

# 中國罕王控股有限公司

## CHINA HANKING HOLDINGS LIMITED

罕王  
HANKING

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 03788



# 2017

## INTERIM REPORT

# MISSION

As Emerging Key Player

# VALUE

Always Beyond Expectations



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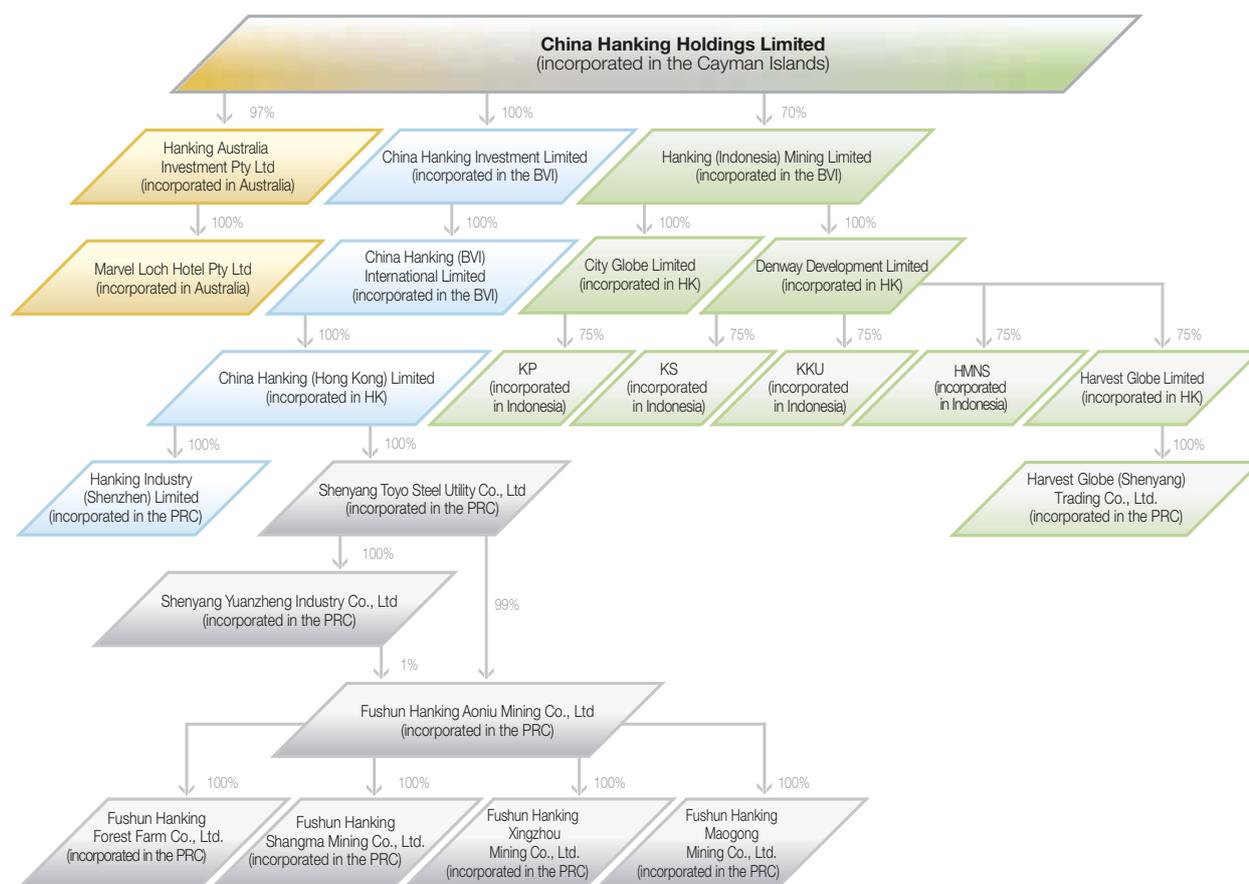
# CORPORATE INFORMATION

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

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

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

## Shareholding Structure of the Group <sup>Note</sup>



Note: This shareholding structure chart reflects the Group's shareholding structure as at 30 June 2017.

## CORPORATE INFORMATION

(CONTINUED)

**Company's Statutory Chinese Name**

中國罕王控股有限公司

**Company's Statutory English Name**

China Hanking Holdings Limited

**Stock Code**

03788

**Registered Office**Cricket Square  
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P.O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands**Headquarter in the PRC**22nd Floor, Hanking Tower  
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Shenhe District  
Shenyang 110016  
Liaoning Province  
PRC**Principal Place of Business in Hong Kong**36/F, Tower Two, Times Square  
1 Matheson Street  
Causeway Bay  
Hong Kong**Authorized Representatives**Mr. Zheng Xuezhi  
Ms. Mok Ming Wai**Joint Company Secretaries**Mr. Xia Zhuo  
Ms. Mok Ming Wai**Auditor**Deloitte Touche Tohmatsu  
Certified Public Accountants  
35/F, One Pacific Place  
88 Queensway  
Hong Kong**Hong Kong Legal Advisor**Loeb & Loeb LLP  
21/F, CCB Tower  
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Central  
Hong Kong**Principal Share Registrar in the Cayman Islands**Conyers Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
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Cayman Islands**Hong Kong Share Registrar**Computershare Hong Kong Investor Services Limited  
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Wanchai  
Hong Kong**Investor Inquiries**Investor Hotline: +852 3158 0506  
Facsimile: +852 3158 0508  
Website: www.hankingmining.com  
E-mail: ir@hanking.com**Directors****Executive Directors**Mr. Yang Jiye (*Chairman*)  
Dr. Pan Guocheng (*Chief Executive Officer and President*)  
Mr. Zheng Xuezhi (*Chief Financial Officer*)  
Dr. Qiu Yumin  
Mr. Xia Zhuo**Non-executive Director**

Mr. Kenneth Jue Lee

**Independent Non-executive Directors**Mr. Wang Ping  
Dr. Wang Anjian  
Mr. Ma Qingshan**Audit Committee**Mr. Wang Ping (*Chairman*)  
Dr. Wang Anjian  
Mr. Kenneth Jue Lee**Remuneration Committee**Mr. Wang Ping (*Chairman*)  
Mr. Kenneth Jue Lee  
Mr. Ma Qingshan**Nomination Committee**Mr. Yang Jiye (*Chairman*)  
Dr. Wang Anjian  
Mr. Ma Qingshan**Health, Safety, Environmental Protection and Community Committee**Dr. Pan Guocheng (*Chairman*)  
Mr. Yang Jiye  
Dr. Wang Anjian

## FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		Change (%)
	2017	2016	
Sales volume of iron ore concentrates (thousand metric tons)	<b>931.67</b>	789.49	18.01%
Sales volume of gold (ounces) <sup>Note</sup>	<b>27,598</b>	64,232	(57.03%)
Sales volume of nickel ores (thousand metric tons)	–	–	N/A
<b>Continuing operations:</b>			
Revenue (RMB'000)	<b>541,452</b>	326,563	65.80%
Gross profit (RMB'000)	<b>260,340</b>	59,473	337.74%
Gross margin	<b>48.08%</b>	18.21%	164.03%
Profit (loss) for the period from continuing operations (RMB'000)	<b>54,918</b>	(149,124)	N/A
EBITDA from continuing operations (RMB'000)	<b>261,435</b>	75,272	247.32%
Profit margin of EBITDA from continuing operations	<b>48.28%</b>	23.05%	109.46%
Profit for the period from discontinued operations (RMB'000)	<b>765,028</b>	40,242	1,801.07%
Profit (loss) for the period attributable to owners of the Company (RMB'000)	<b>830,639</b>	(105,661)	N/A
Earning/(loss) per share (RMB cent per share)			
– From continuing operations	<b>3.70</b>	(8.00)	N/A
– From continuing and discontinued operations	<b>45.40</b>	(5.80)	N/A

Note: All the equity interests of the SXO Gold Project of the Company were disposed in April 2017. Therefore, the sales volume of gold for 2017 merely includes the sales volume for the three months from 1 January to the end of March.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Major Operation Results<sup>Note</sup>

### 1. Expansion of production in Maogong Mine and substantial increase in the output and sales volume of iron ore concentrates

Through continuous technology improvements, Maogong Mine of the Group has achieved steady growth in output, leading to continuous increase in sales volume of the iron ore concentrates. The output of Maogong Mine amounted to 561.93 thousand metric tons for the first half of 2017 (the first half of 2016: 353.88 thousand metric tons), representing a year-on-year increase of 58.79%, which accounted for 60.26% of the Group's output of iron ore concentrates.

Driven by the production expansion of Maogong Mine, the Group achieved substantial increase in the output and sales volume of iron ore concentrates. The output and sales volume of iron ore concentrates by the Group amounted to 932.48 thousand metric tons and 931.67 thousand metric tons, respectively, for the first half of 2017, representing a year-on-year increase of 20.68% and 18.01%, respectively.

### 2. Maintaining the advantage of low-cost operations of the iron ore business

Through adjustment of production layout and continuous technology improvement, the cash operation cost of iron ore concentrates was RMB261.50 per metric ton for the six months ended 30 June 2017, representing an increase of 6.01% from that of the corresponding period of last year. The sales cost was RMB300.76 per metric ton, which represented a decrease of 10.83% from that of the corresponding period of last year, maintaining the advantage of low-cost operations of the iron ore business.

Total profit of the iron ore business amounted to RMB175,996,000 for the six months ended 30 June 2017, as compared to a loss of RMB112,565,000 recorded for the corresponding period of last year. EBITDA of the iron ore business was RMB299,020,000 for the six months ended 30 June 2017, increased by 227.56% from that of the corresponding period of last year. The profit margin of EBITDA was 55.23% for the six months ended 30 June 2017, increased by 27 percentage points as compared with that of the same period of last year.

### 3. Development of green building materials project to realise reuse of the iron ore resources

The foamed ceramics project was launched in August 2017. Following the launching of this project, we expect to realise reuse of the iron ore resources to bring additional income for the Company in the future, which will also reduce land occupation by the tailings storage facility and hence lower the production costs of the iron ore concentrates produced by the existing iron ore business.

### 4. Significant increase in the value of the gold business and distribution of special dividends

By seizing favorable market conditions, the Company closed a deal for acquisition of the SXO gold asset at the price of AUD19.7 million in 2013. Through rational exploration and development, the SXO Gold Project was successfully put into commercial production and achieved substantial growth in its market values. Again the Company used a favorable market window to sell the SXO Gold Project at an enterprise value of AUD330 million in 2017. The Company realised an investment gain of RMB763,223,000 within a 4-year investment cycle.

Note: In this report, cost data (being information which are not required to be disclosed under the International Accounting Standard) have not been reviewed by the auditor of the Company.

## MANAGEMENT DISCUSSION AND ANALYSIS

*(CONTINUED)*

After the disposal of the equity interests in the SXO Gold Project, the Company distributed a special dividend of HK\$0.2 per share to the shareholders of the Company, totaling approximately RMB320,000,000, with an aim to share the investment gain from the disposal of the gold project with the shareholders.

As the disposal of equity interest in Hanking Australia had been completed in April 2017, Hanking Australia and the SXO Gold Project were classified by the Company's auditor as discontinued operations, while the other businesses of the Group including the iron ore business, nickel business and other businesses in Australia were classified as continuing operations. For the first half of 2017, revenue from the continuing operations of the Group amounted to RMB541,452,000 (the first half of 2016: RMB326,563,000), representing an increase of 65.80% as compared with that of the same period of last year. A profit of RMB54,918,000 was recorded for the period (the first half of 2016: a loss of RMB149,124,000). An EBITDA of RMB261,435,000 was achieved for the continuing operations (the first half of 2016: RMB75,272,000), representing an increase of 247.32% from that of the same period of last year. The profit margin of EBITDA was 48.28%, up by 25 percentage points as compared with that of last year. The profit from the discontinued operations of the Group was RMB765,028,000 for the period, representing a year-on-year increase of 1,801.07%. The total comprehensive income for the first half of 2017 was approximately RMB852,497,000, representing an increase of RMB923,086,000 or 1,307.69% as compared to the corresponding period of last year. As at 30 June 2017, the total asset of the Group was RMB3,815,661,000, decreased by 1.67% as compared with that recorded on 31 December 2016.



## MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

**Iron Ore Business**

According to the iron ore index released by China Iron and Steel Association, during the first half of 2017, the price of imported iron ores surged from US\$76.85/metric ton on the first trading day at the beginning of the year to the annual peak of US\$92.05/metric ton as recorded on 21 February, representing a cumulative increase of nearly 20% within 28 trading days, and then dropped to the annual trough of US\$54.26/metric ton as recorded on 13 June, representing a decrease of over 41%. Subsequently, driven by the increase in the market price of finished products and the price recovery of waste steel across the country, the price rallied up to US\$62.41/metric ton as recorded on 30 June, representing an increase of 15%.

**1. Production expansion in Maogong Mine, structural adjustment of the iron ore business as well as substantial increase in the output and sales volume of iron ore concentrates**

Through continuous technology improvement, Maogong Mine of the Group achieved sustainable growth in the output and sales volume of iron ore concentrates. In the first half of 2017, output of Maogong Mine was 561.93 thousand metric tons (the first half of 2016: 353.88 thousand metric tons), representing a year-on-year growth of 58.79%, enabling the Group to produce more high quality iron ore concentrates at low cost. As such, during the first half of 2017, output of iron ore concentrates of the Group increased by 20.68% on a year-on-year basis to 932.48 thousand metric tons, while the sales volume of iron ore concentrates increased by 18.01% on a year-on-year basis to 931.67 thousand metric tons.

**The breakdown of output of iron ore concentrates**

Mine	For the six months ended 30 June		Change %
	2017 (thousand metric tons)	2016 (thousand metric tons)	
Maogong Mine	561.93	353.88	58.79%
Aoni Mine	370.55	401.68	(7.75%)
Benxi Mine <sup>Note</sup>	–	17.13	–
	<b>932.48</b>	772.69	20.68%

Note: Benxi Mine was disposed in June 2016.

## MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

During the first half of 2017, the iron ore business of the Group pushed forward the construction works as scheduled, laying a solid foundation for the expansion of production. The progress of the major projects is as follows:

### 1) **Underground mining works of Maogong Mine**

During the first half of 2017, the phase one project of the underground mining works of Maogong Mine has passed the acceptance inspection. For the fundamental construction part, a cumulative length of 334.04 meters/5,700.67 cubic meters has been completed at various sections. For the underground mining part, a cumulative length of 5,317.20 meters/87,123.54 cubic meters has been completed at various sections, and it is scheduled to complete the construction works for linkage commissioning on or before 31 December 2018.

### 2) **Construction of main shaft and auxiliary shaft as well as installation works of the shaft of Maogong Mine**

Construction of the main body of the main shaft was completed, and the construction of the ore bin with a length of 22.0 meters was also completed, while the installation of the crane machine is currently under way. Construction of the main body of the auxiliary shaft with a length of 9.0 meters was completed, while construction of the terrace with a length of 13.0 meters is currently under way. It is expected to complete all the construction works by the end of 2018, which will further increase the output of Maogong Mine.

Aoniu Mining, a wholly-owned subsidiary of the Company, entered into an equity interest transfer agreement with the purchaser on 13 April 2017 in respect of the disposal of all its equity interests in Xingzhou Mining. The total consideration of the disposal was RMB360,000,000 with reference to the unaudited total assets of Xingzhou Mining as at 28 February 2017 and the shareholder's loan. Aoniu Mining will receive RMB360,000,000 as a result of the disposal, including the recovery of the shareholder's loan at a sum of RMB340,000,000 and the equity consideration of RMB20,000,000. As of 30 June 2017, as the pledge of some equity interests has not yet been released, the disposal has not yet been completed, thus as a subsidiary of the Company, the results of Xingzhou Mining have been consolidated into the consolidated financial statements of the Group.

Xingzhou Mining had incurred loss since 2013 and has suspended the production of iron ore concentrates since April 2014. The management of the Group considers that the disposal will help to revitalize the Company's existing assets and adjust the production structure which will reduce the negative impact on the overall profitability of the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

## 2. Maintaining the advantage of low-cost operations of the iron ore business

Through adjustment of production layout and constant technology improvement, as at 30 June 2017, the cash operation cost of iron ore concentrates was RMB261.50/metric ton, which represented an increase of 6.01% as compared to the corresponding period of last year, while the sales cost was RMB300.76/metric ton, which represented a decrease of 10.83% as compared to the corresponding period of last year, continuing to maintain its core competitiveness of low-cost operations. The average sales price of iron ore concentrates of the Group was RMB580.98/metric ton for the first half of 2017 (the first half of 2016: RMB413.36/metric ton), an increase of 40.55% as compared to the corresponding period of last year.

## The breakdown of cash operation costs of the iron ore business

Item	Unit	For the six months ended		
		30 June 2017	2016	Change
Comprehensive mining cash costs	RMB/metric ton of iron ore concentrates	111.44	107.57	3.60%
Processing cash costs (Note 1)	RMB/metric ton of iron ore concentrates	72.59	80.87	(10.24%)
Transportation expense (Note 2)	RMB/metric ton of iron ore concentrates	19.99	17.77	12.49%
Tax (Note 3)	RMB/metric ton of iron ore concentrates	39.83	28.42	40.15%
Management expense (Note 4)	RMB/metric ton of iron ore concentrates	17.65	12.03	46.72%
Total	RMB/metric ton of iron ore concentrates	261.50	246.66	6.01%

- Note: 1. The substantial decrease in the processing costs for per metric ton of iron ore concentrates was mainly due to the significant increase in the output and sales volume of iron ore concentrates in the first half of 2017.
2. The increase in transportation expense for per metric ton of iron ore concentrates in the first half of 2017 was due to the increase in sales volume of iron ore concentrates to customers who were located at distant places.
3. The implementation of ad valorem resource tax with effect from July 2016, coupled with the higher average unit price in the first half of 2017 than that of the corresponding period of last year, led to increase in the resource tax and surcharges of commodity turnover tax.
4. The increase in management expense was due to the economic compensation paid to certain employees for termination of employment.

For the six months ended 30 June 2017, the revenue of iron ore business of the Group was RMB541,452,000, representing a year-on-year increase of 65.80%, mainly due to the rising average sales price and the increase in the output of iron ore concentrates; profit before tax of the iron ore business amounted to RMB175,996,000, as compared to a loss of RMB112,565,000 recorded for the corresponding period of last year; EBITDA of the iron ore business was RMB299,020,000, increased by 227.56% from that of the corresponding period of last year; the profit margin of EBITDA was 55.23%, increased by 27 percentage points as compared with that of the same period of last year; and the total capital expenditure was RMB33,810,000, representing a year-on-year decrease of 65.74%.

## MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

### 3. Developing a recycling economic system and exploring the value of tailing sand and waste sand and rocks from mining operation

Since its establishment, and upholding the tenet of “Safe Mines, Harmonious Mines, Green Mines”, the iron ore business of Hanking strives to build modernized ecological mines, and aims to improve resource utilization and mitigate impacts of production activities on environment by ways of recycling and technology upgrade.

In the mining operation, topsoil and waste rocks are stripped and piled at the waste dump separately. The iron ore produced after the stripping process is crushed and processed to yield iron ore concentrates, while the tailing sand resulted from the process is discharged to the tailings storage facility. The land occupation caused by the waste dump and tailings storage facility will lead to increase in the production cost of iron ore concentrates and also impose impact on the environment and ecological system.

In 2016, though extensive study, the management found that the iron tailings produced by Maogong Mine had low sulfur and phosphorus content and high silicon content, making it perfect to be used as the main raw materials for the production of foamed ceramics, which, as a green construction material, can be used as a new wall materials to replace the existing wall materials in the domestic market and has huge market potential. Therefore, the Company launched the foamed ceramics project. After the launching of this project, the iron ore resources were reused to bring additional income for the Company, which also reduced land occupation by the tailings storage facility and hence lowered the production costs of the iron ore concentrates produced by the existing iron ore business.

### 4. Resources and reserves

During the first half of 2017, there was no material change in the resources and reserves of the iron ore business as compared to that at the end of 2016.

## MANAGEMENT DISCUSSION AND ANALYSIS

*(CONTINUED)***Gold Business**

In the first half of 2017, the gold price experienced periodic surge driven by flight to safe haven assets triggered by geopolitical uncertainties, including the postponed implementation of new policies of the U.S.A., continuous slipping of US Dollar index, etc.

**1. Disposal of the equity interests in the SXO Gold Project**

In 2013, the Company seized the favorable market conditions to acquire the SXO Gold Project at the price of AUD19.7 million. After completion of the acquisition, and through team re-building, extensive exploration and asset maintenance, the Company commenced open-pit mining and stripping operation at the Cornishman gold mine in August 2014, and carried out underground mining in December of the same year. The SXO Gold Project had extensive infrastructures, and its own processing plant – Marvel Loch (the “**Processing Plant**”) was located in the middle area of the mining site. Through technology improvement, the Processing Plant had an annual ore processing capacity of 2.4 million metric tons.

The SXO Gold Project produced the first gold pour in February 2015 and started commercial production in August. The project produced 58,887 ounces (1.89 metric tons) of gold during 2015 with a net profit of RMB50,276,000. In 2016, the SXO Gold Project achieved substantial increase in gold output through optimizations of production plan. The total gold production for 2016 was 121,456 ounces, representing a year-on-year increase of 106.25%, while the sales volume registered a year-on-year increase of 115.96%. Furthermore, the Company secured a good selling price for part of the products using hedges, so as to reduce the risks on gold production and operation arising from fluctuations in gold price.

By cooperating with the contractors and independent consultants, and through continuous exploration programs on the existing and new gold mines, the SXO Gold Project achieved substantial increase in the resources and reserves. As of the end of 2016, the total JORC Code-compliant gold resources of the Company increased to 34,720 thousand metric tons with an average grade of 4.1 gram/ton, containing 4,570 thousand ounces of gold, representing an increase of 90.02% than that at the time of the acquisition. The JORC Code-compliant reserves increased to 8,740 thousand metric tons with an average grade of 3.4 gram/ton, containing 960 thousand ounces of gold, representing a year-on-year increase of 62.16%.

On 15 February 2017, the Company and the other vendors entered into a share sale agreement with the purchaser (Shandong Tianye Group Bid Co Pty Ltd) and the guarantor (Shandong Tianye Real Estate Development Group Co., Ltd., the ultimate holding company of the purchaser), to sell 100% of the shares in Hanking Australia (which held the SXO Gold Project and its assets) at an enterprise value of AUD330 million. The disposal was completed on 20 April 2017. Through the disposal, the Company recorded an investment gain of approximately RMB763,223,000. After the disposal of the equity interests in the SXO Gold Project, the Company distributed a special dividend of HK\$0.2 per share to the shareholders of the Company, totaling approximately RMB320,000,000, with an aim to share the investment gain from the disposal of the gold project with the shareholders.

## MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

The net proceeds from the disposal of such equity interest was RMB898,093,000, coupled with the settlement of advance of RMB273,178,000, totaling RMB1,171,271,000 in cash, which will be used to further develop the Group's business and improve the financial position, in particular: (1) approximately RMB323,000,000 will be used for repayment of bank borrowings; (2) approximately RMB448,000,000 will be used to further expand its existing iron ore and nickel businesses as well as to explore new business opportunities; and (3) RMB319,774,000 has been paid as a special dividend to the shareholders.

The disposal of all the equity interests in the SXO Gold Project was completed in April 2017, and the closing base date agreed by both parties was 31 March 2017. Therefore, the results of Hanking Australia and its subsidiaries will no longer be consolidated into the consolidated financial statements of the Group after 1 April 2017.

During January to March 2017, the operating mines of the gold business included an open-pit mine (Axhandle Gold Deposit) and an underground mine (Nevoria Gold Deposit), and the gold ore mined would be transported to the Processing Plant for further processing. During the aforesaid period, the total gold output amounted to 26,917 ounces, and the sales volume was 27,598 ounces at an average sales price of AUD1,612/ounce, with the C1 direct cash costs amounting to AUD958/ounce. Revenue of the gold business amounted to RMB212,702,000, and the profit for the period was RMB29,626,000, representing a year-on-year decrease of 26.38%.

### 2. Other business in Australia

After completion of the disposal of the SXO Gold Project, the Company held some equity interests in several listed companies in Australia through Hanking Australia Investment. As at 30 June 2017, the fair value of these equity interests in these listed companies amounted to RMB15,570,000, representing a year-on-year decrease of 20.67%. Hanking Australia Investment is mainly engaged in investments in Australia.

Hanking Australia Investment and Corazon Mining Limited, a company listed on the Australian Securities Exchange (ASX: CZN) ("**CZN**"), after friendly consultation, have entered into a strategic cooperation agreement on 16 August 2017. Pursuant to such agreement, Hanking Australia Investment has agreed to subscribe for 120 million new shares issued by CZN at a price of AUD0.014 per share and a total consideration of AUD1.68 million. Upon completion of the subscription, Hanking Australia Investment will become a strategic cornerstone investor of CZN holding approximately 11% of CZN's shares. Hanking Australia Investment has also been granted the options to subscribe for a further 85 million shares of CZN at an exercise price of AUD0.03 per share within two years. Further, upon completion of the subscription, Dr. Qiu Yumin will join the board of CZN as a non-executive director.

Headquartered in Perth Australia, CZN owns two projects: the Lynn Lake Ni-Cu project in Canada and the Mt Gilmore high-grade Co-Cu-Au project in Australia. While CZN's projects are still at the exploration stage, it has a unique high-grade sulfide cobalt project with high recovery rate but lower capital expenditure, and also has the exploration potential for sulfide Cu, Ni and Au. The laterite nickel projects owned by the Company in Indonesia with the JORC Code-compliant nickel resources of over 4.5 million metric tons, coupled with the Company's investment in CZN, mark a strategic step by the Company to tap the metal resources in the new energy industry.

## MANAGEMENT DISCUSSION AND ANALYSIS

*(CONTINUED)***Nickel Business**

At the beginning of 2017, being affected by the order to permanently close down 22 out of the 41 operating mines given by Regina Lopez, former Philippine environment minister, nickel price has been on an upward track until the end of February. Subsequently, with the higher-than-expected growth in supply of laterite nickel due to the increase in export of laterite nickel by the Philippines as a result of implementation of more favorable policies towards the mining industry by the new Philippine environment minister as well as the gradual and conditional relaxation of laterite nickel export by the Indonesian government, coupled with the sluggish demand due to the strict environmental regulations on steel plants implemented by the PRC government and weakened demands for stainless steel, the nickel price turned into a declining trend. In the first half of 2017, Shanghai nickel price and LME nickel price dropped by 14.9% and 11.7% respectively.

**1. Cooperating with partners to develop nickel resources**

The nickel business proactively pushed forward cooperation with partners to develop nickel resources. In the first half of 2017, KS, a subsidiary of the Company, entered into a cooperation agreement with PT. Maha Bhakti Abadi ("**MBA**", a company incorporated in Indonesia with limited liability and an independent third party). K KU, a subsidiary of the Company, also entered into a cooperation agreement with PT. DUA Delapan Resoures ("**DDR**", a company incorporated in Indonesia with limited liability and an independent third party). Pursuant to those agreements, KS has appointed MBA to manage nickel mining, production and trading of nickel commodities from part of KS's nickel mining area located in North Konawe, the South-East Sulawesi of Indonesia, and K KU engaged DDR to manage nickel mining, production and trading of nickel commodities from part of K KU's nickel mining area located in North Konawe, the South-East Sulawesi of Indonesia. KS and K KU shall share the profit generated from the sale of the nickel. In accordance with the relevant laws and regulations regarding management of mining license for foreign companies stipulated by the Indonesian government, all the mining licenses (IUP) issued by the county-level governments shall be surrendered to the Ministry of Energy and Mineral Resources for renewed licenses. In the first half of 2017, KS has obtained renewed IUP, while K KU was in the process of obtaining a renewed one. Therefore, after the entering into of the cooperation agreements mentioned above to develop nickel resources, the staff of MBA have entered the site to carry out preliminary preparation work for the nickel mining and production with KS. Subject to completion of renewal of the IUP by K KU, DDR will assign staff to the site to cooperate with K KU to develop nickel resources.

**2. Resources and reserves**

During the first half of 2017, there was no material change in the nickel ore resources and reserves held by the Group as compared to that at the end of 2016.

## MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

### Financial Review

#### 1. Revenue, Cost of Sales, Gross Profit

For the first half of 2017, revenue from the Group's continuing operations was RMB541,452,000, representing an increase of RMB214,889,000 or 65.80% over the corresponding period of last year, mainly due to: 1) an increase of RMB168/metric ton in the sales price of iron ore concentrates over the corresponding period of last year, resulting in an increase in revenue of RMB156,168,000; and 2) an increase of 142.18 thousand metric tons or 18.01% in the sales volume of iron ore concentrates as compared to the corresponding period of last year, resulting in an increase in revenue of RMB58,721,000.

For the first half of 2017, cost of sales incurred by the Group's continuing operations amounted to RMB281,112,000, representing an increase of RMB14,022,000 or 5.25% over the corresponding period of last year, mainly attributable to 1) the increase in sales volume of iron ore concentrates as compared to the corresponding period of last year, leading to an increase of RMB47,954,000 in sales cost; and 2) a decrease in unit sales cost of iron ore concentrates as compared to the corresponding period of last year, leading to a decrease of RMB33,932,000 in sales cost.

For the first half of 2017, gross profit of the Group's continuing operations was RMB260,340,000, representing an increase of RMB200,867,000 or 337.74% over the corresponding period of last year. As compared to the corresponding period of last year, gross profit margin of the Group's continuing operations increased from 18.21% to 48.08% in the first half of 2017.

#### 2. Investment and Other Income, Other Gains and Losses

For the first half of 2017, investment and other income from the Group's continuing operations was RMB2,202,000, representing a decrease of RMB8,198,000 or 78.83% over the corresponding period of last year. Investment and other income mainly represented interest income.

For the first half of 2017, gains from other gains and losses of the Group's continuing operations were RMB982,000, while the losses from other gains and losses over the corresponding period of last year were RMB61,021,000, which was mainly attributable to the provision for long-term asset impairment loss of RMB47,477,000. Other gains and losses of the continuing operations for the first half of 2017 mainly consisted of exchange gains amounting to RMB738,000, net profit from the available-for-sale financial assets amounting to RMB1,357,000 and other overheads amounting to RMB1,113,000.

## MANAGEMENT DISCUSSION AND ANALYSIS

*(CONTINUED)***3. Distribution and Selling Expenses, Administrative Expenses**

For the first half of 2017, the distribution and selling expenses of the Group's continuing operations were RMB18,773,000, representing an increase of RMB3,028,000 or 19.23% as compared to the corresponding period of last year, which was mainly due to the increasing transportation costs as a result of increase in the sales volume of iron ore concentrates as compared to that of corresponding period of last year and the change in the sales portfolio. Distribution and selling expenses consisted of transportation expenses, labour expenses and others.

For the first half of 2017, the administrative expenses of the Group's continuing operations were RMB76,424,000, representing a decrease of RMB884,000 or 1.14% as compared to the corresponding period of last year. Administrative expenses mainly 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 and others.

**4. Finance Costs and Income Tax Expense**

For the first half of 2017, the finance costs of the Group's continuing operations were RMB59,661,000, which decreased by RMB3,929,000 or 6.18% as compared to the corresponding period of last year. The decrease was mainly due to the decrease in the Company's borrowings. Finance costs included bank borrowing interest expenses, discount expenses and other finance expenses and the amortization of the long-term payable discount charges.

For the first half of 2017, the income tax expense of the Group's continuing operations was approximately RMB53,748,000, representing an increase of RMB52,415,000 or 3,932.11% over the corresponding period of last year. Income tax expense included the total amount of current tax payable and deferred tax.

**5. Gain and Loss on Changes in Fair Values of Available-for-Sale Financial Assets**

For the first half of 2017, net changes in fair value of available-for-sale financial assets of the Group were RMB1,472,000, of which RMB1,357,000 was recognized in other gains and losses and RMB115,000 was recognized under comprehensive income. Such available-for-sale financial assets represented the equity interests in Australian listed companies and the domestic unlisted managed investment fund measured at fair value held by the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

### 6. Profit and Total Comprehensive Income for the Period

Based on the reasons mentioned above, the profit for the period of the Group's continuing operations for the first half of 2017 was RMB54,918,000, as compared to a loss of RMB149,124,000 recorded for the corresponding period of last year.

Profit for the period of the discontinued operations was RMB765,028,000, which mainly represented the profit made in the first half of 2017 before the disposal of the SXO Gold Project and the gains from the disposal of the SXO Gold Project.

Based on the profit for the period, and affected by the gain on changes in fair values of available-for-sale financial assets of RMB115,000, gains on foreign currency translation of RMB12,492,000 and accumulative translation reserve reclassified to profit or loss upon disposal of a foreign operation of RMB19,944,000, the total comprehensive income for the first half of 2017 was approximately RMB852,497,000, representing an increase of RMB923,086,000 or 1,307.69% as compared to the corresponding period of last year.

### 7. Property, Plant and Equipment and Inventory

As of 30 June 2017, the net value of property, plant and equipment of the Group was RMB799,582,000, representing a decrease of approximately RMB581,782,000 or 42.12% as compared to the end of the previous year, which was mainly due to the disposal of the SXO Gold Project in Australia during the period.

As of 30 June 2017, the inventories of the Group were RMB81,083,000, representing a decrease of approximately RMB63,696,000 or 44.00% as compared to the end of the previous year, which was mainly due to the disposal of the SXO Gold Project in Australia during the period.

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

As of 30 June 2017, trade and bills receivables of the Group were RMB541,131,000, representing an increase of RMB253,017,000 over the end of last year, mainly attributable to the increase of RMB289,517,000 in balance of bills receivables (bank acceptance bills) of the iron ore business. The Group retained quite a number of bank acceptance bills as at the end of the period, which was because that given the sufficient funds in the Group's bank account, the Group chose not to discount the bank acceptance bills in order to save discount charges.

As of 30 June 2017, other receivables less the receivables of Xingzhou Mining of the Group were RMB220,848,000, representing an increase of RMB52,904,000 over the end of last year which was mainly due to an increase of RMB37,512,000 in deposit for resource tax.

As of 30 June 2017, trade and bills payables of the Group less the payables of Xingzhou Mining were RMB49,547,000, representing a decrease of RMB89,574,000 over the end of last year. As of 30 June 2017, other payables of the Group less the payables of Xingzhou Mining were RMB400,272,000, representing an increase of RMB71,360,000 over the end of last year.

## MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

## 9. Cash Use Analysis

The summary of the Group's consolidated statement of cash flows for the first half of 2017 is set out below.

	For the six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Net cash flows from operating activities	<b>111,568</b>	125,653
Net cash flows from investing activities	<b>855,548</b>	65,732
Net cash flows from financing activities	<b>(650,349)</b>	(255,397)
Net increase (decrease) in cash and cash equivalents	<b>316,767</b>	(64,012)
Cash and cash equivalents at the beginning of the period	<b>70,162</b>	99,223
Assets reclassified as held for sale	<b>(6,113)</b>	–
Effect of changes in foreign exchange rate on cash and cash equivalents	<b>(1,114)</b>	1,522
Cash and cash equivalents at the end of the period	<b>379,702</b>	36,733

The net cash inflow from operating activities during the first half of 2017 was RMB111,568,000. The amount was mainly attributed to the profit before tax of RMB873,694,000, together with depreciation and amortization of RMB141,547,000, non-cash financial cost of RMB15,372,000 and an increase of RMB203,478,000 in payables, which were offset by gain from disposal of subsidiaries of RMB763,223,000 and an increase of RMB359,018,000 in receivables.

For the first half of 2017, the net cash inflow from investing activities amounted to RMB855,548,000. The amount mainly included the amount of RMB145,975,000 used in the acquisition of new plants and machine equipments, etc. and acquisition of properties in order to expand production capacity, the total amount of RMB1,171,271,000 received from the disposal of subsidiaries and the settlement of advance to the disposed subsidiaries, the amount of RMB1,358,500,000 used in the purchases of available-for-sale financial assets, the amount of RMB1,306,449,000 received from the disposal of available-for-sale financial assets and the amount of RMB104,185,000 used in the acquisition of intangible assets.

For the first half of 2017, the net cash outflow from financing activities was RMB650,349,000, which was mainly from the newly added bank borrowings of RMB497,845,000 and net inflow from the release of deposit upon expiry of bank borrowings of RMB19,196,000, and was offset by the repayment of bank borrowings of RMB847,616,000 and the payment of dividend of RMB319,774,000.

## MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

### 10. Cash and Borrowings

As of 30 June 2017, bank balance and cash of the Group amounted to RMB379,702,000, together with pledged bank deposits of RMB24,496,000, representing an increase of approximately RMB290,344,000 or 255.01% as compared to the end of last year.

As of 30 June 2017, the balance of borrowings of the Group was RMB1,607,519,000, representing a decrease of RMB565,480,000 as compared to the end of last year. In addition to the information disclosed above or otherwise in this report, the Group has no outstanding mortgage, pledge, debentures or other loan capital issued or agreed to be issued, bank overdrafts, borrowing, liabilities under acceptance or other similar liabilities, hire purchase and finance lease commitments, or any guarantees or other material contingent liabilities. The Directors have confirmed that, save as disclosed above, there was no material change in the debts and contingent liabilities of the Group since 31 December 2016.

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

The gearing ratio of the Group decreased from 79.25% as at 31 December 2016 to 64.20% as at 30 June 2017, which is calculated by dividing the total liabilities by the total assets.

The fair value interest rate risk of the Group mainly relates to the bank borrowings. For further information about the Group's borrowings and interest rates, please refer to Note 19 of the Notes to the Condensed Consolidated Financial Statements in this report. 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.

Up to the date of this report, RMB is 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, and completed the disposal of the SXO Gold Project in Australia during the period. Their assets and liabilities are denominated in Indonesian Rupiah and AUD respectively, which are affected by the foreign exchange rate and accordingly affecting net asset value and revenue of the Group. Given that fluctuation in the exchange rate has no material impact on the cashflow of the Group, we have no hedging measures against such exchange risks. The management of the Group will continue to monitor the currency matching between the revenue and costs of the Group and the exchange risks, and may consider taking appropriate measures to hedge material exchange risks when necessary.

### 12. Pledge of Assets and Contingent Liabilities

Some of the bank borrowings of the Group are secured by the mining rights certificates. As of 30 June 2017, the aggregate net carrying value of the pledged mining rights amounted to RMB284,577,000.

As of 30 June 2017, the Group had no material contingent liabilities.

## MANAGEMENT DISCUSSION AND ANALYSIS

*(CONTINUED)***13. Capital Commitment**

As at 30 June 2017, the capital commitment of the Group was RMB155,798,000, representing a decrease of RMB16,365,000 or 9.51% over that at the end of last year. The capital commitment mainly consisted of the amount of RMB123,374,000 for the underground mining works of Maogong Mine and the construction work of the Processing Plant, the amount of RMB32,364,000 for the underground mining works of Shangma Mine and the amount of RMB60,000 for the explosives magazines of Aoni Mine.

**14. Capital Expenditure**

The Group's capital expenditure decreased from approximately RMB170,670,000 in the first half of 2016 to approximately RMB117,518,000 in the first half of 2017. Expenditure incurred in the first half of 2017 mainly included (i) expenditure for acquisition of plants, machine equipments and properties amounting to RMB87,920,000; (ii) expenditure for acquisition of intangible assets amounting to RMB25,096,000; and (iii) expenditure for acquisition of land amounting to RMB4,502,000.

**15. Significant Investment Held**

Save as the equity interests in two companies listed on Australian Securities Exchange held by the Group, the Group did not hold any significant investments as at 30 June 2017.

**16. Material Acquisitions and Disposals of Subsidiaries and Associated Companies**

On 15 February 2017, the Company and the other vendors entered into a share sale agreement with the purchaser (Shandong Tianye Group Bid Co Pty Ltd) and the guarantor (Shandong Tianye Real Estate Development Group Co., Ltd., the ultimate holding company of the purchaser), to sell 100% of the shares in Hanking Australia (which held the SXO Gold Project and its assets) at an enterprise value of AUD330 million. The disposal of all the equity interests in the SXO Gold Project was completed in April 2017, and the closing base date agreed by both parties was 31 March 2017. Therefore, the results of Hanking Australia and its subsidiaries will no longer be consolidated into the consolidated financial statements of the Group after 1 April 2017. Through the disposal, the Company recorded an investment gain of approximately RMB763,223,000.

Aoni Mining, a wholly-owned subsidiary of the Company, entered into an equity interest transfer agreement with an independent third party on 13 April 2017 to dispose of all its equity interests in Xingzhou Mining. The total consideration of the disposal was RMB360,000,000 with reference to the unaudited total assets of Xingzhou Mining as at 28 February 2017 and the shareholder's loan. Aoni Mining will receive RMB360,000,000 as a result of the disposal, including the recovery of the shareholder's loan at a sum of RMB340,000,000 and the equity consideration of RMB20,000,000. As of 30 June 2017, as the pledge of some equity interests has not yet been released, the disposal has not yet been completed, and as a subsidiary of the Company, the results of Xingzhou Mining have been consolidated into the consolidated financial statements of the Group.

Save as disclosed above, the Group had no other material acquisitions or disposals of subsidiaries and associated companies as of 30 June 2017.

**17. Future Plans for Material Investments and Capital Assets**

As at 30 June 2017, save as disclosed in this report, the Group did not have any other immediate plans for material investments and capital assets.

# OTHER INFORMATION

## 1. Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

So far as the Company is aware, as at 30 June 2017, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (as defined in Part XV of the SFO) which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions taken or deemed to have under such provisions of the SFO), or which are required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO or which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

### (1) Interests in the shares of the Company:

Name of Director and Chief Executive	Status/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding
Yang Jiye <sup>1</sup>	Founder of discretionary trust	455,592,500 (long positions)	24.90%
	Interest in controlled corporation	225,881,000 (long positions)	12.34%
Xia Zhuo <sup>2</sup>	Interest in controlled corporation	19,130,589 (long positions)	1.05%
	Beneficial owner	60,000 (long positions)	Less than 0.01%
Pan Guocheng <sup>3</sup>	Beneficial owner	4,220,000 (long positions)	0.23%
Zheng Xuezhi	Beneficial owner	2,452,000 (long positions)	0.13%

Notes:

- Mr. Yang Jiye is the founder of a management trust which holds the entire issued share capital of Bisney Success Limited and holds 100% interest in Tuochuan Capital Limited. As a result, Mr. Yang Jiye is deemed to hold interest in 455,592,500 shares of the Company held by Bisney Success Limited and 225,881,000 shares of the Company held by Tuochuan Capital Limited.
- Mr. Xia Zhuo holds 54.38% interest in Splendour Ventures Limited. As a result, Mr. Xia Zhuo is deemed to hold interest in 19,130,589 shares of the Company held by Splendour Ventures Limited. The accurate percentage of the 60,000 shares of the Company beneficially owned by Mr. Xia Zhuo is 0.00327869%.
- These shares are held jointly with Ms. Pan Guoying.

## OTHER INFORMATION

(CONTINUED)

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

Name of Director and Chief Executive	Name of Associated Corporation	Status/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding
Qiu Yumin	Hanking Australia Investment Pty Ltd	Beneficial owner	3 (long positions)	3.00%

Save as disclosed above, as at 30 June 2017, none of the Directors and chief executives of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position taken or deemed to have under such provisions of the SFO), or which are required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO or which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

## 2. Substantial Shareholders' Interests or Short Positions in the Shares and Underlying Shares of the Company

As at 30 June 2017, as far as the Directors of the Company, having made all reasonable enquires, are aware, the following persons (other than the Directors and chief executives of the Company) owned interests or short positions in the shares or underlying shares of the Company which shall be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholders	Status/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding
Yang Min <sup>1</sup>	Interest in controlled corporation	586,025,000 (long positions)	32.02%
	Founder of discretionary trust	13,820,166 (long positions)	0.76%
China Hanking (BVI) Limited	Beneficial owner	586,025,000 (long positions)	32.02%
Tuochuan Capital Limited	Beneficial owner	225,881,000 (long positions)	12.34%
Bisney Success Limited	Beneficial owner	455,592,500 <sup>2</sup> (long positions)	24.90%
Le Fu Limited	Interest in controlled corporation	455,592,500 <sup>2</sup> (long positions)	24.90%
UBS Nominees Limited	Nominee for the Trustee	455,592,500 <sup>2</sup> (long positions)	24.90%
UBS Trustees (BVI) Limited	Trustee	455,592,500 <sup>2</sup> (long positions)	24.90%
China Citic Bank Corporation Limited (中信銀行股份有限公司)	Person having a security interest in Shares	280,000,000 (long positions)	15.30%
Xinfu Branch, Bank of Fushun Co., Ltd. (撫順銀行股份有限公司新撫支行)	Person having a security interest in Shares	500,000,000 (long positions)	27.32%

## OTHER INFORMATION

*(CONTINUED)*

## Notes:

1. Ms. Yang Min holds 100% interest in China Hanking (BVI) Limited and serves as settlor and beneficiary of a management trust which holds the entire issued share capital of Best Excellence Limited. Thus Ms. Yang Min is deemed to have an interest in 586,025,000 Shares held by China Hanking (BVI) Limited and 13,820,166 Shares held by Best Excellence Limited.
2. These 455,592,500 Shares belong to the same group of Shares.

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

**3. Changes of Directors and Directors' Information**

At the annual general meeting (the "AGM") of the Company held on 22 May 2017, in accordance with Article 84(1) of the Articles of Association, Dr. Qiu Yumin (executive Director), Mr. Kenneth Jue Lee (non-executive Director) and Dr. Wang Anjian (independent non-executive Director) retired by rotation at the AGM and, being eligible, offered themselves for re-election.

Dr. Qiu Yumin ceased to be the executive director, chief executive officer and president of Hanking Australia and Hanking Gold after equity interests of Hanking Australia were disposed by the Company, but acted as the president and chief executive officer of the newly-established Hanking Australia Investment and also continued to act as the executive Director and Vice-President of the Company.

Dr. Wang Anjian acted as the independent non-executive director of Chongyi Zhangyuan Tungsten Co., Ltd. (SZSE: 002378), a company listed on Shenzhen Stock Exchange, since May 2017.

Mr. Wang Ping, the independent non-executive Director of the Company, ceased to be the independent non-executive director of Chongyi Zhangyuan Tungsten Co., Ltd. (SZSE: 002378) and Sichuan Crun Co., Ltd. (SZSE: 002272), both being companies listed on Shenzhen Stock Exchange, and was re-designated as non-executive director of these two companies in May and August 2017 respectively. In addition, Mr. Wang Ping acted as the independent non-executive director of Yunnan Chuangxin New Material Co., Ltd. (SZSE: 002812), a company listed on Shenzhen Stock Exchange, since April 2017.

Save as disclosed above, there is no other change relating to Directors or Directors' information of the Company.

**4. Directors' Service Contract**

The Company has entered into a director's service contract and a letter of appointment with each of the Directors. The particulars of these service contracts include: (1) the term of their appointment as Directors is for three years commencing from 17 March 2015 (in the case of Mr. Yang Jiye, Dr. Pan Guocheng, Dr. Qiu Yumin, Mr. Xia Zhuo, Mr. Kenneth Jue Lee, Mr. Wang Ping and Dr. Wang Anjian), for three years commencing from 18 March 2016 (in the case of Mr. Zheng Xuezhi) or for three years commencing from 30 March 2016 (in the case of Mr. Ma Qingshan); and (2) are subject to termination in accordance with their respective terms.

## OTHER INFORMATION

(CONTINUED)

## 5. Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules, and also formulated the Written Guideline on Dealings in the Securities of the Company by Directors and the Relevant Employees (the “**Company Guideline**”), which adopted the standards equivalent to the provisions of Appendix 10 to the Listing Rules as the model code regarding dealings in the Company’s securities by the Directors. Specific enquiries have been made to all Directors and the relevant employees of the Company, who have confirmed that they have complied with the Model Code and the Company Guideline throughout the six months ended 30 June 2017.

## 6. Purchase, Sale or Redemption of Listed Securities of the Company

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

## 7. Employee and Remuneration Policy

As at 30 June 2017, the Group had a total of 1,077 employees (as at 30 June 2016: a total of 1,581 employees).

For the six months ended 30 June 2017, the aggregate remuneration expenses and other employee benefits costs of the Group amounted to RMB80,492,000 (for the six months ended 30 June 2016: RMB47,416,000), and such increase is mainly due to the share-based payment recognized in the current period of RMB31,344,000<sup>Note</sup>. The remuneration policy of the Group is formulated on the basis of performance of individual employees and the prevailing salaries’ trends in various regions, emphasizing on the direct relation between the employees’ income and the operation performance and revenue of the Group. The remuneration policy is subject to review by the Group every year. The Group also provides its employees with training programmes, mandatory provident fund scheme, pension, medical insurance, occupational injury insurance, unemployment insurance, maternity insurance and other insurances required by the government as well as discretionary bonuses.

## 8. Corporate Governance

During the period from 1 January 2017 to 30 June 2017, the Company has fully complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. Meanwhile, the Company has complied with most of the best practices as recommended therein.

## 9. Audit Committee

During the period from 1 January 2017 to 30 June 2017, the Audit Committee comprised two independent non-executive Directors, namely Mr. Wang Ping (Chairman of the Audit Committee) and Dr. Wang Anjian, and one non-executive Director, namely Mr. Kenneth Jue Lee.

Note: Please refer to Note 24 of Notes to the Condensed Consolidated Financial Statements in this report.

## OTHER INFORMATION

*(CONTINUED)*

Pursuant to Rule 3.21 of the Listing Rules, the Company established the Audit Committee. According to Rule 3.22 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, the terms of reference of the Audit Committee were approved and stated. The Audit Committee is primarily responsible for reviewing and monitoring the financial report, the risk management and the internal control of the Group, and reviewing the accounting policies, accounting standards and methods adopted by the Company with the management of the Company.

The Audit Committee, which has reviewed the 2017 interim results for the six months ended 30 June 2017 of the Company which has not been audited by independent auditors, believes that the interim results were prepared in accordance with the accounting standards, rules and regulations adopted, and made appropriate disclosure.

**10. Interim Dividend**

The Board has proposed not to distribute any interim dividend for the six months ended 30 June 2017.

**11. Major Legal Proceeding**

During the six months ended 30 June 2017, the Group was not involved in any major legal proceedings or arbitrations. To the knowledge of the Directors, there is no other pending or potential major legal proceeding or claim.

**12. Disclosures pursuant to Rules 13.17 and 13.21 of the Listing Rules**

In accordance with the disclosure requirements of Rules 13.17 and 13.21 of the Listing Rules, the following disclosures are included in respect of certain loan agreements of the Company, which contain provisions requiring pledge of the Shares held by the Controlling Shareholders.

On 17 September 2015, China Hanking (BVI) Limited ("**China Hanking (BVI)**"), a Controlling Shareholder, has pledged 208,000,000 ordinary shares in the issued share capital of the Company in favour of Industrial and Commercial Bank of China Limited ("**ICBC**") as a security for a term loan facility up to a maximum aggregate amount of RMB160,000,000 provided to Aoni Mining by ICBC. The above Pledged Shares represented in aggregate approximately 11.37% of the issued share capital of the Company as at 17 September 2015. Details are set out in the announcement of the Company dated 17 September 2015.

The Company repaid in full the above-mentioned loan facility in May 2017, thus the aforesaid share pledge was released in July 2017.

On 11 August 2016, China Hanking (BVI) and Tuochuan Capital Limited ("**Tuochuan Capital**") pledged 80,000,000 and 200,000,000 ordinary shares in the issued share capital of the Company, respectively, in favour of China Citic Bank Corporation Limited, Dalian Branch ("**China CITIC Bank**") as security for a term loan facility up to a maximum aggregate amount of RMB180,000,000 provided by China CITIC Bank to Aoni Mining. The above Pledged Shares represented approximately 15.30% of the issued share capital of the Company as at 11 August 2016. Details are set out in the announcement of the Company dated 11 August 2016.

On 30 June 2017, China Hanking (BVI) pledged 500,000,000 ordinary shares in the issued share capital of the Company in favour of Xinfu Branch, Bank of Fushun Co., Ltd. ("**Fushun Bank**") as security for certain loans. The above Pledged Shares represented approximately 27.32% of the issued share capital of the Company as at 30 June 2017. Details are set out in the announcement of the Company dated 3 July 2017.

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# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## TO THE BOARD OF DIRECTORS OF CHINA HANKING HOLDINGS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

### Introduction

We have reviewed the condensed consolidated financial statements of China Hanking Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 28 to 59, which comprise the condensed consolidated statement of financial position as of 30 June 2017 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

23 August 2017

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	NOTES	Six months ended 30 June	
		2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited) (Restated)
<b>Continuing operations</b>			
Revenue	3	541,452	326,563
Cost of sales		(281,112)	(267,090)
<b>Gross profit</b>		<b>260,340</b>	59,473
Investment and other income		2,202	10,400
Distribution and selling expenses		(18,773)	(15,745)
Administrative expenses		(76,424)	(77,308)
Other gains and losses	4	982	(61,021)
Finance costs		(59,661)	(63,590)
<b>Profit (loss) before tax</b>	5	<b>108,666</b>	(147,791)
Income tax expense	6	(53,748)	(1,333)
<b>Profit (loss) for the period from continuing operations</b>		<b>54,918</b>	(149,124)
<b>Discontinued operation</b>			
Profit for the period from discontinued operation	7	765,028	40,242
Profit (loss) for the period		819,946	(108,882)
Profit (loss) for the period attributable to owners of the Company:			
– Continuing operations		67,003	(145,903)
– Discontinued operation		763,636	40,242
Profit (loss) for the period attributable to owners of the Company		830,639	(105,661)
Loss for the period attributable to non-controlling interests			
– Continuing operations		(12,085)	(3,221)
– Discontinued operation		1,392	–
Loss for the period attributable to non-controlling interests		(10,693)	(3,221)
		819,946	(108,882)
Earning (loss) per share (RMB cent per share)	9		
From continuing and discontinued operations		45.4	(5.8)
From continuing operations		3.7	(8.0)

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(CONTINUED)

For the six months ended 30 June 2016

NOTES	<b>Six months ended 30 June</b>	
	<b>2017</b> <b>RMB'000</b> <b>(Unaudited)</b>	2016 RMB'000 (Unaudited) (Restated)
Profit (loss) for the period	<b>819,946</b>	(108,882)
<b>Other comprehensive income (expense):</b>		
<b>Items that may be subsequently reclassified to profit or loss:</b>		
Available-for-sale investments:		
– Net fair value gain	<b>6,564</b>	20,136
– Reclassification adjustment for cumulative gain included in profit or loss on disposal	<b>(6,449)</b>	(4,300)
Exchange differences on translation of financial statements of foreign operations	<b>12,492</b>	22,457
Reclassification of cumulative translation reserve upon disposal of a foreign operation to profit or loss	<b>19,944</b>	–
Other comprehensive income for the period (net of tax)	<b>32,551</b>	38,293
<b>Total comprehensive income (expense) for the period</b>	<b>852,497</b>	(70,589)
<b>Total comprehensive income (expense) for the period attributable to:</b>		
Owners of the Company	<b>863,489</b>	(70,142)
Non-controlling interests	<b>(10,992)</b>	(447)
	<b>852,497</b>	(70,589)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	NOTES	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	10	799,582	1,381,364
Intangible assets	11	689,159	995,487
Prepaid lease payments	12	138,072	245,263
Available-for-sale investments	15	15,570	19,628
Deferred tax assets		9,951	16,942
Loan receivable from a third party		11,300	11,300
Deposit on acquisition of property, plant and equipment		39,509	33,668
Restricted deposits	13	–	17,054
		<b>1,703,143</b>	<b>2,720,706</b>
<b>Current assets</b>			
Inventories		81,083	144,779
Prepaid lease payments	12	35,311	38,760
Trade and other receivables	14	761,979	456,058
Tax recoverable		–	4,198
Available-for-sale investments	15	459,992	402,007
Pledged bank deposits	16	24,496	43,692
Bank balances and cash	16	379,702	70,162
		<b>1,742,563</b>	<b>1,159,656</b>
Assets classified as held for sale	17	369,955	–
		<b>2,112,518</b>	<b>1,159,656</b>
<b>Current liabilities</b>			
Trade and other payables	18	449,819	468,033
Borrowings	19	912,099	1,341,599
Consideration payable	20	74,461	68,006
Tax liabilities		56,862	27,272
		<b>1,493,241</b>	<b>1,904,910</b>
Liabilities associated with assets classified as held for sale	17	23,687	–
		<b>1,516,928</b>	<b>1,904,910</b>
<b>Net current assets (liabilities)</b>		<b>595,590</b>	<b>(745,254)</b>
<b>Total assets less current liabilities</b>		<b>2,298,733</b>	<b>1,975,452</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(CONTINUED)

At 30 June 2017

	NOTES	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
<b>Capital and reserves</b>			
Share capital	21	149,137	149,137
Reserves		1,027,998	452,939
<hr/>			
Total equity attributable to owners of the Company		1,177,135	602,076
Non-controlling interests		189,062	203,093
<hr/>			
		1,366,197	805,169
<hr/>			
<b>Non-current liabilities</b>			
Borrowings	19	695,420	831,400
Consideration payable	20	233,664	226,228
Rehabilitation provision		1,666	110,628
Retirement benefit obligations		1,413	1,525
Deferred tax liabilities		373	502
<hr/>			
		932,536	1,170,283
<hr/>			
		2,298,733	1,975,452

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the Company												Non-controlling interests	Total
	Paid-in capital	Share premium	Statutory surplus reserve	Future development funds reserve	Investments revaluation reserve	Translation reserve	Share-based payment reserve	Special reserve	Actuarial reserve on retirement benefit plan	Other reserve	Retained earnings	Attributable to owners of the Company		
	RMB'000	RMB'000	RMB'000 (note a)	RMB'000 (note b)	RMB'000	RMB'000	RMB'000	RMB'000 (note c)	RMB'000	RMB'000 (note d)	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2016 (audited)	149,137	495,537	84,970	475,405	5,066	(87,641)	-	(557,161)	228	-	198,622	764,163	204,172	968,335
Loss for the period	-	-	-	-	-	-	-	-	-	-	(105,661)	(105,661)	(3,221)	(108,882)
Other comprehensive income for the period	-	-	-	-	15,836	19,683	-	-	-	-	-	35,519	2,774	38,293
Total comprehensive income (expense) for the period	-	-	-	-	15,836	19,683	-	-	-	-	(105,661)	(70,142)	(447)	(70,589)
Transfer to future development funds reserve, net of utilisation	-	-	-	13,190	-	-	-	-	-	-	(13,190)	-	-	-
Balance at 30 June 2016 (unaudited)	149,137	495,537	84,970	488,595	20,902	(67,958)	-	(557,161)	228	-	79,771	694,021	203,725	897,746
Balance at 1 January 2017 (audited)	149,137	495,537	84,970	512,098	11,767	(51,322)	2,936	(557,161)	207	(614)	(45,479)	602,076	203,093	805,169
Profit (loss) for the period	-	-	-	-	-	-	-	-	-	-	830,639	830,639	(10,693)	819,946
Other comprehensive income for the period	-	-	-	-	6,564	12,791	-	-	-	-	-	19,355	(299)	19,056
Disposal of available-for-sale investments	-	-	-	-	(6,449)	-	-	-	-	-	-	(6,449)	-	(6,449)
Reclassification of cumulative translation reserve upon disposal of a foreign operation to profit or loss	-	-	-	-	-	19,944	-	-	-	-	-	19,944	-	19,944
Total comprehensive income (expense) for the period	-	-	-	-	115	32,735	-	-	-	-	830,639	863,489	(10,992)	852,497
Transfer to future development funds reserve, net of utilisation	-	-	-	18,515	-	-	-	-	-	-	(18,515)	-	-	-
Recognition of share-based payment (note 24)	-	-	-	-	-	-	31,344	-	-	-	-	31,344	-	31,344
Reclassification upon disposal of Hanking Australia (as defined in note d)	-	-	-	-	-	-	(34,280)	-	-	-	34,280	-	(3,039)	(3,039)
Special dividend (note 8)	-	-	-	-	-	-	-	-	-	-	(319,774)	(319,774)	-	(319,774)
Balance at 30 June 2017 (unaudited)	149,137	495,537	84,970	530,613	11,882	(18,587)	-	(557,161)	207	(614)	481,151	1,177,135	189,062	1,366,197

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(CONTINUED)

For the six months ended 30 June 2017

## Notes:

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

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

- (b) Pursuant to regulation in the PRC, Fushun Hanking Aoniu Mining Co., Ltd ("Aoniu Mining"), Benxi Hanking Mining Co., Ltd ("Benxi Mining"), Fushun Hanking Maogong Mining Co., Ltd, Fushun Hanking Xingzhou Mining Co., Ltd ("Xingzhou Mining"), Fushun Hanking Shangma Mining Co., Ltd, subsidiaries of the Group, are required to transfer an amount to a future development fund at RMB5-10 (2016: RMB5-10) per ton of iron ore mined annually which will be used for enhancement of safety production environment and improvement of facilities. The fund can only be used for the future development of the iron ore mining business and is not available for distribution to shareholders.

RMB23,171,000 and RMB19,112,000 of future development fund was provided during the six months ended 30 June 2017 and 2016, respectively. RMB4,656,000 and RMB5,922,000 of future development fund was utilised during the six months ended 30 June 2017 and 2016, respectively.

- (c) Special reserve mainly represented the contribution from/distribution to the then equity shareholders when the Company has the business combination involving entities under common control in 2013.
- (d) Other reserve represented the dilution impact to the Group's interest in Hanking Australia Pty Ltd (the "Hanking Australia") for the year ended 2016 as a result of the share subscription transaction as more fully explained in note 24.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	NOTES	30/06/2017 RMB'000 (Unaudited)	30/06/2016 RMB'000 (Unaudited)
Net cash from operating activities		111,568	125,653
Net cash from investing activities:			
Purchases for property, plant and equipment		(145,975)	(35,681)
Payments for prepaid lease payments		(16,780)	(1,844)
Net cash inflow arising on disposal of Gold Business (as defined in note 3)	7	898,093	–
Settlement of advance to Hanking Australia		273,178	–
Purchases for available-for-sale investments		(1,358,500)	–
Proceeds on disposal of available-for-sale investments		1,306,449	111,300
Proceeds on disposal of property, plant and equipment		2,375	3,002
Interest received		1,476	14,384
Payments for intangible assets		(104,185)	(4,696)
Decrease in restricted deposits		(583)	(20,733)
		855,548	65,732
Net cash used in financing activities:			
Withdrawal of pledged bank deposits		51,821	427,279
Placement of pledged bank deposits		(32,625)	(372,522)
New borrowings raised		497,845	1,002,934
Repayment of borrowings		(847,616)	(1,313,088)
Dividend paid to owners of the Company		(319,774)	–
		(650,349)	(255,397)
Net increase (decrease) in cash and cash equivalents		316,767	(64,012)
Cash and cash equivalents at 1 January		70,162	99,223
Bank balances and cash of Xingzhou Mining eliminated upon transfer to assets classified as held for sale	17	(6,113)	–
Effect of foreign exchange rate changes		(1,114)	1,522
Cash and cash equivalents at 30 June		379,702	36,733

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 (IAS 34) *Interim Financial Reporting* issued by the International Accounting Standards Board as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

### Non-current assets held for sale

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

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

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2017

### 2. PRINCIPAL ACCOUNTING POLICIES (continued)

#### Foreign currencies

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

In the current interim period, the Group has applied, for the first time, the following amendments to International Financial Reporting Standards ("IFRSs") that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRSs	Annual Improvements to IFRS Standards 2014-2016 Cycle

The application of the above amendments to IFRSs in the current interim period has no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

### 3. SEGMENT INFORMATION

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

During the both interim periods, the Group did not generate revenue from the sales of raw nickel as the Group intends to undertake mineral processing and refining within the territory of Indonesia for exporting the refined products. As of 30 June 2017, the smelting project is still under construction.

An operating segment regarding gold business (the "Gold Business") was discontinued in the current interim period along with the completion of the Group's disposal of Hanking Australia with its subsidiaries.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2017

## 3. SEGMENT INFORMATION (continued)

The accounting policies of the operating segment are the same as those adopted by the Group in the preparation of condensed consolidated financial statements. Details of the reportable operating segments are as follows:

## Six months ended 30 June 2017

	Continuing operations			Discontinued operation
	Iron RMB'000	Nickel RMB'000	Total RMB'000	Gold Business RMB'000
<b>SEGMENT REVENUE</b>				
External sales	541,452	–	541,452	212,702
Inter-segment sales	–	–	–	–
	541,452	–	541,452	212,702
Segment profit (loss)	175,996	(28,907)	147,089	29,626
Gain on disposal of Gold Business			–	763,223
Recognition of share-based payment			(3,523)	(27,821)
Central administration costs and directors' salaries			(14,620)	–
Finance costs			(3,335)	–
Other income and other gains and losses			(16,945)	–
Profit before tax			108,666	765,028

## Six months ended 30 June 2016

	Continuing operations			Discontinued operation
	Iron RMB'000	Nickel RMB'000	Total RMB'000 (Restated)	Gold Business RMB'000
<b>SEGMENT REVENUE</b>				
External sales	326,563	–	326,563	493,422
Inter-segment sales	–	–	–	–
	326,563	–	326,563	493,422
Segment (loss) profit	(112,565)	(17,312)	(129,877)	40,242
Central administration costs and directors' salaries			(9,233)	–
Finance costs			(8,681)	–
(Loss) profit before tax			(147,791)	40,242

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2017

## 4. OTHER GAINS AND LOSSES

	Continuing operations		Discontinued operation	
	Six months ended 30 June		Six months ended 30 June	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(Restated)		(Restated)
Gain on disposal of property, plant and equipment	454	520	–	–
Gain on disposal of available-for-sale investments	6,449	4,300	–	–
Impairment loss of property, plant and equipment, intangible assets and prepaid lease payments	–	(47,477)	–	–
Impairment loss of available-for-sale investments	(5,092)	–	–	(1,314)
Foreign exchange gain (loss)	738	(16,447)	5,829	3,518
Others	(1,567)	(1,917)	(163)	(596)
	982	(61,021)	5,666	1,608

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2017

## 5. PROFIT (LOSS) BEFORE TAX

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

	Continuing operations		Discontinued operation	
	Six months ended 30 June		Six months ended 30 June	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(Restated)		(Restated)
Cost of inventories recognised as an expense	<b>232,544</b>	244,601	<b>195,219</b>	442,353
Auditors' remuneration	<b>500</b>	500	<b>276</b>	110
Release of prepaid lease payments	<b>14,240</b>	14,826	–	–
Depreciation and amortisation:				
– Property, plant and equipment	<b>55,994</b>	82,141	<b>43,446</b>	20,922
– Intangible assets	<b>17,782</b>	19,737	<b>10,085</b>	32,889
	<b>73,776</b>	101,878	<b>53,531</b>	53,811
Staff costs (including directors):				
– Salary and other benefits	<b>40,752</b>	39,511	<b>2,487</b>	1,955
– Retirement benefits scheme contributions	<b>5,739</b>	5,493	<b>170</b>	457
– Share-based payment	<b>3,523</b>	–	<b>27,821</b>	–
	<b>50,014</b>	45,004	<b>30,478</b>	2,412

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2017

## 6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited) (Restated)
<b>Continuing operations</b>		
Income tax expenses comprise:		
PRC enterprise income tax ("EIT") – current	41,925	3,710
Under (over) provision of EIT in prior years	4,933	(655)
	<b>46,858</b>	3,055
Deferred tax charge (credit)	6,890	(1,722)
Income tax expense relating to continuing operations	<b>53,748</b>	1,333

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

PRC income tax is calculated based on the statutory income tax rate of 25% (2016: 25%) of taxable income of the subsidiaries based on the relevant PRC tax rules and regulations.

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 current and last interim periods.

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% (2016: 16.5%).

Subsidiaries of Hanking Indonesia were incorporated in Indonesia and Indonesia profits tax rate is 25% (2016: 25%). They are no assessable profits subject to Indonesia profits tax during the current and last interim periods.

## 7. DISPOSAL OF SUBSIDIARIES (DISCONTINUED OPERATION)

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2017

## 7. DISPOSAL OF SUBSIDIARIES (DISCONTINUED OPERATION) (continued)

The unaudited consolidated profit for the current interim period from the discontinued Gold Business is set out below. The comparative figures in the condensed consolidated statement of profit or loss have been restated to re-present the Gold Business as a discontinued operation.

	<b>For the period from 1 January 2017 to date of disposal RMB'000 (Unaudited)</b>	For the six months ended 30 June 2016 RMB'000 (Unaudited)
Profit of Gold Business for the period	29,626	40,242
Gain on disposal of Gold Business	763,223	–
Acceleration of share-based payment charged to profit or loss due to disposal of Hanking Australia (note 24)	(27,821)	–
	<b>765,028</b>	40,242

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

	<b>For the period from 1 January 2017 to date of disposal RMB'000 (Unaudited)</b>	For the six months ended 30 June 2016 RMB'000 (Unaudited)
Revenue	212,702	493,422
Cost of sales	(195,219)	(442,353)
Other income	23,740	3,856
Administrative expenses	(15,197)	(7,818)
Other gains and losses	5,666	1,608
Finance cost	(2,066)	(8,473)
Profit before tax	29,626	40,242
Income tax expense (note)	–	–
Profit for the period	29,626	40,242

Note:

There was no income tax expense for the both periods as Hanking Australia and its subsidiaries had adequate unrecognized tax loss brought forward.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2017

## 7. DISPOSAL OF SUBSIDIARIES (DISCONTINUED OPERATION) (continued)

**Consideration**

	RMB'000 (Unaudited)
<hr/>	
Consideration received and receivable:	
Cash received	1,274,100
Cash receivable (note c)	3,479
	<hr/>
Total consideration	1,277,579
	<hr/>

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

	RMB'000 (Unaudited)
<hr/>	
Property, plant and equipment	535,737
Intangible assets	136,972
Restricted deposits	17,637
Inventories	60,008
Trade and other receivables	30,437
Bank balance and cash	2,096
Borrowings	(406,087)
Trade and other payables	(140,769)
Rehabilitation provision	(134,731)
	<hr/>
Net assets disposed of	101,300
	<hr/>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2017

## 7. DISPOSAL OF SUBSIDIARIES (DISCONTINUED OPERATION) (continued)

**Gain on disposal of subsidiaries**

	RMB'000 (Unaudited)
Enterprise value attributable to the Company (note a)	1,702,376
Less:	
– Repayment to borrowings of Gold Business (note b)	(406,087)
– Working capital adjustment (note c)	(18,710)
	1,277,579
Adjusted consideration	
Less:	
– Net assets disposed of	(101,300)
– Transaction costs (note d)	(396,151)
– Reclassification of cumulative translation reserve upon disposal of a foreign operation to profit or loss	(19,944)
	760,184
Add: non-controlling interests	3,039
Gain on disposal	763,223

**Net cash inflow arising on disposal of Gold Business:**

	RMB'000 (Unaudited)
Cash consideration received	1,274,100
Less: bank balances and cash disposed of	(2,096)
Less: transaction costs paid	(373,911)
	898,093

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2017

## 7. DISPOSAL OF SUBSIDIARIES (DISCONTINUED OPERATION) (continued)

Cash flows from (used in) Gold Business:

	<b>For the period from 1 January 2017 to date of disposal RMB'000 (Unaudited)</b>	For the six months ended 30 June 2016 RMB'000 (Unaudited)
Net cash flows from operating activities	<b>42,252</b>	202,503
Net cash flows used in investing activities	<b>(65,258)</b>	(198,049)
Net cash flows used in financing activities	<b>(7,826)</b>	(44,588)
Net cash flows	<b>(30,832)</b>	(40,134)

Notes:

- (a) As the Company only owned 97% equity interest of Gold Business at the date of disposal, the amount of the enterprise value attributable to the Company is AUD330,000,000 (the enterprise value defined as in the share sale agreement) less payment to Other Vendors by the Purchaser (equivalent to RMB1,702,376,000), and is subject to certain adjustments as described in note b and note c.
- (b) Under the share sale agreement, debts of Gold Business totalling RMB406,087,000 at the date of disposal, representing external debt amounted to RMB132,909,000 and intra-group debt amounted to RMB273,178,000 were repaid upon disposal from the Purchaser. As such, the consideration is determined by deducting RMB406,087,000 from the enterprise value attributable to the Company.
- (c) Under the share sale agreement, the Purchaser, the Company and Other Vendors agreed a working capital adjustment to the enterprise value attributable to the Company. Upon disposal, an amount of RMB22,189,000 has been deducted upon payment. In addition, an amount of RMB3,479,000 has been satisfied by the Purchaser paying the amount after the end of the reporting period, which was recorded as other receivables as at 30 June 2017. As such, the consideration is determined by deducting RMB18,710,000 from the enterprise value attributable to the Company.
- (d) Transaction costs comprised professional fee of RMB44,994,000, withholding tax and capital gain tax of RMB327,862,000, payment to settlement of mining rights disputation of RMB14,254,000 and bonus or remuneration of sale transaction support services of RMB9,041,000.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2017

**8. DIVIDENDS**

During the current interim period, no dividends in respect of the year ended 31 December 2016 (2016: nil in respect of the year ended 31 December 2015) were declared and paid to the owners of the Company.

During the current interim period, a special dividend of HK\$0.2 per share amounting to HK\$366,000,000 (equivalent to RMB319,774,000) in aggregate in respect of the disposal of Gold Business was declared and paid to the owners of the Company whose names appear in the Register of Members on 26 May 2017.

**9. EARNING (LOSS) PER SHARE**

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

**From continuing and discontinued operations**

	<b>For the six months ended</b>	
	<b>30 June 2017</b>	30 June 2016
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
		(Restated)
Profit (loss) for the period from continuing and discontinued operations attributable to owners of the Company	<b>830,639</b>	(105,661)
Less: profit for the period from discontinued operation attributable to owners of the Company	<b>(763,636)</b>	(40,242)
Profit (loss) for the period from continuing operations attributable to owners of the Company, for the purposes of basic earning per share	<b>67,003</b>	(145,903)
		Number of shares
		30 June 2017
		and 2016
Weighted average number of ordinary shares for the purposes of basic earning per share		1,830,000,000

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2017

### 9. EARNING (LOSS) PER SHARE (continued)

#### From discontinued operation

Basic earning per share for the discontinued operation is RMB41.7 cents per share (the six months ended 30 June 2016: RMB2.2 cents per share), based on the profit for the period from the discontinued operation of RMB763,636,000 (the six months ended 30 June 2016: RMB40,242,000) and the denominators detailed above for basic earning per share.

Diluted earning (loss) per share presented is the same as basic earning (loss) per share as the Company did not have dilutive potential ordinary shares in issue in both six months ended 30 June 2017 and 2016.

### 10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group had additions of property, plant and equipment (including capital expenditure for construction in progress) of RMB87,920,000 (six months ended 30 June 2016: RMB49,474,000) for business expansion in the Group.

No impairment loss has been recognised during the current interim period in respect of buildings, certain plant and machinery, mining structure and equipment to the extent that the carrying amount exceeded the recoverable amount based on the best estimate by the Directors as at 30 June 2017 (six months ended 30 June 2016: RMB47,477,000).

### 11. INTANGIBLE ASSETS

During the current interim period, the Group had additions of mining rights amounting to RMB20,266,000 (six months ended 30 June 2016: RMB44,922,000).

As at 30 June 2017, the Company has pledged mining rights with a carrying amount of approximately RMB284,577,000 (31 December 2016: RMB248,915,000) in PRC to secure the bank borrowings of RMB902,778,000 (31 December 2016: RMB947,470,000) and other loans of RMB38,025,000 (31 December 2016: RMB116,162,000).

No impairment loss has been recognised during the current and last interim periods in respect of certain mining rights and exploration and evaluation assets to the extent that the carrying amount exceeded the recoverable amount based on the best estimate by the Directors as at 30 June 2017 and 2016.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2017

## 12. PREPAID LEASE PAYMENTS

	<b>30 June 2017 RMB'000 (Unaudited)</b>	31 December 2016 RMB'000 (Audited)
Analysed for the reporting purpose as:		
Current portion	<b>44,369</b>	38,760
Non-current portion	<b>218,065</b>	245,263
	<b>262,434</b>	284,023
Less: prepaid lease payment of Xingzhou Mining eliminated upon transfer to assets classified as held for sale (note 17)	<b>(89,051)</b>	–
	<b>173,383</b>	284,023

Prepaid lease payments were amortised over the benefit periods from 5 to 50 years. As at 30 June 2017, prepaid lease payments with no land certificates being obtained amounted to RMB253,941,000 (31 December 2016: RMB275,095,000).

No impairment loss has been recognised during the current and last interim periods in respect of certain prepaid lease payments to the extent that the carrying amount exceeded the recoverable amount based on the best estimate by the Directors as at 30 June 2017 and 2016.

## 13. RESTRICTED DEPOSITS

As at 31 December 2016, restricted deposits comprised deposit paid under unconditional performance bonds issued as security for mine operators, deposit for gold forward contracts and security deposits for banking facilities under the Gold Business. These deposits were not expected to release within the next twelve months, accordingly, it was classified under non-current assets.

As at 30 June 2017, no restricted deposits were held by the Group as the disposal of Gold Business has been completed in the current interim period.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2017

## 14. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 7 days to its customers of iron ore concentrates and gold ore.

	<b>30 June 2017 RMB'000 (Unaudited)</b>	31 December 2016 RMB'000 (Audited)
Trade receivables (note a)		
– Within 7 days	<b>36,827</b>	70,378
– 8 days to 90 days	<b>183,653</b>	113,053
– 91 days to 1 year	<b>297</b>	74,183
– 1 year to 2 years	<b>337</b>	–
	<b>221,114</b>	257,614
Bills receivables (note a)		
– Within 7 days	<b>105,100</b>	1,300
– 8 days to 90 days	<b>214,917</b>	25,600
– 91 days to 1 year	<b>–</b>	3,600
	<b>320,017</b>	30,500
<b>Total trade and bills receivables</b>	<b>541,131</b>	288,114
Advances to suppliers	<b>9,732</b>	13,750
Deposit (note b)	<b>63,603</b>	22,871
Deposit for resource tax	<b>119,509</b>	81,997
Value-added tax recoverable	<b>4,537</b>	21,061
Staff advance	<b>25,218</b>	8,342
Consideration receivable (notes 7 and c)	<b>3,479</b>	–
Prepaid expense	<b>5,238</b>	233
Others	<b>22,961</b>	19,690
<b>Total other receivables</b>	<b>254,277</b>	167,944
<b>Total trade and other receivables</b>	<b>795,408</b>	456,058
Less: trade and other receivables of Xingzhou Mining eliminated upon transfer to assets classified as held for sale (note 17)	<b>(33,429)</b>	–
	<b>761,979</b>	456,058

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2017

## 14. TRADE AND OTHER RECEIVABLES (continued)

Notes:

- (a) The aged analysis of trade and bills receivables, net of allowance for doubtful debts, was presented based on the invoice date or the bill receipt date at the end of the reporting period.
- (b) The amount represented various environment protection deposits required under the relevant PRC regulation for fulfilling the environment obligation during the mining process and other deposits related to the mining operations of the Group.
- (c) The consideration receivable arising from the disposal of the Gold Business is unsecured, interest-free and has been settled after the end of the reporting period.

## 15. AVAILABLE-FOR-SALE INVESTMENTS

	<b>30 June 2017 RMB'000 (Unaudited)</b>	31 December 2016 RMB'000 (Audited)
Listed investment at fair value (note a)	<b>15,570</b>	19,628
Unlisted financial product investments at fair value (note b)	<b>459,992</b>	402,007
	<b>475,562</b>	421,635

Notes:

- (a) The listed equity investments represent the Group's equity interests in companies listed on Australian Securities Exchange. The investments are measured at fair value at the end of the reporting period.
- (b) The unlisted managed investment represents funds advanced to licensed financial institutions in the PRC with fixed and variable maturity and a variable yield based on underlying investments. The investments are mature in one year or are available to be disposed on demand and the return of these investments is not guaranteed.

## 16. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Bank balances and cash of the Group comprise cash and short term bank deposits with an original maturity of three months or less. The bank balances carry variable interest rates ranging from 0.15%-0.35% (2016: 0.15%-0.35%) per annum.

Pledged bank deposits represented security deposits for notes payable and bank borrowings, carried fixed interest rates ranging from 0.30%-0.35% (2016: 0.30%-2.70%) per annum.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2017

**17. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE**

On 13 April 2017, the board of the Company announced that Aoniu Mining, a wholly-owned subsidiary of the Company, entered into a conditional equity interest transfer agreement with a third party to dispose of all its equity interest in Xingzhou Mining. Aoniu Mining will receive RMB360,000,000 as a result of the proposed disposal, including the recovery of the loan to which advanced by the Group at a sum of RMB340,000,000 and the equity consideration of RMB20,000,000.

As at 30 June 2017, the Group received RMB230,000,000 from the third party as earnest deposit in respect of this proposed disposal, and such amount has been included as “other payables” in note 18.

The assets and liabilities attributable to Xingzhou Mining that are expected to be sold within twelve months from the end of the current interim reporting period have been classified as a disposal subsidiary held for sale and are separately presented in the condensed consolidated statement of financial position. Xingzhou Mining is included in the Group’s iron ore business for segment reporting purposes (see note 3).

The sale proceeds are expected to exceed the net carrying amount of the relevant assets and liabilities and, accordingly, no impairment loss has been recognised.

Assets and liabilities of Xingzhou Mining classified as held for sale are as follows:

	30 June 2017 RMB'000 (Unaudited)
Property, plant and equipment	55,492
Intangible assets	173,507
Prepaid lease payments	89,051
Inventories	8,165
Trade and other receivables (see note 14)	33,429
Tax recoverable	4,198
Bank balances and cash	6,113
<b>Total assets classified as held for sale</b>	<b>369,955</b>
<b>Total liabilities associated with assets classified as held for sale</b>	
Trade and other payables (see note 18)	(23,687)

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2017

## 18. TRADE AND OTHER PAYABLES

Payment terms with suppliers are mainly on credit within 90 days from the time when the goods are received from suppliers.

	<b>30 June 2017 RMB'000 (Unaudited)</b>	31 December 2016 RMB'000 (Audited)
Trade payables (note a)		
– Within 90 days	<b>26,752</b>	123,501
– 91 days to 1 year	<b>4,963</b>	6,987
– 1 year to 2 years	<b>2,205</b>	1,423
– 2 years to 3 years	<b>298</b>	270
– Over 3 years	<b>672</b>	1,180
	<b>34,890</b>	133,361
Bills payables (note a)		
– Within 90 days	<b>13,500</b>	–
– 91 days to 1 year	<b>2,120</b>	5,760
	<b>15,620</b>	5,760
Total trade and bills payables	<b>50,510</b>	139,121
Advance from customers	<b>3,000</b>	149
Other tax payable	<b>27,077</b>	44,515
Payable for acquisition of property, plant and equipment	<b>73,281</b>	144,518
Payable for acquisition of prepaid lease payments	<b>6,480</b>	18,758
Outsourced service payable	<b>5,374</b>	3,829
Transportation fee payable	<b>10,863</b>	11,703
Accrued expense	<b>6,032</b>	57,498
Salary and bonus payables	<b>9,263</b>	24,871
Interest payable	<b>2,195</b>	2,192
Loan from related parties	<b>3,725</b>	4,256
Transaction cost payable	<b>22,240</b>	–
Refundable deposits received (note b)	<b>235,416</b>	–
Others	<b>18,050</b>	16,623
Total other payables	<b>422,996</b>	328,912
Total trade and other payables	<b>473,506</b>	468,033
Less: trade and other payables of Xingzhou Mining eliminated upon transfer to liabilities associated with assets classified as held for sale (note 17)	<b>(23,687)</b>	–
	<b>449,819</b>	468,033

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2017

## 18. TRADE AND OTHER PAYABLES (continued)

Notes:

- (a) The aged analysis of trade and bills payables was presented based on the date of the goods received and the bill issue date at the end of the reporting period.
- (b) The refundable deposits included mainly the refundable deposits of RMB230,000,000 received in respect of the Group's proposed disposal of Xingzhou Mining as at 30 June 2017.

## 19. BORROWINGS

	<b>30 June 2017 RMB'000 (Unaudited)</b>	31 December 2016 RMB'000 (Audited)
Bank loans	<b>1,569,494</b>	2,056,836
Other loans (note a)	<b>38,025</b>	116,163
	<b>1,607,519</b>	2,172,999
Secured	<b>1,357,519</b>	1,815,910
Unsecured	<b>250,000</b>	357,089
	<b>1,607,519</b>	2,172,999
Fixed-rate	<b>1,436,716</b>	1,735,089
Floating-rate	<b>170,803</b>	437,910
	<b>1,607,519</b>	2,172,999
Carrying amount repayable (note b):		
Due within one year	<b>912,099</b>	1,341,599
More than one year, but not more than two years	<b>105,420</b>	176,101
More than two years, but not more than five years	<b>590,000</b>	655,299
	<b>695,420</b>	831,400
	<b>1,607,519</b>	2,172,999

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2017

## 19. BORROWINGS (continued)

Notes:

- (a) It represents loans advanced from a government authority for purchase of mining rights. The loan carries interest at the benchmark interest rate issued by the People's Bank of China ("PBOC") and is repayable within two years.
- (b) The amounts are based on scheduled repayment dates set out in the respective loan agreements.

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

	<b>30 June 2017 % (Unaudited)</b>	31 December 2016 % (Audited)
Fixed-rate borrowings	<b>2.60-6.09</b>	4.83-6.09
Variable-rate borrowings	<b>3.70-4.75</b>	3.70-4.75

At 30 June 2017 and 31 December 2016, the Group had variable rate borrowings which carried interest based on the benchmark interest rate issued by PBOC or London Interbank Offered Rate ("LIBOR"). Interest was reset every one month, three months, six months or one year.

The unsecured bank borrowings of approximately RMB250,000,000 (31 December 2016: RMB357,089,000) at 30 June 2017 were guaranteed by Ms. Yang Min, a controlling shareholder of the Company, Mr. Yang Jiye and the companies controlled by Ms. Yang Min.

Ms. Yang Min and Mr. Yang Jiye, son of Ms. Yang Min, together with the companies controlled by them, provided guarantee for secured bank borrowings of the Group of approximately RMB945,000,000 (31 December 2016: RMB1,129,277,000).

## 20. CONSIDERATION PAYABLE

	<b>30 June 2017 RMB'000 (Unaudited)</b>	31 December 2016 RMB'000 (Audited)
Analysed for the reporting purpose as:		
Current portion	<b>74,461</b>	68,006
Non-current portion	<b>233,664</b>	226,228
	<b>308,125</b>	294,234

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2017

## 20. CONSIDERATION PAYABLE (continued)

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

As at 30 June 2017, the consideration payable for acquisition of KS, KKU and KP of RMB308,125,000 (31 December 2016: RMB294,234,000) was recognised at amortised cost using the effective interest method at the date of acquisition. According to the acquisition agreements, it will be repaid on installment basis by reference to the progress of the mining development with the last payment fall due in the year of 2032. The amount of RMB74,461,000 (31 December 2016: RMB68,006,000) repayable within the next twelve months is classified under current portion which is calculated based on Directors' estimation on the project development progress.

## 21. SHARE CAPITAL

The amount as at 30 June 2017 and 31 December 2016, represented the then issued share capital of the Company, details of movement of share capital of the Company are as follows:

	Number of shares	Share capital HK\$'000	Shown in the consolidated financial statements RMB'000
Ordinary shares of HK\$0.1 each			
Authorised:			
At 31 December 2016 and 30 June 2017	10,000,000,000		
Issued:			
At 31 December 2016 and 30 June 2017	1,830,000,000	182,900	149,137

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2017

## 22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

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

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

The Group's listed equity investments are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	30/06/2017	31/12/2016				
Listed equity investments classified as available-for-sale investments	<b>Listed equity securities in Australia: RMB15,570,000</b>	Listed equity securities in Australia: RMB19,628,000	Level 1	Quoted bid prices in an active market	N/A	N/A
Unlisted managed investment funds classified as available-for-sale investments	<b>Unlisted managed investment funds in PRC: RMB459,992,000</b>	Unlisted managed investment funds in PRC: RMB402,007,000	Level 3	Discounted cash flow was used to capture the present value of the expected future economic benefit that will flow to the Group	Actual yield from the investment	The higher the actual yield, the higher the fair value.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2017

**22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)**

The Directors consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximates their fair value. There was no transfer between Level 1 and 3 during the current interim period.

The following table represents the changes in Level 3 financial assets as available-for-sale investments during the six months ended 30 June 2017 and year ended 31 December 2016:

	<b>30 June 2017 RMB'000 (Unaudited)</b>	31 December 2016 RMB'000 (Audited)
At beginning of the period/year	<b>402,007</b>	110,727
Addition	<b>1,358,500</b>	400,000
Disposal	<b>(1,306,449)</b>	(111,300)
Gain recognised in other comprehensive income	<b>5,934</b>	2,580
At the end of the period/year	<b>459,992</b>	402,007

Included in other comprehensive income is an amount of RMB5,934,000 (year ended 31 December 2016: RMB2,580,000) gain relate to unlisted managed investment funds classified as available-for-sale investments held at the end of the current reporting period and is reported as changes of "investments revaluation reserve".

**Fair value measurements and valuation processes**

The board of directors of the Company has set up a valuation committee, which is headed up by the Chief Financial Officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. The valuation committee works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the valuation committee's findings to the board of directors of the Company every quarter to explain the cause of fluctuations in the fair value of the assets and liabilities.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed above.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2017

**23. CAPITAL COMMITMENTS**

Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:

	<b>30 June 2017 RMB'000 (Unaudited)</b>	31 December 2016 RMB'000 (Audited)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	<b>155,798</b>	172,163

**24. SHARE-BASED PAYMENT TRANSACTIONS**

Pursuant to an agreement dated 23 June 2016 entered into between the Company, Hanking Australia, a wholly-owned subsidiary of the Company and Dr. Qiu Yumin ("Dr. Qiu"), an Executive Director and Chief Executive Officer of Hanking Australia and an Executive Director of the Company, Hanking Australia agreed to allot and issue to Dr. Qiu (or his nominee(s)) 6,185,567 new shares of Hanking Australia (the "Subscription Shares"), of which (i) 4,123,711 new shares of Hanking Australia shall be issued at cash consideration of AUD610,825 (equivalent to RMB3,075,000); and (ii) 2,061,856 new shares of Hanking Australia will be awarded to Dr. Qiu as a gift by Hanking Australia after having considered the contribution of Dr. Qiu in the acquisition of the gold mine in Western Australia and his continuous efforts in developing and expanding the Group's gold business in Australia. Upon completion of the Agreement, the total number of issued shares of Hanking Australia will be held by the Company and Dr. Qiu as to approximately 97% and 3%, respectively.

Dr. Qiu and/or his nominee(s) who hold(s) the Subscription Shares is/are prohibited from (i) disposing any of the Subscription Shares for a period of three years from the completion date of the agreement (the "Escrow Period"); and (ii) disposing of more than one-third of the total number of the subscription shares in any given year after the Escrow Period has expired (collectively referred to as the "Restrictions"). When Hanking Australia is the subject of a takeover offer or scheme of arrangement or when prior written approval is obtained from Hanking Australia to dispose the Subscription Shares, Dr. Qiu and/or his nominee(s) will not be subject to the aforementioned restrictions.

The Subscription Shares were allocated and issued to Dr. Qiu on 4 August 2016, which was taken as the completion date of this Subscription Shares transaction.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2017

## 24. SHARE-BASED PAYMENT TRANSACTIONS (continued)

The total fair value of the Subscription Shares less the cash consideration of approximately RMB3,075,000 received by Hanking Australia on completion of the Subscription Shares was estimated to be approximately RMB34,280,000, which was determined by reference to the enterprise value of Hanking Australia.

Share-based payment of RMB3,523,000 was recognised for the period from 1 January 2017 to 30 June 2017, since the disposal of Hanking Australia has been completed during the current interim period, the Restrictions to Dr. Qiu and/or his nominee(s) were no longer applicable, resulting to the acceleration of the unamortised share-based payment of RMB27,821,000 being charged to profit or loss immediately. Accordingly, total amount of share-based payment for the current interim period amounted to RMB31,344,000. The cumulative balance of RMB34,280,000 recorded in share-based payment reserve had been transferred to retained earnings upon disposal of Hanking Australia during the current interim period.

## 25. RELATED PARTY DISCLOSURES

## (a) Related party transactions

During the current interim period, save as disclosed elsewhere in the condensed consolidated financial statements, the Group had the following related party transactions:

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
<b>Continuing operations</b>		
Sales of goods to: Dalian Huaren Trade Co., Ltd. 大連華仁貿易有限公司 (notes a & b)	187,092	121,567
Processing fee paid to: Benxi Hanking Iron Processing Co., Ltd. (notes a & c) 本溪罕王鐵選有限公司	-	1,629
Rental expense paid to: Shenyang Shengtai Property Management Co., Ltd. (note a) 瀋陽盛泰物業管理有限公司	998	1,169
Hanking Group Co., Limited (note a) 罕王實業集團有限公司	75	-
	<b>1,073</b>	<b>1,169</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2017

## 25. RELATED PARTY DISCLOSURES (continued)

## (b) Compensation of key management personnel

The remuneration of Directors and other members of key management during the periods is as follows:

	Continuing operations		Discontinued operation	
	Six months ended 30 June		Six months ended 30 June	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(Restated)		(Restated)
Salary and other benefits	4,060	3,734	691	1,368
Retirement benefits scheme contributions	190	175	66	130
Share-based payment	3,523	–	27,821	–
	7,773	3,909	28,578	1,498

Notes:

- These companies are the related parties which are controlled by Ms. Yang Min, a controlling shareholder of the Company.
- Dalian Huaren Trade Co., Ltd. acted as an agent of Fushun Hanking D.R.I Co., Ltd. to purchase the iron ore concentrates from the Group.
- The Group did not have connected transactions with Benxi Hanking Iron Processing Co., Ltd. since 30 June 2016. After then, the shareholder of Benxi Hanking Iron Processing Co., Ltd. had been changed to a third party.

## 26. EVENTS AFTER THE END OF THE REPORTING PERIOD

Hanking Australia Investment and Corazon Mining Limited, a company listed on the Australian Securities Exchange (ASX: CZN) ("CZN"), have entered into a strategic agreement on 16 August 2017. Pursuant to such strategic agreement, Hanking Australia Investment has agreed to subscribe for 120 million new shares at a price of AUD0.014 per share and a total price of AUD1.68 million. Upon completion of the subscription, Hanking Australia Investment will become a strategic cornerstone investor of CZN holding approximately 11% of CZN's issued share capital. Hanking Australia Investment has also been granted the options to subscribe for a further 85 million shares of CZN at an exercise price of AUD0.03 per share within two years. Further, upon completion of the subscription, Dr. Qiu, an Executive Director of the Company and President and Chief Executive Officer of Hanking Australia Investment will join the Board of CZN as a non-executive director.

## DEFINITIONS OF TERMS

“Aoniu Mine”	located at Hou’an Town, Fushun City, an iron mine operated through Aoniu Mining, a subsidiary of the Company
“Aoniu Mining”	Fushun Hanking Aoniu Mining Co., Ltd (撫順罕王傲牛礦業股份有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
“Articles of Association”	the articles of association approved by the Company at the general meeting held on 16 September 2011, effective as from the time when the trading of the Company’s shares commenced on the Hong Kong Stock Exchange and as amended from time to time
“AUD”	the lawful currency of Australia
“Australia”	The Commonwealth of Australia
“Benxi Iron Processing”	Benxi Hanking Iron Processing Co., Ltd. (本溪罕王鐵選有限公司), a limited liability company established in the PRC
“Benxi Mine”	located at Benxi City, an iron mine operated through Benxi Mining
“Benxi Mining”	Benxi Hanking Mining Co., Ltd. (本溪罕王礦業有限公司), a limited liability company established in the PRC and was a wholly-owned subsidiary of the Company before July 2016
“Board”	the board of Directors of the Company
“BVI”	British Virgin Islands
“China” or “PRC”	the People’s Republic of China. For the purpose of this report, references in this report to the PRC or China do not include Hong Kong, Macau Special Administrative Region and Taiwan
“City Globe”	City Globe Limited, a limited liability company incorporated in Hong Kong which holds 75% equity interest in KP
“Companies Ordinance”	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong (as amended from time to time)

## DEFINITIONS OF TERMS

*(CONTINUED)*

“the Company” or “we”	China Hanking Holdings Limited
“Controlling Shareholders”	has the meaning ascribed to it in the Listing Rules and unless the context requires otherwise, refers to Ms. Yang Min, Mr. Yang Jiye, China Hanking (BVI) Limited, Bisney Success Limited, Tuochuan Capital Limited and Best Excellence Limited
“Dalian Huaren”	Dalian Huaren Trade Co., Ltd. (大連華仁貿易有限公司), a limited liability company established in the PRC
“Denway Development”	Denway Development Limited, a limited liability company incorporated in Hong Kong which holds 75% equity interest in KS and KKU
“Directors”	the directors of the Company
“EBITDA”	the abbreviation of earnings before interest, taxes, depreciation and amortization
“Fushun Hanking D.R.I.”	Fushun Hanking D.R.I. Co., Ltd. (撫順罕王直接還原鐵有限公司), a limited liability company established in the PRC
“Fushun Shangma”	Fushun Hanking Shangma Mining Company Limited (撫順罕王上馬礦業有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“the Group” or “Hanking”	China Hanking Holdings Limited and its subsidiaries
“Hanking Australia”	Hanking Australia Pty Ltd, a limited liability company established in Australia and was a non wholly-owned subsidiary of the Company before 20 April 2017
“Hanking Australia Investment”	Hanking Australia Investment Pty Ltd, a limited liability company established in Australia and a non wholly-owned subsidiary of the Company

## DEFINITIONS OF TERMS

*(CONTINUED)*

“Hanking Gold”	Hanking Gold Mining Pty Ltd, a limited liability company established in Australia and was a wholly-owned subsidiary of the Company before 20 April 2017
“Hanking Group”	Hanking Group Co., Limited (罕王實業集團有限公司), a limited liability company established in the PRC on 4 April 1996, whose shares are held by Ms. Yang Min (88.96%) and other individuals. Hanking Group is a holding company and is controlled by the Controlling Shareholders
“Hanking (Indonesia)”	Hanking (Indonesia) Mining Limited, a limited company established in the BVI and a non wholly-owned subsidiary of the Company
“Harvest Globe”	Harvest Globe Limited, a limited liability company established in Hong Kong and a non wholly-owned subsidiary of Denway Development
“HMNS”	PT Hanking Makmur Nickel Smelt (罕王富域鎳冶煉有限公司), a limited company established in Indonesia and a non wholly-owned subsidiary of the Company
“HK\$”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Indonesia”	The Republic of Indonesia
“Indonesia nickel ore project”	laterite nickel project operated by the Company through KKU, KP and KS in North Konawe, the South-East Sulawesi of Indonesia
“Indonesian Rupiah”	the lawful currency of Indonesia
“JORC Code”	JORC Code, 2012 Edition as published by Australasian Joint Ore Reserves Committee

## DEFINITIONS OF TERMS

(CONTINUED)

“KKU”	PT Karyatama Konawe Utara, a company established in Indonesia and an indirectly non wholly-owned subsidiary of the Company
“KP”	PT Konutara Prima, a company established in Indonesia, an indirectly non wholly-owned subsidiary of the Company
“KS”	PT Konutara Sejati, a company established in Indonesia and an indirectly non wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Maogong Mine”	located at Shiwen Town, Fushun City, an iron mine operated through Maogong Mining, a subsidiary of the Company
“Maogong Mining”	Fushun Hanking Maogong Mining Co., Ltd. (撫順罕王毛公鐵礦有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
“RMB”	the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended from time to time)
“Shangma Mine”	located at Shangma Town, Fushun City, an iron mine operated through Fushun Shangma, a subsidiary of the Company
“Shengtai Property”	Shenyang Shengtai Properties Management Co., Ltd (瀋陽盛泰物業管理有限公司), a limited liability company established in the PRC
“SXO”	located at Yilgarn goldfield in Western Australia (Southern Cross Operation, abbreviated as SXO)

## DEFINITIONS OF TERMS

*(CONTINUED)*

“SXO Gold Project”	the Southern Cross Operation Gold Project located at Yilgarn goldfield in Western Australia and operated through the Company’s subsidiary Hanking Gold
“United States”	the United States of America
“US\$”	the lawful currency of the United States
“STSU”	Shenyang Toyo Steel Utility Co., Ltd (瀋陽東洋煉鋼公用設施有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
“Xingzhou Mine”	located at Dongzhou District, Fushun City, an iron mine operated through Xingzhou Mining, a subsidiary of the Company
“Xingzhou Mining”	Fushun Hanking Xingzhou Mining Limited (撫順罕王興洲礦業有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company