罕王
HANKING

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

2013
INTERIM REPORT

MISSION

Going beyond oneself and contributing to the community

PHILOSOPHY

Safe Mine, Harmonious Mine, Green Mine



CONTENTS

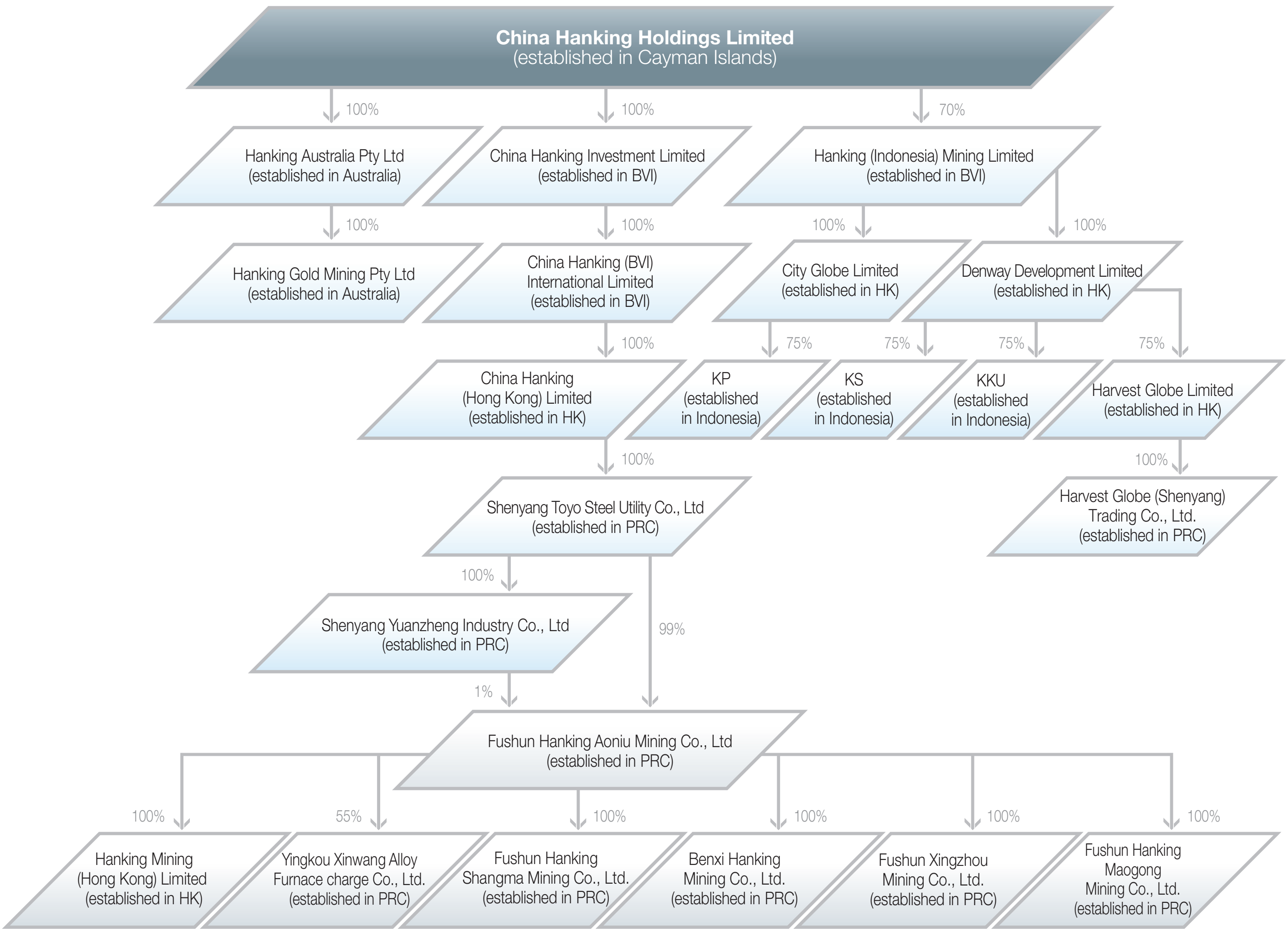
CORPORATE INFORMATION

Company Profiles

China Hanking Holdings Limited (the "Company") was incorporated in Cayman Islands as an exempted company with limited liability under the laws of Cayman Islands on 2 August 2010. The Company was listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on 30 September 2011. As at 30 June 2013, the Company has issued 1,830,000,000 ordinary shares in total.

The primary business operations of the Company and its subsidiaries (the "Group") in China include iron ore exploration, mining, processing and selling and the product is iron ore concentrates. The Company also engaged in exploration, mining and selling of laterite nickel ore in Indonesia as well as exploration, mining, processing and selling of gold ore in Australia.

Shareholding Structure of the Company and it's Subsidiaries



Company's Statutory Chinese Name
中國罕王控股有限公司

Company's Statutory English Name
China Hanking Holdings Limited

Stock Code
03788

Registered Office
Cricket Square
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Grand Cayman, KY1-1111
Cayman Islands

Headquarters in the PRC
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Liaoning Province
PRC

Principal Place of Business in Hong Kong
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Hong Kong

Authorized Representatives
Mr. Wang Ping
Ms. Mok Ming Wai

Joint Company Secretaries
Mr. Xia Zhuo
Ms. Mok Ming Wai

Auditor
Deloitte Touche Tohmatsu
Certified Public Accountants
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Cricket Square
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KY1-1111
Cayman Islands

Hong Kong Share Registrar
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Directors

Executive Directors
Mr. Pan Guocheng *(Chief Executive Officer)*
Mr. Zheng Xuezhi *(Chief Financial Officer)*
Mr. Xia Zhuo
Mr. Qiu Yumin

Non-executive Directors
Ms. Yang Min *(Chairlady)*
Mr. Yang Jiye *(Vice Chairman)*
Mr. Kenneth Jue Lee
Mr. Lan Fusheng

Independent Non-executive Directors
Mr. Wang Ping
Mr. Johnson Chi-King Fu
Mr. Chen Yuchuan
Mr. Wang Anjian

Audit Committee
Mr. Wang Ping *(Chairman)*
Mr. Johnson Chi-King Fu
Mr. Wang Anjian

Remuneration Committee
Mr. Wang Ping *(Chairman)*
Mr. Yang Jiye
Mr. Chen Yuchuan

Nomination Committee
Ms. Yang Min *(Chairlady)*
Mr. Johnson Chi-King Fu
Mr. Chen Yuchuan

Health, Safety, Environmental Protection and Community Committee
Mr. Pan Guocheng *(Chairman)*
Mr. Lan Fusheng
Mr. Wang Anjian

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2013	2012	Percentage
	RMB'000	RMB'000	Change
Income	**676,572**	749,023	-9.67%
Gross profit	**367,299**	432,938	-15.16%
Gross margin	**54.29%**	57.80%	
Profit for the period	**76,078**	163,699	-53.53%
Profit attributable to owners of the Company	**99,973**	193,962	-48.46%
Basic earnings per share (RMB cent)	**5.5**	10.6	

MANAGEMENT DISCUSSION AND ANALYSIS

Operation Review

Operation Highlights

1. Technical upgrading and expansion project of Phase II of the first processing plant of Aoniu Mine ("Aoniu Mine First Processing Plant") has already been completed and has been put into production in the third quarter. The project has become one of the few processing plants which have an annual processing capacity of three million tons in the northern China. It is also one of few iron ore mines which apply new technology of high pressure roller grinding. Improvement in production scale and efficiency of Aoniu Mine will further enhance the competition advantage of low cost of the Company, and will also significantly improve the Company's capability of value creation for shareholders.

2. The Company has completed several material acquisitions, including world-class laterite nickel mine in Indonesia and large gold mine in Australia, which rapidly move forward the Company's established development strategy of limited diversification and internationalization of mineral resources. These additional resources helped the Company to hedge the exposure of price fluctuation as a result of single mineral and also created a new territory for value creation.

3. After the acquisition of Indonesia laterite nickel project, through the reassessment of various drilling materials and market survey data of mines, the Company found that "high TFe low Ni" is a kind of resource with high market value. According to the evaluation of an independent agency, CSA Global Pty Limited, newly increased resources with high TFe and low Ni is up to 90.54 million tons, which further enhanced the potential profitability and overall value of the project.

4. The construction of a new processing plant with an annual processing capacity of three million tons of Maogong Mine is ordinarily carried out as planned at the beginning of this year, and it is expected to be put into production in the fourth quarter. It will make contribution to the production of the Company in the second half of 2013 and in the future. Meanwhile, enhancement of scale and application of new technology of the new processing plant will further strengthen the Company's core competitiveness of low cost operation.

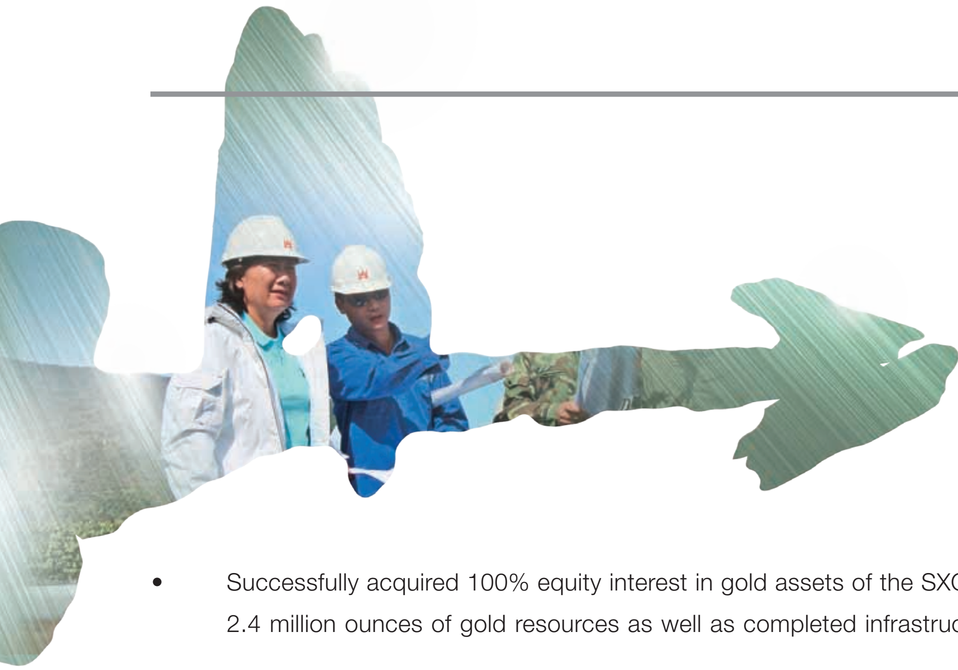
In the first half of 2013, iron ore business, the core business of the Company, has been further strengthened. The strategy of minerals limited diversification and internationalization also made great achievements, mainly including:

- Quantity of stripping and mining recorded a new high, reached 7.64 million tons and 3.59 million tons respectively, which made a foundation for the completion of annual output growth target.

- Technical upgrading project of Phase II of the Aoniu Mine First Processing Plant has already been completed, and other key engineering projects are implemented as planned. It is expected that annual processing capacity of raw iron ore will reach 10 million tons by the end of 2013 as a result of gradual completion of key projects.

- Successfully acquired 52.5% equity interest in laterite nickel mine located in North Konawe, Indonesia, which possesses 351 million tons of resource with Ni grade above 1% and 90.54 million tons of resource with Ni grade under 1% and an average TFe grade reaches 50%. The project is under mining.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONTINUED)



- Successfully acquired 100% equity interest in gold assets of the SXO located in Yilgarn of Australia, including 2.4 million ounces of gold resources as well as completed infrastructure for mining and processing.

As the Company acquired two new businesses in the first half of 2013, in order to have a better understanding on the business of the Company, the Company will analyse its business by dividing it into three segments, being iron ore business (the business of Shenyang Toyo Steel Utility Co., Ltd and its subsidiaries, excluding Yingkou Xinwang Alloy Furnace Charge Co., Ltd. (營口鑫旺合金爐料有限公司)), nickel ore business (business of Hanking (Indonesia) Mining Limited and its subsidiaries, including Yingkou Xinwang Alloy Furnace Charge Co., Ltd. (營口鑫旺合金爐料有限公司)) and gold mine business (business of Hanking Australia Pty Ltd and its subsidiaries), respectively.

Iron Ore Business

Based on the expectation that fixed assets investment will increase after transition of the Chinese government leadership, the price of iron ore in January and February of 2013 continued the rebound trend since the third quarter of last year. However, prices of import and domestic iron ore are decreasing gradually since March due to the slowdown of growth of Chinese gross domestic product and fixed assets investment and touched the bottom of the first half of 2013 in June. The average sales price of iron ore concentrates of the Company was RMB858 per ton in the first half of 2013, representing a decrease of 5.3% as compared to the corresponding period of last year.

The Company increased stripping according to the schedule in the first half of 2013 to improve current mining quantity and mining potential of each mine, with an aggregate stripping amount of 7.64 million tons and the mining amount of the Company was 3.59 million tons. The increase in mining amount is mainly reflected as the increase of iron ore stock. The stock of iron ore had reached 1.24 million tons by the end of June 2013, representing an increase of 0.47 million tons as compared with the beginning of the year, which made a foundation for the completion of annual output growth target.

The technical upgrading and expansion project of Phase II of the Aoniu Mine First Processing Plant has already been completed by the end of June 2013 and has been put into production in the third quarter of 2013. The construction of production system of the underground mining engineering of No.3 mining area of Aoniu Mine is basically finished. Main parts of the new processing plant of Maogong Mine with an annual productivity of 3 million tons has been completed and will be put into trial production in the fourth quarter of 2013. The work of feasibility study, bid inviting and contract negotiation of updating and expansion construction of the mining plant with an annual productivity of 3 million tons of Maogong Mine has completed and will start to construct in the second half of 2013. The underground mining engineering of Mengjia Mine is ready for production. The underground mining engineering of No.4 mining area of Shangma Mine is under the progress as planned, and is expected to start mining in the fourth quarter of 2013.

The iron ore concentrate production of the Company in the first half of 2013 was 0.7811 million tons, representing a decrease of 6.58% as compared to the corresponding period of last year. Significant increase in production is expected for the second half of the year as the increased processing capability of Aoniu Mine and Maogong Mine, and the full year production goal of 1.815 million tons remains unchanged.

The revenue of iron ore business is RMB666,986 thousand in the first half of 2013, representing a decrease of 9.78% as compared to the corresponding period of last year, with an EBITDA of RMB333,869 thousand, representing a decrease of RMB39,366 thousand as compared to the corresponding period of last year, which is mainly due to the decline in the sales price of iron ore concentrate; the profit margin of EBITDA is 50.06%, representing a decrease of 0.43 percentage point as compared to the corresponding period of last year.[1]

Nickel Ore Business

The Company successfully acquired 52.5% equity interest of laterite nickel mine located in North Konawe Regency, South-East Sulawesi, Indonesia in the first half of 2013, which is a world-class laterite nickel mine project possessing 351 million tons of resource with Ni grade above 1% and 90.54 million tons of resource with Ni grade under 1% and an average TFe grade reaching 50%. The project of North Konawe Regency laterite nickel mine includes three project companies, being KS, KKU and KP respectively. KS had already got the capability of mining and was under mining activities at the time of the acquisition.

After the completion of the acquisition, the Company focused on construction of mining facilities of KKU, including the construction of stope, road for the ore transportation, dock and camp, meanwhile, the Company also optimized the layout of the stope of KS to increase its mining capability. It is expected that the annual mining capability of the whole North Konawe Regency laterite nickel mine project would reach 1.5 million tons by the end of 2013.

North Konawe Regency laterite nickel mine project is also gradually constructing ferronickel smelting facilities on the site where the project is located at as planned, thus to increase the additional value of nickel ore and to meet the requirements of related supervisory policies of Indonesia.

The Company exploited 0.43 million tons of all sorts of lateritic nickel ore under the North Konawe Regency laterite nickel mine project in the first half of 2013. As it rained much more this year than previous years where the project is located, the road between mining area and the dock needs to be cemented. The North Konawe Regency laterite nickel mine project did not realize sales during the first half of the year, and is expected to start sale from the third quarter.

Nickel ore business of the Company in the first half of 2013 was with an EBITDA of RMB-34,739 thousand. It is expected to start sale in the second half of 2013.

Note 1 Reference is made to the interim results announcement of the Company dated 27 August 2013, due to unwilful default, relevant statement is not correct therein and disclosure herein shall be prevailed.

Gold Mining Business

In the first half of 2013, the Company successfully acquired 100% equity interest of SXO's gold assets, which is located at the center of world-famous Yilgarn goldfield in Western Australia and whose cumulative production of gold is over 10 million ounces. SXO project covers a greenstone of nearly 120 kilometers. SXO currently has a proven, indicated, inferred gold resources complied with the JORC standard of approximately 2.4 million ounces at an average grade of 3.6 g/t gold. SXO project also includes a well conditioned ore processing plant with an annual processing capacity of 2.4 million tons.

The cash consideration of the acquisition cost is 18 million AUD, which is equivalent to an acquisition price of 7.5 AUD per ounce of gold. It is at a comparatively low level compared with acquisitions made in the same period.

After completion of the acquisition, the Company has mainly accomplished the transfer of assets, maintenance of existing mining and ore processing facilities as well as preparation of exploration plan. It is scheduled to make deep exploration on SXO project in the second half of 2013 with a purpose to obtain more resources and make foundation for the resume of production later.

In the first half of 2013, the gold mine project of the Company did not realize sales, with an EBITDA of RMB-15,887 thousand.

Future Outlook

As it is expected that China's economic growth will gradually slow down and American Federal Reserve will withdraw quantitative easing policy, it makes price of global commodities and precious metals in pressure at the bottom level in three years. But on the other hand, China has firmly established itself as the second largest economy of the world; growth rate gradually slowing down is in line with the law of development, and is conductive to more sustainable development. It is expected that China's economy will continue to expand, thus its demand for iron, copper, aluminum, nickel and other bulk commodities will also increase. In the first half of 2013, China's raw iron production is up to 357.54 million tons, representing an increase of 5.7% as compared to the same period of last year, which is higher than that of last year; consumption on gold, silver and jewelry aggregately amounted to RMB157.7 billion, representing an increase of 29.7% as compared to the same period of last year.

As the cyclical nature of the industry, the Company's result of the period has been affected by the decline of price of minerals. Nevertheless, no matter which stage of the circle the Company was in, the Company always adheres to "low cost strategy", and enhances its low cost competitive advantage from three main aspects, acquisition cost, construction cost and operation cost, which keep the Company impregnable in the industry. Meanwhile, the Company makes cautious expansion and acquires high-quality projects when the industry is in the trough of the circle, so as to continuously increase resource reserve and operation scale as well as continuously create more value for shareholders of the Company.

Finance Review

The acquisition of Northeastern Lion by the Group was completed in the first half of 2013. As Northeastern Lion is the common controlled entity of the actual controller of the Group, according to the accounting policy of the Group, the combination accounting for the common controlled entities should be as if they had been combined from the date when the combined entity or businesses first came into under the control of the controller, therefore restate adjustment to the half-year financial information for previous years of the Group is required.

1. Income, Cost of Sales, Gross Profit

For the first half of 2013, the income of the Group was RMB676,572 thousand, representing a decrease of RMB72,451 thousand or 9.67% as compared to the corresponding period in the previous year which was mainly due to the drop of RMB48 per ton in the average unit selling price of the iron ore concentrates, resulted in a decrease of income of RMB38,537 thousand; the sales of iron ore concentrates decreased 33 thousand tons, resulted in a decrease of income of RMB28,376 thousand.

For the first half of 2013, the cost of sales of the Group was RMB309,273 thousand, representing a decrease of RMB6,812 thousand or 2.16% as compared to the corresponding period in the previous year which was mainly due to the drop of sales.

For the first half of 2013, the gross profit of the Group was RMB367,299 thousand, representing a decrease of RMB65,639 thousand or 15.16% as compared to the corresponding period in the previous year. As compared to the corresponding period of last year, gross profit margin of the Group slightly declined from 57.8% to 54.29% in the first half of 2013 which was mainly due to the slipping of the average unit selling price of iron ore concentrates.

2. Other Income and Expenses

For the first half of 2013, other income of the Group was RMB5,298 thousand, representing an increase of RMB3,455 thousand or 187.47% as compared to the corresponding period of the previous year. Other income was mainly interest income.

For the first half of 2013, other expenses of the Group were RMB6,379 thousand, representing a decrease of RMB8,715 thousand or 57.74% as compared with the corresponding period of the previous year. Other expenses consist of loss of selling properties, plants and equipment, charity donation, and other overheads.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONTINUED)

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

For the first half of 2013, the selling and distribution expenses of the Group were RMB17,018 thousand, representing a decrease of RMB6,059 thousand or 26.26% as compared to the corresponding period in the previous year, which was mainly due to the drop in the selling and distribution expenses caused by the decreased sales of nickel ore in Indonesia for the period. Selling and distribution expenses consist of transportation expenses, labour expenses and others.

For the first half of 2013, the administrative expenses of the Group were RMB139,211 thousand, representing an increase of RMB32,668 thousand or 30.66% as compared to the corresponding period in the previous year. The main reason for the increase is the newly generated administrative expenses from the project of gold ore acquired during the period in Australia and the non-recurring expenses generated from share awards granted to the management by controlling shareholders. Administrative expenses included remuneration paid to the Group's management and administrative staff, depreciation and amortization, leasing and office expenses, business development expenses, professional consultation and service expenses, taxation expenses, bank charges, inventory falling price reserves, accrued doubt debt reserves and others.

4. **Foreign Exchange Gain (loss), Financing Cost, Income Tax Expense**

For the first half of 2013, the net foreign exchange loss of the Group was RMB7,381 thousand, and the net foreign exchange loss of the corresponding period in the previous year was RMB4,204 thousand. The main reason for the change is the net exchange losses generated from the increase of foreign currency transaction by the Group for the period and changes in exchange rate.

For the first half of 2013, the financing costs of the Group were RMB63,241 thousand, which increased by RMB19,765 thousand or 45.46% as compared to the corresponding period in the previous year. The change was mainly due to the increase of the borrowing interest generated from the increase of the Company's borrowings and the increase of discount expenses of acceptance bill during the period. Financing costs included bank borrowing interest expenses, discount expenses and other financial expenses and the amortization of the long-term payable discount charges.

For the first half of 2013, the income tax expenses of the Group were RMB63,289 thousand, which decreased by RMB15,399 thousand or 19.57% as compared to the corresponding period in the previous year. For the first half of 2013, according to the deducted tax in the consolidated statement of comprehensive income and profit before tax, the effective tax rate of the Group was 45.41%, while the effective tax rate for the corresponding period of the previous year was 32.46%. The reason for the increase in the effective rate was that the cost and loss generated from overseas business in the period is not deductible for the purpose of PRC income tax. Income tax expenses included the total amount of tax currently payable and deferred tax.

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

In the first half of 2013, the profit on the changes in fair values of financial assets available for sale of the Group was RMB2,181 thousand, which was attributed to the increase of value of shares in the Australia listed company held by the Group.

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

Based on the reasons mentioned above, the profit of the Group for the period was RMB76,078 thousand, representing a decrease of RMB87,621 thousand or 53.53% as compared to the corresponding period in the previous year. The net profit margin of the Group for the period was 11.24%, while the corresponding period of the previous year was 21.86%. The decrease was mainly due to the above combined factors.

For the first half of 2013, profit attributable to owners of the Group was RMB99,973 thousand, representing a decrease of RMB93,989 thousand or 48.46% as compared to the corresponding period of last year.

Based on the profit for the period, and affected by the gains on changes in fair values of financial assets available for sale and foreign currency translation, the comprehensive income for the first half of 2013 was approximately RMB58,721 thousand, representing a decrease of RMB102,136 thousand or 63.49% as compared to the corresponding period of the previous year.

7. **Dividends**

The Board did not recommend any interim dividends for the six months ended 30 June 2013.

8. **Properties, Plants and Equipment, Inventories**

As of 30 June 2013, the properties, plants and equipment of the Group were RMB1,282,313 thousand, representing an increase of approximately RMB382,687 thousand or 42.54% as compared to the end of the previous year. The increase was mainly due to the expansion of the production capacity through construction of plants, and the procurement of machine and equipment during the period.

As of 30 June 2013, the inventories of the Group were RMB137,136 thousand, representing an increase of RMB39,758 thousand or 40.83% as compared to the end of the previous year. The increase was mainly due to that Maogong Mine reserves ore for the processing plant that will be put into production and reserves ore for Indonesia nickel ore project.

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

As of 30 June 2013, the trade receivables of the Group was RMB100,563 thousand, representing a decrease of RMB75,115 thousand over the end of the previous year. For the first half of 2013, the other receivables of the Group was RMB256,350 thousand, representing an increase of approximately RMB15,249 thousand as compared to the end of the previous year. The increase was mainly due to the increase of staff advances.

As of 30 June 2013, the trade payables of the Group was RMB63,357 thousand, representing an increase of RMB33,260 thousand as compared to the end of the previous year. The increase was mainly due to the extension of the Company's credit period to the suppliers.

As of 30 June 2013, the other payables of the Group was RMB287,255 thousand, representing an increase of RMB49,098 thousand. The main reason for the increase was the project funds payables and guarantee increased as more projects are under construction for the period.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONTINUED)

10. Cash Use Analysis

The summary of the Group's consolidated statement of cash flows for the first half of 2013 was set out below.

	For the six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Net cash flows from operating activities	**131,234**	40,443
Net cash flows from investing activities	**(353,105)**	(55,958)
Net cash flows from financing activities	**51,803**	367,536
Net increase in cash and cash equivalents	**(170,068)**	352,021
Cash and cash equivalents at the beginning of the period	**581,960**	352,650
Effect of changes in foreign exchange rate on cash and cash equivalents	**(1,877)**	(1,886)
Cash and cash equivalents at the end of the period	**410,015**	702,785

The net cash inflow from the operating activities during the first half of 2013 was RMB131,234 thousand, which was mainly attributed to the profit before tax of RMB139,367 thousand, together with depreciation and amortization of RMB78,938 thousand, the increase of RMB68,105 thousand in payables, the decrease of RMB56,974 thousand in receivables and non-cash financial cost of RMB13,427 thousand and was partially offset by the increase of RMB42,121 thousand in inventories and a taxation payables of RMB194,548 thousand.

During the first half of 2013, the net cash outflow from investing activities amounted to RMB353,105 thousand, which mainly reflected the amount of RMB319,702 thousand used in the newly opened plants and machine equipments etc. in order to expand production and properties acquisition, the amount of RMB13,280 thousand used in the acquisition of intangible assets, the increase of RMB47,412 thousand in restricted cash, which was offset by the repayment of RMB32,256 thousand from connected parties of Indonesia nickel mine.

During the first half of 2013, the net cash inflow generated from the financing activities was RMB51,803 thousand, which was mainly from the newly added banking borrowing of RMB1,453,887 thousand. The net cash inflow was offset by the repayment of bank loans of RMB680,000 thousand, the repayment of bank loan deposit of RMB380,000 thousand, the distribution of dividend to shareholders of RMB36,600 thousand, the repayment of the borrowings to the connected parties of Indonesia nickel mine of RMB219,498 thousand and the payment of the acquisition of equity interest in Fushun Hanking Shangma Mining Co., Ltd of RMB85,788 thousand.

11. Cash and Borrowings

As of 30 June 2013, cash and bank deposit balance of the Group amounted to RMB790,015 thousand, representing an increase of RMB208,055 thousand or 35.75% compared to the end of last year. The main reason for the increase was an increase in bank loan deposit of RMB380,000 thousand.

As of 30 June 2013, the balance of bank borrowings of the Group was RMB1,573,887 thousand, representing an increase of RMB773,887 thousand as compared to the end of last year. In addition to the information disclosed above or otherwise in this report, the Group has no outstanding mortgage, pledge, debentures or other loan capital issued or agreed to be issued, bank overdrafts, borrowing, liabilities under acceptance or other similar liabilities, hire purchase and finance lease commitments, or any guarantees or other material contingent liabilities. The Directors have confirmed that, save for the information disclosed above, there has been no material changes in the indebtedness and contingent liabilities of the Group since 31 December 2012.

12. Gearing Ratio, Interest Rate Risk, and Foreign Exchange Risk

The gearing ratio of the Group increased from 53.85% in 31 December 2012 to 67.14% in 30 June 2013, which is calculated by dividing the total liabilities by the total assets.

The interest rate risk in the fair value of the Group mainly relates to the bank borrowings. The bank borrowings of the Group are usually due within one year, and therefore, the interest rate risk in its fair value is relatively remote. There is no interest rate hedging policy currently prevailing in the Company. Nevertheless, the management of the Group monitors the interest rate risk, and may consider taking hedging measures as needed on the occurrence of significant interest rate risks.

The main businesses of the Group are located in China, and its major operating transactions are dominated in RMB. Most of the assets and liabilities of the Group are dominated in RMB. Since RMB is not freely convertible, the risk that the Chinese government may take measures to interfere the exchange rates, may bring effects to the Group's net asset value, profit and the dividends declared to the extent that such dividends are subject to foreign exchange, and the Group have no hedging measures against such exchange risks. The assets and liabilities of subsidiaries in Indonesia and Australia of the Group are dominated in Indonesian Rupiah and Australian dollar respectively, which affected by the foreign exchange rate and accordingly affecting net assets and revenue of the Group. The Group have no hedging measures against such exchange risks.

13. Assets Securities and Contingent Liabilities

Some of the bank borrowings of the Group are secured by the mining rights certificates. As of 30 June 2013, the aggregate net carrying value of the assets used as securities amounted to RMB267,607 thousand.

As of 30 June 2013, the Group had no material contingent liabilities.

14. Material Acquisitions and Disposals of Assets, and the Merger Issue

As of 30 June 2013, the Group has acquired 52.5% equity of the laterite nickel ore project in North Konawe, South-East Sulawesi Indonesia and 100% equity of the Australia SXO gold assets.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONTINUED)

15. Use of the Proceeds

The proceeds raised from the listing of the Company amounted to HK$828,300 thousand. As of 30 June 2013, HK$828,300 thousand of the proceeds was applied, of which HK$702,300 thousand was used for loan repayment, HK$89,600 thousand was used for updating and expanding of existing mining area and production facilities, and the remaining HK$36,400 thousand was used for the payment for the acquisition of new mining areas and relevant production equipments.

16. Exploration, Development and Mining Expenses

In the first half of 2013, exploration activities of the Group were mainly taken in China, with a completion of drilling 20 holes, all of which have an average hole width of 75 millimeters, and the total drilling length of 4,126.84 meters. External and deep internal exploration of two mines of the Group, Shangma Mine and Aoniu Mine, recorded a good result.

The exploration, development and mining expenses of the Group was RMB444,348 thousand for the first half of 2013, representing an increase of RMB201,527 thousand or 82.99% as compared with the corresponding period of last year. Among which, expenses on the exploration, development and mining of iron ore business was RMB196,140 thousand, expenses on nickel ore business was RMB91,913 thousand, expenses on gold mining business was RMB143,106 thousand. The expenses for the first half of 2013 mainly included: (i) expenses on properties, plants and equipment of RMB427,209 thousand; (ii) land lease payments of RMB5,861 thousand paid in order to acquire the using right of mining lands; and (iii) expenses of RMB10,303 thousand incurred from the acquisition of the mining rights certificates.

As of 30 June 2013, the determined capital commitments of the Company was approximately RMB134,067 thousand (as of 31 December 2012: RMB138,848 thousand).

OTHER INFORMATION

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

As at 30 June 2013, to the best of the Company's knowledge, the interests or short positions of the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or as otherwise 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	Capacity/Nature of interest	Number of shares	Approximate percentage of shareholding
Yang Min[1]	Interests in controlled corporation	751,035,000 (long position)	41.04%
	Founder of discretionary trust	19,286,834 (long position)	1.05%
Yang Jiye[2]	Interests in controlled corporation	424,360,500 (long position)	23.19%
	Interests in controlled corporation	31,100,000 (short position)	1.69%
Xia Zhuo[3]	Others	165,651,000 (long position)	9.05%
Pan Guocheng[4]	Beneficial owner	4,200,000 (long position)	0.23%
Zheng Xuezhi[5]	Interests in controlled corporation	2,066,666 (long position)	0.12%
	Beneficial owner	50,000 (long position)	0.00%

Notes:

1. Ms. Yang Min ("Ms. Yang") holds 100% interest in China Hanking (BVI) Limited and serves as settlor and beneficiary of management trust which holds the entire issued share capital of Best Excellence Limited. As a result, Ms. Yang is deemed to own interests of 751,035,000 shares held by China Hanking (BVI) Limited and 19,286,834 shares held by Best Excellence Limited (after partial distribution of shares to first batch of beneficiaries by Ms. Yang through management trust as of 5 July 2013, shares held by Best Excellence Limited changed into 13,820,166, representing approximately 0.76% of shares of the Company).

2. Mr. Yang Jiye ("Mr. Yang") holds 100% interest in Bisney Success Limited. As a result, Mr. Yang is deemed to own interests of 424,360,500 shares (long position) and 31,100,000 shares (short position) held by Bisney Success Limited.

3. Mr. Xia Zhuo holds 6.28% interest in Splendour Ventures Limited, which holds interests of 165,651,000 shares of the Company.

4. These shares are held jointly with Pan Guoying.

5. Mr. Zheng Xuezhi is deemed to own interests of 2,066,666 shares held by his wholly-owned company, Best Fate Limited. The accurate percentage of the 50,000 shares beneficially owned by Mr. Zheng Xuezhi is 0.00273224%.

OTHER INFORMATION
(CONTINUED)

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

Name of Director and chief executive	Interests in associated corporations	Number of shares	Approximate percentage of shareholding
Yang Min	China Hanking (BVI) Limited	1	100%
Yang Min	Best Excellence Limited	1	100% (held through controlling management trust)[1]
Yang Jiye	Bisney Success Limited	50,000	100%

Note:

1. The management trust is a revocable discretionary trust settled by Ms. Yang as settlor with Credit Suisse Trust Limited as trustee for the purposes of recognizing and rewarding the contributions of certain eligible staffs ("Beneficiaries"). On 2 June 2011, China Hanking (BVI) Limited transferred 19,969 shares of the Company to Best Excellence Limited. After listing of the Company, Best Excellence Limited increased its shareholdings in 29,933,531 shares of the Company, then an aggregate of 29,953,500 shares of the Company are held by Best Excellence Limited, representing approximately 1.64% of the share capital of the Company after the lisiting. It is the intention of Ms. Yang and the trustee that the Beneficiaries of the management trust include Ms. Yang herself and two groups of eligible staffs. The first group comprises 11 persons who are employees of the Group including Mr. Pan Guocheng (潘國成), Mr. Zheng Xuezhi (鄭學志), Mr. Huang Jinfu (黃金夫) and Mr. Lu Zengxiang (路增祥), and these Beneficiaries may hold up to approximately 1.025% of the issued share capital of the Company. The second group comprises 16 employees of Hanking Group, and the aggregate maximum amount of shares to be received by this group of Beneficiaries is expected to represent approximately 0.612% of the issued share capital of the Company. Credit Suisse Trust Limited as trustee has the discretionary powers to, among others, allocate all or a portion of the trust fund of the management trust (including the shares held by Best Excellence Limited), but Ms. Yang, as settlor of the management trust, may request Credit Suisse Trust Limited as trustee to make distributions of such shares to one or more Beneficiaries, including herself. During the period from 3 June 2013 to 5 July 2013, Ms. Yang and the trustee has completed distribution of 16,133,334 shares to the first batch of beneficiaries, which had been notified to the Hong Kong Stock Exchange within three business days after the acknowledgment of each settlement.

Save as disclosed above, as at 30 June 2013, none of the Directors nor chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were 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 which he is taken or deemed to have under such provisions of SFO) or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or are required, pursuant to the Model Code to be notified to the Company and the Hong Kong Stock Exchange.

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

As at 30 June 2013, to the best of Directors' knowledge, having made all reasonable enquires, the following persons (other than the Directors and chief executives of the Company) own 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 SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholders	Capacity/Nature of interest	Number of shares	Approximate percentage of issued share capital
China Hanking (BVI) Limited	Beneficial owner	751,035,000 (long position)	41.04%
Bisney Success Limited	Beneficial owner	424,360,500 (long position)	23.19%
	Beneficial owner	31,100,000 (short position)	1.69%
Splendour Ventures Limited	Beneficial owner	165,651,000 (long position)	9.05%
SAIF IV GP Capital Ltd.	Interests in controlled corporation	93,107,000[1] (long position)	5.09%
SAIF IV GP LP	Interests in controlled corporation	93,107,000[1] (long position)	5.09%
SAIF Partners IV L.P.	Beneficial owner	93,107,000[1] (long position)	5.09%
Yan Andrew Y	Interests in controlled corporation	93,107,000[1] (long position)	5.09%

Note:

1. These 93,107,000 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.

OTHER INFORMATION
(CONTINUED)

3. Changes of Directors and Director's Information

Ms. Yang Min, non-executive Director, Mr. Pan Guocheng and Mr. Zheng Xuezhi, executive Directors and Mr. Wang Ping, independent non-executive Director applied for retirement and eligible for re-election and have been re-elected as Directors on the annual general meeting of the Company held on 31 May 2013 in accordance with Rule 84(1) of articles of association of the Company.

Mr. Yang Jiye, non-executive Director, has served as the President of Hanking Group since January 2013; Mr. Johnson Chi-King Fu, independent non-executive Director, has served as the group chief executive officer of Kingold Group Companies Ltd. since May 2013.

Save as disclosed above, there is no other change relating to Directors and Director's information of the Company during the Reporting Period.

4. Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code")

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding the dealings in the Company's securities by the Directors. Specific enquiry has been made to all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the period for the six months ended 30 June 2013.

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

During the six months ended 30 June 2013, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

6. Employees and Remuneration Policy

As at 30 June 2013, the Group had 2,536 employees in total. During the six months ended 30 June 2013, the total remuneration expenses and the amounts of the employees' benefit were RMB93,235 thousand (for the first half of 2012: RMB70,582 thousand). One of the main features of the Group's remuneration structure was to emphasise that the employees' income was directly related to its business performance and profits. The remuneration package included basic salary, commission and bonus, housing allowance, pension, medical insurance, occupational injury insurance and other insurance required by the government. Meanwhile, the Group adopted the policy of "People Oriented" and formulated incentive programmes tailored for employees at different stage of their career development in the Group. The Group arranged numerous training programmes for employees to develop their professional skills and knowledge.

7. Corporate Governance

The Company is committed to maintaining and ensuring high standards of corporate governance. The Board approved and adopted Corporate Governance Policies prepared by the Company as at 19 March 2013. The Corporate Governance Policies of the Company, which is prepared in accordance with the principles, code provisions and certain recommended best practices of Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), complied with the best benefit of the Company and its shareholders.

During the period from 1 January 2013 to 30 June 2013, the Company has fully complied with the code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules. Meanwhile, the Company has complied with most of the best practice as recommended therein.

To comply with Code Provision A.5.6 of the Corporate Governance Code, the Company had formulated the Board Diversity Policy and was approved by the Board on 27 August 2013.

8. Audit Committee

During the six months ended 30 June 2013, the audit committee of the Company ("Audit Committee") comprised three independent non-executive Directors, namely Mr. Wang Ping, Mr. Johnson Chi-King Fu and Mr. Wang Anjian, with Mr. Wang Ping as the chairman of the Audit Committee.

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 of the Listing Rules, the terms of reference of the Audit Committee was approved and stated; the Audit Committee is primarily responsible for reviewing and monitoring the financial report and the internal control of the Group, and reviewing the accounting policies, accounting principles and methods adopted by the Company with the management of the Company.

The Audit Committee, which has reviewed the 2013 interim results of the Company for the six months ended 30 June 2013 which has not been audited by independent auditors, believes that the interim results were prepared in accordance with the accounting principles, rules and regulations adopted, and made appropriate disclosure.

9. Interim Dividend

The Board has proposed not to distribute any interim dividend for the six months ended 30 June 2013.

10. Major Legal Proceeding

During the six months ended 30 June 2013, the Group was not involved in any major legal proceedings or arbitrations. To the knowledge of the Directors, there is no pending or potential major legal proceeding or claim.

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 22 to 47, which comprises the condensed consolidated statement of financial position as of 30 June 2013 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 Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

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
27 August 2013

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Notes	Six months ended 30 June 2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited and restated)
Revenue	4	**676,572**	749,023
Cost of sales		**(309,273)**	(316,085)
Gross profit		**367,299**	432,938
Other income		**5,298**	1,843
Selling and distribution expenses		**(17,018)**	(23,077)
Administrative expenses		**(139,211)**	(106,543)
Other expenses		**(6,379)**	(15,094)
Net foreign exchange loss		**(7,381)**	(4,204)
Finance costs		**(63,241)**	(43,476)
Profit before tax	5	**139,367**	242,387
Income tax expense	6	**(63,289)**	(78,688)
Profit for the period		**76,078**	163,699
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
Net fair value gain (loss) on available-for-sale financial assets		**2,181**	(317)
Exchange differences on translation of financial statements of foreign operations		**(19,538)**	(2,525)
Other comprehensive income for the period		**(17,357)**	(2,842)
Total comprehensive income for the period		**58,721**	160,857
Profit for the period attributable to:			
Owners of the Company		**99,973**	193,962
Non-controlling interests		**(23,895)**	(30,263)
		76,078	163,699
Total comprehensive income for the period attributable to:			
Owners of the Company		**81,760**	192,463
Non-controlling interests		**(23,039)**	(31,606)
		58,721	160,857
Earnings per share			
– Basic and diluted (RMB cent per share)	8	**5.5**	10.6

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	Notes	**30 June 2013 RMB'000 (Unaudited)**	31 December 2012 RMB'000 (Unaudited and restated)
Non-current assets			
Property, plant and equipment	9	**1,282,313**	899,626
Intangible assets	10	**889,653**	890,612
Prepaid lease payments	11	**331,887**	351,393
Deferred tax assets		**3,801**	5,152
Loan receivable from a third party		**15,300**	15,300
Deposit on acquisition of property, plant and equipment		**5,454**	47,767
Restricted cash	14	**47,412**	–
		2,575,820	2,209,850
Current assets			
Inventories		**137,136**	97,378
Prepaid lease payments	11	**46,821**	47,026
Trade and other receivables	12	**356,913**	416,779
Tax recoverable		**7,392**	7,222
Available-for-sale financial assets	13	**6,847**	2,941
Loans to related parties		**7,478**	33,770
Pledged bank deposits	15	**380,000**	–
Bank balances and cash	15	**410,015**	581,960
		1,352,602	1,187,076
Current liabilities			
Trade and other payables	16	**350,612**	268,254
Bank borrowings	17	**1,227,880**	800,000
Loans from related parties		**10,934**	228,516
Consideration payable	18	**357,329**	143,320
Loans payable to non-controlling interest of a subsidiary		**3,873**	6,052
Deferred income		**1,991**	–
Tax liabilities		**64,637**	197,077
		2,017,256	1,643,219
Net current liabilities		**(664,654)**	(456,143)
Total assets less current liabilities		**1,911,166**	1,753,707

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(CONTINUED)

At 30 June 2013

	Notes	**30 June 2013 RMB'000 (Unaudited)**	31 December 2012 RMB'000 (Unaudited and restated)
Capital and reserves			
Share capital	19	**149,137**	149,137
Reserves		**986,447**	1,232,385
Total equity attributable to owners of the Company		**1,135,584**	1,381,522
Non-controlling interests		**155,400**	186,258
		1,290,984	1,567,780
Non-current liabilities			
Bank borrowings	17	**346,007**	–
Consideration payable	18	**209,376**	183,935
Rehabilitation provision		**63,690**	833
Retirement benefit obligations		**1,109**	1,159
		620,182	185,927
		1,911,166	1,753,707

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	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)	Investments revaluation reserve RMB'000	Translation reserve RMB'000	Special reserve RMB'000	Retained earnings RMB'000	Attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2012 as previously stated	149,137	495,537	73,269	267,406	–	–	(224,824)	500,416	1,260,941	1,664	1,262,605
Adjustment in respect of the acquisition from controlling shareholders	–	–	–	–	–	(3,229)	147,233	(65,822)	78,182	181,868	260,050
As restated	149,137	495,537	73,269	267,406	–	(3,229)	(77,591)	434,594	1,339,123	183,532	1,522,655
Profit for the period	–	–	–	–	–	–	–	193,962	193,962	(30,263)	163,699
Other comprehensive loss for the period	–	–	–	–	(317)	(1,182)	–	–	(1,499)	(1,343)	(2,842)
Profit and total comprehensive income for the period	–	–	–	–	(317)	(1,182)	–	193,962	192,463	(31,606)	160,857
Distribution to the then equity shareholders upon acquisition of Fushun Shangma (note c)	–	–	–	–	–	–	(169,068)	(4,322)	(173,390)	–	(173,390)
Transfer to future development funds reserve, net of utilisation	–	–	–	43,172	–	–	–	(43,172)	–	–	–
2011 final dividend	–	–	–	–	–	–	–	(38,430)	(38,430)	–	(38,430)
Profit appropriation to surplus reserve	–	–	13,777	–	–	–	–	(13,777)	–	–	–
Controlling shareholders' contribution	–	–	–	–	–	–	33,004	–	33,004	24,996	58,000
Acquisition of a subsidiary (note 20)	–	–	–	–	–	–	–	–	–	16,499	16,499
Balance at 30 June 2012 (unaudited and restated)	149,137	495,537	87,046	310,578	(317)	(4,411)	(213,655)	528,855	1,352,770	193,421	1,546,191
Balance at 1 January 2013 as previously stated	**149,137**	**495,537**	**87,046**	**372,358**	**(327)**	**-**	**(493,112)**	**700,277**	**1,310,916**	**10,529**	**1,321,445**
Adjustment in respect of the acquisition from controlling shareholders (note 1)	**-**	**-**	**-**	**-**	**-**	**(4,118)**	**205,146**	**(130,422)**	**70,606**	**175,729**	**246,335**
As restated	**149,137**	**495,537**	**87,046**	**372,358**	**(327)**	**(4,118)**	**(287,966)**	**569,855**	**1,381,522**	**186,258**	**1,567,780**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**99,973**	**99,973**	**(23,895)**	**76,078**
Other comprehensive income for the period	**-**	**-**	**-**	**-**	**2,181**	**(20,394)**	**-**	**-**	**(18,213)**	**856**	**(17,357)**
Profit and total comprehensive income for the period	**-**	**-**	**-**	**-**	**2,181**	**(20,394)**	**-**	**99,973**	**81,760**	**(23,039)**	**58,721**
Distribution to the then equity shareholders upon acquisition of Hanking Indonesia (note d)	**-**	**-**	**-**	**-**	**-**	**(511)**	**(286,344)**	**(17,117)**	**(303,972)**	**(7,839)**	**(311,811)**
Controlling shareholders' contribution	**-**	**-**	**-**	**-**	**-**	**-**	**45**	**-**	**45**	**20**	**65**
Deemed contribution from shareholders (note e)	**-**	**-**	**-**	**-**	**-**	**-**	**12,829**	**-**	**12,829**	**-**	**12,829**
Transfer to future development funds reserve, net of utilisation	**-**	**-**	**-**	**62,384**	**-**	**-**	**-**	**(62,384)**	**-**	**-**	**-**
2012 final dividend	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(36,600)**	**(36,600)**	**-**	**(36,600)**
Profit appropriation to surplus reserve	**-**	**-**	**559**	**-**	**-**	**-**	**-**	**(559)**	**-**	**-**	**-**
Balance at 30 June 2013 (restated)	**149,137**	**495,537**	**87,605**	**434,742**	**1,854**	**(25,023)**	**(561,436)**	**553,168**	**1,135,584**	**155,400**	**1,290,984**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(CONTINUED)

For the six months ended 30 June 2013

Notes:

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

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

(b) Pursuant to regulation in the PRC, Fushun Hanking Aoniu Mining Co., Ltd. ("Aoniu Mining"), Benxi Hanking Mining Co., Ltd. ("Benxi Mining"), Fushun Maogong Mining Co., Ltd. ("Maogong Mining"), Fushun Xingzhou Mining Co., Ltd. ("Xingzhou Mining"), Fushun Hanking Shangma Mining Co., Ltd. ("Fushun Shangma") and Fushun Hanking Shangma Iron Mine ("Shangma Mining") are required to transfer an amount to a future development fund at RMB22 per ton of iron ore mined annually which will be used for enhancement of safety production environment and improvement of facilities. The fund can only be used for the future development of the iron ore mining business and is not available for distribution to shareholders.

RMB54,116,000 and RMB79,211,000 of future development fund was provided during the six months ended 30 June 2012 and 2013, respectively. RMB10,944,000 and RMB16,827,000 of future development fund was utilised during the six months ended 30 June 2012 and 2013, respectively.

(c) Pursuant to an extraordinary general meeting held on 21 September 2012, Aoniu Mining acquired 100% equity interest of Fushun Shangma from Shenyang Toyo Steel Company Limited (瀋陽東洋製鋼有限公司) (the "Acquisition of Fushun Shangma"). Details of the acquisition are set out in note 1.

Shangma Mining is a company established in the PRC and wholly-owned by Mr. Yang Jiye, one of the ultimate controlling parties (Ms. Yang Min and Mr. Yang Jiye) (the "Controlling Parties"). Prior to the Acquisition of Fushun Shangma, the mining operation of Shangma Mining and its related assets and liabilities (the "Shangma Mining Operation") had been transferred to Fushun Shangma on 31 May 2012. Certain non-core net assets of RMB173,390,000 was retained by Shangma Mining and treated as distribution in species to the Controlling Parties.

(d) Pursuant to an extraordinary general meeting held on 4 March 2013, the Company acquired 70% equity interest of Hanking (Indonesia) Mining Limited ("Hanking Indonesia") (formerly known as Northeastern Lion Limited) and its subsidiaries from Evergreen Mining Limited which is ultimately controlled by the Controlling Parties (the "Acquisition of Hanking Indonesia"). The subsidiaries of Hanking Indonesia mainly engaged in nickel ore mining business. Details of the acquisition are set out in note 1.

(e) The Controlling Parties transferred 8,666,666 shares of the Company to several directors and employees of the Company in June 2013 with nil consideration, to recognise their past contribution to the Group. RMB12,829,000 was calculated on the basis of the share price on the date of transfer and recognised as an expense and special reserve respectively.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	30 June 2013 RMB'000 (Unaudited)	30 June 2012 RMB'000 (Unaudited and restated)
Net cash from operating activities	**131,234**	40,443
Net cash used in investing activities:		
Purchases and deposit paid for acquisition of property, plant and equipment	**(319,702)**	(178,671)
Payments for prepaid lease payments	**(4,609)**	(64,861)
Purchase of available-for-sale investment	**(1,725)**	(43,140)
Proceeds on disposal of property, plant and equipment	**92**	–
Interest received	**7,239**	1,843
Purchase of intangible assets	**(13,280)**	(916)
Repayments from related parties	**32,256**	303,897
Advanced to related parties	**(5,964)**	(336)
Loan to third parties	**–**	(16,000)
Acquisition of a subsidiary (note 20)	**–**	(37,774)
Increase in restricted cash	**(47,412)**	–
Other investing activities	**–**	(20,000)
	(353,105)	(55,958)
Net cash generated from financing activities:		
Increase in pledged bank deposits	**(380,000)**	–
Proceeds from borrowings	**1,453,887**	769,996
Repayment of borrowings	**(680,000)**	(149,942)
Distribution to the then equity shareholders	**(85,788)**	–
Dividend paid to the owners of the Company	**(36,600)**	(32,166)
Acquisition of non-controlling interests	**–**	(2,350)
Loans from related parties	**1,916**	46,614
Repayments to related parties	**(219,498)**	(321,066)
Repayment of loans from non-controlling interest of a subsidiary	**(2,179)**	–
Controlling shareholders' contribution	**65**	58,000
Net cash out flow on deemed distribution	**–**	(1,550)
	51,803	367,536
Net (decrease) increase in cash and equivalents	**(170,068)**	352,021
Cash and cash equivalents at 1 January	**581,960**	352,650
Effect of foreign exchange rate changes	**(1,877)**	(1,886)
Cash and cash equivalents at 30 June represented by bank balances and cash	**410,015**	702,785

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

1. BASIS OF PREPARATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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").

At 30 June 2013, the Group has net current liability of RMB664,654,000. A subsidiary of the Group had an unutilised banking facility of RMB300,000,000 which will be expired on 31 December 2014. Another subsidiary of the Group obtained bank borrowings of RMB130,000,000 which will be due in August 2014. In addition, the Company's related party, Hanking Industrial Group Co., Ltd. has agreed not to request repayment of consideration payable of RMB311,811,000 owing to it in the foreseeable future. The directors of the Company are satisfied that the Group will have sufficient financial resource to meet its financial obligation as they fall due for the foreseeable future after taking into amount of the available banking facilities, financial support from related parties and internally generated funds. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

Business Combinations under Common Control:

The Acquisition of Fushun Shangma and the Acquisition of Hanking Indonesia from the Controlling Parties were completed on 21 September 2012 and 4 March 2013, respectively. All of these events involve business combinations under common control and as a result, the consolidated financial statements of the Group throughout the six months ended 30 June 2012 and 2013 has been prepared using the principles of merger accounting, and includes the results and cash flows of the companies comprising the Group as if the business combination had occurred from the date when the combining entities or business first came under the control of the Controlling Parties, except that the results attributable to the owners of the group companies other than Ms. Yang Min and Mr. Yang Jiye prior to the Acquisition of Fushun Shangma and the Acquisition of Hanking Indonesia were treated as non-controlling interests. The condensed consolidated statements of financial position of the Group as at 30 June 2013 and 31 December 2012 have been prepared in accordance with the principles of merger accounting to present the assets and liabilities of the companies comprising the Group as if the group structure had been in existence as at those dates and in accordance with the respective equity interests in the individual companies attributable to Ms. Yang Min and Mr. Yang Jiye as at those dates.

a) Acquisition of Fushun Shangma:

Prior to the Acquisition of Fushun Shangma, the Controlling Parties, through their direct equity interest and ownership in certain related companies which had equity interest in, effectively controlled the following companies comprising the Group:

	1 January 2012 to 30 May 2012	31 May 2012 to 20 September 2012
Shangma Mining	100.00%	N/A
Fushun Shangma	66.72%	66.72%

1. BASIS OF PREPARATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Business Combinations under Common Control: (continued)

a) Acquisition of Fushun Shangma: (continued)

Through the Acquisition of Fushun Shangma as detailed in the 2012 annual report of the Group dated 19 March 2013, the Company has 100% indirect equity interest in Fushan Shangma. The Acquisition of Fushun Shangma was completed on 21 September 2012.

b) Acquisition of Hanking Indonesia:

Prior to the Acquisition of Hanking Indonesia, the Controlling Parties, through their direct equity interest and ownership in certain related companies which had equity interest in, effectively controlled the following companies comprising the Group:

	1 January 2012 to 4 March 2013
Hanking Indonesia	62.27%

On 4 March 2013, the Company acquired 70% equity interest of Hanking Indonesia, a company controlled by Evergreen Mining Limited, which are indirectly controlled by the Controlling Parties, at a cash consideration of RMB311,811,000. The Acquisition of Hanking Indonesia has been considered as business combinations under common control and are accounted for using the principal of merger accounting.

The consideration payable for the Acquisition of Hanking Indonesia is accounted for as deemed distribution to the Controlling Parties and recorded under current liabilities as at 30 June 2013.

Upon completion of the Acquisition of Hanking Indonesia on 4 March 2013, the Company has 70% indirect equity interest in Hanking Indonesia.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2013

1. BASIS OF PREPARATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Business Combinations under Common Control: (continued)

b) Acquisition of Hanking Indonesia: (continued)

The effects of adopting merger accounting to account for the Acquisition of Hanking Indonesia for the current period and the Acquisition of Fushun Shangma and Acquisition of Hanking Indonesia for the prior period described above on the consolidated statement of profit or loss and other comprehensive income of the Group, are as follows:

	Six months ended 30 June 2013 RMB'000	2012 RMB'000
Increase in revenue	–	144,989
Increase in cost of sales	–	(104,821)
Increase in other income	14	73
Increase in other expenses	(5,758)	(7,815)
Increase in selling and distribution expenses	(23)	(8,988)
Increase in administrative expenses	(23,976)	(34,419)
Increase in net foreign exchange loss	(453)	(3,922)
Increase in finance costs	(13,534)	(22,478)
Increase in income tax expense	–	(5,122)
Net decrease in profit for the interim period	(43,730)	(42,503)
Impact on other comprehensive income (expense) for the interim period:		
Exchange differences on translation of financial statements of foreign operations	1,802	(2,525)
Net increase (decrease) in other comprehensive expense for the interim period	1,802	(2,525)
Net decrease in total comprehensive expense for the interim period	(41,928)	(45,028)
Decrease in profit for the period attributable to:		
Owners of the Company	(35,969)	(12,240)
Non-controlling interests	(7,761)	(30,263)
	(43,730)	(42,503)
Decrease in profit and total comprehensive income for the year attributable to:		
Owners of the Company	(34,618)	(13,422)
Non-controlling interests	(7,310)	(31,606)
	(41,928)	(45,028)
Decrease in earnings per share – Basic and diluted (RMB cent per share)	(2)	(1)

1. PREPARATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Business Combinations under Common Control: (continued)

b) Acquisition of Hanking Indonesia: (continued)

The effect of the Acquisition of Hanking Indonesia on the financial positions of the Group as at 31 December 2012 is as follows:

	As at 31 December 2012 (originally stated) RMB'000	Adjustments RMB'000	As at 31 December 2012 (unaudited and restated) RMB'000
Property, plant and equipment	861,322	38,304	899,626
Intangible assets	318,192	572,420	890,612
Prepaid lease payments	395,481	2,938	398,419
Deferred tax assets	4,152	1,000	5,152
Deposit on acquisition of property, plant and equipment	25,010	22,757	47,767
Inventories	92,247	5,131	97,378
Trade and other receivables	371,862	44,917	416,779
Tax recoverable	7,198	24	7,222
Available-for-sale financial assets	2,941	–	2,941
Loans to related parties	–	33,770	33,770
Loan receivable from a third party	15,300	–	15,300
Bank balances and cash	577,985	3,975	581,960
Trade and other payables	(261,352)	(6,902)	(268,254)
Borrowings	(800,000)	–	(800,000)
Loan from a third party	(6,052)	–	(6,052)
Loans from related parties	–	(228,516)	(228,516)
Consideration payable	(85,788)	(241,467)	(327,255)
Tax liabilities	(197,053)	(24)	(197,077)
Rehabilitation provision	–	(833)	(833)
Retirement benefit obligations	–	(1,159)	(1,159)
	1,321,445	246,335	1,567,780
Equity attributable to owners of the Company	1,310,916	70,606	1,381,522
Non-controlling interests	10,529	175,729	186,258
Total effects on equity	1,321,445	246,335	1,567,780

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2013

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

Share-based payment transactions

Equity-settled share-based payment transactions

Shares granted to employees

The fair value of services received determined by reference to the fair value of shares granted is recognized as an expense in full at the grant date when the shares granted vest immediately with a corresponding increase in equity.

Closure and rehabilitation

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Closure and rehabilitation (continued)

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

Retirement benefit costs

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

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of the reporting period. All actuarial gains and losses of defined benefit plans are recognised immediately in other comprehensive income in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

The retirement benefit obligation recognised in the condensed consolidated statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2013

2. PRINCIPAL ACCOUNTING POLICIES (continued)

In the current interim period, the Group has applied, for the first time, certain new or revised International Accounting Standards ("IASs"), International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for the current interim period.

IFRS 13 Fair Value Measurement

The Group has applied IFRS 13 for the first time in the current interim period. IFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various IFRSs. Consequential amendments have been made to IAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of IFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. IFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

Disclosures of fair value information are set out in note 21.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to IAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Amendments to IAS 34 Interim Financial Reporting
(as part of the Annual Improvements to IFRSs 2009-2011 Cycle)

The Group has applied the amendments to IAS 34 Interim Financial Reporting as part of the Annual Improvements to IFRSs 2009 – 2011 Cycle for the first time in the current interim period. The amendments to IAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker (CODM) and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

Except as described above, the application of the other new or revised IFRSs in the current interim period has had no material effect on the amounts reported and disclosures set out in these condensed consolidated financial statements.

3. KEY SOURCE OF ESTIMATION UNCERTAINTY

Provision of closure and rehabilitation

The Group's accounting policy for the recognition of closure and rehabilitation provisions requires significant estimates and assumptions such as: requirements of the relevant legal and regulatory framework; the magnitude of possible contamination; and the timing, extent and costs of required closure and rehabilitation activity. These uncertainties may result in future actual expenditure differing from the amounts currently provided.

The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for operating sites are recognised in the balance sheet by adjusting both the closure and rehabilitation asset and provision. For closed sites, changes to estimated costs are recognised immediately in the income statement.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2013

4. SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately according to the geographical information of the operations and products. Following the acquisitions of Hanking Indonesia and an Australia gold mine during the period, the Group has been operating in three segments, being iron mine business (the business of Shenyang Toyo Steel Utility Co., Ltd and its subsidiaries, excluding Yingkou Xinwang Alloy Furnace Charge Co., Ltd. (營口鑫旺合金爐料有限公司)), nickel ore business (business of Hanking Indonesia and its subsidiaries, including Yingkou Xinwang Alloy Furnace Charge Co., Ltd.(營口鑫旺合金爐料有限公司)) and gold mine business (business of Hanking Australia Pty Ltd and its subsidiaries), 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 executive directors, the chief operating decision maker, to make decisions about resources allocation and assess its performance.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without central administration costs and directors' salaries, financial costs and other income and expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

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

Six months ended 30 June 2013

	Iron RMB'000	Nickel RMB'000	Gold RMB'000	Total RMB'000
SEGMENT REVENUE				
External sales	666,986	9,586	–	676,572
Inter-segment sales	–	–	–	–
	666,986	9,586	–	676,572
Segment profit (loss)	236,383	(53,544)	(15,966)	166,873
Central administration costs and directors' salaries				(25,896)
Finance costs				(1,614)
Other income and expense				4
Group's profit before tax				139,367

4. SEGMENT INFORMATION (continued)

Six months ended 30 June 2012

	Iron RMB'000	Nickel RMB'000	Gold RMB'000	Total RMB'000
SEGMENT REVENUE				
External sales	739,276	9,747	–	749,023
Inter-segment sales	–	–	–	–
	739,276	9,747	–	749,023
Segment profit (loss)	312,259	(65,808)	(490)	245,961
Central administration costs and directors' salaries				(2,478)
Other income and expense				(1,096)
Group's profit before tax				242,387

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited and restated)
Cost of inventories recognized as an expense	**255,602**	266,488
Auditors' remuneration	**500**	400
Release of prepaid lease payments	**24,194**	14,641
Depreciation and amortisation:		
– Property, plant and equipment	**42,440**	30,032
– Intangible assets	**12,304**	10,161
	54,744	40,193
Staff costs (including directors):		
– Salary and other benefits	**93,235**	70,582
– Retirement benefits scheme contributions	**5,804**	5,834
	99,039	76,416

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2013

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited and restated)
Income tax expenses comprise:		
PRC enterprise income tax ("EIT") – current	**61,225**	76,452
Under provision of EIT in prior years	**757**	438
Deferred tax	**1,307**	1,798
	63,289	78,688

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

PRC income tax is calculated based on the statutory income tax rate of 25% (2012: 25%) of taxable income of the subsidiaries based on the relevant PRC tax rules and regulations.

China Hanking Investment Limited, China Hanking (BVI) International Limited ("Hanking International") and Hanking (Indonesia) Mining Limited ("Hanking Indonesia") were incorporated in the British Virgin Islands ("BVI") and are not subject to income tax of any jurisdiction during the period (2012: nil).

China Hanking (Hong Kong) Limited, Denway Development Limited, City Globe Limited and Harvest Globe Limited were incorporated in Hong Kong and Hong Kong Profits Tax rate is 16.5% (2012:16.5%).

Hanking Australia Pty Ltd. ("Hanking Australia") and Hanking Gold Mining Pty Ltd. were incorporated in Australia and Australia profits tax rate is 30% (2012: 30%). They have no assessable profits subject to Australia profits tax during the current period.

Subsidiaries of Hanking Indonesia were incorporated in Indonesia and Indonesia profits tax rate is 25% (2012: 25%). They have no assessable profits subject to Indonesia profits tax during the current period.

7. DIVIDENDS

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Final dividend declared for 2012 RMB2.0 cents (2011: RMB2.1 cents) per share	**36,600**	38,430

During the current interim period, a final dividend of RMB2.0 cents per share in respect of the year ended 31 December 2012 (2012: RMB2.1 cents per share in respect of the year ended 31 December 2011) was declared and paid to the owners of the Company.

No dividends were paid, declared or proposed during the current period. The Board have determined that no dividend will be paid in respect of the current period.

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the six months ended 30 June 2013 attributable to owners of the Company and the 1,830,000,000 shares in issue during the current period (2012: 1,830,000,000 shares).

Diluted earnings per share presented is same as basic earnings per share as the Company did not have dilutive potential ordinary shares in issue in the current and prior period.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment (including capital expenditure for construction in progress) of RMB 426,877,000 for business expansion in the Group.

10. INTANGIBLE ASSETS

As at 30 June 2013, the Company has pledged mining rights with a net book value of approximately RMB267,607,000 (31 December 2012: RMB254,514,000) to secure the bank borrowings of RMB200,000,000 (31 December 2012: RMB300,000,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2013

11. PREPAID LEASE PAYMENTS

	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (unaudited and restated)
Analysed for the reporting purpose as:		
Current portion	**46,821**	47,026
Non-current portion	**331,887**	351,393
	378,708	398,419

The prepaid lease payments were amortised over the benefit periods from 5 to 50 years. At 30 June 2013, amount of RMB285,075,000 (31 December 2012: RMB299,127,000), represented the pre-paid rental to various farmers for iron ore mines and no land certificates for these pre-paid rental have been obtained.

12. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 7 days to its customers of iron ore concentrate. The Group does not have a fixed credit period policy for its customers of nickel ore and the customers normally settled trade receivables within three months. The aging of bills receivables are within six months. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period.

	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (unaudited and restated)
Within 7 days	**25,551**	39,052
8 days to 3 months	**–**	27,164
3 months to 1 year	**21,949**	9,747
1 year to 2 years	**4,192**	–
	51,692	75,963
Bills receivables	**48,871**	99,715
Total trade receivables	**100,563**	175,678
Other receivables, deposits and prepayments	**256,350**	241,101
	356,913	416,779

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (unaudited and restated)
Listed investment at fair value (note)	**6,847**	2,941

Note: The listed investment represents the Group's equity interests in a company listed on Australian Securities Exchange. The investment are measured at fair value at the end of the reporting period.

14. RESTRICTED CASH

The restricted cash of Hanking Australia amounted to RMB47,412,000 represented unconditional performance bonds which is administered by the Environment Division of the Department of Mines and Petroleum of Australia as security for mine operators to meet the rehabilitation requirements on its tenements.

15. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

The pledged bank deposits carried fixed interest rate as at 30 June 2013. RMB280,000,000 of pledged bank deposits were secured for the bank borrowings of RMB595,437,000 due within one year. RMB100,000,000 of pledged bank deposit was secured for issuance of bills payable.

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 of 0.35%-6.50% (2012: 0.35%-6.50%) per annum.

16. TRADE AND OTHER PAYABLES

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

	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (unaudited and restated)
Within 3 months	**53,596**	23,291
3 months to 1 year	**4,751**	5,859
1 year to 2 years	**3,010**	747
Over 2 years	**–**	200
	61,357	30,097
Bill payables	**2,000**	–
Total trade payables	**63,357**	30,097
Other payables, advances and accruals	**287,255**	238,157
	350,612	268,254

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2013

17. BANK BORROWINGS

	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (unaudited and restated)
Fixed-rate bank loans	**790,000**	400,000
Floating-rate bank loans (note a)	**783,887**	400,000
	1,573,887	800,000
Secured bank loans (note b)	**1,015,437**	300,000
Unsecured bank loans	**558,450**	500,000
	1,573,887	800,000
Amount repayable:		
Due within one year (amount shown under current liabilities)	**1,227,880**	800,000
More than two years, but not exceeding five years (amount shown under non-current liabilities)	**346,007**	–
	1,573,887	800,000
Effective interest rates of bank borrowings	**3.72%**	6.78%

Notes:

a) The floating-rate bank loans carry interest at 29% to 110% of the one-to-three-year interest rates of RMB loan promulgated by the People's Bank of China.

b) The bank borrowings of RMB200,000,000 (31 December 2012: RMB300,000,000) were secured by various assets including the mining rights with carrying amounts of RMB267,607,000 (31 December 2012: RMB254,514,000).

The bank borrowings of RMB170,000,000 (31 December 2012: Nil) were secured by Hanking Industrial Group Co., Ltd. ("Hanking Industrial Group") and bank borrowings of RMB50,000,000 (31 December 2012: Nil) were secured by Hanking Industrial Group and Ms. Yang Min. Hanking Industrial Group was ultimately controlled by Ms. Yang Min.

The bank borrowings of RMB595,437,000 (31 December 2012: Nil) was secured by the pledged bank deposits of RMB280,000,000.

18. CONSIDERATION PAYABLE

	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (unaudited and restated)
Analysed for the reporting purpose as:		
Current portion	**357,329**	143,320
Non-current portion	**209,376**	183,935
	566,705	327,255

The amount as at 30 June 2013 represented:

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

As at 30 June 2013, the consideration payable of RMB254,894,000 (31 December 2012: RMB241,467,000) was recognised at amortised cost using the effective interest method at the date of acquisition. According to the acquisition agreements, it will be repaid in installment basis by reference to the progress of the mining development with the last payment fall due in the year of 2032. The amount repayable within the next twelve months is classified under current portion which is calculated based on directors' estimation on the project development progress.

(b) The remaining balance of RMB311,811,000 at 30 June 2013 represented the consideration payable to Evergreen Mining Limited arising from the acquisition of 70% equity of Hanking Indonesia. Pursuant to the terms of agreement, the amount is repayable within the next twelve months, accordingly, the amount is classified as current portion.

As at 31 December 2012, consideration payable of RMB85,788,000 represented the remaining balance of consideration payable to Shenyang Toyo Steel Company Limited arising from the acquisition of 100% equity of Fushun Shangma.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2013

19. SHARE CAPITAL

The amount as at 30 June 2013 and 31 December 2012, represented the then issued share capital of the Company, details of movements of share capital of the Company are as follow:

	Number of share	Share capital HK$'000	Shown in the consolidated financial statements RMB'000
Ordinary shares of HK$0.1 each			
Authorised:			
At 31 December 2012 and 30 June 2013	10,000,000,000		
Issued:			
At 31 December 2012 and 30 June 2013	1,830,000,000	182,900	149,137

20. ACQUISITION OF A SUBSIDIARY

On 30 May 2012, City Globe Limited, a subsidiary of Hanking Indonesia, acquired 75% equity interest in KP. The acquisition has been accounted for as acquisition of assets as the major assets of KP were mining rights and KP did not carry out any business operation prior to the acquisition. The details of assets and liabilities of KP on acquisition date are as following:

	RMB'000
Property, plant and equipment	74
Intangible assets	68,402
Other receivables	306
Bank balances and cash	226
Other payables	(3,012)
Net assets acquired	65,996
Less: non-controlling interests	(16,499)
	49,497
Total consideration:	
Cash consideration paid	38,000
Consideration payable included in liabilities as at 30 June 2013	11,497
	49,497
Net cash out flow arising on acquisition:	
Cash consideration paid	38,000
Less: cash and cash equivalent balance acquired	(226)
	37,774

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets and financial liabilities 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 and financial liabilities 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 is 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/ financial liabilities	Fair value as at 30 June 2013	Fair value as at 31 December 2012	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Available-for-sale financial assets in the condensed consolidated statement of financial position	**Listed equity securities in Australia: RMB6,847,000**	Listed equity securities in Australia: RMB2,941,000	Level 1	Quoted bid prices in an active market	N/A	N/A

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2013

22. CAPITAL COMMITMENTS

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

	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (unaudited and restated)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	**134,067**	138,848

23. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited and restated)
Sales of goods to		
Fushun Hanking D.R.I. Co., Ltd. 撫順罕王直接還原鐵有限公司 (note a)	**–**	135,777
Dalian Huaren Trade Co., Ltd. 大連華仁貿易有限公司 (note a)	**145,233**	21,006
Shanghai Hanking International Trade Co., Ltd. 上海罕王國際貿易有限公司 (note a)	**–**	9,747
	145,233	166,530

23. RELATED PARTY TRANSACTIONS (continued)

	Six months ended 30 June 2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited and restated)
Material purchased from		
Shanghai Hanking International Trade Co., Ltd. 上海罕王國際貿易有限公司 (note a)	**1,322**	–
Fushun County Dawei Foundry 撫順縣大維鑄造廠 (note a)	**–**	1,162
	1,322	1,162
Processing fee paid to:		
Benxi Hanking Iron Processing Co. Ltd. 本溪罕王鐵選有限公司 (note a)	**15,969**	14,051
Rental expense paid to:		
Shenyang Shengtai Property Management Co., Ltd. 瀋陽盛泰物業管理有限公司 (note a)	**2,095**	2,400
Transportation fee paid to		
Fushun Mingyang Transport Co., Ltd. 撫順名揚運輸有限公司 (note b)	**12,885**	11,552

Note:

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

(b) These companies are the related parties in which Ms. Yang Min has significant influence.

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
"Benxi Mining"	Benxi Hanking Mining Co., Ltd. (本溪罕王礦業有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
"Board"	The board of directors of the Company
"China" or "PRC"	The People's Republic of China. Unless the context requires, references in this report to the "PRC" or "China" do not include Hong Kong, Macau Special Administrative Region and Taiwan Region
"Company" or "our Company" or "we"	China Hanking Holdings Limited
"Controlling Shareholders"	has the meaning ascribed in the Listing Rules and unless the context requires otherwise, refers to Mr. Yang Jiye, Ms. Yang Min, China Hanking (BVI) Limited, Bisney Success Limited and Best Excellence Limited
"Directors"	The directors of the Company
"EBITDA"	The abbreviation of earnings before interest, taxes, depreciation and amortization
"Fushun Shangma"	Fushun Hanking Shangma Mining Co., Ltd (撫順罕王上馬礦業有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
"Group"	China Hanking Holdings Limited and its subsidiaries
"Hanking Australia Pty Ltd"	Hanking Australia Pty Ltd (罕王澳大利亞有限公司), a limited liability company established in the Australia and a wholly-owned subsidiary of the Company

"Hanking Group"	Hanking Group Co., Limited (罕王實業集團有限公司)
"Hanking (Indonesia) Mining Limited"	Hanking (Indonesia) Mining Limited, a limited liability company established in British Virgin Islands, a subsidiary of the Company
"HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Indicated Resource"	An Indicated Resource is one which has been sampled by drill holes or other sampling procedures at locations too widely spaced to ensure continuity, but close enough to give a reasonable indication of continuity and where geoscientific data are known with a reasonable level of reliability
"Inferred Resource"	An Inferred Resource is one where geoscientific evidence from drill holes or other sampling procedures is such that continuity cannot be predicted with confidence and where geoscientific data may not be known with a reasonable level of reliability
"Indonesia"	The Republic of Indonesia
"Indonesia nickel ore project"	Indonesia nickel laterite project operated by KKU, KS and KP
"Indonesian Rupiah"	The lawful currency of Indonesia
"JORC"	Australasian Joint Ore Reserves Committee
"KKU"	PT Karyatama Konawe Utara, a company duly incorporated in Indonesia, and a subsidiary of the Company
"KP"	PT Konutara Prima, a company duly incorporated in Indonesia, and a subsidiary of the Company
"KS"	PT Konutara Sejati, a company duly incorporated in Indonesia, and a subsidiary of the Company
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Maogong Mine"	located at Shiwen Town, Fushun City, an iron mine operated through Maogong Mining, a subsidiary of the Company

DEFINITIONS OF TERMS

(CONTINUED)

"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
"Mengjia Mine"	located at Pingshan District, Benxi City, an iron mine operated through Benxi Mining, a subsidiary of the Company
"North Konawe, Indonesia"	A county in the South-East Sulawesi of The Republic of Indonesia
"Northeastern Lion"	Northeastern Lion Limited, a limited liability company incorporated in British Virgin Island and then renamed Hanking (Indonesia) Mining Limited, a subsidiary of the Company, indirectly holds 75% shares of KS, KKU and KP
"Proven Resource"	A proven resource is one which the geologic feature, shape of the ore, occurrence, scale, ore quality, grade, as well as the mining technology condition and the continuity of the ore body have been ascertained according to the accuracy of prospecting in the mining area, the data that mineral deposit depended on is elaborate enough; and the one has high reliability
"Reporting Period"	For the six months ended 30 June 2013
"RMB"	Renminbi Yuan, the lawful currency of the PRC
"Shangma Mine"	located at Fushun shangma, an iron mine operated through Fushun Shangma, a subsidiary of the Company
"SXO"	located at the center of Yilgarn goldfield in Western Australia (Southern Cross Operation, abbreviated as SXO)
"US$" or "US dollars"	United States dollars, the lawful currency of the United States
"Utility"	Shenyang Toyo Steel Utility Co., Ltd, a limited liability company established in the PRC and a wholly-owned subsidiary of our Company
"Xingzhou Mine"	located at Dongzhou District, Fushun City, an iron mine operated through Xingzhou Mining, a subsidiary of the Company
"Xingzhou Mining"	Fushun Xingzhou Mining Co., Ltd (撫順興洲礦業有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company