held by the Group.

6. Profit and Total Comprehensive Income for the Year

Based on the reasons mentioned above, the profit of the Group for the year was RMB-22,889,000, representing a decrease of RMB176,478,000 or 114.9% as compared to last year. The profit for the year attributable to owners of the Company was RMB8,990,000, representing a decrease of 95.3% as compared to last year.

Based on the profit for the year, and affected by the losses on changes in fair values of available-for-sale financial assets and foreign currency translation, the total comprehensive income for the year of 2014 was approximately RMB-63,883,000, representing a decrease of RMB207,562,000 or 144.5% as compared to last year.

7. Properties, Plants and Equipment, Inventories

As of 31 December 2014, the properties, plants and equipment of the Group were RMB1,450,984,000, representing an increase of approximately RMB74,753,000 or 5.4% as compared to the end of the previous year. The increase was mainly due to the expansion of the production capacity through construction of projects and procurement of machine and equipment during the period.

As of 31 December 2014, the inventories of the Group were RMB137,306,000, representing a decrease of approximately RMB33,002,000 or 19.4% as compared to the end of the previous year, mainly due to the decrease in the inventory of iron ore.

8. Trade and Other Receivables, Trade and Other Payables

As of 31 December 2014, the trade receivables of the Group were RMB334,777,000, representing an increase of RMB139,887,000 over the end of the previous year. For the year of 2014, other receivables of the Group were RMB237,242,000, representing an increase of RMB9,992,000 as compared to the end of the previous year.

As of 31 December 2014, the trade payables of the Group were RMB120,415,000, representing an increase of RMB60,633,000 as compared to the end of the previous year. The increase was mainly due to the extension of the Company's credit period by the suppliers.

As of 31 December 2014, other payables of the Group were RMB305,444,000, representing an increase of RMB12,531,000 as compared to the end of the previous year. The main reason for the increase was that the project funds payables and guarantee increased as more projects were under construction for the period.

9. Cash Use Analysis

The summary of the Group's consolidated statement of cash flows for the year of 2014 was set out below.

	For the year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Net cash flows from operating activities	**150,104**	182,137
Net cash flows from investing activities	**(483,787)**	(664,325)
Net cash flows from financing activities	**285,120**	271,679
Net increase in cash and cash equivalents	**(48,563)**	(210,509)
Cash and cash equivalents at the beginning of the period	**369,995**	581,960
Effect of changes in foreign exchange rate on cash and cash equivalents	**(21,845)**	(1,456)
Cash and cash equivalents at the end of the period	**299,587**	369,995

The net cash inflow from the operating activities during the year of 2014 was RMB150,104,000, which was mainly attributed to the profit before tax of RMB33,213,000, together with depreciation and amortization of RMB239,623,000, the increase of RMB45,938,000 in payables and non-cash financial cost of RMB20,320,000 and was partially offset by the increase of RMB140,221,000 in receivables and income tax paid of RMB104,901,000.

For the year of 2014, the net cash outflow from investing activities amounted to RMB483,787,000, which mainly reflected the amount of RMB249,420,000 used in the newly opened plants and machine equipments etc. in order to expand production and properties acquisition, the amount of RMB96,905,000 used as consideration for the acquisition of intangible assets, the amount of RMB26,960,000 used in the acquisition of lands, the amount of RMB167,212,000 used in the acquisition of equity interests in Indonesia.

For the year of 2014, the net cash inflow generated from the financing activities was RMB285,120,000, which was mainly from the newly added banking borrowing of RMB2,378,838,000. The net cash inflow was offset by the repayment of bank loans of RMB2,013,965,000, the payment of bank loan deposit of RMB42,453,000 and the distribution of dividend to shareholders of RMB36,600,000 etc..

10. Cash and Borrowings

As of 31 December 2014, cash balance of the Group amounted to RMB802,040,000, representing a decrease of approximately RMB27,955,000 or 3.4% compared to the end of last year, including bank loan deposit of RMB502,453,000.

As of 31 December 2014, the balance of bank borrowings of the Group was RMB2,226,168,000, representing an increase of RMB358,073,000 as compared to the end of last year. In addition to the information disclosed above or otherwise in this announcement, the Group has no outstanding mortgage, pledge, debentures or other loan capital issued or agreed to be issued, bank overdrafts, borrowing, liabilities under acceptance or other similar liabilities, hire purchase and finance lease commitments, or any guarantees or other material contingent liabilities. The directors of the Company have confirmed that, save for the information disclosed above, there has been no material changes in the indebtedness and contingent liabilities of the Group since 31 December 2013.

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

The gearing ratio of the Group increased from 65.2% on 31 December 2013 to 68.5% on 31 December 2014, which is calculated by dividing the total liabilities by the total assets.

The interest rate risk in the fair value of the Group mainly relates to the bank borrowings. In 2014, the Group improved its liability structure by increasing medium-and-long term bank borrowings, part of which was United States dollar loans with variable interest rate. Given the uncertainty in the interest rate of United States dollar in the future, the Group entered into a United States dollar interest rate swap transaction in November 2013, converting the variable interest rate into fixed interest rate. 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.

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

12. Assets Securities, Contingent Liabilities

Some of the bank loans of the Group are secured by the mining rights certificates. As of 31 December 2014, the aggregate net carrying value of the mining rights used as securities amounted to RMB284,404,000.

As of 31 December 2014, the Group had no material contingent liabilities.

13. Capital Commitment

In 2014, the capital commitment of the Group was RMB423,914,000, representing an increase of RMB83,459,000 or 24.5% over last year. The capital commitment mainly consisted of the amount of RMB169,383,000 for the underground mining works of Maogong Mine, the amount of RMB184,437,000 for the underground mining works of Shangma Mine and Aoniu Mine and the amount of RMB69,119,000 for the Indonesian smelting project. The increase in capital commitment was mainly due to the increase in new construction projects of the Company.

14. Capital Expenditure

The Group's capital expenditure decreased from approximately RMB664,325,000 in 2013 to approximately RMB483,787,000 in 2014. Expenditure incurred in 2014 mainly included (i) expenditure for acquisition of plants, machine equipments and properties amounting to RMB249,420,000; (ii) expenditure for acquisition of intangible assets amounting to RMB96,905,000; and (iii) expenditure for acquisition of lands amounting to RMB26,960,000.

15. Significant Investment Held

Save for the equity interests in three companies listed on Australian Securities Exchange held by the Group, the Group did not hold any significant investments as of 31 December 2014.

16. Material Acquisitions and Disposals of Subsidiaries and Associated Companies

The Group had no material acquisitions or disposals of subsidiaries and associated companies as of 31 December 2014.

OTHERS

1. Dividend

The Board did not recommend the payment of the final dividend for the year ended 31 December 2014 to the shareholders of the Company.

2. Closure of Register of Members

The register of members of the Company will be closed from Thursday, 21 May 2015 to Thursday, 28 May 2015 (both days inclusive, 5 business days in total) to determine the entitlement to attend and vote at the annual general meeting during which period no transfer of shares will be registered. In order to attend and vote at the 2015 annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 20 May 2015.

3. Management Contracts

For the year ended 31 December 2014, there is no contract entered into by the Company relating to its management and administration or subsisting during the year which is substantial to the entire or any part of the business of the Group.

4. Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2014.

5. Non-competition Agreement Compliance

The Company signed a non-competition agreement (the "**Non-Competition Agreement**") with the controlling shareholders on 16 June 2011. In accordance with the Non-Competition Agreement, the independent non-executive directors of the Company is responsible for reviewing and considering whether to exercise such option and pre-emptive right, as well as entitled to conduct annual review of implementation of the agreement on behalf of the Company. During the year of 2014, each controlling shareholder of the Company has made annual confirmation of compliance of the Non-Competition Agreement, and the independent non-executive directors of the Company have also reviewed the implementation of the Non-Competition Agreement, and confirmed that the controlling shareholders of the Company have fully abided by the agreement without any breach of the agreement.

6. Compliance with Corporate Governance Code

Save as disclosed herein, during the period from 1 January 2014 to 31 December 2014, the Company has fully complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), meanwhile, the Company has complied with most of the best practices as recommended therein.

During the period from 26 August 2014 to 29 October 2014, due to the resignation of Mr. Chen Yuchuan as director of the Company, the number of independent non-executive directors fell below the minimum number as required under Rule 3.10A of the Listing Rules, and the number of members of the nomination committee and the remuneration committee fell below the minimum number as set out in the terms of reference of the respective committees. According to the requirements of the Listing Rules, the Company appointed Mr. Jiang Zhouhua as independent non-executive director of the Company within three months. Meanwhile, the Board elected Mr. Jiang Zhouhua as member for each of the nomination committee and the remuneration committee.

7. Model Code for Securities Transactions

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. Specific enquiry has been made to all the directors of the Company and all directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2014.

8. Significant Legal Proceedings

For the year ended 31 December 2014, the Group has not been involved in any significant legal proceedings or arbitration. To the knowledge of the directors of the Company, there are no significant legal proceedings or claims pending or threatened.

9. Audit Committee

The audit committee under the Board of the Company has reviewed the announcement for Annual Results for 2014 and the financial statements for the year ended 31 December 2014.

10. Auditor

The consolidated financial statements for the year ended 31 December 2014 have been audited by Deloitte Touche Tohmatsu with unqualified opinion.

11. Publication of Annual Report

The 2014 annual report of the Company containing all applicable information required by the Listing Rules, together with the Environmental, Social and Governance Report, will be dispatched to shareholders of the Company and published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hankingmining.com) in due course.

APPRECIATION

The Board of the Company would like to express sincere gratitude to all the employees of the Group, for their persistent effort in working, which contributed to the competitive advantage of the Group among the challenging market. We also would like to express our thanks to the government, shareholders of the Company and other related parties for their consistent support and trust to the Group.

By order of the Board
China Hanking Holdings Limited
Pan Guocheng
Chairman and executive director

Shenyang, the PRC, 17 March 2015

As at the date of this announcement, the executive directors of the Company are Mr. Pan Guocheng, Mr. Yang Jiye, Mr. Zheng Xuezhi, Mr. Xia Zhuo and Mr. Qiu Yumin; the non-executive directors of the Company are Ms. Yang Min, Mr. Lan Fusheng and Mr. Kenneth Jue Lee; and the independent non-executive directors of the Company are Mr. Wang Ping, Mr. Johnson Chi-King Fu, Mr. Wang Anjian and Mr. Jiang Zhouhua.