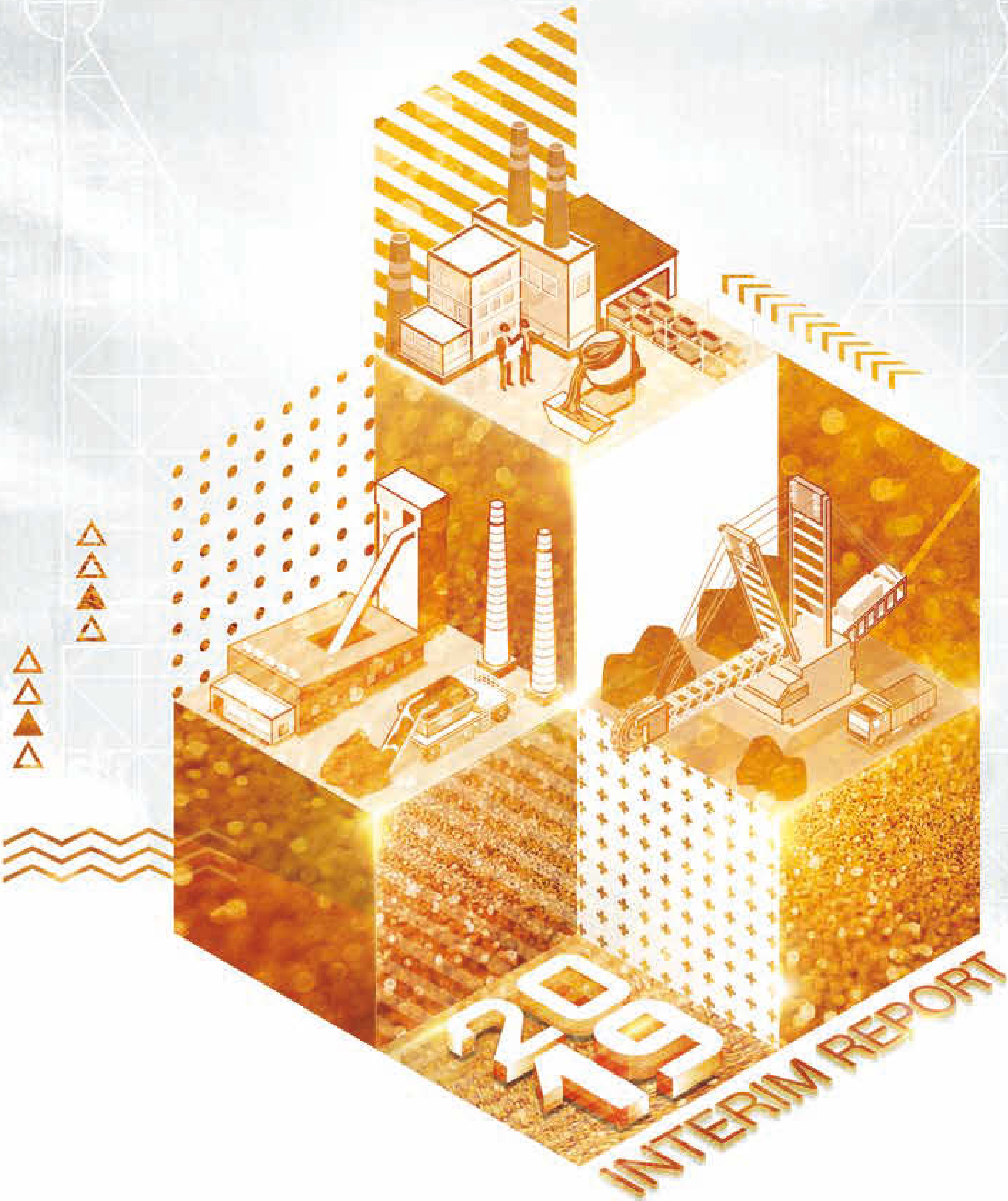
中國罕王控股有限公司

CHINA HANKING HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 03788



MISSION
As Emerging Key Player

VALUE
Always Beyond Expectations

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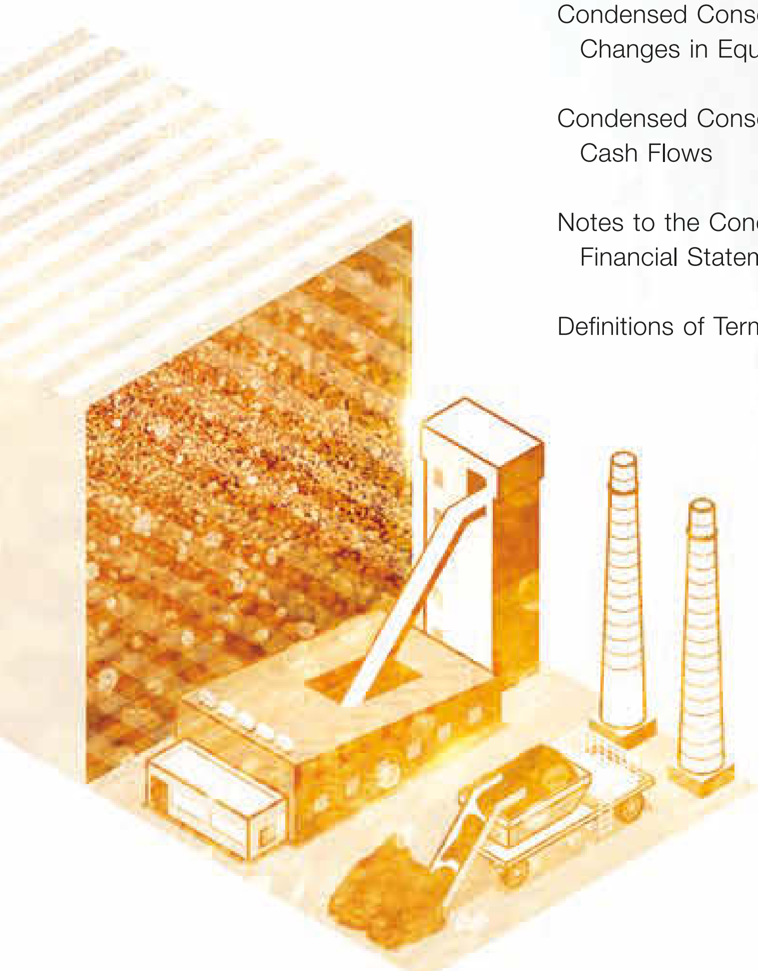


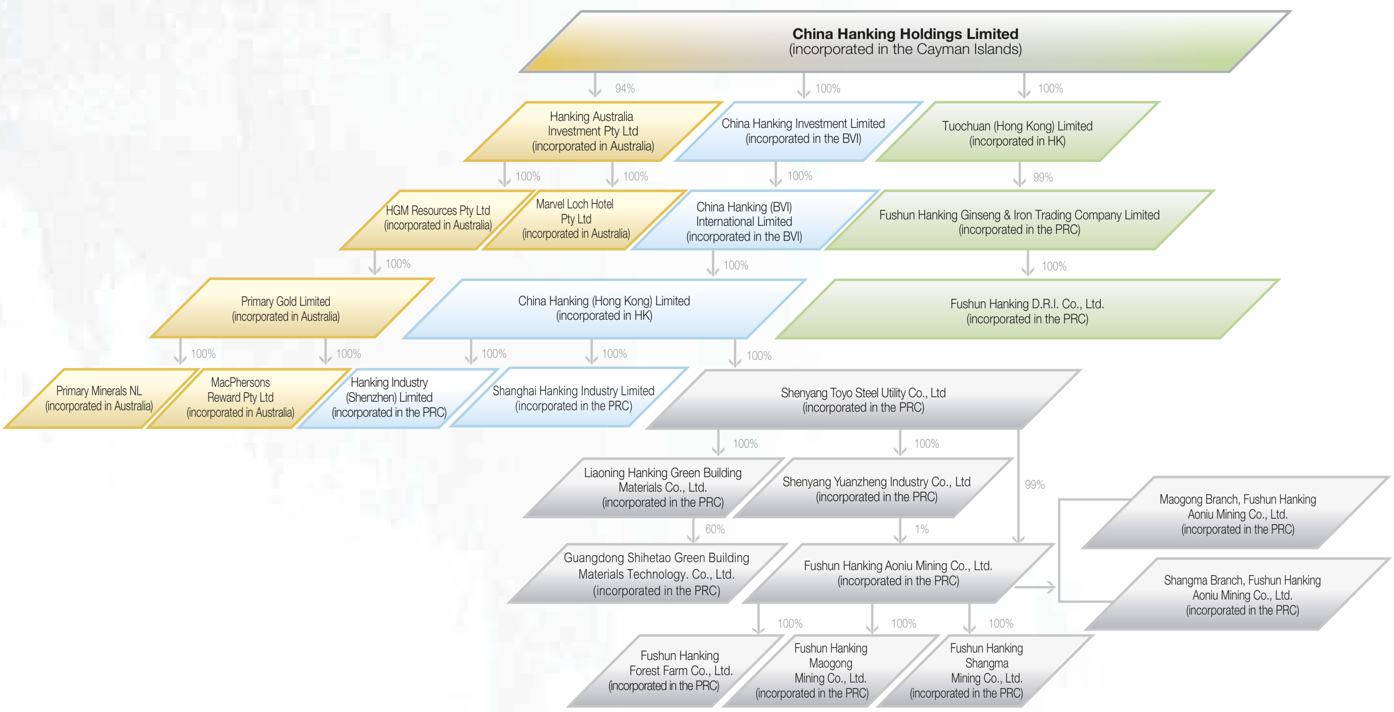
CORPORATE INFORMATION

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 strategic metals, Hanking has invested and developed mine operation projects with long life cycle, low operating costs and scalable operating scope in the most attractive regions around the world.

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

Shareholding Structure of the Group Note



Note: This shareholding structure chart reflects the Group's shareholding structure as at 30 June 2019.

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

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Ms. So Lai Shan

Joint Company Secretaries
Ms. Zhang Jing
Ms. So Lai Shan

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Directors

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

Non-executive Directors
Mr. Kenneth Jue Lee
Mr. Xia Zhuo

Independent Non-executive Directors
Mr. Wang Ping
Dr. Wang Anjian
Mr. Ma Qingshan

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

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

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

Health, Safety, Environmental Protection and Community Committee
Dr. Qiu Yumin *(Chairman)*
Mr. Yang Jiye
Dr. Wang Anjian

FINANCIAL HIGHLIGHTS *(Note 1)*

	For the six months ended 30 June		
	2019	2018	Change (%)
Sales volume of iron ore concentrates (thousand metric tons)	**914**	907	0.77%
Sales volume of high-purity iron (thousand metric tons)	**149**	254	-41.34%
Continuing operations:			
Revenue (RMB'000) *(Note 2)*	**1,183,885**	1,350,274	-12.32%
Gross profit (RMB'000)	**473,613**	410,306	15.43%
Gross margin	**40.00%**	30.39%	31.65%
Profit for the period from continuing operations (RMB'000) *(Note 3)*	**147,296**	248,337	-40.69%
EBITDA from continuing operations (RMB'000)	**432,504**	391,517	10.47%
Profit margin of EBITDA from continuing operations	**36.53%**	29.00%	25.99%
Profit for the period attributable to owners of the Company (RMB'000)	**109,724**	239,466	-54.18%
Earnings per share (RMB cent)			
– From continuing operations	**8.10**	13.50	-40.00%
– From continuing and discontinued operations	**6.00**	13.10	-54.20%

Notes: 1. During the first half of 2019, the Group has successfully acquired the high-purity iron business. As the acquisition represented a merger under the same controller, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity as well as the consolidated statement of cash flow for the six months ended 30 June 2018 and the consolidated statement of financial position as at 31 December 2018 have all been restated so as to include the profit, assets and liabilities since the date when the combined entities first came under common control. However, due to Fushun Hanking D.R.I.'s suspension of operation for two months during the first half of 2019 for technological improvement, the consolidated revenue and profit decreased.

2. In the first half of 2018, the unrestated revenue of the Group was RMB601,701,000.

3. In the first half of 2018, the unrestated profit for the period from the Group's continuing operations was RMB133,668,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Results Highlight[note]

1. **Significant increase in profit before tax of the Group**

   During the first half of 2019, as a result of the significant increase in the profitability of the iron ore business and the acquisition of the high-purity iron business, the profit before tax of the Group's continuing operations increased significantly to approximately RMB243,613,000, representing an increase of 113.93% as compared to the unrestated profit before tax of the Group's continuing operations of RMB113,876,000 during the first half of 2018.

2. **Substantial increase in the profitability of the iron ore business**

   In the first half of 2019, as phase 4 of the technological improvement of Maogong Mine, the key operating mine of the Group has been completed, which will further optimize its production processes, and thanks to the increase in the market price of iron ore concentrates, the gross profit margin of the iron ore business was 52.59%, increasing by approximately 10 percentage points as compared with that of the same period of last year; the EBITDA was approximately RMB349,987,000, representing a year-on-year increase of 29.65%.

3. **Expanding the Group's business scale by acquiring the high-purity iron business**

   The Company completed the acquisition of high-purity iron business, and carried out the technological improvement and production expansion. As a result, the Group became the largest supplier of wind power ductile casting iron in the Chinese market, and created synergetic effects with its existing iron ore assets. In the first half of 2018, the unrestated revenue of the Group was RMB601,701,000, and the Group's revenue in the first half of 2019 increased to approximately RMB1,183,885,000 as the financial information of Fushun Hanking D.R.I. has been consolidated into the Group's financial statements.

4. **Completion of the environmental impact assessment report of the gold business and obtaining drilling approval**

   During the first half of 2019, the Company actively pushed forward the pre-production preparatory efforts for its gold business and conducted processing experiments, design for underground mining and exploration in the mining areas as planned. All reports in relation to environmental impact assessment of Toms Gully Gold Mine have been completed and submitted, and venture exploration funding has been obtained from the Northern Territory Government. It is expected that we will commence exploration for new types of gold mine within the area covered by our mining rights in the second half of 2019. The environmental impact assessment reports of the gold mines have been completed and submitted, so we will proceed with the preparation and submission of the development and utilisation plan of the mines for gold production.

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)

As the acquisition of high-purity iron business project by the Company represented a merger under the same controller, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity as well as the consolidated statement of cash flows for the six months ended 30 June 2018, and the consolidated statement of financial position as of 31 December 2018 have been restated, so as to include the profits, assets and liabilities of the combined entities since the date when they first came under common control. After the restatement, due to the suspension of production for two months as a result of the technological improvement of high-purity iron business, revenue from the Group's continuing operations during the first half of 2019 was approximately RMB1,183,885,000 (first half of 2018: RMB1,350,274,000), representing a decrease of approximately RMB166,389,000 or 12.32% over the corresponding period of last year. Profit for the period was approximately RMB147,296,000 (first half of 2018: RMB248,337,000), representing a decrease of approximately RMB101,041,000 or 40.69% over the corresponding period of last year. The EBITDA of the continuing operations was RMB432,504,000 (first half of 2018: RMB391,517,000), representing an increase of 10.47% over the corresponding period of last year. The profit margin of EBITDA was 36.53%, representing a year-on-year increase of approximately 8 percentage points. As at 30 June 2019, the total assets of the Group was RMB3,250,184,000, decreasing by 34.34% as compared with that recorded as at 31 December 2018.

Iron Ore Business

During the first half of 2019, driven by informational and basic factors, the prices of iron ore continued to surge. On the supply front, as affected by the mining accident in Brazil, the hurricane in Australia and accidents in mining areas, all of the four major mines, apart from FMG, have made downward adjustments to their annual output targets, while there was limited room for increasing supply through domestic mines. During the same period, according to the information of National Bureau of Statistics, the national output of pig iron was 404 million metric tons from January to June, representing a year-on-year growth of 5.8% and a cumulative growth of 7.9%. The demand for iron ore from domestic steel plants continued to increase. Under the joint influence of demand and supply, the iron ore port inventory has continued to destock for 11 consecutive weeks since April, the destock rate of iron ore port inventory is much higher than the previous period, which directly affected the trend of iron ore price. According to Mysteel, the average price of 62% of Australian Iron Ore Index was US$91.5 in the first half of the year, representing an increase of US$22.1 or 31.8% as compared to the second half of last year, such figure is the highest since 2015. During the second half of the year, the shortfall in supply will recover gradually and the tight balance in respect of the basic factors of iron ore will be relieved. However, under the current circumstances, the absolute supply/demand as well as the relatively low port inventory level will still be able to support high and volatile prices during the year.

1. **Strengthening production management and increasing production volume of iron ore concentrates**

   The system upgrade and ancillary projects of the main shaft of underground mining workshop of Maogong Mine, the major operating mine of the Company, has been completed and officially commenced production in the first half of 2019, thus achieving the increase in supply from the main shaft. Maogong Mine has centralized the control and deployment of production through measures such as tracking and positioning, deployment of equipment, remote monitoring, image and video surveillance and control of key positions underground, as well as the surveillance and control over various environmental parameters (e.g. CO, NO2, etc.).

On the basis of the phase 4 technological improvement, Maogong Mine has optimized the production process of its processing plant, thereby effectively increased both processing volume and output. During the first half of 2019, the output of Maogong Mine amounted to 809,000 metric tons (first half of 2018: 664,000 metric tons), representing a year-on-year increase of 21.84% and accounted for 85.34% of the Group's output of iron ore concentrates. Thanks to the production expansion of Maogong Mine, the output of iron ore concentrates and sales volume of the Group amounted to 948,000 metric tons and 914,000 metric tons during the first half of 2019, representing year-on-year increases of 1.28% and 0.77%, respectively.

Breakdown of output and sales volume of iron ore concentrates

	For the six months ended 30 June		
	2019 (thousand metric tons)	2018 (thousand metric tons)	Change in percentage
Output	**948**	936	1.28%
Of which: Maogong Mine	**809**	664	21.84%
Aoniu Mine	**139**	272	-48.90%
Sales Volume	**914**	907	0.77%
Of which: Maogong Mine	**789**	644	22.52%
Aoniu Mine	**125**	263	-52.47%

During the second half of 2018, the completion of open-pit mining and adjustment of sales to customers have resulted in cost increase. However, through continuous technological improvement to control the increment in costs, the cash operation cost of iron ore concentrates was RMB312/metric ton during the six months ended 30 June 2019, representing an increase of 9.09% over the corresponding period of last year, and the cost of sales was RMB345/metric ton, representing a decrease of 2.82% over the corresponding period of last year. It remains as one of the mines with the lowest production cost throughout the country and continuing to maintain its core competitiveness of low-cost operations.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONTINUED)

Breakdown of cash operation costs of the iron ore business

	Cash operation costs of iron ore concentrates (RMB/metric ton of iron ore concentrates) For the six months ended 30 June			
Item	**2019**	2018	Change	Change in percentage
Comprehensive mining cash costs *(Note 1)*	**150**	137	13	9.49%
Processing cash costs	**73**	69	4	5.80%
Transportation expenses *(Note 2)*	**26**	18	8	44.44%
Tax *(Note 3)*	**41**	36	5	13.89%
Mine management expenses *(Note 4)*	**22**	26	-4	-15.38%
Total	**312**	286	26	9.09%

Notes:

1. The increase in the mining costs per metric ton of iron ore concentrates was mainly due to the fact that all of the iron ores were extracted through underground mining during the period while some of the iron ores were extracted through open-pit mining during the corresponding period of last year.

2. The increase in transportation expenses per metric ton was due to the change of customers with a longer transportation distance.

3. The increase in tax per metric ton was due to the increase in the sales price of iron ore concentrates per metric ton.

4. The year-on-year decrease of mine management expenses was due to refined management and adjustment of the operation mode.

2. Resources and reserves

During the first half of 2019, the iron ore resources and reserves of the Group had no material change as compared to the data at the end of 2018.

3. **Substantial increase in the profitability of the iron ore business**

During the first half of 2019, the average sales price of iron ore concentrates produced by the Group was RMB729/metric ton (first half of 2018: RMB623/metric ton), representing an increase of approximately RMB106/metric ton or 17.01% as compared with that for the corresponding period of last year. For the six months ended 30 June 2019, revenue of the iron ore business of the Group was RMB666,159,000, representing a year-on-year increase of 17.92%, mainly due to the rising average sales price and the increase in the sales volume of iron ore concentrates; gross profit margin of the products was 52.59%, increased by approximately 10 percentage points as compared with that of the same period of last year; the EBITDA of the iron ore business was RMB349,987,000 (first half of 2018: RMB269,939,000), representing a year-on-year increase of 29.65%; and capital expenditure was RMB38,060,000 in total, representing a year-on-year increase of 17.52%.

High-Purity Iron Business

During the first half of 2019, the national output of pig iron was 404 million metric tons, representing a year-on-year increase of 7.9%. The price demonstrated an upward trend in general with slight fluctuations, which rose at the beginning but turned downward eventually. In the first half of 2019, the Group completed the acquisition of the high-purity iron business from its controlling shareholder and became the largest supplier of wind power ductile casting iron in China. According to historical data, the sales price of wind power ductile casting iron is higher than that of steel making pig iron. In the first half of 2019, there are 9.09 million kW of newly installed capacity of wind power in China, representing a year-on-year growth of 14.5%. The increase in newly installed capacity of wind power also boosted the demand for wind power ductile casting iron, and hence resulted in an upward trend of both output and price.

1. **Acquisition of the high-purity iron business**

On 1 April 2019, the Company entered into an agreement with China Hanking (BVI) Limited (as the seller), Mr. Yang Jiye (as the seller guarantor) and Tuochuan Capital, pursuant to which the seller has conditionally agreed to sell, and the Company has conditionally agreed to purchase the 100% equity interest in Tuochuan (Hong Kong) (the "**Target Company**") at the consideration of RMB1,020 million. The Target Company indirectly holds 99% of equity interest in Fushun Hanking D.R.I.. Details are set out in the announcement of the Company dated 1 April 2019 and the circular dated 29 April 2019. The transaction has been approved by the independent shareholders of the Company at the annual general meeting held on 30 May 2019. As of 30 June 2019, the Company has obtained the effective control of the Target Company and the financial information of the Target Company has been consolidated into the Group's financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONTINUED)

2. **General description of the high-purity iron business**

The high grade and low impurity content which contains close to zero titanium, iron ore concentrate produced by the Group is a quality raw material for producing ductile casting iron. Leveraging this advantage in terms of mineral resources, Fushun Hanking D.R.I. has established a product mix that mainly comprised of wind power ductile casting iron products, supplemented by other ordinary ductile casting iron products. After Fushun Hanking D.R.I. became a subsidiary of the Company, the Group's industrial chain has extended into the field of ductile casting iron, and the value of the high-quality iron ore concentrates produced by the Group has been enhanced.

According to the industry report prepared by Hatch Associates Ltd., Fushun Hanking D.R.I. is the largest wind power ductile casting iron manufacturing enterprise in China with the sales volume of its main product, wind power ductile casting iron, accounting for over 50% of China's total output. In 2017 and 2018, the sales volumes of Fushun Hanking D.R.I. were 557,000 metric tons and 518,000 metric tons, respectively. In order to expand its production capacity, Fushun Hanking D.R.I. has suspended its production for the purpose of technological improvement since 15 April 2019. As such, the sales volume in the first half of 2019 was only 149,000 metric tons. The technological improvement will be completed by October 2019 and the annual production capacity of Fushun Hanking D.R.I. will expect to increase from 560,000 metric tons to 660,000 metric tons.

3. **Overview of the high-purity iron business**

The Group has expanded its business scale as a result of the acquisition of high-purity iron business by the Company. During the first half of 2018, the unrestated revenue of the Group was RMB601,701,000, and the Group's revenue in the first half of 2019 increased to approximately RMB1,183,885,000 as the financial information of Fushun Hanking D.R.I. has been consolidated into the Group's financial statements.

For the financial years ended 31 December 2016, 2017 and 2018, the revenues of Fushun Hanking D.R.I. were RMB1,108,829,000, RMB1,517,971,000 and RMB1,662,781,000, respectively; and net profits were RMB89,940,000, RMB175,251,000 and RMB229,491,000, respectively. As Fushun Hanking D.R.I. has suspended its production for technological improvement since April 2019, the sales volume of the Group's high-purity iron in the first half of 2019 was only 149,000 metric tons; the average sales price was RMB3,424/metric ton (first half of 2018: RMB3,096/metric ton), representing an increase of approximately RMB328/metric ton or 10.59% as compared with that for the corresponding period of last year; accordingly, for the six months ended 30 June 2019, the Group's revenue from the high-purity iron business was RMB509,138,000, representing a year-on-year decrease of 35.17%; and the net profit was RMB36,762,000, representing a year-on-year decrease of 63.60%; the EBITDA was RMB103,527,000 (first half of 2018: RMB141,669,000), representing a year-on-year decrease of 26.92%; and the capital expenditure was RMB89,132,000 in total.

Gold Business

During the first half of 2019, PMI of the global manufacturing industry declined and the Sino-US trade disputes continued to linger, exerting significant downward pressure on the global economy and driving further increase of the price of gold futures. The opening comex gold price was US$1,286.20 per ounce on 4 January 2019, and closed at US$1,410.42 per ounce on 28 June 2019, representing an increase of 9.66%. Driven by the expectation of relaxed global monetary policies and uncertainties in the international market, the gold price will remain at the high level.

1. Overview of the gold business

During the first half of 2019, the Company proactively pushed forward various preparatory efforts for the commencement of gold production, including conducted processing experiments for two gold mines, namely Toms Gully and Rustlers Roost, commenced the design for underground mining of Toms Gully Gold Mine, completed and submitted the environmental impact assessment report of Toms Gully Gold Mine, and carried out work such as screening of target zones for exploration, analysis on geophysical data, geochemical sampling of soil in the mining area. The Company successfully obtained drilling approval for the Mt Bundy Project (which includes Toms Gully Gold Mine, Rustlers Roost Gold Mine and Quest 29 Gold Mine) in the first half of 2019. It is expected that we will commence exploration for new types of gold mine within the area covered by our mining rights in the second half of 2019. On the basis of the completion and submission of environmental impact assessment report of the gold mines, we will proceed with the preparation and submission of the development and utilisation plan of the mines for gold production.

As the Group's gold business is still under preparation for production, no sales were recorded during the first half of 2019. For the six months ended 30 June 2019, the capital expenditure of the gold business was RMB3,977,000 (first half of 2018: RMB204,177,000), which was mainly for the environmental impact assessment and exploration expenses of the gold mines.

2. Resources and reserves

During the first half of 2019, the gold resources and reserves of the Group had no material change as compared to the data at the end of 2018.

3. Other business in Australia

As of 30 June 2019, Hanking Australia Investment also held the equity interests in one listed company in Australia with a fair value of RMB2,350,000 (as of 31 December 2018: the fair value of the equity interests held in two companies was RMB9,359,000).

Other Businesses

The Company's Green Building Materials Project officially commenced production in August 2018. The project used tailings as the main raw material for green building materials products such as foamed ceramics partition boards and board linings that are energy saving and environmentally friendly. During the first half of 2019, Hanking Green Building Materials sold 7,900 cubic meters of partition boards and achieved a sales revenue of approximately RMB8,588,000.

During the first half of 2019, Hanking Green Building Materials is in the preliminary stage of development. On the premise of ensuring the completion of its production plan, it continued to push forward technological improvement and process innovation with a view to enhancing the yield rate and lowering the production cost, at the same time strengthening safety management, so as to achieve safe production with zero accident and improve the working environment.

Hanking Green Building Materials further stepped up its investment in research and development with the aim of realising comprehensive utilisation of waste materials, optimizing product formulae and develop of new products, thereby increasing the added value of the foamed ceramics products. Leveraging its own technological advantages, Hanking Green Building Materials has become one of the entities participated in the drafting of T/CBCSA 12-2019, the first industry standard for foamed ceramics partition board products.

Nickel Business

On 5 July 2018, the Company entered into a share sale and purchase agreement with Tuochuan Capital and Mr. Yang Jiye, pursuant to which the Company has agreed to sell, and Tuochuan Capital has agreed to purchase, 70% equity interests in Hanking (Indonesia) for a total consideration of RMB350,000,000 (the "**Disposal**"), details of which are set out in the circular of the Company dated 6 August 2018. The transaction was considered and approved by the independent shareholders of the Company at the extraordinary general meeting held on 24 August 2018. However, as one of the conditions precedent of the transaction to guarantee payment by the purchaser, i.e. 99% equity interest in Ginseng & Iron held by Tuochuan (Hong Kong) having been pledged to the Company, was not satisfied, the Disposal did not proceed to completion.

As of 30 June 2019, as the consideration of the Disposal of RMB350 million has been offset by the payment for the acquisition of Tuochuan (Hong Kong), which indirectly holds 99% equity interest in Fushun Hanking D.R.I., representing the receipt of the consideration of the Disposal in full by the Company, the Disposal has therefore been completed in substance. As the purchaser of the transaction is a controlling shareholder of the Company, the Company will not record any profit or loss as a result of the Disposal. The difference between the sales price and the equity interests attributable to the Company of the transaction, i.e. the premium arising from the Disposal, of approximately RMB155,728,000 has been credited to other reserve.

Prospect and Countermeasures

In the second half of 2019, the Group plans to produce 902 thousand metric tons of iron ore concentrates. It will achieve steady production of the iron ore business, increase resources reserve and continue to improve profitability. The high-purity iron business will strive to complete the technological improvement on time and in quality, in order to put into production smoothly and reach full capacity rapidly. It plans to produce 122 thousand metric tons of high-purity iron in the second half of 2019.

It is expected that the gold business of the Group will commence exploration for new types of gold mine within the area covered by our mining rights in the second half of 2019. The environmental impact assessment reports of the gold mines have been completed and submitted, so we will proceed with the preparation and submission of the development and utilisation plan of the mines for gold production.

Future Plans for Material Investment or Capital Assets

Save as disclosed in this report, as of 30 June 2019, the Group had no concrete plans to acquire any material investment or capital assets other than those carried out in the Group's ordinary course of business. The Group will make every endeavor to keep abreast of the changing market conditions, proactively identify investment opportunities in order to broaden the revenue base of the Group, enhance its future financial performance and profitability.

Financial Review

During the first half of 2019, the Group has successfully acquired the high-purity iron business. As the acquisition represented a merger under the same controller, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity as well as the consolidated statement of cash flow for the six months ended 30 June 2018 and the consolidated statement of financial position as at 31 December 2018 have all been restated so as to include the profit, assets and liabilities since the date when the combined entities first came under common control. However, due to Fushun Hanking D.R.I.'s suspension of operation for two months during the first half of 2019 for technological improvement, the consolidated revenue and profit decreased. For details, please refer to note 2 to the condensed consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONTINUED)

1. Revenue, Cost of Sales, Gross Profit

For the first half of 2018, the unrestated revenue from the Group's continuing operations was RMB601,701,000. For the first half of 2019, as the financial information of Fushun Hanking D.R.I. has been consolidated into the Group's financial statements, the Group's revenue increased to approximately RMB1,183,885,000. However, due to Fushun Hanking D.R.I.'s suspension of operation for two months for technological improvement, the restated revenue recorded a year-on-year decrease of RMB166,389,000 or 12.32%, mainly due to 1) the increase in sales revenue of RMB101,219,000 from iron ore concentrates over the corresponding period of last year, mainly represented by an increase of RMB106/metric ton in the sales price of iron ore concentrates over the corresponding period of last year, resulting in an increase in revenue of RMB96,762,000; 2) a decrease of RMB276,196,000 in the sales revenue from high-purity iron business, mainly due to the fact that Fushun Hanking D.R.I. suspended its operation for technology improvement since April 2019, resulting in a decrease of 105 thousand metric tons in sales volume and a decrease of RMB324,872,000 in revenue from high-purity iron business over the corresponding period of last year; and 3) an increase of RMB327/metric ton in the sales price of high-purity iron over the corresponding period of last year, resulting in an increase in revenue of RMB48,676,000.

For the first half of 2019, cost of sales incurred by the Group's continuing operations amounted to RMB710,272,000, representing a decrease of RMB229,696,000 or 24.44% over the corresponding period of last year, among which, cost of sales incurred by high-purity iron business decreased by RMB234,065,000 over the corresponding period of last year, mainly attributable to the fact that Fushun Hanking D.R.I. suspended its operation for technological improvement since April 2019, resulting in a decrease of 105 thousand metric tons in sales volume of high-purity iron business over the corresponding period of last year.

For the first half of 2019, gross profit of the Group's continuing operations was RMB473,613,000, representing an increase of RMB63,307,000 or 15.43% 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 30.39% to 40.00% during the first half of 2019.

Analysis on the revenue by major products

	For the six months ended 30 June							
	2019 RMB'000				2018 RMB'000			
	Iron ore	High-purity iron	Others	Total	Iron ore	High-purity iron	Others	Total
Revenue	**666,159**	**509,138**	**8,588**	**1,183,885**	564,940	785,334	–	1,350,274
Cost of sales	**315,854**	**384,083**	**10,335**	**710,272**	321,820	618,148	–	939,968
Gross profit	**350,305**	**125,055**	**-1,747**	**473,613**	243,120	167,186	–	410,306
Gross profit margin	**52.59%**	**24.56%**	**-20.34%**	**40.00%**	43.03%	21.29%	–	30.39%

2. **Other Income, Other Gains and Losses**

For the first half of 2019, other income from the Group's continuing operations was RMB3,807,000, representing a decrease of RMB19,271,000 or 83.50% over the corresponding period of last year. Other income mainly represented interest income.

For the first half of 2019, other losses of the Group's continuing operations were RMB25,988,000, representing an increase of RMB35,336,000 or 378.01% over the corresponding period of last year, which was mainly attributable to 1) a provision for impairment loss of RMB25,096,000 on certain long-term assets which are no longer in use due to Fushun Hanking D.R.I.'s suspension of operation for technological improvement during the period; and 2) recognition of gain of RMB13,732,000 upon the completion of disposal of Xingzhou Mining during the corresponding period of last year.

3. **Distribution and Selling Expenses, Administrative Expenses**

During the first half of 2019, the distribution and selling expenses of the Group's continuing operations were RMB48,968,000, representing a decrease of RMB9,348,000 or 16.03% as compared to the corresponding period of last year, which was mainly due to 1) suspension of operation in high-purity iron business since April 2019 for technological improvement, resulting in a decrease of 105 thousand metric tons in the sales volume of high-purity iron, which in turn resulted in a decrease of RMB18,225,000 in the distribution and selling expenses; and 2) the increase in sales volume of iron ore concentrates of 7 thousand metric tons from the corresponding period of last year and the increase in transportation cost as a result of the change in transport distance. Selling and distribution expenses consisted of transportation expenses, labour expenses and others.

For the first half of 2019, the administrative expenses of the Group's continuing operations were RMB95,477,000, representing an increase of RMB12,506,000 or 15.07% as compared to the corresponding period of last year, which mainly represented the related intermediary expenses for the acquisition of the high-purity iron business. Administrative expenses included remuneration paid to the Group's management and administrative staff, depreciation and amortization, leasing and office expenses, business development expenses, professional consultation and service expenses, taxation expenses, bank charges and others.

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

For the first half of 2019, the finance costs of the Group's continuing operations were RMB59,181,000, representing an increase of RMB3,010,000 or 5.36% as compared to the corresponding period of last year. Finance costs included bank borrowing interest expenses, discount expenses and other finance expenses.

For the first half of 2019, the income tax expenses of the Group's continuing operations were RMB96,317,000, representing an increase of RMB100,819,000 or 2,239.43% over the income tax gain for the corresponding period of last year. Income tax expense included the total amount of current tax payable and deferred tax. The income tax gain for the corresponding period of last year was mainly attributable to the deferred tax assets recognized in respect of the timing differences arising from deductible losses, etc.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONTINUED)

5. **Changes in Fair Values of Available-for-Sale Financial Assets**

According to IFRS 9 Financial Instruments, the Group has classified the available-for-sale financial assets as financial assets at fair value through profit or loss in the consolidated statement of financial position, with the changes in fair value entirely recognised in the statement of profit or loss. For the first half of 2019, the Group recorded losses on changes in fair value of the available-for-sale financial assets of RMB1,237,000.

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

For the first half of 2018, the unrestated profit for the period from the Group's continuing operations was RMB133,668,000. For the first half of 2019, as the financial information of Fushun Hanking D.R.I. has been consolidated into the Group's financial statements, the profit for the period from the Group's continuing operations increased to approximately RMB147,296,000. However, due to Fushun Hanking D.R.I.'s suspension of operation for two months for technological improvement, the restated profit for the period recorded a year-on-year decrease of RMB101,041,000 or 40.69%.

Loss for the period from discontinued operations for the first half of 2019 was RMB35,218,000, which mainly represented the loss made before the completion of disposal of the nickel mine project and the nickel mine project's cumulative translation reserve reclassified to profit or loss upon disposal.

Based on the profit for the period, and affected by the changes in fair values of financial assets measured at fair value through other comprehensive income, foreign currency translation and so on, the total comprehensive income for the first half of 2019 was RMB159,995,000, representing a decrease of RMB60,675,000 or 27.50% as compared to the corresponding period of last year.

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

As of 30 June 2019, the net value of property, plant and equipment of the Group was RMB908,072,000, representing an increase of RMB25,369,000 or 2.87% as compared to that as at the end of the previous year.

As of 30 June 2019, the inventories of the Group were RMB186,176,000, representing a decrease of RMB56,100,000 or 23.16% as compared to that as at the end of the previous year.

As of 30 June 2019, the intangible assets of the Group were RMB265,901,000, representing a decrease of RMB13,441,000 or 4.81% as compared to that as at the end of the previous year.

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

As of 30 June 2019, trade receivables of the Group were RMB95,461,000, representing a decrease of RMB117,349,000 over the end of last year, mainly attributable to the decrease in the balance of trade receivables of the iron ore concentrates after the completion of the acquisition of high-purity iron business.

As of 30 June 2019, other receivables of the Group were RMB280,577,000, representing a decrease of RMB26,141,000 over the end of last year.

According to the requirements of IFRS 9 Financial Instruments, the Group has classified the bills receivables as the receivables at fair value through other comprehensive income based on the characteristics of the business model and contractual cash flow. The fair value and expected credit losses were assessed by the Group at the end of the reporting period, with the changes in the fair value included in other comprehensive income and the expected credit losses included in profit or loss.

As of 30 June 2019, bills receivables of the Group (bank acceptance bills) were RMB75,727,000, representing a decrease of RMB225,531,000 over the end of last year, of which undiscounted bank acceptance bills were RMB23,732,000. Such bills can be discounted at any time to satisfy the capital requirement.

As of 30 June 2019, trade payables of the Group were RMB89,945,000, representing a decrease of RMB221,874,000 over the end of last year, which was mainly attributable to the decrease in payable balance of the purchased iron ore concentrates by high-purity iron business after the completion of the acquisition of high-purity iron business. As of 30 June 2019, other payables of the Group were RMB160,304,000, representing a decrease of RMB58,782,000 over the end of last year.

9. **Cash Use Analysis**

The summary of the Group's consolidated statement of cash flows for the first half of 2019 is set out below:

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Net cash flows from operating activities	**362,925**	377,374
Net cash flows from investing activities	**-91,935**	-409,180
Net cash flows from financing activities	**-539,465**	-282,705
Net decrease in cash and cash equivalents	**-268,475**	-314,511
Cash and cash equivalents at the beginning of the period	**381,256**	445,718
Effect of changes in foreign exchange rate on cash and cash equivalents	**897**	-2,836
Cash and cash equivalents at the end of the period	**113,678**	128,371

The net cash inflow from operating activities during the first half of 2019 was RMB362,925,000. The amount was mainly attributed to the profit before tax of RMB208,097,000, together with depreciation and amortization of RMB96,196,000, finance costs of RMB80,654,000, and impairment of long-term assets of RMB25,923,000, which were offset by payment of income tax of RMB67,840,000.

For the first half of 2019, the net cash outflow from investing activities amounted to RMB91,935,000. The amount mainly included the amount of RMB130,691,000 used as payments for the acquisition of new plants and equipment, etc. and acquisition of properties in order to expand production capacity and technology upgrade, the amount of RMB16,408,000 as payment for land acquisition, the amount of RMB51,237,000 as payment for the purchases of available-for-sale financial assets and the recovered amount of RMB108,140,000 from the redemption of available-for-sale financial assets.

For the first half of 2019, the net cash outflow from financing activities was RMB539,465,000, which was mainly attributable to the newly added bank borrowings of RMB398,600,000, the repayment of bank loans of RMB461,900,000, the net placement of deposits of RMB422,178,000 and the settlement of loan interest of RMB71,687,000.

10. Cash, Borrowings and Bills Payables

As of 30 June 2019, bank balance and cash of the Group amounted to RMB113,678,000, together with pledged and restricted bank deposits of RMB636,458,000, representing an increase of RMB151,838,000 or 25.38% as compared to the end of last year.

As of 30 June 2019, bills payables of the Group were RMB883,000,000, representing an increase of RMB178,000,000 over the end of last year.

As of 30 June 2019, the balance of bank borrowings of the Group was RMB1,175,700,000 (among which, the balance of borrowings pledged by bank deposits was RMB347,500,000), representing a decrease of RMB351,300,000 as compared to the end of last year. Apart from 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, borrowings, 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 2018.

11. Gearing Ratio

The gearing ratio, as calculated by dividing total liabilities by total assets, of the Group increased from 68.79% on 31 December 2018 to 80.37% on 30 June 2019, which was mainly due to the fact that the financial information of Fushun Hanking D.R.I. has been consolidated into the Group's financial statements. During the six months ended 30 June 2019, the Group's interest coverage ratio was 5.12, while for the whole year ended 31 December 2018, the Group's interest coverage ratio was 2.46. The interest coverage ratio is calculated as profit before interest and tax from continuing operation divided by the Group's finance cost.

12. Major Risks

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

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

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

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

13. Pledge of Assets and Contingent Liabilities

Some of the bank borrowings of the Group are secured by the mining rights certificates. As of 30 June 2019, the aggregate net carrying value of the pledged mining rights amounted to RMB40,176,000.

As of 30 June 2019, the Group had no material contingent liabilities.

14. Capital Commitment

As at 30 June 2019, the capital commitment of the Group was RMB85,481,000, representing an increase of RMB9,452,000 or 12.43% over that of the end of last year. The capital commitment mainly consisted of the amount of RMB457,000 for the underground mining works of Maogong Mine, the amount of RMB28,925,000 for the underground mining works of Shangma Mine, the amount of RMB47,845,000 for the technological improvement project of Fushun Hanking D.R.I., as well as the amount of RMB8,254,000 for the exploration expenses of the gold mines in Australia.

15. Capital Expenditure

The Group's capital expenditure decreased from approximately RMB255,688,000 in the first half of 2018 to approximately RMB140,766,000 in the first half of 2019. Expenditure incurred in the first half of 2019 mainly included (i) expenditure for plants, machinery equipment and properties amounting to RMB118,934,000; (ii) expenditure for intangible assets amounting to RMB5,629,000; (iii) expenditure for land acquisition and lease amounting to RMB16,203,000.

16. Significant Foreign Investments Held

Save for the equity interests in a company listed on Australian Securities Exchange held by the Group, the Group did not hold any other significant investments as of 30 June 2019.

17. Material Acquisitions and Disposals of Subsidiaries and Associated Companies

On 1 April 2019, the Company entered into an agreement with China Hanking (BVI) Limited (as the seller), Mr. Yang Jiye (as the seller guarantor) and Tuochuan Capital, and purchased 100% equity interest of Tuochuan (Hong Kong) at the consideration of RMB1,020,000,000. The transaction was considered and approved by the independent shareholders of the Company at the annual general meeting held on 30 May 2019. For details, please refer to note 2 to the condensed consolidated financial statements.

On 5 July 2018, the Company entered into a share sale and purchase agreement with Tuochuan Capital and Mr. Yang Jiye (as the guarantor), pursuant to which, the Company has agreed to sell, and Tuochuan Capital has agreed to purchase, 70% equity interests of Hanking (Indonesia) for a total consideration of RMB350,000,000. The transaction was considered and approved by the independent shareholders of the Company at the extraordinary general meeting held on 24 August 2018. As of 30 June 2019, the disposal has been completed. As the purchaser of the transaction is a Controlling Shareholder of the Company, the Company will not record any profit or loss as a result of the disposal and the difference between the sale price and the equity interests attributable to the Company (i.e. the premium arising from the disposal of approximately RMB155,728,000) of this transaction has been credited to other reserve. For details, please refer to note 9 to the condensed consolidated financial statements.

Save as above, there were no other material acquisitions or disposals of subsidiaries and associated companies of the Group during the first half of 2019.

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 2019, 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[1]	Founder of discretionary trust	494,360,500 (long positions)	27.05%
	Interest in controlled corporation	605,881,000 (long positions)	33.15%
Xia Zhuo[2]	Interest in controlled corporation	19,130,589 (long positions)	1.05%
	Beneficial owner	60,000 (long positions)	Less than 0.01%
Zheng Xuezhi	Beneficial owner	2,452,000 (long positions)	0.13%

Notes:

1. 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 494,360,500 Shares held by Bisney Success Limited and 605,881,000 Shares held by Tuochuan Capital Limited.

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

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[1]	Hanking Australia Investment Pty Ltd	Interest in controlled corporation	6,300,000 (long positions)	3.00%
Yang Jiye[2]	Hanking Australia Investment Pty Ltd	Interest in controlled corporation	6,300,000[3] (long positions)	3.00%
Zheng Xuezhi[2]	Hanking Australia Investment Pty Ltd	Interest in controlled corporation	6,300,000[3] (long positions)	3.00%

Notes:

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

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

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

Save as disclosed above, as at 30 June 2019, 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 2019, 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[1]	Interest in controlled corporation	206,025,000 (long positions)	11.27%
	Founder of discretionary trust	13,820,166 (long positions)	0.76%
China Hanking (BVI) Limited	Beneficial owner	206,025,000 (long positions)	11.27%
Bisney Success Limited	Beneficial owner	494,360,500[2] (long positions)	27.05%
Le Fu Limited	Interest in controlled corporation	494,360,500[2] (long positions)	27.05%
UBS Nominees Limited	Nominee for the Trustee	494,360,500[2] (long positions)	27.05%
UBS Trustees (BVI) Limited	Trustee	494,360,500[2] (long positions)	27.05%
Tuochuan Capital Limited	Beneficial owner	605,881,000 (long positions)	33.15%
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)	15.32%
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)	27.35%

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 206,025,000 Shares held by China Hanking (BVI) Limited and 13,820,166 Shares held by Best Excellence Limited.

2. These 494,360,500 Shares 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.

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3. Changes of Directors and Directors' Information

At the annual general meeting (the "**AGM**") of the Company held on 30 May 2019, in accordance with Article 84(1) of the Articles of Association, Mr. Yang Jiye (executive Director), Mr. Xia Zhuo (executive Director) and Mr. Wang Ping (independent non-executive Director) retired by rotation at the AGM, and being eligible, offered themselves for re-election.

Mr. Wang Ping ceased to be the non-executive director of Sichuan Crun Co., Ltd. (SZSE: 002272), a company listed on the Shenzhen Stock Exchange and Bojun Education Company Limited (HKSE: 1758), a company listed on the Hong Kong Stock Exchange, with effect from March and September 2019, respectively.

Mr. Ma Qingshan has served as the independent non-executive director of Uni-Bio Science Group Limited, a company listed on the Hong Kong Stock Exchange (HKSE: 690), since April 2019.

On 29 August 2019, Mr. Xia Zhuo resigned as vice president of the Company due to his other commitments which require more of his dedications, while was re-designated from an executive Director to a non-executive Director.

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 2018 (in the case of Mr. Yang Jiye, Mr. Zheng Xuezhi, Dr. Qiu Yumin, Mr. Kenneth Jue Lee, Mr. Wang Ping, Dr. Wang Anjian and Mr. Ma Qingshan) and from 29 August 2019 to 16 March 2021 (in the case of Mr. Xia Zhuo); and (2) are subject to early termination in accordance with their respective terms.

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 period ended 30 June 2019.

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

During the six months ended 30 June 2019, save as disclosed herein, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities. The Company repurchased 7,829,000 Shares in aggregate on the Hong Kong Stock Exchange at a total consideration of HK$8,323,000 from July to September 2019. As of 19 September 2019, all of the repurchased Shares had been cancelled. For details, please refer to the section headed "Subsequent Events" of this interim report.

7. Employee and Remuneration Policy

As at 30 June 2019, the Group had a total of 1,511 employees (as at 30 June 2018: a total of 984 employees). The increase in headcount was mainly due to the Company's acquisition of Tuochuan (Hong Kong) and its subsidiaries in the first half of 2019.

For the six months ended 30 June 2019, the aggregate remuneration expenses and other employee benefits costs of the Group amounted to RMB73,036,000 (for the six months ended 30 June 2018: RMB78,025,000). 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

Save as disclosed herein, during the period from 1 January 2019 to 30 June 2019, the Company has complied with the remaining 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.

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

OTHER INFORMATION

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9. Audit Committee

During the period from 1 January 2019 to 30 June 2019, 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.

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 2019 interim results for the six months ended 30 June 2019 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 2019.

11. Major Legal Proceeding

During the six months ended 30 June 2019, 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. Continuing Disclosure under the Listing Rules

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

On 24 July 2019, Citic Bank and Aoniu Mining entered into an agreement for a new term loan facility of up to a maximum aggregate amount of RMB127,500,000 before the expiration of the Original Loan, pursuant to which Tuochuan Capital will continue to pledge the above 280,000,000 Shares, representing approximately 15.32% of the issued share capital of the Company as at 24 July 2019, in favour of Citic Bank as security for the above new term loan facility upon the expiration of the Original Loan. Details of which are set out in the announcement of the Company dated 24 July 2019.

Saved as disclosed above, the Company had no other disclosure obligations under Rule 13.20, Rule 13.21 and Rule 13.22 of the Listing Rules as at 30 June 2019.

13. Share Option Scheme

The share option scheme of Hanking Australia Investment, a subsidiary of the Company, was adopted on 25 January 2019.

The scheme is designed to recognize the contributions of selected key persons (including the employees and directors of Hanking Australia Investment and its related body corporates, and any person the board of directors of Hanking Australia Investment determines to be a key person when issuing or granting the options) to the Company, and provide an incentive for and to motivate them to remain in their employment with the Company.

The scheme mandate limit is 10% of the shares of Hanking Australia Investment in issue on the date on which the scheme was adopted. The scheme shall be valid and effective for a period of 48 months from the date of adoption. The maximum number of shares of Hanking Australia Investment to be issued upon the exercise of options that may be granted under the scheme is 21,000,000 shares. The scheme will be expired on 25 January 2023, with remaining life of approximately 43 months from 1 July 2019.

For the six months ended 30 June 2019, no share option was granted, exercised, expired or lapsed.

14. Restricted Share Award Scheme

The Company adopted a Restricted Share Award Scheme on 29 August 2019. The Restricted Share Award Scheme does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules.

The purpose and objective of this scheme is (i) to recognize and motivate the contribution of the key management personnel and core employees of the Group; (ii) to help the Group retain and attract the Selected Participants in attaining the long term business objectives of the Company; and (iii) to further align the interests of the Selected Participants directly to the shareholders of the Company through ownership of Shares.

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The eligible participants include Directors, senior management and core employees of the Group.

The maximum number of Award Shares that may be granted under this scheme in aggregate shall be no more than 90,000,000 Shares, subject always to the compliance of the Listing Rules, including the requirement concerning the maintenance of the public float.

A Selected Participant shall be entitled to receive the Award Shares held by the trustee, and Award Shares shall vest in three (3) years, of which one third of a Selected Participant's applicable Award Shares shall become vested upon each of the first anniversary, the second anniversary, and the third anniversary.

As of the date of this report, no Shares have been granted to the Selected Participants under this scheme.

15. Subsequent Events

As of 19 September 2019, the Company repurchased 7,829,000 Shares in aggregate on the Hong Kong Stock Exchange at a total consideration of HK$8,323,000. All of the repurchased Shares had been cancelled.

Month of repurchase	Number of Shares repurchased	Highest price paid per Share HK$	Lowest price paid per Share HK$	Total consideration paid HK$
July 2019	6,482,000	1.09	0.98	6,472,030
August 2019	20,000	1.31	1.31	26,200
September 2019	1,327,000	1.41	1.33	1,824,770

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

FINANCIAL REPORT

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 32 to 90, which comprise the condensed consolidated statement of financial position as of 30 June 2019 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 (the "Directors") 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
29 August 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	NOTES	Six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited) (Restated)
Continuing operations			
Revenue	4A	**1,183,885**	1,350,274
Cost of sales		**(710,272)**	(939,968)
Gross profit		**473,613**	410,306
Other income		**3,807**	23,078
Other gains and losses	5	**(25,988)**	9,348
Impairment losses under expected credit loss ("ECL") model, net of reversal	6	**(4,193)**	(1,439)
Distribution and selling expenses		**(48,968)**	(58,316)
Administrative expenses		**(95,477)**	(82,971)
Finance costs		**(59,181)**	(56,171)
Profit before tax	7	**243,613**	243,835
Income tax (expense) credit	8	**(96,317)**	4,502
Profit for the period from continuing operations		**147,296**	248,337
Discontinued operation			
Loss for the period from discontinued operation	9	**(35,218)**	(12,542)
Profit for the period		**112,078**	235,795
Other comprehensive income (expense):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**6,157**	(11,547)
Fair value gain (loss) on:			
– receivables measured at fair value through other comprehensive income ("FVTOCI")		**9,849**	(3,578)
Reclassification of cumulative translation reserve upon disposal of a foreign operation to profit or loss		**31,911**	–
Other comprehensive income (expense) for the period (net of tax)		**47,917**	(15,125)
Total comprehensive income for the period		**159,995**	220,670

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(CONTINUED)

For the six months ended 30 June 2019

	NOTES	Six months ended 30 June **2019** **RMB'000** **(Unaudited)**	2018 RMB'000 (Unaudited) (Restated)
Profit (loss) for the period attributable to owners of the Company:			
– Continuing operations		**147,321**	247,403
– Discontinued operation		**(37,597)**	(7,937)
Profit for the period attributable to owners of the Company		**109,724**	239,466
(Loss) profit for the period attributable to non-controlling interests			
– Continuing operations		**(25)**	934
– Discontinued operation		**2,379**	(4,605)
Profit (loss) for the period attributable to non-controlling interests		**2,354**	(3,671)
		112,078	235,795
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**155,684**	226,336
Non-controlling interests		**4,311**	(5,666)
		159,995	220,670
Earnings per share (RMB cent per share)	12		
From continuing and discontinued operations		**6.0**	13.1
From continuing operations		**8.1**	13.5

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	NOTES	**30 June 2019 RMB'000 (Unaudited)**	31 December 2018 RMB'000 (Unaudited) (Restated)	1 January 2018 RMB'000 (Unaudited) (Restated)
Non-current assets				
Property, plant and equipment	13	**908,072**	882,703	1,044,446
Intangible assets	14	**265,901**	279,342	676,546
Right-of-use assets	15	**183,637**	–	–
Prepaid lease payments	16	**–**	143,470	175,119
Financial assets at fair value through profit or loss ("FVTPL")	21	**2,350**	9,359	21,778
Deferred tax assets		**78,410**	77,962	16,799
Loan receivable	19	**–**	10,000	11,300
Deposits on acquisition of property, plant and equipment		**4,885**	1,498	40,656
Amount due from a related party		**–**	–	554,125
Restricted deposits	17	**18,340**	21,102	3,797
Pledged bank deposits	22	**23,020**	3,020	–
		1,484,615	1,428,456	2,544,566
Current assets				
Inventories		**186,176**	242,276	231,840
Prepaid lease payments	16	**–**	28,666	30,730
Trade and other receivables	18	**376,038**	519,528	295,777
Loan receivable	19	**10,000**	–	–
Amount due from a related party	29	**–**	564,282	–
Receivables at FVTOCI	20	**75,727**	301,258	808,920
Tax recoverable		**–**	–	5,808
Financial assets at FVTPL	21	**408,852**	459,993	406,794
Pledged bank deposits	22	**595,098**	192,920	183,156
Bank balances and cash	22	**113,678**	381,256	445,718
		1,765,569	2,690,179	2,408,743
Assets classified as held for sale	23	**–**	831,448	369,955
		1,765,569	3,521,627	2,778,698
Current liabilities				
Trade, bills and other payables	24	**1,133,249**	1,235,905	1,163,019
Amount due to a related party	29	**125,625**	128,879	55
Borrowings	25	**1,159,800**	1,378,000	1,435,687
Lease liabilities		**734**	–	–
Contract liabilities		**37,839**	52,168	36,587
Consideration payable		**–**	–	65,180
Tax liabilities		**113,494**	84,596	84,614
Deferred income for financial guarantee contracts		**–**	1,751	1,751
		2,570,741	2,881,299	2,786,893
Liabilities associated with assets classified as held for sale	23	**–**	351,237	23,687
		2,570,741	3,232,536	2,810,580
Net current (liabilities) assets		**(805,172)**	289,091	(31,882)
Total assets less current liabilities		**679,443**	1,717,547	2,512,684

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(CONTINUED)

At 30 June 2019

	NOTES	**30 June 2019 RMB'000 (Unaudited)**	31 December 2018 RMB'000 (Unaudited) (Restated)	1 January 2018 RMB'000 (Unaudited) (Restated)
Capital and reserves				
Share capital	26	**148,960**	148,960	149,137
Reserves		**475,061**	1,206,583	1,323,809
Equity attributable to owners of the Company		**624,021**	1,355,543	1,472,946
Non-controlling interests		**13,945**	189,356	188,881
Total equity		**637,966**	1,544,899	1,661,827
Non-current liabilities				
Borrowings	25	**15,900**	149,000	604,920
Lease liabilities		**1,543**	–	–
Consideration payable		**–**	–	241,100
Rehabilitation provision		**23,602**	23,648	1,580
Retirement benefit obligations		**432**	–	1,558
Deferred tax liabilities		**–**	–	1,699
		41,477	172,648	850,857
		679,443	1,717,547	2,512,684

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the Company												
	Paid-in capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000 (note a)	Future development funds reserve RMB'000 (note b)	FVTOCI reserve RMB'000	Translation reserve RMB'000	Special reserve RMB'000 (note c)	Actuarial reserve on retirement benefit plan RMB'000	Other reserves RMB'000 (note d)	Retained earnings RMB'000	Attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2018 (originally stated)	149,137	175,763	111,081	552,620	(4,568)	(27,779)	(557,161)	152	(614)	811,986	1,210,617	186,381	1,396,998
Merger accounting restatement (note 2)	–	–	40,688	9,130	(906)	–	–	–	(40,762)	254,179	262,329	2,500	264,829
At 1 January 2018 (unaudited) (restated)	149,137	175,763	151,769	561,750	(5,474)	(27,779)	(557,161)	152	(41,376)	1,066,165	1,472,946	188,881	1,661,827
Profit (loss) for the period	–	–	–	–	–	–	–	–	–	239,466	239,466	(3,671)	235,795
Other comprehensive expense for the period	–	–	–	–	(3,578)	(9,552)	–	–	–	–	(13,130)	(1,995)	(15,125)
Total comprehensive (expense) income for the period	–	–	–	–	(3,578)	(9,552)	–	–	–	239,466	226,336	(5,666)	220,670
Transfer to future development funds reserve, net of utilisation	–	–	–	23,515	–	–	–	–	–	(23,515)	–	–	–
Reclassification upon disposal of Xingzhou Mining (as defined in note b)	–	–	–	(2,674)	–	–	–	–	–	2,674	–	–	–
Dividend declared (note 11)	–	–	–	–	–	–	–	–	–	(361,462)	(361,462)	(3,500)	(364,962)
Deemed distribution arising from financial guarantees provided to related parties	–	–	–	–	–	–	–	–	(1,751)	–	(1,751)	–	(1,751)
Acquisition of subsidiaries from a controlling shareholder (note e)	–	–	–	–	–	–	–	–	(128,700)	–	(128,700)	–	(128,700)
Profit appropriation to statutory surplus reserve	–	–	34,459	–	–	–	–	–	–	(34,459)	–	–	–
At 30 June 2018 (unaudited) (restated)	149,137	175,763	186,228	582,591	(9,052)	(37,331)	(557,161)	152	(171,827)	888,869	1,207,369	179,715	1,387,084
At 31 December 2018 (originally stated)	148,960	174,200	122,323	594,049	(9,740)	(43,907)	(557,161)	152	(446)	924,013	1,352,443	188,407	1,540,850
Merger accounting restatement (note 2)	–	–	89,360	13,019	(109)	–	–	–	(171,213)	72,043	3,100	949	4,049
At 31 December 2018 and 1 January 2019 (unaudited) (restated)	**148,960**	**174,200**	**211,683**	**607,068**	**(9,849)**	**(43,907)**	**(557,161)**	**152**	**(171,659)**	**996,056**	**1,355,543**	**189,356**	**1,544,899**
Profit for the period	-	-	-	-	-	-	-	-	-	**109,724**	**109,724**	**2,354**	**112,078**
Reclassification of cumulative translation reserve upon disposal of a foreign operation to profit or loss	-	-	-	-	-	**31,911**	-	-	-	-	**31,911**	-	**31,911**
Other items of comprehensive income for the period	-	-	-	-	**9,849**	**4,200**	-	-	-	-	**14,049**	**1,957**	**16,006**
Total comprehensive income for the period	-	-	-	-	**9,849**	**36,111**	-	-	-	**109,724**	**155,684**	**4,311**	**159,995**
Transfer to future development funds reserve, net of utilisation	-	-	-	**26,799**	-	-	-	-	-	**(26,799)**	-	-	-
Dividend declared (note 11)	-	-	-	-	-	-	-	-	-	**(32,159)**	**(32,159)**	-	**(32,159)**
Disposal of Hanking (Indonesia) (as defined in note d)	-	-	-	-	-	-	-	**(152)**	**155,880**	-	**155,728**	**(179,722)**	**(23,994)**
Disposal of Shanghai Hanking Housing Technology. Co., Ltd. (note 9(B))	-	-	-	-	-	-	-	-	**9,225**	-	**9,225**	-	**9,225**
Profit appropriation to statutory surplus reserve	-	-	**3,525**	-	-	-	-	-	-	**(3,525)**	-	-	-
Consideration paid for acquisition of subsidiaries under common control (note 2)	-	-	-	-	-	-	**(1,020,000)**	-	-	-	**(1,020,000)**	-	**(1,020,000)**
At 30 June 2019 (unaudited)	**148,960**	**174,200**	**215,208**	**633,867**	-	**(7,796)**	**(1,577,161)**	-	**(6,554)**	**1,043,297**	**624,021**	**13,945**	**637,966**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(CONTINUED)

For the six months ended 30 June 2019

Notes:

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

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

(b) Pursuant to regulation in the PRC, Fushun Hanking Aoniu Mining Co., Ltd ("Aoniu Mining"), Fushun Hanking Maogong Mining Co., Ltd, Fushun Hanking Xingzhou Mining Co., Ltd ("Xingzhou Mining"), Fushun Hanking Shangma Mining Co., Ltd, ("Shangma Mining"), subsidiaries of the Group carrying on iron ore exploration, mining, processing and sale business ("Iron Ore Business"), are required to transfer an amount to a future development fund ranging from RMB5-10 (2018: RMB5-10) per ton of iron ore mined annually.

Fushun Hanking Direct Reduced Iron Co., Ltd. ("Hanking D.R.I."), a subsidiary of the Group engaging in production and sales of high-purity iron ("High-purity Iron Business"), is required to transfer an amount to a future development fund ranging from 0.05%-3% (2018: 0.05%-3%) of annual operating income, 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 production of high-purity iron and is not available for distribution to shareholders. RMB30,961,000 and RMB25,848,000 of future development fund was provided during the six months ended 30 June 2019 and 2018, respectively. RMB4,162,000 and RMB2,333,000 was utilised during the six months ended 30 June 2019 and 2018, respectively.

RMB2,674,000 had been reclassified from future development funds reserve to retained earnings upon completion of the disposal of Xingzhou Mining during the six months ended 30 June 2018.

(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 and the current interim period.

(d) Other reserves consist of:

(1) the deemed capital contribution/distribution arising from a series of several group reorganisations in relation to the High-purity Iron Business during the year ended 31 December 2015;

(2) the deemed capital contribution arising from the disposal of a subsidiary and an associate of Fushun Hanking Ginseng & Iron Trading Co., Ltd. ("Ginseng & Iron") to Fushun Majuncheng Iron Co., Ltd. and Hanking Industrial Group Co., Ltd. which are controlled by Ms. Yang Min, one of the Controlling Shareholders (as defined in note 2), respectively during the year ended 31 December 2015;

(3) the dilution impact to the Group's equity interest in Hanking Australia Pty Ltd for the year ended 31 December 2016 as a result of the share subscription transaction;

(4) the dilution impact to the Group's equity interest in Hanking Australia Investment Pty Ltd ("Hanking Australia Investment") from 97% to 94% for the year ended 31 December 2018 as a result of share transfer;

(5) the deemed distribution arising from the interest-free amount due from a related party and financial guarantees provided to related parties controlled by Mr. Yang Jiye, one of the Controlling Shareholders of the Company; and

(6) the deemed capital contribution arising from the disposal of Hanking (Indonesia) Mining Limited ("Hanking (Indonesia)") and its subsidiaries and Shanghai Hanking Housing Technology Co., Ltd. ("Hanking Housing") and its subsidiaries to related parties controlled by Mr. Yang Jiye.

(e) On 29 June 2018, Tuochuan (Hong Kong) Limited ("Tuochuan (Hong Kong)") acquired 99% equity interest of Ginseng & Iron from Liaoning Hanking Investment Co., Ltd., ("Hanking Investment") which was owned as to 99% by Mr. Yang Jiye, one of the Controlling Shareholders and 1% by his spouse Ms. He Wan, for a consideration of RMB128,700,000, resulting in a debit to other reserves of RMB128,700,000 as deemed distribution, accordingly.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
	NOTE	**RMB'000**	RMB'000
		(Unaudited)	(Unaudited)
			(Restated)
Net cash from operating activities		**362,925**	377,374
Investing activities			
Purchases of property, plant and equipment		**(130,691)**	(97,258)
Payments for prepaid lease payments		**–**	(5,222)
Payments for intangible assets		**(5,629)**	(18,209)
Payments for right-of-use assets		**(16,408)**	–
Net cash outflow on acquisition of PGO (as defined in note 10)	10	**–**	(169,988)
Capital gain tax paid for disposal of Hanking Australia Pty Ltd		**–**	(14,241)
Net cash outflow arising from disposal of Hanking Housing		**(121)**	–
Net cash outflow arising from disposal of Hanking (Indonesia)		**(2,930)**	–
Purchases for financial assets at FVTPL		**(51,237)**	(90,228)
Proceeds on disposal of financial assets at FVTPL		**108,140**	119,435
Proceeds on disposal of property, plant and equipment		**2,963**	8,924
Interest received		**1,216**	4,187
Withdrawal of restricted cash		**2,768**	–
Placement of restricted cash		**(6)**	(3,545)
Settlement of consideration payable for acquisition of subsidiaries		**–**	(2,000)
Advance to a related party		**–**	(407,894)
Repayments received from a related party		**–**	289,956
Loan to an independent third party		**–**	(23,097)
Net cash used in investing activities		**(91,935)**	(409,180)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(CONTINUED)

For the six months ended 30 June 2019

	NOTE	Six months ended 30 June **2019** **RMB'000** **(Unaudited)**	 2018 RMB'000 (Unaudited) (Restated)
Financing activities			
Withdrawal of pledged bank deposits in relation to borrowings		**91,208**	213,987
Placement of pledged bank deposits in relation to borrowings		**(513,386)**	(242,573)
New borrowings raised		**398,600**	263,736
Repayment of borrowings		**(461,900)**	(464,139)
Interest paid		**(71,687)**	(57,315)
Dividend paid to owners of the Company		**–**	(14,962)
Advance of loans from staffs		**–**	9,300
Repayment of loans from staffs		**–**	(1,804)
Repayment of loan from a related party		**(12,700)**	–
Loan raised from a related party		**30,400**	11,065
Net cash used in financing activities		**(539,465)**	(282,705)
Net decrease in cash and equivalents		**(268,475)**	(314,511)
Cash and cash equivalents at 1 January		**381,256**	445,718
Effect of foreign exchange rate changes		**897**	(2,836)
Cash and cash equivalents at 30 June		**113,678**	128,371

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

1. BASIS OF PREPARATION

A. General Information

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").

B. Going Concern Assumption

The directors of the Company (the "Directors") have given careful consideration to the going concern of the Group in light of the fact that as at 30 June 2019, the Group's current liabilities exceeded its current assets by RMB805,172,000. In addition, as at 30 June 2019, the Group had capital commitments contracted for but not provided in the condensed consolidated financial statements amounting to RMB85,481,000 as disclosed in note 28.

The Controlling Shareholders of the Company have agreed not to demand for repayment of the remaining consideration of the acquisition of the 100% equity interests of Tuochuan (Hong Kong) together with its subsidiaries comprising Ginseng & Iron, Hanking D.R.I., and Lagu Branch of Hanking D.R.I. (the "Acquisition") of RMB117,525,000 until the Group has sufficient financial ability to repay.

As at 30 June 2019, the Group had available conditional banking facilities of RMB825,100,000 ("Conditional Facilities"). The utilisation of these Conditional Facilities are subject to approval on a case-by-case basis. The Directors are confident that the Group would be successful in obtaining approval in respect of these Conditional Facilities according to its historical successful experience and the relevant terms and conditions to drawdown.

Out of short-term bank borrowings with a carrying amount of RMB1,159,800,000 as at 30 June 2019, RMB267,500,000 of which has been matured subsequently in July 2019 and the Group has successfully renewed RMB237,500,000 for another term of 12 months. The management of the Group are confident that a significant portion of the Group's bank borrowings can be successfully renewed upon maturity in view of the Group's historical successful experiences in refinancing the expiring debts.

Taking into account the above factors, the Directors are of the opinion that, together with other financial resources available to the Group, including the anticipated cash flow from the operations, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months commencing from the end of the reporting period. Hence, the condensed consolidated financial statements have been prepared on a going concern basis.

C. Significant Events and Transactions in the Current Interim Period

During the current interim period, the Group completed the Acquisition of the 100% equity interests of Tuochuan (Hong Kong) with its subsidiaries which principally engaged in High-purity Iron Business at a consideration of RMB1,020,000,000 which was regarded as a business combination involving entities under common control. Further details of the Acquisition are set out in note 2.

2. RESTATEMENTS ARISING FROM MERGER ACCOUNTING AND DISCONTINUED OPERATION

(A) Merger Accounting

On 1 April 2019, the Company, China Hanking (BVI) Limited (100% held by Ms. Yang Min), Mr. Yang Jiye and Tuochuan Capital Limited entered into an agreement in relation to the Acquisition of 100% equity interests of Tuochuan (Hong Kong) at a consideration of RMB1,020,000,000. Tuochuan (Hong Kong) and its subsidiaries are mainly engaged in the High-purity Iron Business.

A series of current account offsetting agreements had been entered into among the Company, certain of its subsidiaries, Tuochuan Capital Limited, China Hanking (BVI) Limited, Hanking Investment and Hanking Industrial Group Co., Ltd. on 30 June 2019. Pursuant to the current account offsetting agreements, the consideration payable for Acquisition of Tuochuan (Hong Kong) of RMB1,020,000,000 will be offset with consideration receivable for the disposal of Hanking (Indonesia) of RMB350,000,000, the consideration payable for the acquisition of Ginseng & Iron of RMB128,700,000, and the net amount due from the related parties including Hanking (Indonesia) and Hanking Investment as at that date of RMB673,075,000.

After the above-said offsetting arrangements, the Group resulted in a net amount due to Hanking Investment of RMB125,625,000 as at 30 June 2019. The amount is unsecured, interest-free and Hanking Investment has agreed not to demand for the payment until the Company has sufficient financial ability to repay.

In respect of the Acquisition, since Mr. Yang Jiye and Ms. Yang Min are both collectively the controlling shareholders (the "Controlling Shareholders") of the Company and Tuochuan (Hong Kong), the Acquisition was regarded as a business combination involving entities under common control and was accounted for using principle of merger accounting method.

As a result, the comparative condensed consolidated statement of profit or loss and other comprehensive income and condensed consolidated statement of cash flows for the six months ended 30 June 2018 and the condensed consolidated statements of financial position as at 31 December 2018 and 1 January 2018 have therefore been restated, in order to include assets and liabilities, profits and cash flows of the combining entities since the date on which they first come under common control.

The adoption of merger accounting method in respect of the Acquisition has resulted in an increase in total comprehensive income attributable to owners of the Company and an increase in profit attributable to owners of the Company for the six months ended 30 June 2018 by RMB100,610,000 and RMB101,263,000, respectively.

(B) Discontinued Operation

On 5 July 2018, the Company entered into a share sale and purchase agreement with Tuochuan Capital Limited and Mr. Yang Jiye, one of the Controlling Shareholders (as the guarantor), pursuant to which the Company agreed to sell, and Tuochuan Capital Limited agreed to purchase, the entire 70% of equity interest of Hanking (Indonesia) held by the Company. Hanking (Indonesia) and its subsidiaries constituted the Group's nickel ore exploration, mining, smelting and sale business ("Nickel Business"). Nickel Business was treated as discontinued operation following the transaction being approved by the shareholders on 24 August 2018. Further details are set out in note 9. The comparative figures in the condensed consolidated statement of profit or loss for the six months ended 30 June 2018 have been restated to re-present the Nickel Business as a discontinued operation.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2019

2. RESTATEMENTS ARISING FROM MERGER ACCOUNTING AND DISCONTINUED OPERATION (continued)

The effect of the merger accounting restatements in respect of the Acquisition and discontinued operation of Nickel Business described above on the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2018 by line items is as follows:

	Six months ended 30 June 2018 RMB'000 (Originally stated)	**Merger accounting restatement resulting from the Acquisition** RMB'000	**Sub-total** RMB'000	**Restatement resulting from discontinued operation of Nickel Business** RMB'000	**Six months ended 30 June 2018** RMB'000 (Unaudited) (Restated)
Revenue	601,701	785,334	1,387,035	(36,761)	1,350,274
Cost of sales	(343,630)	(618,148)	(961,778)	21,810	(939,968)
Gross profit	258,071	167,186	425,257	(14,951)	410,306
Other income	3,508	19,717	23,225	(147)	23,078
Other gains and losses	7,961	737	8,698	650	9,348
Distribution and selling expenses	(23,744)	(40,821)	(64,565)	6,249	(58,316)
Impairment losses under ECL, net of reversal	–	(1,439)	(1,439)	–	(1,439)
Administrative expenses	(85,116)	(12,160)	(97,276)	14,305	(82,971)
Finance costs	(46,804)	(15,803)	(62,607)	6,436	(56,171)
Profit before tax	113,876	117,417	231,293	12,542	243,835
Income tax credit (expense)	19,792	(15,290)	4,502	–	4,502
Profit for the period from continuing operations	133,668	102,127	235,795	12,542	248,337
Loss for the period from discontinued operation	–	–	–	(12,542)	(12,542)
Profit for the period	133,668	102,127	235,795	–	235,795
Other comprehensive expense:					
Items that may be reclassified to profit or loss:					
– Exchange differences arising on translation of foreign operations	(11,547)	–	(11,547)	–	(11,547)
– Fair value loss on receivables measured at FVTOCI	(2,925)	(653)	(3,578)	–	(3,578)
Other comprehensive expense for the period, net of tax	(14,472)	(653)	(15,125)	–	(15,125)
Total comprehensive income for the period	119,196	101,474	220,670	–	220,670

2. RESTATEMENTS ARISING FROM MERGER ACCOUNTING AND DISCONTINUED OPERATION (continued)

The effect of the merger accounting restatement in respect of the Acquisition and discontinued operation of Nickel Business described above on the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2018 by line items is as follows: (continued)

	Six months ended 30 June 2018 RMB'000 (Originally stated)	**Merger accounting restatement resulting from the Acquisition** RMB'000	**Sub-total** RMB'000	**Restatement resulting from discontinued operation of Nickel Business** RMB'000	**Six months ended 30 June 2018** RMB'000 (Unaudited) (Restated)
Profit (loss) for the period attributable to owners of the Company:					
– Continuing operations	138,203	101,263	239,466	7,937	247,403
– Discontinued operation	–	–	–	(7,937)	(7,937)
Profit for the period attributable to owners of the Company	138,203	101,263	239,466	–	239,466
(Loss) profit for the period attributable to non-controlling interests					
– Continuing operations	(4,535)	864	(3,671)	4,605	934
– Discontinued operation	–	–	–	(4,605)	(4,605)
	(4,535)	864	(3,671)	–	(3,671)
Total comprehensive income (expense) for the period attributable to:					
– Owners of the Company	125,726	100,610	226,336	–	226,336
– Non-controlling interests	(6,530)	864	(5,666)	–	(5,666)
	119,196	101,474	220,670	–	220,670
Earnigs per share (RMB cent per share)					
From continuing and discontinued operations	7.6	5.5	13.1	–	13.1
From continuing operations	7.6	5.5	13.1	0.4	13.5

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2019

2. RESTATEMENTS ARISING FROM MERGER ACCOUNTING AND DISCONTINUED OPERATION (continued)

The effect of the merger accounting restatement in respect of the Acquisition described above on the condensed consolidated statement of financial position as at 1 January 2018 and 31 December 2018 by line items is as follows:

	1 January 2018 RMB'000 (Originally stated)	**Merger accounting restatement resulting from the Acquisition** RMB'000	**1 January 2018** RMB'000 (Unaudited) (Restated)	**31 December 2018** RMB'000 (Originally stated)	**Merger accounting restatement resulting from the Acquisition** RMB'000	**31 December 2018** RMB'000 (Unaudited) (Restated)
Non-current Assets						
Property, plant and equipment	865,421	179,025	1,044,446	710,054	172,649	882,703
Intangible assets	676,437	109	676,546	279,270	72	279,342
Prepaid lease payments	137,314	37,805	175,119	117,480	25,990	143,470
Financial assets at FVTPL	21,778	–	21,778	9,359	–	9,359
Deferred tax assets	11,801	4,998	16,799	72,516	5,446	77,962
Loan receivable	11,300	–	11,300	10,000	–	10,000
Deposits on acquisition of property, plant and equipment	49,199	(8,543)	40,656	1,498	–	1,498
Amount due from a related party	–	554,125	554,125	–	–	–
Restricted deposits	3,797	–	3,797	21,102	–	21,102
Pledged bank deposits	–	–	–	3,020	–	3,020
	1,777,047	767,519	2,544,566	1,224,299	204,157	1,428,456
Current Assets						
Inventories	89,669	142,171	231,840	73,294	168,982	242,276
Prepaid lease payments	29,761	969	30,730	28,226	440	28,666
Trade and other receivables	188,959	106,818	295,777	442,505	77,023	519,528
Amount due from a related party	–	–	–	–	564,282	564,282
Receivables at FVTOCI	624,924	183,996	808,920	275,014	26,244	301,258
Tax recoverable	339	5,469	5,808	–	–	–
Financial assets at FVTPL	406,794	–	406,794	459,993	–	459,993
Pledged bank deposits	45,451	137,705	183,156	20,158	172,762	192,920
Bank balances and cash	394,911	50,807	445,718	328,664	52,592	381,256
	1,780,808	627,935	2,408,743	1,627,854	1,062,325	2,690,179
Assets classified as held for sale	369,955	–	369,955	831,448	–	831,448
	2,150,763	627,935	2,778,698	2,459,302	1,062,325	3,521,627

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

For the six months ended 30 June 2019

2. RESTATEMENTS ARISING FROM MERGER ACCOUNTING AND DISCONTINUED OPERATION (continued)

The effect of the merger accounting restatement in respect of the Acquisition described above on the condensed consolidated statement of financial position as at 1 January 2018 and 31 December 2018 by line items is as follows: (continued)

	1 January 2018 RMB'000 (Originally stated)	**Merger accounting restatement resulting from the Acquisition** RMB'000	**1 January 2018** RMB'000 (Unaudited) (Restated)	**31 December 2018** RMB'000 (Originally stated)	**Merger accounting restatement resulting from the Acquisition** RMB'000	**31 December 2018** RMB'000 (Unaudited) (Restated)
Current Liabilities						
Trade, bills and other payables	503,960	659,059	1,163,019	565,057	670,848	1,235,905
Amount due to a related party	–	55	55	–	128,879	128,879
Borrowings	1,151,887	283,800	1,435,687	1,108,500	269,500	1,378,000
Contract liabilities	127	36,460	36,587	3,167	49,001	52,168
Consideration payable	65,180	–	65,180	–	–	–
Tax liabilities	84,614	–	84,614	77,215	7,381	84,596
Obligation under a finance lease	–	–	–	2,638	(2,638)	–
Deferred income for financial guarantee contracts	–	1,751	1,751	–	1,751	1,751
	1,805,768	981,125	2,786,893	1,756,577	1,124,722	2,881,299
Liabilities associated with assets classified as held for sale	23,687	–	23,687	351,237	–	351,237
	1,829,455	981,125	2,810,580	2,107,814	1,124,722	3,232,536
Net current assets (liabilities)	321,308	(353,190)	(31,882)	351,488	(62,397)	289,091
Total assets less current liabilities	2,098,355	414,329	2,512,684	1,575,787	141,760	1,717,547
Capital and Reserves						
Share capital	149,137	–	149,137	148,960	–	148,960
Reserves	1,061,480	262,329	1,323,809	1,203,483	3,100	1,206,583
Equity attributable to owners of the Company	1,210,617	262,329	1,472,946	1,352,443	3,100	1,355,543
Non-controlling interests	186,381	2,500	188,881	188,407	949	189,356
Total equity	1,396,998	264,829	1,661,827	1,540,850	4,049	1,544,899

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2019

2. RESTATEMENTS ARISING FROM MERGER ACCOUNTING AND DISCONTINUED OPERATION (continued)

The effect of the merger accounting restatement in respect of the Acquisition described above on the condensed consolidated statement of financial position as at 1 January 2018 and 31 December 2018 by line items is as follows: (continued)

	1 January 2018 RMB'000 (Originally stated)	**Merger accounting restatement resulting from the Acquisition** RMB'000	**1 January 2018** RMB'000 (Unaudited) (Restated)	**31 December 2018** RMB'000 (Originally stated)	**Merger accounting restatement resulting from the Acquisition** RMB'000	**31 December 2018** RMB'000 (Unaudited) (Restated)
Non-current Liabilities						
Borrowings	455,420	149,500	604,920	–	149,000	149,000
Consideration payable	241,100	–	241,100	–	–	–
Obligation under a finance lease	–	–	–	11,289	(11,289)	–
Rehabilitation provision	1,580	–	1,580	23,648	–	23,648
Retirement benefit obligations	1,558	–	1,558	–	–	–
Deferred tax liabilities	1,699	–	1,699	–	–	–
	701,357	149,500	850,857	34,937	137,711	172,648
	2,098,355	414,329	2,512,684	1,575,787	141,760	1,717,547

2. RESTATEMENTS ARISING FROM MERGER ACCOUNTING AND DISCONTINUED OPERATION (continued)

The effect of the merger accounting restatement in respect of the Acquisition described above on the Group's equity as at 1 January 2018 and 31 December 2018 is as follows:

	1 January 2018 RMB'000 (Originally stated)	**Merger accounting restatement resulting from the Acquisition** RMB'000	**1 January 2018** RMB'000 (Unaudited) (Restated)	**31 December 2018** RMB'000 (Originally stated)	**Merger accounting restatement resulting from the Acquisition** RMB'000	**31 December 2018** RMB'000 (Unaudited) (Restated)
Share capital	149,137	–	149,137	148,960	–	148,960
Share premium	175,763	–	175,763	174,200	–	174,200
Statutory surplus reserve	111,081	40,688	151,769	122,323	89,360	211,683
Future development funds reserve	552,620	9,130	561,750	594,049	13,019	607,068
FVTOCI reserve	(4,568)	(906)	(5,474)	(9,740)	(109)	(9,849)
Translation reserve	(27,779)	–	(27,779)	(43,907)	–	(43,907)
Special reserve	(557,161)	–	(557,161)	(557,161)	–	(557,161)
Actuarial reserve on retirement benefit plan	152	–	152	152	–	152
Other reserves	(614)	(40,762)	(41,376)	(446)	(171,213)	(171,659)
Retained earnings	811,986	254,179	1,066,165	924,013	72,043	996,056
Non-controlling interests	186,381	2,500	188,881	188,407	949	189,356
Total	1,396,998	264,829	1,661,827	1,540,850	4,049	1,544,899

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2019

3. 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.

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("IFRSs") and 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 2019 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2018.

Merger accounting for business combination involving businesses under common control

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

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

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

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

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts liabilities are initially measured at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the International Accounting Standards Board which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle

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

Impacts and changes in accounting policies of application on IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current interim period. IFRS 16 superseded IAS 17 Leases ("IAS 17"), and the related interpretations.

3.1 Key changes in accounting policies resulting from application of IFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of IFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2019

3. PRINCIPAL ACCOUNTING POLICIES (continued)

3.1 Key changes in accounting policies resulting from application of IFRS 16 (continued)

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of office rooms that have a lease term of 12 months or less from the commencement date and do not contain a purchase option.

Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

3.1 Key changes in accounting policies resulting from application of IFRS 16 (continued)

As a lessee (continued)

Right-of-use assets (continued)

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 *Financial Instruments* ("IFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2019

3. PRINCIPAL ACCOUNTING POLICIES (continued)

3.1 Key changes in accounting policies resulting from application of IFRS 16 (continued)

As a lessee (continued)

Lease liabilities (continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

3.1 Key changes in accounting policies resulting from application of IFRS 16 (continued)

As a lessee (continued)

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying IFRS 16.C8(b)(ii) transition.

3.2 Transition and summary of effects arising from initial application of IFRS 16

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2019

3. PRINCIPAL ACCOUNTING POLICIES (continued)

3.2 Transition and summary of effects arising from initial application of IFRS 16 (continued)

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- relied on the assessment of whether leases are onerous by applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review; and
- elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application.

On transition, the Group has made the following adjustments upon application of IFRS 16:

The Group recognised lease liabilities of nil and right-of-use assets of RMB178,737,000 at 1 January 2019.

	At 1 January 2019 RMB'000
Operating lease commitments disclosed as at 31 December 2018	31,823
Less: Deposits paid in respect of lease contract with extension option reasonably certain to be exercised	(6,601)
Less: Recognition exemption – short-term leases	(25,222)
Lease liabilities as at 1 January 2019	–

3. PRINCIPAL ACCOUNTING POLICIES (continued)

3.2 Transition and summary of effects arising from initial application of IFRS 16 (continued)

As a lessee (continued)

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Notes	At 1 January 2019 RMB'000
Right-of-use assets relating to operating leases recognised upon application of IFRS 16	(a)	6,601
Reclassified from prepaid lease payments	(b)	172,136
		178,737
By class:		
Leasehold lands		178,737

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2019

3. PRINCIPAL ACCOUNTING POLICIES (continued)

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Notes	**31 December 2018** (Unaudited) (Restated) RMB'000	**IFRS 16** RMB'000	**1 January 2019** (Unaudited) (Restated) RMB'000
Non-current assets				
Prepaid lease payments	(b)	143,470	(143,470)	–
Right-of-use assets		–	178,737	178,737
		143,470	35,267	178,737
Current assets				
Prepaid lease payments	(b)	28,666	(28,666)	–
Trade and other receivables	(a)	519,528	(6,601)	512,927
		548,194	(35,267)	512,927
Net current assets		289,091	(35,267)	253,824

Notes:

(a) The management of the Group is reasonably certain to exercise an extension option in a leasehold land contract between Maogong branch of Aoniu Mining and Hanking Industrial Group Co., Ltd, a related party of the Company. Under the terms of the contract, refundable deposit of RMB6,601,000 directly paid by the Group represented the full amount of rental fee paid over the remaining lease period. Therefore, refundable deposit of RMB6,601,000 is reclassified to right-of-use assets.

(b) Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of IFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB28,666,000 and RMB143,470,000 respectively were reclassified to right-of-use assets.

4A. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of revenue from continuing operations

	For the six months ended 30 June 2019			
	Iron Ore Business RMB'000 (Unaudited)	High-purity Iron Business RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Sales of goods (recognised at a point in time)				
Iron ore concentrates	**665,441**	**–**	**–**	**665,441**
High-purity iron	**–**	**502,695**	**–**	**502,695**
Building materials	**–**	**–**	**8,373**	**8,373**
Raw and leftover materials	**718**	**6,443**	**215**	**7,376**
Total	**666,159**	**509,138**	**8,588**	**1,183,885**
Geographical markets				
Mainland China	**666,159**	**509,138**	**8,588**	**1,183,885**

	For the six months ended 30 June 2018		
	Iron Ore Business RMB'000 (Unaudited) (Restated)	High-purity Iron Business RMB'000 (Unaudited) (Restated)	Total RMB'000 (Unaudited) (Restated)
Sales of goods (recognised at a point in time)			
Iron ore concentrates	563,942	–	563,942
High-purity iron	–	776,675	776,675
Raw and leftover materials	998	8,659	9,657
Total	564,940	785,334	1,350,274
Geographical markets			
Mainland China	564,940	785,334	1,350,274

4B. SEGMENT INFORMATION

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

During the year ended 31 December 2018, the Group's Nickel Business was discontinued upon Hanking (Indonesia) and its subsidiaries being classified as held for sale as disclosed in note 23. The disposal was completed during the current interim period as disclosed in note 9.

During the current interim period, the Group completed the Acquisition of Tuochuan (Hong Kong) with its subsidiaries which principally engaged in High-purity Iron Business. Further details of the Acquisition are set out in note 2.

Other operating segment includes production and sales of building materials (i.e., foamed ceramics) which is a business newly commenced in 2018. This segment does not meet the quantitative thresholds for the reportable segments in the current period, accordingly, it was grouped in "others" for segment reporting purpose.

4B. SEGMENT INFORMATION (continued)

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments:

Six months ended 30 June 2019

Continuing operations

	Iron Ore Business RMB'000 (Unaudited)	High-purity Iron Business RMB'000 (Unaudited)	Gold Business RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue (all from external sales)	**666,159**	**509,138**	**–**	**8,588**	**1,183,885**
Segment profit (loss)	**229,177**	**42,448**	**(14,052)**	**(11,476)**	**246,097**
Central administration costs and directors' salaries					**(1,655)**
Other income and other gains and losses					**(829)**
Group's profit before tax from continuing operations					**243,613**

Six months ended 30 June 2018

Continuing operations

	Iron Ore Business RMB'000 (Unaudited) (Restated)	High-purity Iron Business RMB'000 (Unaudited) (Restated)	Gold Business RMB'000 (Unaudited) (Restated)	Total RMB'000 (Unaudited) (Restated)
Segment revenue (all from external sales)	564,940	785,334	–	1,350,274
Segment profit (loss)	147,808	116,271	(5,956)	258,123
Central administration costs and directors' salaries				(14,079)
Other income and other gains and losses				(209)
Group's profit before tax from continuing operations				243,835

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(CONTINUED)

For the six months ended 30 June 2019

4B. SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

Segment assets

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Unaudited) (Restated)
Continuing operations		
Iron Ore Business	**2,068,556**	2,494,110
High-purity Iron Business	**808,577**	1,301,596
Gold Business	**232,274**	236,332
Total reportable segment assets	**3,109,407**	4,032,038
Other reporting segment	**129,199**	69,798
Assets relating to discontinued operation	**–**	831,448
Unallocated		
Property, plant and equipment	**10**	13
Financial assets at FVTPL	**2,350**	9,359
Other receivables	**6,327**	6,128
Bank balances and cash	**2,891**	1,299
Consolidated assets	**3,250,184**	4,950,083

4B. SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

Segment liabilities

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Unaudited) (Restated)
Continuing operations		
Iron Ore Business	**1,461,719**	1,730,983
High-purity Iron Business	**1,075,741**	1,276,360
Gold Business	**26,071**	38,075
Total reportable segment liabilities	**2,563,531**	3,045,418
Other reporting segment	**6,431**	29
Liabilities relating to discontinued operation	**–**	351,237
Unallocated		
Other payables	**42,256**	8,500
Consolidated liabilities	**2,612,218**	3,405,184

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

- all assets are allocated to operating segments other than property, plant and equipment, financial assets at FVTPL, other receivables and bank balances and cash used and held by the headquarter; and
- all liabilities are allocated to operating segments other than other payables of the headquarter.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2019

5. OTHER GAINS AND LOSSES

Continuing operations

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
(Loss) gain on disposal of property, plant and equipment	**(242)**	542
Fair value (loss) gain on financial assets at FVTPL	**(1,237)**	6,930
Net foreign exchange loss	**(1,491)**	(6,988)
Gain on disposal of Xingzhou Mining (note 9)	**–**	13,732
Impairment loss on property, plant and equipment	**(25,096)**	–
Impairment loss on intangible assets	**(827)**	–
Write-down of inventories	**(3,398)**	–
Others	**6,303**	(4,868)
	(25,988)	9,348

6. IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Impairment losses recognised in respect of:		
– trade receivables	**2,041**	–
– other receivables	**2,152**	1,439
	4,193	1,439

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)
For the six months ended 30 June 2019

7. PROFIT FOR THE PERIOD – CONTINUING OPERATIONS

Profit for the period from continuing operations has been arrived at after charging the following items:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Cost of inventories recognised as an expense	**663,452**	868,176
Auditors' remuneration	**1,475**	1,047
Impairment loss on trade and other receivables recognised	**4,193**	1,439
Write-down of inventories	**3,398**	–
Impairment loss recognised in respect of property, plant and equipment	**25,096**	–
Impairment loss recognised in respect of intangible assets	**827**	–
Depreciation and amortisation:		
– Depreciation of property, plant and equipment	**64,594**	53,291
– Depreciation of right-of-use assets	**13,774**	–
– Amortisation of intangible assets	**17,828**	23,223
– Release of prepaid lease payments	**–**	13,558
Total depreciation and amortisation	**96,196**	90,072
Capitalised in inventories	**(83,341)**	(82,646)
	12,855	7,426
Staff costs (including directors):		
– Salary and other benefits	**66,530**	71,580
– Retirement benefits scheme contributions	**6,506**	6,445
Total staff costs	**73,036**	78,025
Capitalised in inventories	**(34,859)**	(40,355)
	38,177	37,670

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2019

8. INCOME TAX EXPENSE (CREDIT)

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Continuing operations		
Income tax expenses comprise:		
PRC enterprise income tax ("EIT") – current	**55,473**	15,819
Under (over) provision of EIT in prior years (note)	**44,558**	(117)
	100,031	15,702
Deferred tax credit	**(3,714)**	(20,204)
Income tax expense (credit) relating to continuing operations	**96,317**	(4,502)

Note: During the year ended 31 December 2018, the Group disposed of Shangma Mining to an independent third party and utilised the related deductible temporary differences previously not recognised for the calculation of the Group's income tax expenses for the year ended 31 December 2018.

However, during the current interim period, the Group acquired back Shangma Mining due to certain regulatory reasons at the original disposal price.

Therefore, the deductible temporary differences previously utilised for the calculation of the Group's income tax expenses for the year ended 31 December 2018 had been reversed in this period, resulting in an adjustment for the under provision of EIT in prior years of RMB44,558,000 and charged to current period's profit or loss, accordingly.

PRC income tax is calculated based on the statutory income tax rate of 25% (2018: 25%) of taxable income of the subsidiaries based on the relevant PRC tax rules and regulations.

On 10 October 2017, Hanking D.R.I obtained "High Technology Enterprise" status for 3 years that entitled it a preferential tax rate of 15% for a period of three years starting from 2017 to 2019 according to PRC Tax Law.

The Company and certain subsidiaries located in Hong Kong and Australia had no provision for corporate tax as there were no assessable profits arising from these jurisdictions for both periods.

9. DISPOSAL OF SUBSIDIARIES AND DISCONTINUED OPERATION

(A) Nickel Business

On 5 July 2018, the Company entered into a share sale and purchase agreement with Tuochuan Capital Limited which was controlled by Mr. Yang Jiye and Mr. Yang Jiye (as the guarantor), pursuant to which the Company agreed to sell, and Tuochuan Capital Limited agreed to purchase, the entire 70% of equity interest of Hanking (Indonesia) held by the Company for a total consideration of RMB350,000,000. Hanking (Indonesia) and its subsidiaries constituted the Nickel Business of the Group. The transaction was approved by the shareholders on 24 August 2018. The Group's disposal of Hanking (Indonesia) was completed during the current interim period.

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

	For the period from 1 January 2019 to date of disposal RMB'000 (Unaudited)	For the six months ended 30 June 2018 RMB'000 (Unaudited) (Restated)
Loss for the period from Nickel Business	**(3,307)**	(12,542)
Reclassification of cumulative translation reserve upon disposal of a foreign operation to profit or loss	**(31,911)**	–
	(35,218)	(12,542)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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For the six months ended 30 June 2019

9. DISPOSAL OF SUBSIDIARIES AND DISCONTINUED OPERATION (continued)

(A) Nickel Business (continued)

The results of Nickel Business for the period from 1 January 2019 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:

	For the period from 1 January 2019 to date of disposal RMB'000 (Unaudited)	For the six months ended 30 June 2018 RMB'000 (Unaudited) (Restated)
Revenue	**110,603**	36,761
Cost of sales	**(42,893)**	(21,810)
Other income	**–**	147
Other gains and losses	**2,157**	(650)
Distribution and selling expenses	**(11,069)**	(6,249)
Administrative expenses	**(40,930)**	(14,305)
Finance costs	**(21,473)**	(6,436)
Loss before tax	**(3,605)**	(12,542)
Income tax credit	**298**	–
Loss for the period	**(3,307)**	(12,542)

9. DISPOSAL OF SUBSIDIARIES AND DISCONTINUED OPERATION (continued)

(A) Nickel Business (continued)

The net assets of Nickel Business at the date of disposal were as follows:

	RMB'000 (Unaudited)
Net assets disposed of	373,994
Less: Non-controlling interest	(179,722)
Net assets attributable to owners of the Company	194,272
Gain on disposal treated as deemed capital contribution	155,728
Total consideration	350,000
Satisfied by:	
Consideration receivable subject to current account offsetting (note)	350,000

The cumulative balance resulting from Hanking (Indonesia) in respect of translation reserve of RMB31,911,000 had been recycled to profit or loss upon the completion of the Group's disposal of Hanking (Indonesia) during the current interim period in loss from discontinued operation, accordingly.

Note: A series of current account offsetting agreements had been entered into among the Company, certain of its subsidiaries, Tuochuan Capital Limited, China Hanking (BVI) Limited, Hanking Investment and Hanking Industrial Group Co., Ltd. on 30 June 2019. Pursuant to the current account offsetting agreements, the consideration receivable for the disposal of Hanking (Indonesia) of RMB350,000,000 will be offset with the consideration payable for the acquisition of Ginseng & Iron of RMB128,700,000, consideration payable for Acquisition of Tuochuan (Hong Kong) of RMB1,020,000,000, and the net amount due from the related parties including Hanking (Indonesia) and Hanking Investment as at that date of RMB673,075,000.

After the above-said offsetting arrangements, the Group resulted in a net amount due to Hanking Investment of RMB125,625,000 as at 30 June 2019. The amount is unsecured, interest-free and Hanking Investment has agreed not to demand for the payment until the Company has sufficient financial ability to repay.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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For the six months ended 30 June 2019

9. DISPOSAL OF SUBSIDIARIES AND DISCONTINUED OPERATION (continued)

(A) Nickel Business (continued)

Cash flows from (used in) Nickel Business:

	For the period from 1 January 2019 to date of disposal RMB'000 (Unaudited)	For the six months ended 30 June 2018 RMB'000 (Unaudited) (Restated)
Net cash flows from (used in) operating activities	**37,831**	(5,459)
Net cash flows used in investing activities	**(35)**	(2,009)
Net cash flows (used in) from financing activities	**(35,273)**	6,249
Net cash flows	**2,523**	(1,219)

(B) Hanking Housing

During the current interim period, the Group entered into a share transfer agreement with Mr. Yang Jiye, one of the Controlling Shareholders, for disposal of its entire 100% equity interest in Hanking Housing and its subsidiaries at a cash consideration of RMB1. The disposal was completed on 31 March 2019 on which date the Group lost control of Hanking Housing and its subsidiaries.

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

	RMB'000 (Unaudited)
Bank balances and cash	121
Trade and other receivables	7,743
Inventories	81
Property, plant and equipment	64
Trade and other payables	(17,234)
Net liability disposed of	(9,225)

9. DISPOSAL OF SUBSIDIARIES AND DISCONTINUED OPERATION (continued)

(B) Hanking Housing (continued)

Loss on disposal of the subsidiaries

	RMB'000 (Unaudited)
Consideration received	–
Less: net liability disposed of	9,225
Gain on disposal treated as deemed capital contribution	9,225

Net cash outflow arising on disposal of the subsidiaries

	RMB'000 (Unaudited)
Cash consideration received	–
Less: bank balances and cash disposed of	(121)
	(121)

(C) Xingzhou Mining

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

The disposal was completed during the six months ended 30 June 2018. A disposal gain of RMB13,732,000 was recognised. Up to 30 June 2019, among the total consideration of RMB360,000,000, RMB130,000,000 was not yet settled by the buyer and was included in "other receivables" as at 30 June 2019. The consideration receivable was unsecured, interest-free, and repayable on demand.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2019

10. ACQUISITION OF SUBSIDIARIES NOT UNDER COMMON CONTROL

For the six months ended 30 June 2018

Primary Gold Limited ("PGO")

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

Since as at 20 February 2018, PGO held exploration and evaluation assets interests in three gold projects in western and northern Australia, all of which were not yet in operation, this acquisition transaction was accounted for as an asset acquisition, accordingly.

10. ACQUISITION OF SUBSIDIARIES NOT UNDER COMMON CONTROL (continued)

For the six months ended 30 June 2018 (continued)

PGO (continued)

Assets and liabilities recognised at the date of acquisition:

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

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

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(CONTINUED)

For the six months ended 30 June 2019

11. DIVIDENDS

During the current interim period, a dividend of HKD0.02 per share amounting to HKD36,557,000 (equivalent to RMB32,159,000) in aggregate in respect of the year ended 31 December 2018 (2018: a final dividend of HKD1 cent per share amounting to HKD18,300,000 (equivalent to RMB14,962,000) in aggregate in respect of the year ended 31 December 2017) was declared but not paid to the owners of the Company whose names appeared in the register of members of the Company on 19 July 2019.

On 28 June 2018, Ginseng & Iron declared a dividend of RMB350,000,000 to its then shareholders before it was acquired by Tuochuan (Hong Kong).

12. EARNINGS PER SHARE

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

From continuing and discontinued operations

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

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Earnings		
Profit for the period from continuing and discontinued operations attributable to owners of the Company	**109,724**	239,466
Less: loss for the period from discontinued operation attributable to owners of the Company	**37,597**	7,937
Profit for the period from continuing operations attributable to owners of the Company, for the purposes of basic earnings per share	**147,321**	247,403
Number of shares		
Number of ordinary shares for the purposes of basic earnings per share	**1,827,829,000**	1,830,000,000

12. EARNINGS PER SHARE (continued)

From discontinued operation

Basic loss per share for the discontinued operation is RMB2.1 cents per share for the six months ended 30 June 2019 (2018: basic loss per share of RMB0.4 cents (unaudited and restated) for the discontinued operation), based on the loss for the period from the discontinued operation of RMB37,597,000 (2018: loss for the period from the discontinued operations of RMB7,937,000 (unaudited and restated)) and the denominators detailed above for basic earnings per share.

Diluted earnings per share presented is the same as basic earnings per share as the Company did not have dilutive potential ordinary shares in issue in both six months ended 30 June 2019 and 2018.

13. 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 RMB118,934,000 (six months ended 30 June 2018: RMB31,760,000) for business expansion of the Group.

Impairment loss of RMB25,096,000 (six months ended 30 June 2018: nil) has been recognised due to the technical obsolesce of contain machines during the current interim period.

14. MOVEMENTS IN INTANGIBLE ASSETS

During the current interim period, the Group had additions of exploration and evaluation assets of RMB3,977,000(six months ended 30 June 2018: RMB198,444,000), and had additions of mining rights of nil (six months ended 30 June 2018: RMB4,445,000).

As at 30 June 2019, the Company has pledged mining rights with a carrying amount of approximately RMB40,176,000(31 December 2018: RMB16,054,000) in PRC to secure the bank borrowings of RMB420,000,000(31 December 2018: RMB445,000,000).

Impairment loss of RMB827,000 (six months ended 30 June 2018: nil) has been recognised in respect of certain exploration and evaluation assets related to the Gold Business being impaired in full because the management of the Group expect such amount cannot be recoverable during the current interim period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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For the six months ended 30 June 2019

15. MOVEMENTS IN RIGHT-OF-USE ASSETS

During the current interim period, the Group entered into a new lease agreement for administrative purpose for 3 years. The Group is required to make fixed monthly payments. On lease commencement, the Group recognised right-of-use asset of RMB2,471,000 and lease liability of RMB2,266,000. In addition, the Group had additions of land use rights of RMB16,203,000.

16. PREPAID LEASE PAYMENTS

	31 December 2018 RMB'000 (Unaudited) (Restated)
Analysed for the reporting purpose as:	
Current portion	28,666
Non-current portion	143,470
	172,136

Prepaid lease payments were amortised over the benefit periods from 5 to 50 years.

Upon adoption of IFRS 16 since 1 January 2019, prepaid lease payments have been reclassified to right-of-use assets. More details are set out in note 3.

17. RESTRICTED DEPOSITS

As at 30 June 2019, restricted deposits comprised RMB18,340,000 (31 December 2018: RMB21,102,000) of deposits placed in banks in respect of iron mining operations, and rehabilitation deposits for gold mining operations. These deposits were not expected to release within the next twelve months, accordingly, they were classified as non-current assets.

18. TRADE AND OTHER RECEIVABLES

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Unaudited) (Restated)
Trade receivables		
– Related parties	**–**	134,257
– Third parties	**108,646**	89,697
	108,646	223,954
Less: allowance for credit loss	**(13,185)**	(11,144)
	95,461	212,810
Other receivables		
– Advances to suppliers	**13,518**	32,586
– Deposits (note)	**6,682**	26,965
– Deposit for resource tax	**84,757**	81,133
– Other tax recoverable	**5,953**	887
– Value-added tax recoverable	**13,175**	11,646
– Staff advance	**10,789**	10,375
– Consideration receivable (note 9)	**136,261**	140,121
– Prepaid expense	**3,862**	669
– Others	**19,441**	14,045
	294,438	318,427
Less: allowance for credit loss	**(13,861)**	(11,709)
Total other receivables	**280,577**	306,718
Total trade and other receivables	**376,038**	519,528

Note: The amount mainly 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2019

18. TRADE AND OTHER RECEIVABLES (continued)

The Group allows an average credit period of 7 days to its customers of iron ore concentrates, 30 days for building materials and 60 days to its customers of high-purity iron. However, upon maturity of the credit period, the Group would further negotiate with its customers and may consider to accept a repayment to a later date, based on its customer's history of payments and credit quality, on a case-by-case basis.

The following is an aged analysis of trade receivables, net of loss allowance, presented based on the invoice dates.

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Unaudited) (Restated)
– Within 7 days	**45,986**	69,827
– 8 days to 30 days	**42,781**	102,013
– 31days to 60 days	**3,786**	35,942
– 61days to 90 days	**1,290**	–
– 91 days to 1 year	**1,618**	5,028
	95,461	212,810

18. TRADE AND OTHER RECEIVABLES (continued)

Movement of impairment on trade receivables for the six months ended 30 June 2019 under IFRS 9:

	Lifetime ECL not credit-impaired RMB'000	**Lifetime ECL credit-impaired** RMB'000	**Total** RMB'000
As at 1 January 2019	1,348	9,796	11,144
– Impairment losses recognised	8	3,453	3,461
– Impairment losses reversed	(122)	(1,298)	(1,420)
– Transfer to credit-impaired	(75)	75	–
As at 30 June 2019	1,159	12,026	13,185

Movement of allowance for other receivables for the six months ended 30 June 2019 under IFRS 9:

	Lifetime ECL not credit-impaired RMB'000	**Lifetime ECL credit-impaired** RMB'000	**Total** RMB'000
As at 1 January 2019	362	11,347	11,709
– Impairment losses recognised	227	1,925	2,152
As at 30 June 2019	589	13,272	13,861

19. LOAN RECEIVABLE

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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For the six months ended 30 June 2019

20. RECEIVABLES AT FVTOCI

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Unaudited) (Restated)
Receivables at FVTOCI comprise:		
Bills receivables (note)	**75,727**	301,258

Note: Included in the Group's bills receivables are amounts of RMB2,300,000 (2018: RMB275,014,000) transferred to certain banks by discounting the bills on a full recourse basis and RMB49,695,000 (2018: RMB18,072,000) being endorsed to certain suppliers on a full recourse basis. If the bills are not paid on maturity, the banks and the suppliers have the right to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to the bills receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received as bank borrowings from the discounting of the bills and as payables from the endorsement of the bills with full recourse. The financial asset is carried at fair value in the condensed consolidated statement of financial position. The bills of the Group discounted had been pledged as securities for obtaining the bank borrowings as at 30 June 2019 and 31 December 2018.

Receivables at FVTOCI discounted to banks or endorsed to suppliers with full recourse:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Unaudited) (Restated)
Carrying amount of transferred assets	**51,995**	293,086
Carrying amount of associated liabilities	**(51,995)**	(286,543)
Net position	**–**	6,543

20. RECEIVABLES AT FVTOCI (continued)

The Group's receivables at FVTOCI were bills receivables with the following maturity.

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Unaudited) (Restated)
– Within 6 months	**43,623**	188,510
– 6 months to 1 year	**32,104**	112,748
	75,727	301,258

The Group's receivables at FVTOCI were bills receivables with the following ageing based on issue date of the bills.

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Unaudited) (Restated)
– Within 6 months	**75,727**	166,949
– 6 months to 1 year	**–**	134,309
	75,727	301,258

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(CONTINUED)

For the six months ended 30 June 2019

21. FINANCIAL ASSETS AT FVTPL

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Listed investments at fair value (note)	**2,350**	9,359
Unlisted financial product investments at fair value	**408,852**	459,993
	411,202	469,352

Note: As at 30 June 2019, the listed equity investments represent the Group's equity interests for long-term holding purpose in one company (31 December 2018: two companies) listed on Australian Securities Exchange. The investments are measured at fair value at the end of the reporting period.

22. 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 0.125%- 0.35% (31 December 2018: 0.125%- 2.75%) per annum.

Pledged bank deposits represented security deposits for notes payables and bank borrowings, carrying fixed interest rates ranging from 0.35%- 3.99% (31 December 2018: 0.35%- 3.99%) per annum.

23. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

For the year ended 31 December 2018

The disposal of Nickel Business was underway as at 31 December 2018 as certain proceeding condition had not yet been met. The management of the Group believed that the sale was highly probable to be completed within twelve months after the reclassification. Assets and liabilities of Hanking (Indonesia), which were expected to be sold within twelve months, had been classified as a disposal group held for sale and were presented separately in the condensed consolidated statement of financial position (see below). The net proceeds of disposal were expected to exceed the net carrying amount of the relevant assets and liabilities. Accordingly, no impairment loss had been recognised.

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2019

24. TRADE, BILLS AND OTHER PAYABLES

Payment terms with suppliers are mainly on credit within 90 days and 15 days from the time when the goods are received from suppliers of iron ore concentrates and high-purity iron respectively.

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Unaudited) (Restated)
Trade payables (note)		
– Within 90 days	**55,300**	181,316
– 91 days to 1 year	**24,877**	42,045
– 1 year to 2 years	**1,987**	33,789
– 2 years to 3 years	**7,763**	54,346
– Over 3 years	**18**	323
	89,945	311,819
Bills payables	**883,000**	705,000
Other payables		
Dividend payable	**32,159**	–
Advance from customers	**2,844**	7,840
Other tax payable	**26,737**	37,623
Payable for acquisition of property, plant and equipment	**24,622**	29,062
Outsourced service payable	**16,258**	31,212
Transportation fee payable	**14,953**	16,064
Accrued expense	**12,328**	20,693
Salary and bonus payables	**6,682**	10,393
Interest payable	**2,044**	2,311
Advance from staffs	**–**	38,771
Others	**21,677**	25,117
	160,304	219,086
Total trade and other payables, and bills payables	**1,133,249**	1,235,905

Note: The aged analysis of trade payables was presented based on the date of acceptance of the goods received at the end of the reporting period.

24. TRADE, BILLS AND OTHER PAYABLES (continued)

At the end of both reporting periods, the Group's bills payables were issued by banks with the following maturity.

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Unaudited) (Restated)
Within 6 months	**603,000**	20,000
6 months to 1 year	**280,000**	685,000
	883,000	705,000

At the end of both reporting periods, the Group's bills payables were issued by banks with the following ageing based on issue date.

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Unaudited) (Restated)
Within 6 months	**280,000**	603,000
6 months to 1 year	**603,000**	102,000
	883,000	705,000

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2019

25. BORROWINGS

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Unaudited) (Restated)
Bank loans	**1,175,700**	1,527,000
Secured and guaranteed	**1,034,900**	1,032,500
Secured and unguaranteed	**30,800**	316,500
Unsecured and guaranteed	**110,000**	178,000
	1,175,700	1,527,000
Fixed-rate	**1,175,700**	1,527,000
Carrying amount repayable (note):		
Due within one year	**1,159,800**	1,378,000
More than one year, but not more than two years	**–**	149,000
More than two years, but not more than five years	**15,900**	–
	1,175,700	1,527,000

Note: The amounts are based on scheduled repayment dates set out in the respective loan agreements.

25. BORROWINGS (continued)

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

	30 June 2019 % (Unaudited)	31 December 2018 % (Unaudited) (Restated)
Fixed-rate borrowings	**3.63 – 9.60**	4.35 – 7.40

The unsecured bank borrowings of approximately RMB110,000,000 (31 December 2018: RMB178,000,000) at 30 June 2019 were guaranteed by the Controlling Shareholders and the companies controlled by them. In addition, such balance was also guaranteed by an independent financial institution.

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 RMB1,034,900,000 (31 December 2018: RMB1,032,500,000).

26. SHARE CAPITAL

The amount as at 30 June 2019 and 31 December 2018 represented the issued share capital of the Company. Details of movement of share capital of the Company are as follows:

	Number of shares	**Share capital** HKD'000	**RMB equivalent** RMB'000
Ordinary shares of HKD0.1 each			
Authorised:			
At 1 January 2018, 30 June 2018, 31 December 2018 and 30 June 2019	10,000,000,000		
Issued and fully paid:			
At 1 January 2018 and 30 June 2018	1,830,000,000	183,000	149,137
Shares repurchased and cancelled	(2,171,000)	(217)	(177)
At 31 December 2018 and 30 June 2019	1,827,829,000	182,783	148,960

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2019

27. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

Some of the Group's financial assets 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), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

– Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

– Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

– Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	Fair value as at 30/06/2019	31/12/2018 (Unaudited) (Restated)	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Listed equity investments classified as financial assets at FVTPL	**Listed equity securities in Australia: RMB2,350,000**	Listed equity securities in Australia: RMB9,359,000	Level 1	Quoted bid prices in an active market.	N/A
Unlisted managed investment funds classified as financial assets at FVTPL	**Unlisted managed investment funds in the PRC: RMB408,852,000**	Unlisted managed investment funds in the PRC: RMB459,993,000	Level 2	Discounted cash flow was used to capture the present value of the expected future economic benefit that will flow to the Group.	N/A
Receivables at FVTOCI	**Receivables at FVTOCI in the PRC: RMB75,727,000**	Receivables at FVTOCI in the PRC: RMB301,258,000	Level 2	Income approach – in this approach, the discounted cash flow method was used to capture the present value of the cash flows to be derived from the receivables using the discount rate that reflected the credit risk of the corresponding banks which are observable.	N/A

There was no transfer between Level 1 and 2 during the current interim period.

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

28. CAPITAL COMMITMENTS

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Unaudited) (Restated)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	**85,481**	76,029

29. 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	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited) (Restated)
Continuing operations		
Sales of goods to:		
Dalian Huaren Trade Co., Ltd. (notes a & b) (大連華仁貿易有限公司) ("Dalian Huaren")	**–**	152,976
Fushun Deshan Trade Co., Ltd. (note b) (撫順德山貿易有限公司) ("Fushun Deshan")	**124,641**	59,131
	124,641	212,107
Purchases of Goods from:		
Fushun Deshan	**122,251**	237,798

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2019

29. RELATED PARTY DISCLOSURES (continued)

(a) Related party transactions-continued (continued)

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Rental expense paid to:		
Shenyang Shengtai Property Management Co., Ltd. (note a) (瀋陽盛泰物業管理有限公司)	**751**	947
Hanking Industrial Group Co., Ltd. (note a) (罕王實業集團有限公司)	**–**	450
	751	1,397

(b) Compensation of key management personnel

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

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Salaries and other benefits	**4,310**	13,231
Retirement benefits schemes contribution	**611**	472
	4,921	13,703

29. RELATED PARTY DISCLOSURES (continued)

(c) Amount due from a related party

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Unaudited) (Restated)
Hanking Investment	**–**	564,282

(d) Amount due to a related party

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Unaudited) (Restated)
Hanking Investment (note c)	**125,625**	128,879

Notes:

(a) These companies are the related parties which are controlled by Ms. Yang Min, one of the Controlling Shareholders of the Company.

(b) Dalian Huaren and Fushun Deshan acted as the agents of Hanking D.R.I. to purchase the iron ore concentrates from the Group's Iron Ore Business segment prior to the completion of Acquisition.

A commitment letter dated 24 April 2019 has been issued by the Company, pursuant to which upon completion of the Acquisition, Iron Ore Business segment of the Group will directly supply iron ore concentrates to the Hanking D.R.I instead of through any intermediary agencies including Fushun Deshan and Dalian Huaren.

(c) Amount due to Hanking Investment as at 30 June 2019 represents the net amount after a series of current account offsetting arrangements with more details set out in notes 2(A) and 9(A).

* English name is for identification purpose only.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2019

30. NON-CASH TRANSACTION

Other than the current account offsetting agreements as set out in note 2(A) and 9(A), there were no other significant non-cash transactions carried out in the current interim period.

31. EVENT AFTER THE END OF THE REPORTING PERIOD

As of the date of this report, the Company repurchased in aggregate of 6,482,000 shares on The Stock Exchange of Hong Kong Limited at a total consideration of HKD6,472,030. None of the repurchased shares had been cancelled.

Month of repurchase	**Number of shares repurchased**	**Highest price paid per share** HKD	**Lowest price paid per share** HKD	**Total consideration paid** HKD
July 2019	6,482,000	1.09	0.98	6,472,030

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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
"AUD"	the lawful currency of Australia
"Australia"	The Commonwealth of Australia
"Award Shares"	the Share(s) provisionally awarded to a Selected Participant under the Restricted Share Award Scheme
"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
"the Company" or "our Company" or "we"	China Hanking Holdings Limited (中國罕王控股有限公司)
"Controlling Shareholder(s)"	has the meaning ascribed to it in the Listing Rules and unless the context requires otherwise, refers to Ms. Yang Min, Mr. Yang Jiye, China Hanking (BVI) Limited, Bisney Success Limited, Best Excellence Limited and Tuochuan Capital Limited
"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, which became a non wholly-owned subsidiary of the Company in June 2019
"Ginseng & Iron"	Fushun Hanking Ginseng & Iron Trading Company Limited (撫順罕王人參鐵貿易有限公司), a limited liability company established in the PRC, which became a non wholly-owned subsidiary of the Company in June 2019
"the Group" or "Hanking"	China Hanking Holdings Limited and its subsidiaries
"Hanking Australia Investment"	Hanking Australia Investment Pty Ltd, a limited liability company established in Australia and a non wholly-owned subsidiary of the Company
"Hanking Green Building Materials"	Liaoning Hanking Green Building Materials Co., Ltd. (遼寧罕王綠色建材有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company

DEFINITIONS OF TERMS

(CONTINUED)

"Hanking Group"	Hanking Group Co., Limited (罕王實業集團有限公司), a limited liability company established in the PRC on 4 April 1996, whose shares are held by Ms. Yang Min (88.96%) and other individuals. Hanking Group is a holding company controlled by a Controlling Shareholder
"Hanking (Indonesia)"	Hanking (Indonesia) Mining Limited, a limited company established in the BVI, which was no longer a subsidiary of the Company after June 2019
"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
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Maogong Mine"	located at Shiwen Town, Fushun City, an iron mine operated through Maogong Branch of Aoniu Mining
"Maogong Mining"	Fushun Hanking Maogong Mining Co., Ltd. (撫順罕王毛公鐵礦有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
"PGO"	Primary Gold Limited, a limited liability company established in Australia, which became a non wholly-owned subsidiary of the Company after 8 June 2018
"RMB"	the lawful currency of the PRC
"Selected Participant"	means eligible participant(s) selected by the Board in accordance with the terms of the Restricted Share Award Scheme
"Shangma Mine"	located at Shangma Town, Fushun City, an iron mine operated through Fushun Hanking Shangma Mining Co., Ltd., a subsidiary of the Company
"Share(s)"	ordinary share(s) with a nominal value of HK$0.10 each in the share capital of the Company
"Tuochuan (Hong Kong)"	Tuochuan (Hong Kong) Limited, a private company limited by shares incorporated in Hong Kong, which became a wholly-owned subsidiary of the Company in June 2019
"Tuochuan Capital"	Tuochuan Capital Limited, a company established in British Virgin Islands and wholly-owned by Mr. Yang Jiye
"United States"	the United States of America
"US$"	the lawful currency of the United States