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 2011

Results Highlights

For the year ended 31 December 2011:

- The revenue of the Group amounted to RMB1,452,277 thousand, representing an increase of 11.93% as compared with last year.
- The equity attributable to owners of the Company amounted to RMB1,129,424 thousand, representing an increase of 186.54% as compared with the end of last year.
- The net profit of the Group was RMB406,803 thousand. If the impact of the charges of intermediaries and the financing cost caused by the listing of the Company in 2011 was excluded, the net profit of the Group would have been RMB670,565 thousand, representing an increase of RMB174,264 thousand or 35.1% over RMB496,301 thousand, the net profit of the Group in 2010.
- The net earnings per share was RMB0.26, representing a decrease of RMB0.04 as compared with last year.
- The Group has significantly increased retained iron ore resources to over 200,000 thousand tons, representing an increase of 79,030 thousand tons, or 64.85%, compared with the end of last year; The Group has also retained iron ore reserve of 167 million tons, representing an increase of 65,381 thousand tons, or 64.1%, compared with the end of last year.
- The mining permit area increased by 45.7% compared with the end of last year.
- The Group proposed a final dividend of RMB0.021 per share.

The board of directors (the "Board") of China Hanking Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2011 (the "Annual Results for 2011").

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

		2011	2010
	Notes	***RMB'000***	*RMB'000*
Revenue	*4*	**1,452,277**	1,297,498
Cost of sales		**(425,295)**	(465,973)
Gross profit		**1,026,982**	831,525
Other income	*5*	**32,008**	1,546
Other expenses	*6*	**(37,075)**	(12,425)
Selling and distribution expenses		**(23,693)**	(23,208)
Administrative expenses		**(120,511)**	(94,650)
Net foreign exchange gain		**13,380**	—
Finance costs	*7*	**(270,105)**	(35,598)
Profit before tax	*8*	**620,986**	667,190
Income tax expense	*10*	**(214,183)**	(170,889)
Profit and total comprehensive income for the year		**406,803**	496,301
Attributable to:			
Owners of the Company		**403,544**	444,007
Non-controlling interests		**3,259**	52,294
EARNINGS PER SHARE			
Basic (RMB cent per share)	*11*	**26**	30

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Non-current Assets			
Property, plant and equipment		**436,873**	209,803
Intangible assets		**307,999**	294,179
Prepaid lease payments		**231,946**	107,073
Deferred tax assets		**6,734**	2,670
Deposit on acquisition of property, plant and equipment		**14,010**	16,606
		997,562	630,331
Current Assets			
Inventories		**38,046**	62,551
Prepaid lease payments		**18,594**	15,944
Trade and other receivables	*12*	**399,524**	164,107
Loans to related parties		**—**	342,898
Tax recoverable		**6,070**	—
Bank balances and cash		**315,701**	53,305
		777,935	638,805
Current Liabilities			
Trade and other payables	*13*	**201,937**	166,532
Borrowings	*14*	**250,000**	295,000
Loans from related parties		**—**	10,578
Consideration payable		**2,350**	31,000
Tax liabilities		**191,786**	122,039
		646,073	625,149
Net Current Assets		**131,862**	13,656
Total Assets Less Current Liabilities		**1,129,424**	643,987

	Notes	**2011**	2010
		RMB'000	*RMB'000*
Capital and Reserves			
Share capital/Paid-in capital	*15*	**149,137**	162,042
Reserves		**980,287**	232,119
Equity attributable to owners of the Company		**1,129,424**	394,161
Non-controlling interests		**—**	69,826
TOTAL EQUITY		**1,129,424**	463,987
Non-current liabilities			
Borrowings	*14*	**—**	180,000
		1,129,424	643,987

Notes:

1. GENERAL INFORMATION

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

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

The Company is an investing holding company. The Group is engaged in iron ore mining and processing.

2. BASIS OF PREPARATION

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

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

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 (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year (other than business combinations involving entities under common control) are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the equity of the owners of the Company.

3. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied a number of International Accounting Standards ("IASs"), International Financial Reporting Standards ("IFRSs"), amendments and Interpretations ("IFRICs") (here collectively referred to as "new IFRSs") issued by the International Accounting Standards Board ("IASB").

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

Amendments to IFRS 7	Disclosures — Transfers of Financial Assets[1]
Amendments to IFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities[2]
Amendments to IFRS 9 and 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
IFRS 9	Financial Instruments[3]
IFRS 10	Consolidated Financial Statements[2]
IFRS 11	Joint Arrangements[2]
IFRS 12	Disclosure of Interests in Other Entities[2]
IFRS 13	Fair Value Measurement[2]
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to IAS 12	Deferred Tax — Recovery of Underlying Assets[4]
IAS 19 (as revised in 2011)	Employee Benefits[2]
IAS 27 (as revised in 2011)	Separate Financial Statements[2]
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[6]
IFRIC-Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1 July 2011.
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2015.
4 Effective for annual periods beginning on or after 1 January 2012
5 Effective for annual periods beginning on or after 1 July 2012.
6 Effective for annual periods beginning on or after 1 January 2014.

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

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

- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted. The directors of the Company anticipate that the application of IFRS9 will have no material impact on the consolidated financial statements.

IFRIC-Int 20 Stripping Costs in the Production Phase of a Surface Mine

IFRIC-Int 20 Stripping Costs in the Production Phase of a Surface Mine applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). Under the Interpretation, the costs from this waste removal activity ("stripping") which provide improved access to ore is recognised as a non-current asset ("stripping activity asset") when certain criteria are met, whereas the costs of normal ongoing operational stripping activities are accounted for in accordance with IAS 2 Inventories. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part.

IFRIC-Int 20 is effective for annual periods beginning on or after 1 January 2013 with transitional provisions. The directors of the Company anticipate that the application of IFRIC-Int 20 will have no material impact on the consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

(a) Revenue

	2011	2010
	RMB'000	*RMB'000*
Sales of goods	**1,452,277**	1,297,498

(b) Segment information

The Group has operating in one segment, being the iron ore mining and processing. The Group identified an operating segment which is a component of the Group (a) that engages in business activities from which it may earn revenues and incur expenses; and (b) whose operating results are reviewed regularly by the executive directors, the chief operating decision maker, to make decisions about resources allocation and assess its performance.

The accounting policies of the operating segment are the same as those described in the summary of significant accounting policies expect that the financial impact of deferred taxation, effective interest on other borrowings and listing expenses had not been considered by the Group's chief operating decision maker to make decisions about resources to be allocated and assess performance. Reconciliation from the operating segment to the consolidated financial statements is as following:

	2011	2010
	RMB'000	*RMB'000*
Segment revenue	**1,452,277**	1,297,498
Segment result	**674,613**	505,336
Less: Listing expenses	**32,448**	6,844
Deferred taxation	**(4,064)**	2,191
Effective interest on other borrowings	**239,426**	—
Profit for the year	**406,803**	496,301

All of the Group's revenue are derived from the PRC and the non-current assets are located in the PRC and therefore, no geographical information is presented.

The following illustrates the revenue from customers which contributing over 10% of the total revenue of the Group are as follows:

	2011	2010
	RMB'000	*RMB'000*
Customer A	**711,535**	547,909
Customer B	**323,152**	308,403
Customer C	**265,574**	157,044

5. OTHER INCOME

	2011	2010
	RMB'000	*RMB'000*
Interest income	**2,008**	336
Government grants *(note)*	**30,000**	1,210
	32,008	1,546

Note: The amount of RMB30,000,000 recognised in 2011 represented an unconditional government grant in recognition of the Group's contribution to environmental protection, restoration and rehabilitation. The amount of RMB1,210,000 recognised in 2010 represented other tax paid and interest expenses subsidy during the year ended 31 December 2010. 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.

6. OTHER EXPENSES

	2011	2010
	RMB'000	*RMB'000*
Loss on disposal of property, plant and equipment	**151**	2,558
Tax late payment surcharge	**99**	174
Donations	**3,142**	2,340
Listing expenses	**32,448**	6,844
Others	**1,235**	509
	37,075	12,425

7. FINANCE COSTS

	2011	2010
	RMB'000	*RMB'000*
Interests on bank borrowings wholly repayable within five years	**19,679**	27,595
Interests on bills discounted with non-recourse	**11,000**	8,003
Effective interest on other borrowing wholly repayable within five years	**239,426**	—
	270,105	35,598

Effective interest on other borrowing included the interest expense of RMB42,384,000 calculated on the basis of interest rate of 8% per annum and the value of the warrants of RMB175,960,000 and the transaction costs of approximately RMB21,082,000 related to US$120 million term loan.

8. PROFIT BEFORE TAX

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

	2011	2010
	RMB'000	*RMB'000*
Cost of inventories recognized as an expense	**370,913**	419,048
Auditors' remuneration	**1,468**	19
Reversal of doubtful debt	**—**	(1,066)
Release of prepaid lease payments	**19,701**	12,551
Depreciation and amortisation:		
— Property, plant and equipment	**37,001**	34,585
— Intangible assets	**18,970**	34,405
	55,971	68,990
Staff costs (including directors):		
— Salary and other benefits	**71,290**	68,670
— Retirement benefits scheme contributions	**5,630**	3,718
	76,920	72,388

9. DIVIDENDS

No dividend has been paid/declared by the Company during the year ended 31 December 2011. Prior to the Group Reorganisation, Fushun Hanking Aoniu Mining, Limited., Benxi Hanking Mining Co., Ltd., Fushun Maogong Mining Co., Ltd. and Fushun Jing Jia Iron Mine had declared dividends in aggregate of RMB550,000,000 to their then equity owners during the year ended 31 December 2010.

The final dividend of RMB2.1 cents in respect of the year ended 31 December 2011 per share (total: RMB38,430,000) has been proposed by the directors of the Company and is subject to approval by the shareholders in general meeting.

10. INCOME TAX EXPENSE

	2011	2010
	RMB'000	*RMB'000*
Income tax expenses comprise:		
PRC enterprise income tax ("EIT") — current	**216,321**	166,265
Under provision in prior years	**1,926**	2,433
Deferred tax — current year	**(4,064)**	2,191
	214,183	170,889

The Company was incorporated in the Cayman Islands and is not subject to any income tax.

China Hanking Investment Limited ("Hanking Investment") and China Hanking (BVI) International Limited ("Hanking International") were incorporated in the British Virgin Islands and are not subject to income tax of any jurisdiction since their incorporation.

China Hanking (Hong Kong) Limited ("Hanking HK") was incorporated in Hong Kong and has had no assessable profits subject to Hong Kong Profits Tax since its incorporation.

Hanking Australia Pty Ltd. was incorporated in Australia and has no assessable profits subject to Australia profits tax since its incorporation.

The subsidiaries established in the PRC other than Jingjia Mining, are subject to enterprise income tax at a statutory tax rate of 25% (2010: 25%). Jingjia Mining was an enterprise owned by an individual before it was disposed in 2010, it's income tax was calculated on the basis of profit before taxation less a pre-determined amount and applying an income tax rate of 35%.

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company and the weighted average number of 1,584,082,192 shares (2010: 1,500,000,000 shares). The weighted average number of ordinary shares for the purpose of basic earnings per share have been retrospectively adjusted for the Group Reorganisation and assuming that the Group Reorganisation had been in effective at 1 January 2010, and has been adjusted for the effect of 1,499,000,000 shares issued pursuant to the capitalisation issue.

No diluted earnings per share is presented as the Company did not have dilutive potential ordinary shares in issue.

12. TRADE AND OTHER RECEIVABLES

	2011	2010
	RMB'000	*RMB'000*
Trade receivables		
— related parties	**6,917**	29,998
— third parties	**10,153**	6,097
— bills receivables	**215,973**	41,656
	233,043	77,751
Other receivables		
— advances to suppliers	**2,363**	7,643
— prepaid listing expense	**—**	2,394
— deposits	**15,417**	13,151
— other tax recoverable	**137,466**	33,408
— staff advances	**2,186**	1,669
— consideration receivable for disposal of property, plant and equipment due from a related party *(note)*	**—**	24,839
— others	**9,049**	3,252
	166,481	86,356
Total trade and other receivables	**399,524**	164,107

Note: The entity is the related party which is controlled by Ms. Yang Min. The amount was settled during the year ended 31 December 2011.

The Group allows an average credit period of 7 days to its customers. Prior to 1 July 2011, the Group did not have a credit period policy to its related party customers and the related party customers normally settled trade receivables within three months. 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.

	2011	2010
	RMB'000	*RMB'000*
Within 7 days	**17,070**	20,295
8 days to 3 months	**—**	6,472
3 months to 1 year	**—**	9,266
1 year to 2 years	**—**	62
	17,070	36,095

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.

As at 31 December 2011, the Company has pledged bills receivable with carrying amount of RMB51,250,000 (2010: Nil) to secure the bank borrowings of RMB50,000,000 (2010: Nil).

13. TRADE AND OTHER PAYABLES

	2011	2010
	RMB'000	*RMB'000*
Trade payable		
— related parties	**1,396**	9,963
— third parties	**8,925**	21,257
— bills payable	**10,235**	—
	20,556	31,220
Other payables		
— advance from customers	**60,000**	60,000
— other tax payables	**34,746**	18,285
— payable of acquisition of property, plant and equipment	**40,881**	12,294
— outsourced service payable	**5,209**	10,380
— transportation fee payable *(note)*	**7,262**	19,470
— accrued expenses	**10,170**	6,190
— accrued listing expenses	**8,662**	—
— salary and bonus payables	**5,469**	2,466
— others	**8,982**	6,227
	201,937	166,532

Note: Amounts of approximately RMB6,843,000 was due to Fushun Mingyang Transportation Co., Ltd. (撫順名揚運輸有限公司) as at 31 December 2011. Amounts of approximately RMB15,138,000 was due to Fushun Mingcheng Transportation Co., Ltd. (撫順名城運輸有限公司) as at 31 December 2010. Ms. Yang Min has significant influence on these entities.

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:

	2011	2010
	RMB'000	*RMB'000*
Within 3 months	**9,375**	26,680
3 months to 1 year	**357**	410
1 year to 2 years	**498**	324
Over 2 years	**91**	3,806
	10,321	31,220

14. BORROWINGS

	2011	2010
	RMB'000	*RMB'000*
(i) Bank borrowings:		
Fixed-rate bank loans-secured	**—**	195,000
Floating-rate bank loans-secured *(note)*	**250,000**	280,000
	250,000	475,000
Amount repayable:		
Due within one year (amount shown under current liabilities)	**250,000**	295,000
More than one year, but not exceeding two years (amount shown under non-current liabilities)	**—**	180,000
	250,000	475,000
Effective interest rates of bank borrowings	**6.85%**	6.07%

Note: The fixed-rate bank loans carry interest of 7.56% in 2010. The floating-rate bank loans carry interest at 105% to 110% of the interest rate of RMB loan promulgated by the People's Bank of China.

The bank borrowings of RMB200,000,000 (2010: RMB280,000,000) were secured by the mining rights with the carrying amounts of RMB251,655,000 (2010: RMB252,238,000) and the bank borrowing of RMB50,000,000 was secured by the bills receivable with carrying amount of RMB51,250,000 (2010: Nil). In addition, the bank borrowings of RMB100,000,000 as of 31 December 2010 were also guaranteed by related parties, Hanking Industrial Group Co., Ltd. and its subsidiaries. The guarantee was released during the year ended 31 December 2011.

(ii) Other borrowings:

On 24 December 2010, the Company entered into a facility agreement (the "Facility Agreement", which was amended and restated on 21 January 2011 and further amended on 2 February 2011, 25 March 2011 and 24 June 2011) with certain lenders (the "Facility Lenders"). Pursuant to the Facility Agreement, the Facility Lenders made available to the Company a US$120 million term loan facility with an annual interest rate of 8%. On 25 January 2011 (the "Drawdown Date"), the Company drew down the full amount of US$120 million (equivalent to RMB790,572,000) under the Facility Agreement. The Company should repay an amount equal to one-third of the then outstanding loan on the first anniversary of the Drawdown Date and all remaining amounts outstanding under the loan on the date falling 18 months from the Drawdown Date. The Company is required to repay the outstanding loan in full immediately if an initial public offering (the "IPO") (including a listing of the Company's shares on the Stock Exchange) occurs, in which case the Company must apply any IPO proceeds the Company received towards the repayment in full of the outstanding loan. As one of the conditions precedent to the provision of the loan under the Facility Agreement, and pursuant to warrant instrument A and warrant instrument B, China Hanking (BVI) Limited issued warrant A and warrant B exercisable into 12.6667% and 0.6667% of the Company's fully diluted post-listing shares on the Stock Exchange respectively to the Facility Lenders with exercise price of US$90 million. China Hanking (BVI) Limited is the entity through which Ms. Yang Min indirectly holds approximately a 58.67% equity interest in the Company. In relation to the Facility Agreement, (i) the shares of China Hanking (BVI) Limited and Bisney Success Limited, a shareholder of the Company, (ii) the shares of the Company held by China Hanking (BVI) Limited and Bisney Success Limited and (iii) all the shares of Hanking Investment, Hanking International and Hanking HK and all the equity interest of Shenyang Toyo Steel Utility Co., Ltd. ("STSU") had been pledged to the Facility Lenders. On 30 September 2011, the Company's shares are listed on the Stock Exchange and the loan with interest payable was repaid in full to the Facility Lender by the Company.

The Company considered the warrants granted by China Hanking (BVI) Limited to the Facility Lenders as a capital contribution made by the controlling shareholder and recorded the fair value of those warrants of RMB175,960,000 as a deemed contribution in the consolidated statement of changes in equity. The fair value of the warrants as at 25 January 2011 was based on an external valuation analysis carried out by Jones Lang LaSalle Sallmanns Limited, a qualified valuer whose address is 6th Floor, Three Pacific Place, 1 Queen's Road East, Hong Kong. The valuation analysis utilizes generally accepted valuation methodologies such as the income approach. The income approach measures the current value of the net assets of the Group by calculating the present value of its future economic benefits by discounting expected cash flows at a rate of return that compensates for the risks associated with the particular investment. As the warrant represented direct and incremental costs associated with obtaining the loan, the value of the warrants of RMB175,960,000 on the Drawdown Date together with the transaction costs of approximately RMB21,082,000 were netted off against the original loan principal. Effective interest expense of RMB239,426,000 (including the interest expense of US$6,546,000 (equivalent to RMB42,384,000) calculated on the basis of interest rate of 8% per annum and US$120 million of the loan principal) was recognised as finance costs during the year ended 31 December 2011.

15. SHARE CAPITAL

Details of movements of share capital of the Company are as follow:

	Number of share	Share capital	Shown in the consolidated financial statements
		HK$'000	*RMB'000*
Ordinary shares of HK$0.1 each			
Authorised:			
On date of incorporation and at 31 December 2010	3,900,000		
Increased on 16 June 2011	9,996,100,000		
At 30 June 2011	10,000,000,000		
Issued:			
On incorporation	1	—	—
Issued and paid with nil consideration on 6 December 2010	999,999	—	—
At 31 December 2010	1,000,000	—	—
Issue by capitalisation of the share premium account relating to capitalisation issue	1,499,000,000	149,900	122,229
New issue of shares by way of initial public offering	330,000,000	33,000	26,908
At 31 December 2011	1,830,000,000	182,900	149,137

On16 June 2011, pursuant to the resolutions in writing passed by the shareholders of the Company, the increase of the authorised share capital of the Company from HK$390,000 divided into 3,900,000 shares of a nominal or par value of HK$0.10 each to HK$1,000,000,000 divided into 10,000,000,000 shares of a nominal or par value of HK$0.10 each by the creation of 9,996,100,000 shares, which shall rank pari passu in all respects with the shares in issue as at the date of this resolution, was approved.

Pursuant to the resolutions in writing of the shareholders of the Company passed on 16 September 2011, conditional on the share premium account of the Company being credited as a result of the issue of the offer shares by the Company pursuant to the initial public offering of shares of the Company and subject to the IPO price, the sum of HK$149,990,000 be capitalised and be applied in paying up in full at par 1,499,000,000 shares, each of which was allotted and issued to the shareholders of the Company.

In connection with the Company's initial public offering, 330,000,000 shares of HK$0.10 each were issued at a price of HK$2.51 per share for a total cash proceeds of approximately HK$828,300,000 (equivalent to RMB675,396,000). Dealings in these shares on the Main Board of the Stock Exchange commenced on 30 September 2011.

OPERATION REVIEW

The four iron ore enterprises owned by the Group are situated at the famous iron ore metallogenic belt of Anshan to Benxi where iron ore resource is rich and in good quality. Iron ore stored in the metallogenic belt of Anshan to Benxi is mainly magnetic iron ore which is easy for processing and contains little impurities. Six processing plants currently operated by the Company, of which Benxi Hanking Iron Processing Co., Ltd. is rented, are situated in the mining areas.

1. Major operation results

As of the end of 2011, the Group has retained iron ore resources over 200 million tons, an increase of 64.85% as compared with the end of 2010; iron ore reserve of 167 million tons, an increase of 64.1% as compared with 2010. Through geological exploration, Maogong mine, the resources of which once were considered exhausted, has become one of the Group's mines that possess the highest potential of development and expansion.

In 2011, the output of the Group's iron ore concentrates was 1,256 thousand tons, a year on year decrease of 4.51%, which was mainly due to the effect of land restriction for the mining production of Xingzhou mine; during the reporting period, the sales amount of the Group's iron ore concentrates reached 1,369 thousand tons with a year on year decrease of 2.11%; the gross profit was RMB1,026,982 thousand and the net profit was RMB406,803 thousand; net earnings per share was RMB0.26. The factors affecting the net profit of the Group include the charges of intermediaries of RMB32,448 thousand and the financing cost of RMB239,426 thousand caused by the listing of the Company in 2011. Such factors reduced the net profit of the Group by RMB263,762 thousand. If the impact of the aforementioned amount was excluded, the net profit of the Group would have been RMB670,565 thousand.

The average cash operation cost per ton of iron ore concentrate of all mines was RMB252, basically in line with that of last year. Although the cost of labour and raw materials increased drastically during the reporting period, the Group's manufacturing cost was still maintained at a comparatively low cost by implementing Delicacy Management and strict cost control measures. Besides operation scale, three elements, including quality assets, scientific management and enhancement of technology, enabled the Group to continue to operate at a comparatively low cost.

The routes taken to deliver the ore, barren rock, tailings and iron ore concentrates for sales were minimized by relocation of production facilities and thereby, lowered the logistics cost. The core advantage of low operation cost was maintained by optimizing and enhancing the current mining technology and "mine-selecting" techniques. Safety control at production level was strengthened by implementation of Delicacy Management in operation of mining, mine-selecting and tailings mines. The efficiency of management at production level was enhanced by improvement in information management of procurement, sales and operation, etc.

2. Significant increase in iron ore resources

Resource is the base of continuous development of mining enterprises as well as the core asset the Company. The Group believes that the importance of geological exploration is of great value to its business. The Group endeavours constantly and progressively to discover new mines in the existing mine regions and the areas nearby. Thus, iron ore resources of relatively high quality are secured while the risk and cost pertained are relatively low.

During the reporting period, the Group had delegated a number of professional geological exploration units of Liaoning province to conduct the exploration of iron ore resources in Maogong mine, Aoniu mine, Xingzhou mine and their neighbouring areas. A total of RMB31,022 thousand was invested for exploration during the year, among which RMB8,444 thousand was invested for exploration in Maogong mine; RMB15,413 thousand was for Xingzhou mine and RMB7,165 thousand was for Aoniu mine.

As of the end of 2010, the Group owned 122 million tons of iron ore resources that complied with the Joint Ore Reserves Committee ("JORC") standards. By conducting various explorations in 2011, the net increase of iron ore resources was 79,030 thousand tons, or an increase of 64.85%. Maogong iron ore exploration resulted in an increase of 41,627 thousand tons in iron ore resources, Xingzhou iron ore exploration resulted in an increase of 39,216 thousand tons and Aoniu iron ore exploration resulted in an increase of approximately 2,534 thousand tons. As of 2011 year end, the quantity of iron ore resources stored in each mine was as follows:

Mine	**Type**	**Resources at the end of the year** *(ton)*	**TFe** *(%)*
Aoniu Mine	Indicated resource	10,007,419	32.88
	Inferred resource	11,361,000	32.33
Subtotal of Aoniu mine		21,368,419	32.59
Maogong Mine	Indicated resource	33,905,634	32.29
	Inferred resource	10,466,395	30.15
Subtotal of Maogong mine		44,372,029	31.79

Mine	Type	Resources at the end of the year (ton)	TFe (%)
Xingzhou Mine	Indicated resource	33,479,769	30.88
	Inferred resource	27,779,010	30.65
	Indicated resource*	63,722,270	22.76
Subtotal of Xingzhou mine		124,981,049	26.69
Benxi Mine	Indicated resource	7,596,270	26.14
	Inferred resource	2,570,000	26.14
Subtotal of Benxi mine		10,166,270	26.14
Total	Indicated resource	84,989,092	31.25
	Inferred resource	52,176,405	30.69
	Indicated resource	63,722,270	22.76
Indicated resource + Indicated resource*+ Inferred resource		200,887,767	28.41

Note: * represents low grade ore resources

As of 2010 year end, the Group owned 102 million tons of iron ore reserve that complied with the JORC standards. By conducting various explorations in 2011, the net increase of iron ore reserve was 65,381 thousand tons, or an increase of 64.1%. Maogong iron ore exploration resulted in an increase of 36,410 thousand tons of iron ore reserve, Xingzhou iron ore exploration resulted in an increase of 27,809 thousand tons and Aoniu iron ore exploration resulted in an increase of approximately 2,415 thousand tons. As of 2011 year end, the iron ore reserve of each mine was as follows:

Mine	**Type**	**Reserve at the end of the year** *(ton)*	**TFe** *(%)*
Aoniu Mine	Economically Exploitable Reserve	13,794,419	25.69
Maogong Mine	Economically Exploitable Reserve	37,394,432	26.93
Xingzhou Mine	Economically Exploitable Reserve	42,739,439	26.49
	Economically Exploitable Reserve*	63,722,270	19.45
Benxi Mine	Economically Exploitable Reserve	9,255,592	20.91
Total	Economically Exploitable Reserve	103,183,882	26.04
	Economically Exploitable Reserve*	63,722,270	19.45
	Economically Exploitable Reserve + Economically Exploitable Reserve*	166,906,152	23.53

Note: * represents low grade ore reserve

During the reporting period, the mining permit area increased by 45.7% compared with last year. In addition, on 10 May 2011, the local government of Fushun approved the application of retaining potential mining area of 81.77 sq.km and 35.36 sq.km respectively for Aoniu mine and Maogong mine. Judging from the abnormal results of aeromagnetic survey, the Group believes that the iron ore resources of the region has certain potential to grow.

3. **Strict control on land cost**

With the economic development and urbanization process accelerating, land resources are becoming rarer which leads to a dramatic increase in land cost, while mining activities needs to occupy a large amount of forest land. To reduce the pressure on production operation cost, in 2011, the Group, by scientific mining plan, completed a report on over a thousand acres of forestland, cultivated land and land for construction and the overall plan of land use adjustment, and succeeded in acquiring the indicator of land for construction maximizing. In view of the objective circumstances that land cost is increasing and accounts for an increasing proportion of the production cost, the Group reserves land for future production in advance based on production planning, which will reduce the overall operation cost of the mines and enhance the ability of market fluctuations ricks.

4. **Expansion of iron ore capacity**

To grasp the opportunity of robust growth of iron ore market and further improve the capability of handling the raw ore and the capacity of iron ore concentrates by upgrading and reconstructing the current mines and construction of new production facilities, so as to implement the Group's established development plan.

Aoniu mine. The first phrase of technology improvement and project upgrading of the first processing plant of Aoniu mine will be completed and put into production in August 2011. Upon completion of upgrading, the annual iron ore processing capacity of two processing plants of Aoniu mine will exceed 2 million tons. During 2011, Aoniu mine conducted the work to expand the capacity of the existing tailing pond.

Maogong mine. As new iron ore resources continue to be discovered, Maogong mine possesses the basic conditions for expansion capacity. In view of its favorable conditions such as ore quality, mining conditions, large-scale facilities and logistics, Maogong mine will continue to bring impetus for the profit growth of the Company. In 2011, the Group initiated the planning and feasibility study on the new processing plant of Maogong mine. The future annual ore processing capacity of the plant was 3 million tons, and plans were made on the development of newly discovered resources. After the new processing plant is put into production, the previous two processing plants will be demolished since they are located at the top of the newly discovered orebody and have an impact on mining.

Xingzhou mine. The first phrase of expanding project with annual iron ore processing capacity of 1 million tons was completed at the end of 2011.

Benxi mine. Benxi mine is at the construction stage of changing from open mining to underground mining. As of 2011 year end, the following construction works for the underground mining of Benxi mine were completed; the main shaft, and the shaft of the South wind shaft and part of the middle section of the passage, and the slope ramp construction work has entered into production mining stage.

5. Sales of iron ore concentrates

During the reporting period, the Group realized the sales volume of 1,369 thousand tons of iron ore concentrates. The Group's iron ore concentrates were mainly sold to steel plants nearby Liaoning mine area to maximize the advantage of low transportation cost.

The Group's largest customer was Fushun New Steel Co., Ltd. ("Fushun New Steel"). During the reporting period, the Group sold a total of 676 thousand tons of iron ore concentrates to Fushun New Steel with sales amount of RMB711,535 thousand, representing 49% of the Group's total sales of iron ore products. According to the annual sale contract, Fushun New Steel pay a deposit of RMB60,000 thousand to the Group in advance to ensure the supply of at least 700 thousand tons of iron ore concentrates by the Group for the year of 2011. If the supply exceeds 700 thousand tons, Fushun New Steel will pay an additional RMB5 per ton for the excess portion. In addition, the Group entered into the "Long-term Strategic Partner Agreement" with Fushun New Steel for a term of ten years commencing from 1 January 2011 to 1 January 2021. According to the agreement, Fushun New Steel agreed to purchase the Group's future increase in output of iron ore concentrates. The parties agreed to enter into an independent sale agreement agreeing on the detailed terms related to quality, quantity and price of products.

The Group's second largest customer was Fushun Hanking D.R.I. Co., Ltd. ("Fushun D.R.I."). According to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Exchange") ("Listing Rules"), Fushun D.R.I. was the Group's affiliated enterprise, whose major business was pig iron smelting. During the reporting period, the Group sold a total of 304 thousand tons of iron ore concentrates to Fushun D.R.I. with sales amount of RMB323,152 thousand, representing 23% of the Group's total sales of iron ore products. The sale price was in line with the price at which the Group sold their products to Fushun New Steel.

The Group's third largest customer was Benxi Northern Iron Co., Ltd ("Benxi Northern"). In the reporting period, the Group sold a total of 252 thousand tons of iron ore concentrates to Benxi Northern with sales amount of RMB265,574 thousand, representing 18% of the Group's total sales of iron ore products.

6. Enhancement of safety and environmental protection management standards

To ensure the safety of production operation, the Group established and improved the management system of safety production in compliance with the legal requirements of and regulations of mine production. An all-round, comprehensive, effective and quick-reacting system that controlled production safety was gradually established. The Company's standard of production safety control was enhanced by institutionalization of the safety control system; standardization of construction work procedures and elimination of potential safety issues with preventive measures by fulfilling the safety control duty at every tier of the Company.

To minimise the impact on environment and control the potential risk, the Group has revised the internal manual of safety management which set out rules and regulations and monitoring measures related to safety production and environmental protection, and specified the methods and relevant standards and means of treating different kinds of pollutants.

The Group took numerous environmental protection measures and made every effort to minimise the impact on environment arose during the production. For reclamation, the Group refilled the mining pits, restored the soil and planting trees; for recycling business, processing plants and tailing ponds maximized recovering and recycling wastewater, selling and recycling the gangue as paving and construction materials; for treatment of noise, the Group adopted all kinds of methods of noise control, such as muffler, to lower the noise level; for energy conservation and emission reduction, the Group adopted new technology and techniques, such as high pressure rolling, to reduce the consumption of electricity and other materials.

During the reporting period, there was no outbreak of fatal accident; accident that involved severe injury; serious accident that involved application of equipment; traffic accident; fire nor environment polluting accident. During the same period, the rate of safety education and training, the rate of employment with certificate for special work, the rate of potential dangers rectification and the rate of implementing safety directives of the Group all reached 100%.

During the reporting period, the Ministry of Land and Resources and the National Green Mine Final Inspection Unit of China Mining Enterprise Association jointly paid compliment to Aoniu Mine, a subsidiary of the Group. The Group was honored with the national title of “Green Mine Pilot Enterprise”, which was the specific results of the Group’s long-term emphasis on operating its business with the conception of “Safe mine, Harmonious mine, Green mine”. This honor also reflected the achievement of the Company with its emphasis on the development pathway that carried the notion of “Recycling Business, Integration and Utilization” as well as fulfilling social responsibility.

FINANCE REVIEW

1. Income, cost, gross profit

For the year ended 2011, the Group's income was approximately RMB1,452,277 thousand, representing an increase of RMB154,779 thousand or 11.9% over last year. The increase was mainly due to the rising sales unit price of iron ore concentrates.

For the year ended 2011, the Group's sale cost was approximately RMB425,295 thousand, representing a decrease of RMB40,678 thousand or 8.7% over last year. The decrease was mainly due to the reduction of sales quantity.

For the year ended 2011, the Group's gross profit was approximately RMB1,026,982 thousand, representing an increase of RMB195,457 thousand or 23.5% over last year; compared to the same period of last year, the Group's gross profit margin increased dramatically from 64.1% to 70.7% for the year ended 2011. The increase was mainly due to the rising average sale unit price of iron ore concentrates.

2. Other income and expenses

For the year ended 2011, the Group's other income was approximately RMB32,008 thousand, representing an increase of RMB30,462 thousand or 1,970.4% over last year. Other income included interest income and government subsidy income. The increase was mainly due to the subsidy of the government.

For the year ended 2011, the Group's other expenses were approximately RMB37,075 thousand, representing an increase of RMB24,650 thousand or 198.4% over last year. Other expenses included loss of selling properties and plants and equipment, charity donation, expenses related to listing and other overheads.

3. Selling and distribution expenses, administrative expenses

For the year ended 2011, the Group's selling and distribution expenses were approximately RMB23,693 thousand, representing an increase of RMB485 thousand or 2.1% over last year. Selling and distribution expenses included transportation expenses, labor expenses and others.

For the year ended 2011, the Group's administrative expenses were approximately RMB120,511 thousand, representing an increase of RMB25,861 thousand or 27.3% over last year. The increase was mainly due to the increase of technology service expenses, travelling expenses, water resource expenses and sewage charges. Administrative expenses included salary paid to the Group's managers and administrative staff, depreciation and amortization, leasing and office expenses, operation development expenses, professional counselling and service expenses, taxation expenses and others.

4. Foreign exchange gain (loss), finance costs, income tax expense

For the year ended 2011, the Group's net foreign exchange gain was approximately RMB13,380 thousand (that of the same period last year was nil). The increase was mainly due to the Group borrowing loans in dollars for private finance before the listing, the produced exchange gain of RMB26,861 thousand due to the devaluation of RMB against US dollar offsetting the produced exchange loss of foreign currency assets of RMB13,481 thousand due to the devaluation of RMB against US dollar.

For the year ended 2011, the Group's finance costs were approximately RMB270,105 thousand, representing an increase of RMB234,507 thousand or 658.8% over last year. Finance costs included bank borrowings interest expenses, discount interest expenses, and other finance loans interest expenses. The increase was mainly due to private security, interest and handling charge for listing issuance.

For the year ended 2011, the Group's income tax expenses were approximately RMB214,183 thousand, representing an increase of RMB43,294 thousand or 25.3% over last year. Income tax expenses included the total amount of spot payable tax and deferred tax. In 2010 and 2011, the Group's effective tax rate was approximately 25.6% and 34.5% based on deducted tax in consolidated statement of comprehensive income and profit before tax. The main reason of an increase in the effective tax rate was that finance costs related to finance loans was produced by the Company (incorporated in Cayman Islands) and could not be deducted as Chinese income taxation.

5. Profit and total comprehensive income for the year

Based on the above reasons, for the year ended 2011, the Group's profit and total comprehensive income for the year was approximately RMB406,803 thousand, representing a decrease of RMB89,498 thousand or 18.0% over last year. During the reporting period, the Group's net profit return was 28.0% (2010: 38.3%). The factors affecting the net profit of the Group include the charges of intermediaries of RMB32,448 thousand and the financing cost of RMB239,426 thousand caused by the listing of the Company in 2011. Such factors reduced the net profit of the Group by RMB263,762 thousand. If the impact of the aforementioned amount was excluded, the net profit of the Group would have been RMB670,565 thousand.

6. Property, plant and equipment, inventory

For the year ended 2011, the Group's property, plant and equipment were approximately RMB436,873 thousand, representing an increase of RMB227,070 thousand or 108.2% over last year. The increase was mainly due to building plants, offices, tailings and acquiring machine equipment to expand production capacity.

For the year ended 2011, the Group's inventory was approximately RMB38,046 thousand, representing a decrease of RMB24,505 thousand or 39.2% over last year. The decrease was mainly due to consumption of production and sales of raw ores and iron ore concentrate produced last year.

7. Trade and other receivables, trade and other payables

For the year ended 2011, the Group's trade receivables were approximately RMB233,043 thousand, representing an increase of RMB155,292 thousand over last year. The increase was mainly due to sufficient current capital at the end of 2011 and the increasing bank notes caused by the Group choosing not to discount bank notes.

For the year ended 2011, the Group's other receivables were approximately RMB166,481 thousand, representing an increase of RMB80,125 thousand over last year. The increase was mainly due to prepaying other recoverable tax related to certain resources tax and local tax policy regulated by the local tax bureau.

For the year ended 2011, the Group's trade payables were approximately RMB20,556 thousand, representing a decrease of RMB10,664 thousand or 34.2% over last year. The decrease was mainly due to certain amounts payable by the Group to the suppliers in accordance with the contracts.

For the year ended 2011, the Group's other payables were approximately RMB181,381 thousand, representing an increase of RMB46,069 thousand or 34.0% over last year. The increase was mainly due to backing progress payment of purchasing property, plant and equipment according to the contract.

8. Cash use analysis

The summary of the Group's consolidated statement of cash flow for the year ended 2011 was set out below.

	For the year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Net cash flows from operating activities	**494,960**	439,340
Net cash flows from investing activities	**(43,308)**	(342,626)
Net cash flows from financing activities	**(175,775)**	(66,312)
Net increase in cash and cash equivalents	**275,877**	30,402
Cash and cash equivalents at the beginning of year	**53,305**	22,903
Effect of changes in foreign exchange rate on cash and cash equivalents	**(13,481)**	0
Cash and cash equivalents at the end of year	**315,701**	53,305

The net cash generated from the operating activities during 2011 was RMB494,960 thousand, which was mainly attributed to the profit before tax of RMB620,986 thousand, partially offset by the increase of RMB260,256 thousand in trade and other receivables. Trade and other receivables increased in line with the increase in the sales in 2011.

During 2011, the net cash outflow of the investing activities amounted to RMB43,308 thousand, which mainly reflected the amount of RMB233,590 thousand used in the construction of the underground pits and the acquisition of properties, plants and equipment in Benxi Mine and Xingzhou Mine, the prepaid lease payment of RMB147,224 thousand in relation to the application of additional land use rights in the mining areas, and the amount of RMB32,790 thousand used in the acquisition of intangible assets, mainly offset by the repayment of RMB376,481 thousand by the connected parties.

During 2011, the net cash outflow of the financing activities was RMB175,775 thousand, which represented the repayment of borrowings of RMB1,180,342 thousand and the repayment of the borrowings payable to the connected parties of RMB10,598 thousand, partially offset by the proceeds of RMB982,203 thousand from new borrowings and the issuance of shares.

9. Bank borrowings

For the year of 2010 and 2011, the bank borrowings of the Group were approximately RMB475,000 thousand and RMB250,000 thousand, respectively. In addition to the information disclosed above or otherwise in this announcement, the Group has no outstanding mortgage, pledge, bonds or other borrowing capital issued or agreed to be issued, bank overdraft, borrowing, committed liability or other similar liabilities, lease and financing lease commitment, or any guarantee or other significant contingent liabilities. The directors have confirmed that, save for the information disclosed above, there has been no material changes in the debt and contingent liabilities of the Group since 31 December 2011.

10. Gearing ratio, interest rate risk, and foreign exchange risk

The gearing ratio of the Group dropped from 63.4% in 31 December 2010 to 36.4% in 31 December 2011, 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. The bank borrowings of the Group are usually due within one year, and therefore, the interest rate risk in its fair value is relatively remote. There is no hedging policy currently prevailing in the Company. Nevertheless, the management of the Group monitors the interest rate risk, and may consider taking hedging measures as needed on the occurrence of significant interest rate risks.

The businesses of the Group are located in China, and its major operating transactions are dominated in RMB. In addition to the liabilities arising from the financing loans dominated in US dollars and certain payable professional expenses dominated in HK dollars and US dollars mainly arising from the listing, most of the assets and liabilities of the Group are dominated in RMB. Since RMB is not freely convertible, the risk that the Chinese government may take measures to interfere the exchange rates, may bring effects to the Group's net asset value, profit and the dividends declared to the extent that such dividends are subject to foreign exchange, and we have no hedging measures against such exchange risks.

11. Major acquisition and disposal of assets and merger issues

The Group had no major acquisition and disposal of assets and merger issues as of 31 December 2011.

12. Assets securities, contingent liabilities and dividends

The bank borrowings of the Group of RMB200 million are secured by the mining rights certificates. As of 31 December 2011, the aggregate net value of the assets used as securities amounted to RMB252 million. The remaining bank borrowing of the Group of RMB50,000 thousand is secured by the bills receivable of RMB51,250 thousand.

As of 31 December 2011, the Group had no significant contingent liabilities.

The Board of the Company recommend the payment of the final dividend for the year ended 31 December 2011, with a cash bonus of RMB0.021 per share. The payment of the dividend will be conditional upon the approval of the shareholders at the annual general meeting of the Company.

13. Use of the proceeds

The proceeds raised from the listing of the Company amounted to HK$828,300,000. As of 31 December 2011, the proceeds not utilized yet was HK$45,800,000, and the rest had been mainly applied to (1) repay the private borrowings of HK$702,300,000; (2) expand and upgrade the mines and the production facilities (HK$68,600,000).

FUTURE OUTLOOK

1. Operating environment

The fluctuations in the iron ore market are mainly resulted from the factors such as the changes in the steel and iron market, the supply of iron ores, and the global economy. Despite of the drop in Gross Domestic Product, China will still be the main driver for the growth of the steel and iron market in 2012 and will play an important role in supporting the demand of the iron ore products, resulting from which, the demand in the iron ore market will continue to remain relatively strong. There will be an increase in the supply of iron ores, but it will not be significantly higher than that of 2011. However, the debt crisis in Europe will continue to spread influences on the finance capital market worldwide and bring uncertainties to the energy market and the market of bulk mining raw materials, including iron ores. In sum, we are cautiously optimistic about the iron ore market.

2. Resources enlargement and capacity expansion

The Group will put more efforts on exploration. It will carry out further exploration activities in Aoniu Mine and Maogong Mine to seek for the further increase in iron ore resources. It will strive to identify and focus on new exploration areas in accordance with the national "integrated exploration" program. On the basis of complying with the national policies, it will also expand the areas covered by the mining rights of Aoniu Mine and Maogong Mine whenever it deems fit.

During 2012, the Group plans to complete the construction of the main part of the processing plant with an annual processing capacity of 3 million iron concentrates to realize a production capacity of 1 million iron concentrates in Maogong Mine, and accomplish the second phase of the technical improvement project in Aoniu Mine to increase the production capacity of Aoniu Mine to over 1 million tons of iron concentrates. It is also planning to construct a series of ancillary facilities with a mining capacity of 1 million tons of iron ores in Xingzhou Mine. Moreover, it will complete the construction of the underground pit in Benxi Mine step by step to ensure the smooth transition from open mining to underground mining.

It will carry out the development strategy of international development, and accelerate the identification, acquisition and exploration of overseas projects. The Company will, based on its own strengths, select the countries and regions with abundant target resources, stable investment environment and a sound legal system, and carry out investing and operating activities by following the principle of gradual improvement, that is, from small activities to major activities and from simple to complicated.

In the meanwhile of focusing its efforts on the development and production of iron ores, the Group will seek for the opportunities to acquire and develop other advantageous ores, such as Au, Ni and Cu. On the basis of the strict control over significant risk factors, the Group will hedge the adverse effects brought by the fluctuations of the market by properly verifying the asset and product portfolios of various ores, so as to lay a solid foundation for the achievement of a stable growth in the returns of the shareholders.

3. Management system construction

The Group will promote the implementation of a collective management mode and focus its attention on the horizontal integration of the corporate resources in all the mines and the effective and full use of the Group's overall advantages. Through the ability of collective organization, the Group can achieve control and strategic synergy amongst its subordinate mining companies and balance the relationship between rapid development and risk control. It will continue to optimize the meticulous management in terms of the strategy and operation of the Group, and improve the level of the meticulous management through the establishment of a systematic decision procedure.

It will further optimize the production control and measurement system, and strengthen the "breakdown-type" meticulous management to assign the six major responsibilities of "personnel, quantity, quality, equipment, safety and cost" of every work process to the working team and to all the individuals. It will establish a quantitative following and electronic measuring system for the key indicators in the mines to carry out scientific measurements and calculations on the technical indicators such as the grades, the supply volume and the recovery rate of the ores, as well as the grades of the dry cinder and the concentration ratio. Moreover, it will calculate the final cost by collecting the costs of the technologies or sections that can be calculated individually, and will establish precise monthly reporting, weekly reporting or even daily reporting system in respect of the production costs.

It will establish a digital management and monitoring platform for the production data, and establish a 3D dynamic model for the reserve in each mine and a monitoring model for the mining sites and the processing plants by using modern software and technologies. It will also optimize the internal resource management and information system to improve the management efficiency of the human resources, administration, financial and legal departments. Moreover, it will enhance information sharing and circulation and ensure the completeness, accuracy and confidentiality of the information and data of the Company.

SHARE CAPITAL

The Company was listed on the Exchange on 30 September 2011 ("Listing Date"). The total number of authorised shares is 10,000,000,000 shares divided into shares of HK$0.1 each, and the total authorised share capital is HK$1,000,000,000 with 1,830,000,000 shares in issue. During 2011, the share capital of the Company remained unchanged.

PRE-EMPTION RIGHT

Pursuant to the memorandum and articles of association of the Company and the laws of the Cayman Islands (the place where the Company incorporated), no provision in relation to pre-emption rights shall apply to the Company.

DIVIDENDS

The Board of the Company recommended the payment of a final dividend of RMB0.021 per share in cash in respect of the year ended 31 December 2011 to our shareholders. All dividends will be paid after being approved by the shareholders at the annual general meeting of the Company.

All dividends to be distributed will be denominated and declared in Renminbi and will be paid to shareholders of the Company in Hong Kong dollars. The amount of dividends payable in Hong Kong dollars shall be calculated based on the average benchmark exchange rate of Renminbi to Hong Kong dollars announced by the People's Bank of China between Monday, 4 June 2012 and Friday, 8 June 2012. The dividends are expected to be paid on or about 18 June 2012.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 15 May 2012 to Monday, 21 May 2012 (both dates inclusive, 5 business days in total) and Friday, 25 May 2012 to Thursday, 31 May 2012 (both dates inclusive, 5 business days in total) during which periods no transfer of shares will be registered. In order to attend the 2012 annual general meeting, all transfer forms 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 Monday, 14 May 2012. In order to participate in the payment of a final dividend in respect of the year ended 31 December 2011, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712–1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 24 May 2012.

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 since the Listing Date until 31 December 2011.

DIRECTOR'S SERVICE CONTRACT

The Company has signed a service contract with each director. According to the service contract, (1) the term is three years commencing from the Listing Date for Yang Min, Yang Jiye, Pan Guocheng, Zheng Xuezhi, Xia Zhuo, Wang Ping, Fu Zhijing and Chen Yuchuan, and commencing from the date of appointment for Kenneth Jue Lee, Lan Fusheng, Qiu Yumin and Wang Anjian; (2) the service contract can be terminated based on its terms.

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

DIRECTOR'S INTERESTS IN CONTRACTS

For the year ended 31 December 2011, the Company has not directly or indirectly concluded contracts of significance, in which each director has material interests, and in which the Company is a party and which still remain valid any time during the year or at the end of the year.

MANAGEMENT CONTRACTS

For the year ended 31 December 2011, there is no contract entered into by the Company relating to its management and administration or subsisting during the year which is substantial to the entire or any part of business of the Group.

NON-COMPETITION AGREEMENT COMPLIANCE

As disclosed in the Company's prospectus dated 20 September 2011, the Company signed a non-competition agreement ("Non-Competition Agreement") with the controlling shareholders on 16 June 2011. In accordance with the Non-Competition Agreement, each controlling shareholder of the Company has promised the Company (in the interest of him/her and its subsidiaries) that with exception of the disclosed in the prospectus of the Company, they would not and endeavour to urge their associates (exclusive of any constituent companies of the Group) not to carry out, and participate by himself/herself or along with or on behalf of any person, firm, company (inclusive of) business or activities or own equity in business or activity in relation to retained business, or acquire or hold, create, develop, operate or manage business or activities that compete against our core business, directly or indirectly, during the restricted time limit stated below. We would be authorized by the controlling shareholder of the Company to acquire option interest and priority purchase right in several entities retained by the controlling shareholder after the restructuring.

In accordance with the Non-Competition Agreement, the independent non-executive directors of the Company is held responsible for reviewing and considering whether exercising such option and priority purchase right, as well as entitled to conduct annual review of implementation of the agreement on behalf of the Company. In 2011, 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 have fully abided by the agreement without any breach of the Non-Competition Agreement.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

As a listed company listed on the main board of the Exchange, the Company consistently commits to retain higher level of corporate governance. For the year ended 31 December 2011, the Company already met the code provisions stated in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules.

PUBLIC FLOAT

In accordance with information available to the Company, and what is known to the directors, the public hold not less than 25% of shares issued by the Company as of the date of this announcement, which meets the regulations of the Listing Rules.

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 of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2011.

SIGNIFICANT LEGAL PROCEEDINGS

For the year ended 31 December 2011, the Group has not been involved in any significant legal proceedings or arbitration. As is known to the directors, there exist no significant legal proceedings or claim that has not been settled or is likely to be confronted with.

REMUNERATION COMMITTEE

According to the recently amended Rule 3.25 of the Listing Rules, which will take effect from 1 April 2012, the remuneration committee of a listed issuer must be chaired by an independent non-executive director. To comply with such requirement, as appointed by the Board, Mr. Wang Ping, an independent non-executive director of the Company will replace Mr. Yang Jiye as the chairman of the remuneration committee of the Company. This appointment takes effect from the date of this announcement.

THE AUDIT COMMITTEE

The Audit Committee under the Board of Directors of the Company has reviewed the Company's Annual Results for 2011, the financial statements for the year ended 31 December 2011, the draft annual report, accountant report, the 2011 internal control report, the 2011 internal audit summary and the 2012 audit plan and proposed the appointment of auditor and proposed the auditor's remuneration to the Board.

AUDITORS

The consolidated financial statements for the year ended 31 December 2011 have been audited by Deloitte Touche Tohmatsu.

PUBLICATION OF ANNUAL REPORT

The 2011 annual report for the year containing all applicable data required by the Listing Rules will be dispatched to shareholders and published in the websites of the Exchange (www.hkexnews.hk) and the Company (www.hankingmining.com).

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
Yang Min
Chairlady and non-executive Director

Shenyang, PRC, 15 March 2012

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