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

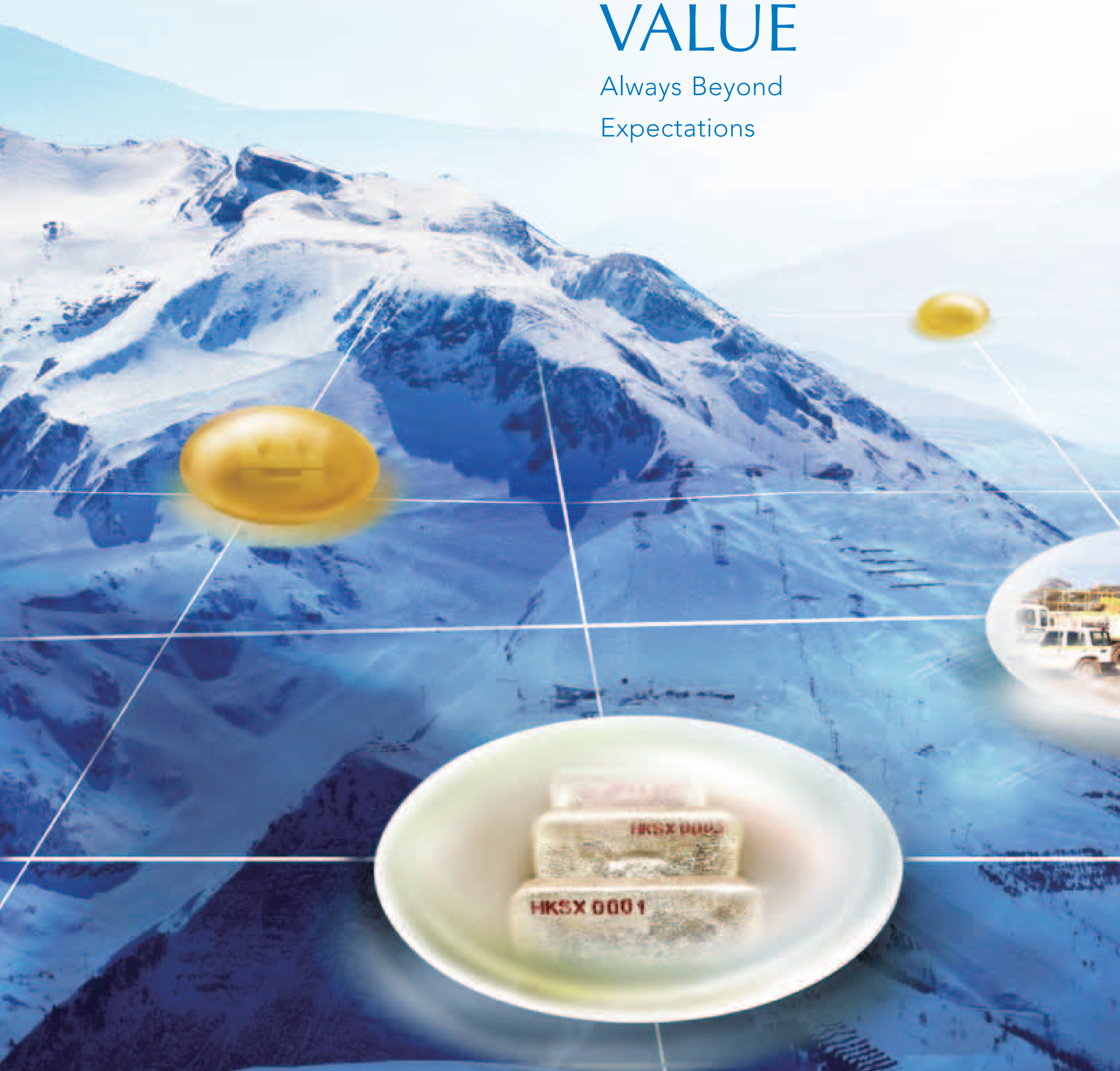
2015
INTERIM REPORT

MISSION

As Emerging Key Player

VALUE

Always Beyond
Expectations



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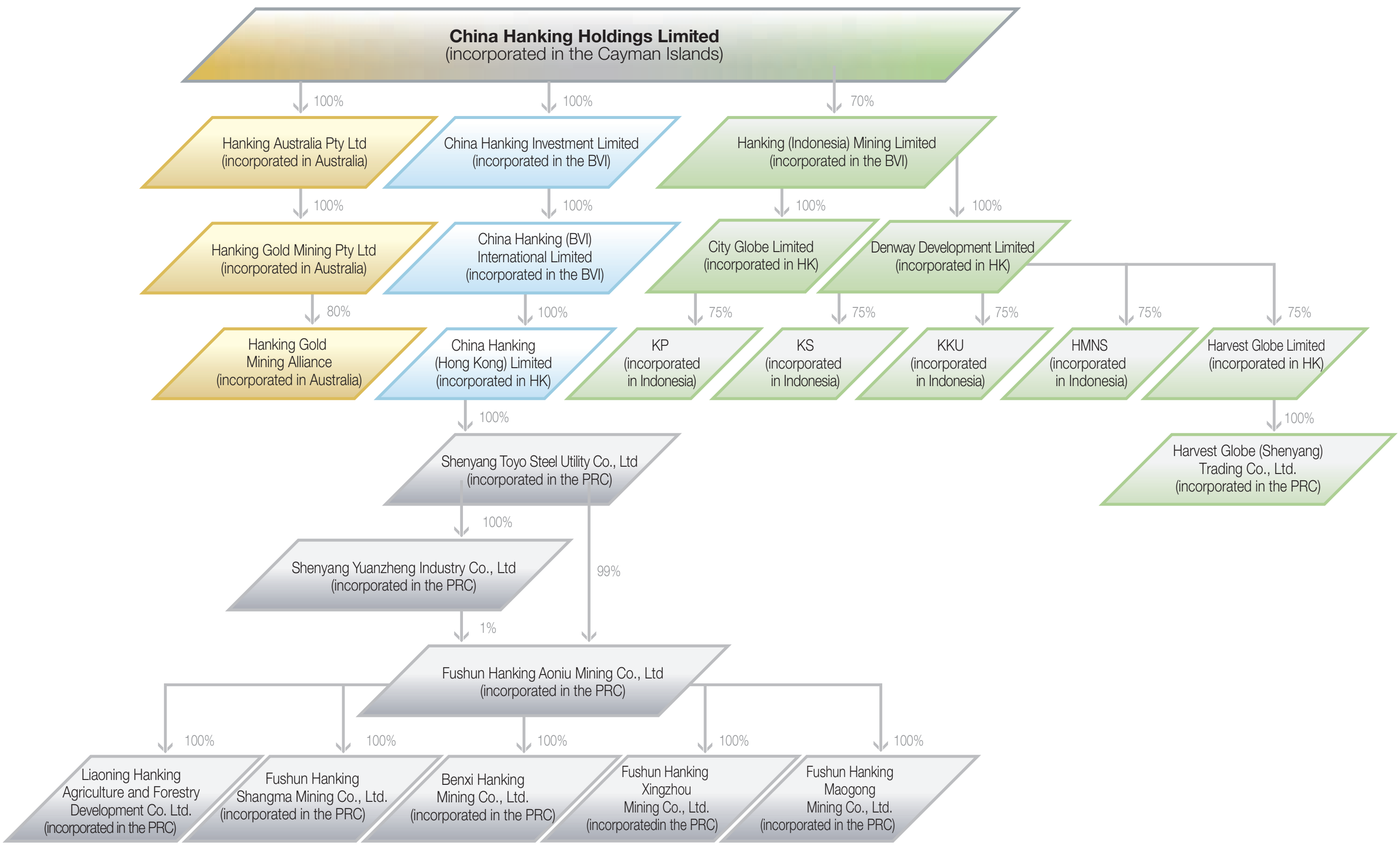
CORPORATE INFORMATION

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

The Group, as an international mining company, has three major business segments (covering iron ore, gold ore and nickel ore) located in the PRC, Australia and Indonesia, and engages in mineral exploration, mining, processing, smelting and product marketing. As a core business of the Group, all of our five operating iron ore mines locate in Liaoning Province of the PRC and produce high quality iron ore concentrates with a grade ranging 66-69%. The Group owns a gold mine in Western Australia, which started stripping last August and poured the first gold on 27 February of this year; the gold business now becomes the fasted growing sector of the Group. Our nickel asset, located in South East Sulawesi, Indonesia, is a world-class laterite resourse and, planning and designing of modern smelters and its associated supporting facilities are just under way.

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

Shareholding Structure of the Group



CORPORATE INFORMATION
(CONTINUED)

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

Company's Statutory English Name
China Hanking Holdings Limited

Stock Code
03788

Registered Office
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Headquarters in the PRC
22nd Floor, Hanking Tower
No. 227, Qingnian Avenue
Shenhe District
Shenyang 110016
Liaoning Province
PRC

Principal Place of Business in Hong Kong
36/F, Tower Two, Times Square
1 Matheson Street
Causeway Bay
Hong Kong

Authorized Representatives
Ms. Mok Ming Wai
Mr. Liao Pin-tsung

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

Auditor
Deloitte Touche Tohmatsu
Certified Public Accountants
35/F, One Pacific Place
88 Queensway
Hong Kong

Hong Kong Legal Advisor
Locke Lord
21/F, Bank of China Tower
1 Garden Road
Central
Hong Kong

Principal Share Registrar in the Cayman Islands
Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Hong Kong Share Registrar
Computershare Hong Kong Investor Services Limited
Rooms 1712–1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Investor Inquiries
Investor Hotline: +852 3158 0506
Facsimile: +852 3158 0508
Website: www.hankingmining.com
E-mail: ir@hanking.com

Directors
Executive Directors
Ms. Yang Min *(Chairlady)*
Mr. Yang Jiye *(Vice Chairman)*
Mr. Pan Guocheng *(Chief Executive Officer and President)*
Mr. Xia Zhuo
Mr. Qiu Yumin
Mr. Liao Pin-tsung

Non-executive Directors
Mr. Zheng Xuezhi
Mr. Kenneth Jue Lee
Mr. Lan Fusheng

Independent Non-executive Directors
Mr. Wang Ping
Mr. Wang Anjian
Mr. Jiang Zhouhua
Mr. Victor Yang

Audit Committee
Mr. Wang Ping *(Chairman)*
Mr. Wang Anjian
Mr. Victor Yang

Remuneration Committee
Mr. Wang Ping *(Chairman)*
Mr. Yang Jiye
Mr. Jiang Zhouhua

Nomination Committee
Ms. Yang Min *(Chairlady)*
Mr. Jiang Zhouhua
Mr. Victor Yang

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

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June	
	2015	2014
Sales amount of iron ore concentrates (thousand metric tons)	**964.4**	939.3
Sales amount of gold ore (ounces)	**10,183**	–
Sales amount of nickel ores (thousand metric tons)	**–**	60.5
Income (RMB'000)	**471,159**	733,125
Gross profit (RMB'000)	**141,146**	303,444
Gross margin	**30%**	41.39%
(Loss) profit for the period (RMB'000)	**(124,942)**	29,516
(Loss) profit attributable to owners of the Company (RMB'000)	**(112,323)**	50,875
EBITDA (RMB'000)	**79,621**	235,899
Profit margin of EBITDA	**16.9%**	32.18%
(Loss) earnings per share (RMB cent)	**(6.1)**	2.8

MANAGEMENT DISCUSSION AND ANALYSIS

Major Operational Achievements

1. The SXO Gold Project of the Group commenced to produce gold in the beginning of 2015. As of 30 June 2015, the amount of gold produced from the SXO Gold Project accumulated to 11,290 ounces, with sales of gold amounting to 10,183 ounces at an average sales price of AUD1,527/ounce.

2. The resources and reserves of the SXO Gold Project recorded significant increase. As of the end of June 2015, the JORC Code-compliant resources of the SXO Gold Project amounted to 25,055,000 metric tons with an average grade of 3.7 g/t containing 3 million ounces of gold. Optimized design and feasibility study have been conducted on open-pit mining based on the exploration results, and as of the end of June 2015, the JORC Code-compliant reserves amounted to 6,319,000 metric tons with an average grade of 2.9 g/t containing 592,000 ounces of gold, representing an increase of 62.6% since the end of 2014, laying a solid foundation for the accelerated development of the SXO Gold Project.

3. Through capacity expansion and technology improvement, the Group has achieved continuing growth in the output of iron ore concentrates, which amounted to 964,500 metric tons in the first half of 2015 (the first half of 2014: 921,500 metric tons), representing a year-on-year increase of 4.67% and exceeded the production target for the first half of the year.

4. With significant decrease in production costs of iron ore concentrates, the Group maintained the advantage of low-cost operation for the iron ore business. As of 30 June 2015, the cash operation cost of iron ore concentrates amounted to RMB291 per metric ton, representing a decrease of RMB96.98 or 24.99% from that of the corresponding period of last year.

For the first half of 2015, the Group recorded a revenue of RMB471,159,000 (first half of 2014: RMB733,125,000), representing a decrease of RMB261,966,000 or 35.7% as compared to the corresponding period of last year. The loss for the period amounted to RMB124,942,000, as compared to a profit of RMB29,516,000 as recorded for the corresponding period of last year, with EBITDA of RMB79,621,000 (first half of 2014: RMB235,899,000), decreased by RMB156,278,000 or 66.2% from that of the corresponding period of last year. The profit margin of EBITDA was 16.9% (first half of 2014: 32.18%), down by 15 percentage points as compared with that of the corresponding period of last year. As at 30 June 2015, the total asset of the Group amounted to RMB4,953,168,000, increased by RMB508,302,000 or 11.4% as compared with that recorded on 31 December 2014.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONTINUED)

Iron Ore Business

In the first half of 2015, affected by the international market and the structural adjustment of the domestic economy, the growth in the gross domestic product and fixed asset investments experienced a gradual slow-down. The domestic output of pig iron for the first half of the year decreased by 2.3% on a year-on-year basis to 357 million metric tons. Coupled with the increase in production of the major international iron ore producers, the price of iron ore slumped further over the first half of 2015. For the first half of 2015, the average sales price of iron ore concentrates produced by the Group was RMB488/metric ton (first half of 2014: RMB763/metric ton), representing a year-on-year decrease of approximately 36.1%.

For the six months ended 30 June 2015, the revenue of iron ore business of the Group was RMB471,159,000, representing a year-on-year decrease of 35.7%, mainly due to the increase in sales amount of iron ore concentrates by 25,130 metric tons or 2.68%, which was offset by the decline of its average sales price by RMB275/metric ton or 36.1%[1]. EBITDA was RMB107,042,000, decreased by RMB183,009,000 from that of the corresponding period of last year, mainly due to the decrease in sales price pre metric ton of the iron ore concentrate. The profit margin of EBITDA was 22.7%, down by 18 percentage points as compared with that of the corresponding period of last year. The total capital expenditure amounted to RMB203,658,000, representing a year-on-year increase of 100.2%.

1. Stable growth in the production and sales amount of iron ore concentrates

Benefitting from the continuing technical innovations and the Company's iron ore processing capacity of 10,000,000 metric tons, the iron ore concentrates production increased steadily in the first half of 2015, and amounted to 964,500 metric tons, an increase of 4.67% from that of the corresponding period of last year. Despite of the domestic iron ore industry being in a downturn and benefited from quality improvement of iron ore concentrates, the sales volume of iron ore concentrates produced by the Company recorded steady growth with a year-on-year increase of 2.68% to 964,400 metric tons.

[1] The average sales price of iron ore concentrates for the first six months of 2014 amounted to RMB763 per metric ton, while the average sales price for the corresponding period of 2015 was RMB488 per metric ton.

Breakdown of the production and sales of iron ore concentrates

	Production of iron ore concentrates (metric ton)			**Sales of iron ore concentrates (metric ton)**		
Mines	**First half of 2015**	First half of 2014	Changes	**First half of 2015**	First half of 2014	Changes
Maogong Mine	**219,090**	136,853	60.09%	**215,904**	143,134	50.84%
Aoniu Mine	**593,286**	482,316	23.01%	**588,358**	496,440	18.52%
Benxi Mine	**115,418**	135,809	-15.01%	**122,836**	144,105	-14.76%
Xingzhou Mine[2]	**–**	72,464	-100.00%	**–**	58,802	-100.00%
Shangma Mine[3]	**36,722**	94,075	-60.97%	**37,340**	96,827	-61.44%
Total	**964,516**	921,517	4.67%	**964,438**	939,308	2.68%

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

As at 30 June 2015, the cash operation cost of iron ore concentrates was RMB291/ton, representing a decrease of RMB96.98 or 24.99% as compared to the corresponding period of last year.

The breakdown of cash operation costs is set out as below:

	For the six months ended 30 June		
	2015	2014	Change
Mining (RMB/metric ton)	**117.25**	158.96	-26.24%
Processing (RMB/metric ton)	**95.93**	116.40	-17.59%
Freights (RMB/metric ton)	**17.70**	21.30	-16.90%
Tax (RMB/metric ton)	**38.62**	58.37	-33.84%
Others (RMB/metric ton)	**21.52**	32.97	-34.73%
Total (RMB/metric ton)	**291.02**	388.00	-24.99%

2 The Company launched the overall project planning for the mining and processing of Xingzhou Mine, and production at Xingzhou Mine was suspended since the second half of 2014. This project planning will also be the priority task for Xingzhou Mine and the Group in 2015.

3 During the first half of 2015, due to the shortage in iron ore supply, only Yanghu Processing Plant of Shangma Mine was in operation, while production at Shangma Processing Plant was temporarily suspended. The underground mining development works of Shangma Mine will also be the priority task for Shangma Mine and the Group in 2015.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONTINUED)

The decrease in cash operation cost was mainly attributable to:

1) the decrease in the contract price for the underground mining and development works. Through negotiation with the contractors, the unit price for the underground mining and development works was down by 7.82% and 21.97% respectively as compared with the corresponding period of last year for Aoniu Mine, and by 7.61% and 27.37% respectively for Benxi Mine. The unit price of underground development works at Shangma Mine was down by 12.33% as compared with last year.

2) reduced workforce and improved efficiency. Efforts were made at each mine sites to streamline workforce structure and adjust roles and responsibilities, so as to reduce workforce without interrupting production or lowering efficiency. The policy of unpaid leave of absence was adopted for the employees of the mines where production was suspended. As at 30 June 2015, the iron ore business had a total of 1,900 employees, representing a year-on-year decrease of 17.03%. During the first half of 2015, measures were taken to link individual performance with the operating results of the Company, such as refining the performance assessment and adding grade of the products, recovery rate and other technical indicators into performance assessment, so as to effectively arouse the proactiveness of the employees, achieving the goal of reducing workforce but improving efficiency.

3) optimization of production system. In the second half of 2014, the Company adjusted its production layout on the principle of "efficiency first", which effectively improved the production output structure. Through technical innovations, energy consumption was reduced and the grades of iron ore concentrates for Aoniu Mine, Maogong Mine and Shangma Mine were improved from 66% to 69%. According to the contracts with our clients, unit sales price of iron ore concentrates will increase by RMB8 per metric ton with an increase of one percentage point in its grade. Therefore, profit for iron ore concentrates per metric ton was significantly improved while product costs were reduced.

3. Major mine development projects as scheduled

Based on the adjusted production layout and production planning, strict project timelines have been followed for the major mine development projects of the iron ore business. Progress of the major projects are as follows for the first half of 2015:

1) 3 million metric tons per annum underground mining project of Maogong Mine

In respect of the underground mining project of Maogong Mine with a mining capacity of 3 million metric tons per annum, shaft and decline development work has been completed, and drift development and mining preparation are currently under way. The estimated total investment for the project is RMB330,000,000, and the actual investment of RMB77,198,000 has been made for the six months ended 30 June 2015, with an accumulated investment of RMB89,887,000.

2) Underground mining project of No.3 mining area of Aoniu Mine

As of the end of 2014, the main components of underground mining establishment/development works were completed, and underground mining above the 315 meters level officially commenced. As of the end of June 2015, the inspection and acceptance procedures for works below the 315 meters level have been completed and approved, and mining may start below the 320 meters level. The estimated total investment is RMB84,678,000. During the six months ended 30 June 2015, RMB14,417,000 has been actually invested, with an accumulated investment of RMB89,307,000.

3) **Underground mining project of Yanghu Beishan Mining Area of Shangma Mine**

During the first half of 2015, main cross cut and part of the transportation adit at the 158 meters level, the exploration adits along Traverses 15 and 11, and construction of the sump and pump house at the 108 meters level were completed. The estimated total investment is RMB23,000,000. During the six months ended 30 June 2015, RMB3,642,000 has been actually invested, with an accumulated investment of RMB11,519,000.

Gold Business

During the first half of 2015, the international gold spot market opened at USD1,184.37/ounce and closed at USD1,172.35/ounce, with a slight decrease of 1.01%. The highest and lowest gold prices recorded during the period were USD1,307.62/ounce and USD1,142.92/ounce respectively, fluctuating within a range of USD164.7. The gold price was on an upward track in the first quarter, and correcting at a lower level in the second quarter.

As the Company's gold business is located in Australia and most of the cost incurred was paid in Australian dollars, the gold price denominated in AUD is in closer correlation with the operating results of the Company. During the first half of 2015, the international gold spot market opened at AUD1,449.87/ounce and closed at AUD1,521.4/ounce, with an increase of 4.93%. The highest and lowest gold prices recorded during the period were AUD1,652.29/ounce and AUD1,444.46/ounce respectively, fluctuating within a range of AUD207.83. The gold price denominated in AUD appears to be in a better position.

1. Production Review

The Company accomplished the acquisition of the SXO Gold Project in Australia in 2013. Through exploration activities, resource maintenance and team building by the management team during 2014, the SXO Gold Project realized sale of gold dore on 27 February 2015. As of 30 June 2015, the amount of gold produced from the SXO Gold Project accumulated to 11,290 ounces, and 10,183 ounces of gold were sold at an average price of AUD1,527/ounce, with sale revenue amounting to RMB75,732,000. As the SXO Gold Project has not entered into the commercial production phase, the relevant income and net costs will be capitalized until project expenditure are transferred to fixed assets.

For the six months ended 30 June 2015, the EBITDA of the gold business was RMB-8,059,000, and the capital expenditure amounted to RMB132,186,000 (the first half of 2014: RMB11,524,000).

The SXO Gold Project owned 239 tenements. After the acquisition, according to the Company's established strategy of "low investments and quick returns", the management team of the SXO Gold Project conducted feasibility study based on the optimized design of mining and processing. As of 30 June 2015, two gold mines of the SXO Gold Project, namely Cornishman and Nevoria, were already in operation. Open-pit mining at Cornishman commenced in August 2014, while underground mining at Nevoria commenced in December 2014. As of 30 June 2015, a total of 3,609,727 cubic meters of waste rocks were stripped and 67,648 cubic meters of ores were excavated at Cornishman. In respect of Nevoria, the project completed 1,554 meters drift development and mined 41,900 tons of ores.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONTINUED)

Based on the feasibility study, all gold ores mined from the SXO Gold Project will be processed at the Marvel Lorch Central Processing Plant of Hanking Gold (the "Processing Plant"). After the overhaul of the Processing Plant in 2014, the Company upgraded the following major equipments of the Processing Plant in accordance with the actual production situation during the first half of 2015:

- The leaching tank of the Processing Plant was upgraded and new cyclone was installed, further improving the operating efficiency and productivity of the Processing Plant;

- Automatic sampling devices were purchased and installed, improving the efficiency and quality of sample collection.

After equipment upgrading of the Processing Plant, production efficiency was further improved. As of 30 June 2015, a total of 263,318 metric tons (dry basis) of ores were processed by the Processing Plant, with a gold output of 11,290 ounces.

Furthermore, the construction project to raise and expand capacity of the tailings dam of the Processing Plant commenced in April 2015. The current capacity of the tailings dam of the Processing Plant only allows for one year of production, while after the completion of the project the tailings dam will accommodate about 5 years of production.

2. **Substantial Increase in Resources and Reserves**

Exploration drilling activities at Axehandle were completed by Hanking Gold at the beginning of 2015, with 85 drilling holes of an aggregate of 11,460 meters drilled. CSA Global Pty Ltd, an independent Australian technology consulting firm, was engaged by Hanking Gold to carry out resources estimation based on the data from the 200 drilling holes previously drilled. According to their report, the JORC Code-compliant resources[1] at Axehandle were increased to 3,760,000 metric tons with an average grade of 2.5 g/t containing 301,000 ounces of gold, of which 90% of the resources were in the measured or indicated categories. Based on this report, the Company carried out optimized design and feasibility study on open-pit mining at Axehandle, which resulted in the reserves[2] of the Axehandle open-pit mining project being 2,660,000 metric tons with an average grade of 2.4 g/t containing 207,000 ounces of gold, and 78% of the reserves are in the proved category.

In addition, Hanking Gold conducted pit optimized design, reserve estimation and feasibility study on the JORC Code-compliant reserves of the current open-pit mine of Cornishman North in the first half of 2015. The JORC Code-compliant reserves of the open-pit mine were increased by 321,000 metric tons of ores for 21,000 ounces of gold, of which 17,000 ounces are in the proved category and 4,000 ounces are in the probable category[3].

Table 1 Comparison of JORC Code-compliant Gold Resources at Axehandle

	First half of 2015			As at the end of 2014		
	Ore tonnage (thousand metric tons)	**Grade (g/t)**	**Gold contained (thousand ounces)**	Ore tonnage (thousand metric tons)	Grade (g/t)	Gold contained (thousand ounces)
Measured	**2,330**	**2.6**	**193**	–	–	–
Indicated	**990**	**2.5**	**78**	–	–	–
Inferred	**440**	**2.2**	**31**	2,082	2.0	131
Total	**3,760**	**2.5**	**301**	2,082	2.0	131

1 Please refer to Table 1
2 Please refer to Table 2
3 Please refer to Table 2

Table 2 JORC Code-compliant Open-pit Gold Reserves at Axehandle and Cornishman North

Mine	**Reserve Category**	**Ore tonnage** (thousand metric ton)	**Grade** (g/t)
Axehandle	Proved	2,083	2.4
	Probable	577	2.5
	Total	**2,660**	**2.4**
Cornishman North	Proved	241	2.2
	Probable	80	1.8
	Total	**321**	**2.1**

As of the end of June 2015, JORC Code-compliant resource at the SXO Gold Project was 25,055,000 metric tons with an average grade of 3.7 g/t containing 3 million ounces of gold, representing an increase of 25% since acquisition, and the total JORC Code-compliant reserve was 6,319,000 metric tons with an average grade of 2.9 g/t containing 592,000 ounces of gold, representing an increase of 62.6% as compared to that of the end of 2014, again demonstrating the substantial development potential of the SXO Gold Project.

3. Continuing Development

Following the first-stage feasibility study on the SXO Gold Project conducted at the beginning of 2014, Hanking Gold conducted feasibility studies on the two open-pit mining projects at Cornishman North and Axehandle at the end of 2014 and the beginning of 2015 respectively, and filed relevant application to the government of the state of Western Australia based on the conclusions from the feasibility studies. As of the end of June 2015, applications for mining, construction of pumping pipelines and surface vegetation clearance in respect of these two projects have been approved by the relevant government authorities, therefore these two projects are essentially ready for production.

Axehandle gold mine is located at 7 kilometers to the south of operating Cornishman gold mine, and is about 5 kilometers away from the Processing Plant. It is planned that Axehandle and Cornishman will share the same office, staff team, equipments, maintenance workshop and processing plant, with apparent synergetic effects. Moreover, Axehandle gold mine is currently the open-pit mine with the largest gold reverses of the SXO Gold Project, with an average grade of 2.4 g/t. Hanking Gold has also been accelerating the preparation work before the development of Axehandle gold mine and will start to develop the gold mine in the near future, in order to achieve the overall synergies and scale effects of the SXO Gold Project.

NICKEL BUSINESS

During the first half of 2015, the London Metal Exchange nickel metal market price opened at USD15,075/metric ton and closed at USD11,980/metric ton, with a decrease of 20.53%. The overall market trend could be divided into three phases: 1) during the period from January to late April 2015, due to lack of significant improvement in the operating environment of the stainless steel industry in the PRC, the nickel price fluctuated at low level; 2) during the period from the end of April to the beginning of May 2015, the nickel price surged as driven by the expectation of implementation of loose monetary policy by the People's Bank of China and the reduced expectation of interest hike by the United States Federal Reserve, which led to sharp increase in the future nickel price and put the spot nickel price on an upward track; and 3) subsequent to late June 2015, affected by the month-on-month slowdown in the growth of stainless steel output in the PRC, the persistently high inventory of nickel and increasing risk aversion due to deterioration of Greek debt crisis, the nickel price slumped to the record low in six years.

The Company acquired the 52.5% equity interests of laterite nickel project located in North Konawe Regency, Southeastern Sulawesi, Indonesia in the first half of 2013. As of the end of June 2015, the nickel business of the Company has a JORC Code-compliant resources of 350,925,000 metric tons of laterite nickel ore resources at the cut-off nickel grade of 1%, with an average nickel grade of 1.37%. Nickel resources with nickel grade lower than 1% and iron grade higher than 45% (i.e. resources with high TFe and low Ni) amounted to 90,540,000 metric tons, with an average TFe grade of 50.27%. Since the acquisition, the Company has made strenuous efforts to enhance its mining capacity and infrastructure construction, currently with an annual mining capacity of 5 million metric tons of ore.

In order to develop the abundant nickel resources of the Indonesia Nickel Project, the Company must, in accordance with Indonesian laws, construct smelting plant to manufacture nickel pig iron ("NPI") in Indonesia. The Indonesia Nickel Project Company actively carried out negotiations with the relevant parties in seeking a solution to make efficient utilization of the nickel resources. During the first half of 2015, in respect of mining and smelting of nickel ore, the following preparatory works were carried out by the Indonesia Nickel Project Company:

- On 31 March 2015, a non-legally binding memorandum of understanding (the "MOU") was entered into between the Company, POSCO E&C (CHINA) CO., LTD and RG Asset Management Corp., setting out among other things, terms regarding the investment, construction and operation of the Nickel Smelter Construction Project (the "Project"). Pursuant to the MOU, it is the parties' intention to discuss further the possible investment opportunity for the Project. The Company and RG Asset Management Corp. will provide equity investment for the development of the Project, while the Company has agreed that RG Asset Management Corp. may buy to a maximum of 50% of total production volume of the Project at a 2% discount on the market price. As at the end of the reporting period, negotiation in relation to the Project was terminated due to disagreement among all parties regarding the financing proposal.

- The construction of the crushing station at Jetty BSM was completed with test load commissioning conducted in mid-April 2015, and the crushing station after further refinement and adjustment is ready for operation to crush the carpolite needed for the Nickel Smelter Construction Project.

- The preliminary design, site clearance, preliminary geological exploration, seawater measurement and design of the transmission pipeline for the Phase 1 RKEF project with an annual production capacity of 200,000 metric tons of NPI was completed. Application for relevant approvals for the project construction was made in accordance with Indonesian laws.

- Existing roads of 11.5 kilometers were maintained. Some sections of the roads connecting KKU Camp and Jetty BSM and linking Tambakua Village were severely damaged due to persistent rainfall corrosion, and maintenance had been conducted using labor (for the section linking Tambakua Village) and low-grade mineralized rocks (for the section connecting Jetty BSM).

Finance Review

1. Income, Cost of Sales, Gross Profit

For the first half of 2015, the Group's revenue was RMB471,159,000, representing a decrease of RMB261,966,000 or 35.7% over the corresponding period of last year, mainly due to a decrease of RMB275 per metric ton in sales price of iron ore concentrates as compared to the corresponding period of last year.

For the first half of 2015, the Group's cost of sales was RMB330,013,000, representing a decrease of RMB99,668,000 or 23.2% over the corresponding period of last year, mainly attributable to the decrease in production costs as a result of technology improvement implemented by iron ore business.

For the first half of 2015, the Group's gross profit was RMB141,146,000, representing a decrease of RMB162,298,000 or 53.5% over the corresponding period of last year. As compared to the corresponding period of last year, gross profit margin of the Group declined from 41.4% to 30.0% in the first half of 2015 which was mainly due to the slipping of the average sales price of iron ore concentrates.

2. Other Income and Expenses

For the first half of 2015, the Group's other income was RMB13,240,000, representing an increase of RMB989,000 or 8.1% over the corresponding period of last year. Other income mainly included interest income.

For the first half of 2015, the Group's other expenses were RMB54,733,000, representing an increase of RMB19,520,000 or 55.4% over the corresponding period of last year. The increase was mainly attributable to the impairment on assets incurred by Benxi Mine of RMB47,805,000. Other expenses consisted of asset impairment losses, loss from disposal of properties, plants and equipment, charity donation and other overheads.

3. Selling and Distribution Expenses, Administrative Expenses

For the first half of 2015, the selling and distribution expenses of the Group were RMB18,464,000, representing a decrease of RMB5,095,000 or 21.6% as compared to the corresponding period of last year, which was mainly due to the decreasing transportation costs as a result of decrease in the freight per metric ton for the period as compared to that of corresponding period last year. Selling and distribution expenses consisted of transportation expenses, labour expenses and others.

For the first half of 2015, the administrative expenses of the Group were RMB112,594,000, representing a decrease of RMB19,464,000 or 14.7% as compared to the corresponding period of last year. Administrative expenses included remuneration paid to the Group's management and administrative staff, depreciation and amortization, leasing and office expenses, business development expenses, professional consultation and service expenses, taxation expenses, bank charges, inventory depreciation reserves, accrued doubt debt reserves and others.

4. **Financing Cost and Income Tax Expense**

For the first half of 2015, the financing costs of the Group were RMB80,336,000, which increased by RMB26,456,000 or 49.1% as compared to the corresponding period of last year. The increase was mainly due to the increase of the Company's borrowings 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 2015, the income tax expenses of the Group were approximately RMB9,136,000, which decreased by RMB32,997,000 or 78.3% as compared to the corresponding period of last year.

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

For the first half of 2015, the losses on changes in fair value of available-for-sale financial assets of the Group were RMB177,000, representing a decrease of RMB18,574,000 as compared with the corresponding period of last year. Such losses were attributed to the decrease in value of the shares of the Australian listed company held by the Group. During the year, the Group purchased new fixed term bank financial products amounting to RMB199,836,000.

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

Based on the reasons mentioned above, the loss of the Group for the period was RMB124,942,000, as compared to a profit of RMB29,516,000 as recorded for the corresponding period of last year. The decrease was mainly due to the decrease in gross profit margin and the increase in both finance costs and impairment provision on assets.

Based on the loss for the period, and affected by the gains on changes in fair values of available-for-sale financial assets and foreign currency translation, the total comprehensive loss for the first half of 2015 was approximately RMB147,500,000, as compared to a total comprehensive income of RMB11,479,000 as recorded for the corresponding period of the previous year.

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

As of 30 June 2015, the net properties, plants and equipment of the Group were RMB1,369,328,000, representing a decrease of approximately RMB81,656,000 or 5.6% as compared to the end of the previous year.

As of 30 June 2015, the inventories of the Group were RMB148,966,000, representing an increase of approximately RMB11,660,000 or 8.5% as compared to the end of the previous year. The main reason for the increase was the increase in the inventory for production purpose in Australia.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONTINUED)

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

As of 30 June 2015, trade receivables of the Group was RMB361,646,000, representing an increase of RMB26,869,000 over the end of the previous year. As of 30 June 2015, other receivables of the Group was RMB322,479,000, representing an increase of RMB85,237,000 as compared to the end of the previous year, which was mainly attributable to contract prepayment of the gold business and tax recoverable.

As of 30 June 2015, trade payables of the Group was RMB168,519,000, representing an increase of RMB48,104,000 as compared to the end of the previous year. As of 30 June 2015, other payables of the Group was RMB273,605,000, representing a decrease of RMB31,839,000 as compared to the end of the previous year.

9. **Cash Use Analysis**

The summary of the Group's consolidated statement of cash flows for the first half of 2015 was set out below.

	For the six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Net cash flows from operating activities	**(23,856)**	210,631
Net cash flows from investing activities	**(427,647)**	(125,556)
Net cash flows from financing activities	**198,831**	(162,903)
Net decrease in cash and cash equivalents	**(252,672)**	(77,828)
Cash and cash equivalents at the beginning of the period	**299,587**	369,995
Effect of changes in foreign exchange rate on cash and cash equivalents	**382**	2,047
Cash and cash equivalents at the end of the period	**47,297**	294,214

The net cash outflow from the operating activities during the first half of 2015 was RMB23,856,000, which was mainly attributed to the loss before tax of RMB115,806,000, together with depreciation and amortization of RMB115,091,000, impairment loss on assets of RMB47,805,000 as well as the increase of RMB32,581,000 in trade and other payables and was offset by the increase of RMB112,774,000 in trade and other receivables.

For the first half of 2015, the net cash outflow from investing activities amounted to RMB427,647,000, which mainly reflected the amount of RMB92,700,000 used in acquisition of new plants and equipments to expand production and acquisition of properties, the amount of RMB144,175,000 used as consideration for the acquisition of intangible assets and the amount of RMB198,483,000 used in the acquisition of financial assets.

For the first half of 2015, the net cash inflow from financing activities was RMB198,831,000, which was mainly from the newly added bank loans of RMB1,159,941,000. The net cash inflow was offset by the repayment of bank loans of RMB621,231,000 and the payment of bank loan deposit of RMB339,879,000.

10. **Cash and Borrowings**

As of 30 June 2015, cash balance of the Group amounted to RMB889,629,000, representing an increase of approximately RMB87,589,000 or 10.9% compared to the end of last year.

As of 30 June 2015, the balance of bank borrowings of the Group was RMB2,764,674,000, representing an increase of RMB538,506,000 as compared to the end of last year. In addition to the information disclosed above or otherwise in this report, the Group has no outstanding mortgage, pledge, debentures or other loan capital issued or agreed to be issued, bank overdrafts, borrowing, liabilities under acceptance or other similar liabilities, hire purchase and finance lease commitments, or any guarantees or other material contingent liabilities.

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

The gearing ratio of the Group increased from 68.5% on 31 December 2014 to 74.7% on 30 June 2015, 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 management of the Group will continue to monitor the loan portfolio and interest rate risks of the Group, and may consider taking appropriate measures to hedge material interest rate risks when necessary.

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

12. **Assets Securities and Contingent Liabilities**

Some of the bank loans of the Group are secured by the mining rights certificates. As of 30 June 2015, the aggregate net carrying value of the mining rights used as securities amounted to RMB293,005,000.

As of 30 June 2015, the Group had no material contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONTINUED)

13. **Capital Commitment**

For the first half of 2015, the capital commitment of the Group was RMB183,293,000, representing a decrease of RMB240,621,000 or 56.8% over that at the end of last year. The capital commitment mainly consisted of the amount of RMB139,216,000 for the underground mining works of Maogong Mine, the amount of RMB41,458,000 for the underground mining works of Shangma Mine and the amount of RMB1,645,000 for the underground mining works of Aoniu Mine.

14. **Capital Expenditure**

The Group's capital expenditure increased from approximately RMB125,556,000 in the first half of 2014 to approximately RMB346,498,000 in the first half of 2015. Expenditure incurred in the first half of 2015 mainly included (i) expenditure for acquisition of plants, machine equipments and properties amounting to RMB102,682,000; and (ii) expenditure for acquisition of intangible assets amounting to RMB237,690,000.

15. **Significant Investment Held**

The fair value of the significant investments held by the Group in aggregate amounted to RMB209,371,000, including the equity interests in three companies listed on Australian Securities Exchange and the investments in unlisted financial products. Save as aforesaid, the Group did not hold any significant investments as at 30 June 2015.

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

On 28 February 2015, the Group sold its subsidiary Yingkou Xinwang Alloy Furnace Charge Co., Ltd. (營口鑫旺合金爐料有限公司) to an independent third party at nil consideration, resulting in loss on disposal of a subsidiary in an amount of RMB2,266,000. Save as aforesaid, the Group had no other material acquisitions or disposals of subsidiaries and associated companies during the six months ended 30 June 2015.

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 2015, to the best of the Directors' knowledge, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of 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") as set out in the Listing Rules, 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	760,375,000 (long position)	41.55%
	Founder of discretionary trust	13,820,166 (long position)	0.76%
Yang Jiye[2]	Founder of discretionary trust	424,360,500 (long position)	23.19%
Xia Zhuo[3]	Interests in controlled corporation	21,269,589 (long position)	1.16%
	Beneficial owner	60,000 (long position)	0.00%
Pan Guocheng[4]	Beneficial owner	4,200,000 (long position)	0.23%
Zheng Xuezhi[5]	Interests in controlled corporation	2,077,666 (long position)	0.11%
	Beneficial owner	50,000 (long position)	0.00%

Notes:

1. Ms. Yang Min 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 Min is deemed to hold interests in 760,375,000 Shares held by China Hanking (BVI) Limited and 13,820,166 Shares held by Best Excellence Limited.

2. Mr. Yang Jiye is the founder of the management trust which holds all the issued share capital of Bisney Success Limited. As a result, Mr. Yang Jiye is deemed to hold interest in 424,360,500 Shares held by Bisney Success Limited.

3. Mr. Xia Zhuo holds 48.9% interest in Splendour Ventures Limited. As a result, Mr. Xia Zhuo is deemed to hold interest in 21,269,589 Shares held by Splendour Ventures Limited. The accurate percentage of the 60,000 Shares beneficially owned by Mr. Xia Zhuo is 0.00327869%.

OTHER INFORMATION
(CONTINUED)

4. These Shares are held jointly with Ms. Pan Guoying.

5. Mr. Zheng Xuezhi holds 100% interest in Best Fate Limited. As a result, Mr. Zheng Xuezhi is deemed to hold interest in 2,077,666 Shares of the Company held by Best Fate Limited. The accurate percentage of the 50,000 Shares beneficially owned by Mr. Zheng Xuezhi is 0.00273224%.

(2) Interests in associated corporations of the Company:

Name of Director and chief executive	Name of associated corporations and nature of interest	Number of shares	Approximate percentage of shareholding
Yang Min[1]	Hanking (Indonesia)/ Interests in controlled corporation	300	30%

Note:

1. Ms. Yang Min holds 60.67% interest in Hanking Group, which in turn holds 100% interest in Hanking Aoniu Investment (Hongkong) Company Limited. Hanking Aoniu Investment (Hongkong) Company Limited holds 100% interest in Evergreen Mining, which in turn holds 30% interest in Hanking (Indonesia). As a result, Ms. Yang Min is deemed to hold interest in 300 Shares of Hanking (Indonesia), which is held by Evergreen Mining.

Save as disclosed above, as at 30 June 2015, 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 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 2015, to the best of Directors' knowledge, having made 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 the SFO or 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	760,375,000 (long position)	41.55%
Bisney Success Limited	Beneficial owner	424,360,500[1] (long position)	23.19%
Le Fu Limited	Interest in controlled corporation	424,360,500[1] (long position)	23.19%
UBS Trustees (BVI) Limited	Trustee	424,360,500[1] (long position)	23.19%
SAIF IV GP Capital Ltd.	Interest in controlled corporation	93,107,000[2] (long position)	5.09%
SAIF IV GP LP	Interest in controlled corporation	93,107,000[2] (long position)	5.09%
SAIF Partners IV L.P.	Beneficial owner	93,107,000[2] (long position)	5.09%
Yan Andrew Y	Interest in controlled corporation	93,107,000[2] (long position)	5.09%

Notes:

1. These 424,360,500 Shares belong to the same group of shares.

2. 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 and chief executives of the Company) who had interests or short positions in the shares, underlying shares or debentures of the Company 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

Mr. Pan Guocheng, executive Director, Mr. Kenneth Jue Lee and Mr. Lan Fusheng, both being non-executive Directors and Mr. Johnson Chi-King Fu, independent non-executive Director, retired by rotation at the annual general meeting of the Company (the "AGM") held on 28 May 2015 in accordance with article 84(1) of the Articles of Association of the Company. Mr. Pan Guocheng, Mr. Kenneth Jue Lee and Mr. Lan Fusheng, being eligible, offered themselves for re-election as Directors at the AGM. Mr. Johnson Chi-King Fu held office for the term till the conclusion of the AGM. Mr. Johnson Chi-King Fu did not offer himself for re-election due to his personal commitments on his other business and accordingly has retired as an independent non-executive Director upon conclusion of the AGM. Following his retirement as a Director, Mr. Johnson Chi-King Fu also ceased to be a member of the Nomination Committee (the "Nomination Committee") and Audit Committee of the Company (the "Audit Committee"). Mr. Johnson Chi-King Fu has confirmed that he has no disagreement with the Board and there is no other matter in relation to his retirement that needs to be brought to the attention of the shareholders of the Company. The Company would like to take this opportunity to express its appreciation and gratitude to Mr. Johnson Chi-King Fu for his valuable contributions and service to the Company. Pursuant to article 83(3) of the Articles of Association, Mr. Jiang Zhouhua retired at the AGM and was appointed as an independent non-executive director.

At the Board meeting held on 28 May 2015, Mr. Victor Yang was appointed as an independent non-executive Director and a member of the Nomination Committee and Audit Committee; Mr. Yang Jiye resigned as Chief Executive Officer and President of the Company; Mr. Pan Guocheng resigned as chairman of the Board and was appointed as Chief Executive Officer and President of the Company; Ms. Yang Min was re-designated from a non-executive Director to an executive Director and was appointed as chairlady of the Board.

At the Board meeting held on 16 July 2015, Mr. Zheng Xuezhi was re-designated from an executive Director to a non-executive Director and resigned as the Vice President of the Company; Mr. Liao Pin-tsung was appointed as an executive Director of the Company; Mr. Xia Zhuo and Mr. Wang Ping resigned as the authorised representatives of the Company, and Mr. Liao Pin-tsung and Ms. Mok Ming Wai were appointed as the authorised representatives of the Company; At the same time, Ms. Mok Ming Wai was appointed as a joint company secretary of the Company while Mr. Xia Zhuo continued to act as the other joint company secretary of the Company.

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

4. Directors' Service Contract

The Company has renewed a service contract with each of the following executive and non-executive Directors. The particulars of these service contracts include: (1) the term of their appointment as Directors is for three years commencing from 17 March 2015 (Ms. Yang Min, Mr. Yang Jiye, Mr. Pan Guocheng, Mr. Zheng Xuezhi, Mr. Xia Zhuo, Mr. Qiu Yumin, Mr. Kenneth Jue Lee and Mr. Lan Fusheng), or for three years commencing from 16 July 2015 (Mr. Liao Pin-tsung); and (2) are subject to termination in accordance with their respective terms.

The Company entered into a supplemental agreement to director's service agreement with Ms. Yang Min, Mr. Yang Jiye and Mr. Pan Guocheng on 28 May 2015 and with Mr. Zheng Xuezhi on 16 July 2015, respectively, with an aim to making consequential amendments to the director's service agreement based on their respective position adjustment.

The Company has re-entered into a letter of appointment with each of the following independent non-executive Directors, details of which including: (1) the term of their appointment as Directors is for three years commencing from 17 March 2015 (Mr. Wang Ping, Mr. Wang Anjian and Mr. Jiang Zhouhua) or for three years commencing from 28 May 2015 (Mr. Victor Yang); and (2) subject to termination in accordance with their respective terms.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, and also formulated the Written Guideline on Dealings in the Securities of the Company by Directors and the Relevant Employees (the "Company Guideline"), which adopted the standards equivalent to the provisions of Appendix 10 to the Listing Rules as the model code regarding dealings in the Company's securities by the Directors. Specific enquiry has been made to all Directors and the relevant employees, who have confirmed that they have complied with the Model Code and the Company Guideline throughout the six months ended 30 June 2015.

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

During the six months ended 30 June 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

7. Safety, Environmental Protection, Employee and Remuneration Policy

As at 30 June 2015, the Group had a total of 2,155 employees (as at 30 June 2014: a total of 2,483 employees).

As of 30 June 2015, the aggregate remuneration expenses and other employee benefits costs of the Group amounted to RMB70,907,000 (2014: RMB95,510,000). Employee costs included basic salary, commission and bonus, housing allowance, pension, medical insurance, occupational injury insurance and other insurances required by the government. In accordance with the remuneration policy of the Group, income of employees is related to the performance of individual employee and the operation performance of the Group. The Group carried out performance assessment to stimulate employee initiatives, so as to enhance the operation performance of the Company.

In order to improve the overall quality and professional skills of the employees, the Group has developed and implemented the Administrative System on Training, establishing a complete set of training system and process including induction training, professional skill training and quality training. The Group has launched the E-Learning platform operated by Hanking Online Institute, allowing the employees to have access to the online college for autonomous learning. The Group also established Hanking Mining Institute and recruited staff with rich knowledge and experiences as internal trainers to provide internal trainings for the employees, so as to enhance exchange and dissemination of knowledge and experiences within the Group, with an aim to improve the comprehensive capability of our employees. During the reporting period, the Group has organized a number of internal and external trainings for its employees.

OTHER INFORMATION
(CONTINUED)

8. Corporate Governance

During the period from 1 January 2015 to 30 June 2015, 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.

9. Audit Committee

Mr. Johnson Chi-King Fu retired as an independent non-executive Director of the Company upon conclusion of the AGM on 28 May 2015 and also ceased to be a member of the Nomination Committee and Audit Committee; Mr. Victor Yang was appointed as an independent non-executive Director of the Company and would also act as a member of the Nomination Committee and Audit Committee. Therefore, the Audit Committee was comprised of three independent non-executive Directors from 1 January 2015 to 28 May 2015, i.e. Mr. Wang Ping (chairman of the Audit Committee), Mr. Johnson Chi-King Fu and Mr. Wang Anjian. The Audit Committee was comprised of three independent non-executive Directors from 28 May 2015 to 30 June 2015, i.e. Mr. Wang Ping (chairman of the Audit Committee), Mr. Wang Anjian and Mr. Victor Yang.

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 and Corporate Governance Report 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 2015 Interim Results for the six months ended 30 June 2015 of the Company 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.

10. Interim Dividend

The Board has proposed not to distribute any interim dividend for the six months ended 30 June 2015.

11. Major Legal Proceeding

During the six months ended 30 June 2015, the Group was not involved in any major legal proceedings or arbitrations. To the knowledge of the Directors, there is no any pending or potential major legal proceeding or claim.

12. Disclosures pursuant to Rules 13.18 and 13.21 of the Listing Rules

In accordance with the disclosure requirements of Rules 13.18 and 13.21 of the Listing Rules, the following disclosures are included in respect of one of the Company's loan agreements, which contain covenants requiring performance of obligations by the controlling shareholder of the Company.

On 27 January 2014, Aoniu Mining as borrower (the "Borrower"), entered into a facility letter (the "Facility Letter") with HSBC Bank (China) Company Limited, Shenyang Branch, as lender (the "Lender"). The Lender is a third party independent of the Company and its connected persons.

Pursuant to the Facility Letter, the Lender agreed to grant the Borrower standby documentary credit facilities for the maximum amount of Renminbi equivalent of US$25,600,000 (the "Facilities"). The documentary credit under the Facilities will be held by The Hongkong and Shanghai Banking Corporation Limited as security for the banking facilities of US$25,000,000 granted to the Company. Under the Facility Letter, the Facilities are for a term of not exceeding one year, and Ms. Yang Min, the Chairlady of the Board, executive Director and controlling shareholder of the Company, covenants that she shall own not less than 40% of the shares of the Company during the term of the Facilities and provides a personal guarantee.

The term of the Facilities was extended for another year to the end of 2015 upon expiry with the conditions and amount of the loan remaining unchanged.

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 28 to 50, which comprise the condensed consolidated statement of financial position as of 30 June 2015 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
28 August 2015

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	NOTES	Six months ended 30 June 2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Revenue	3	**471,159**	733,125
Cost of sales		**(330,013)**	(429,681)
Gross profit		**141,146**	303,444
Other income		**13,240**	12,251
Selling and distribution expenses		**(18,464)**	(23,559)
Administrative expenses		**(112,594)**	(132,058)
Other expenses and losses	4	**(54,733)**	(35,213)
Net foreign exchange (loss) gain		**(4,065)**	664
Finance costs		**(80,336)**	(53,880)
(Loss) profit before tax	5	**(115,806)**	71,649
Income tax expense	6	**(9,136)**	(42,133)
(Loss) profit for the period		**(124,942)**	29,516
Other comprehensive expense:			
Items that may be subsequently reclassified to profit or loss:			
Net fair value gain (loss) on available-for-sale financial assets		**2,370**	(22,174)
Exchange differences on translation of financial statements of foreign operations		**(24,928)**	4,137
Other comprehensive expense for the period		**(22,558)**	(18,037)
Total comprehensive (expense) income for the period		**(147,500)**	11,479
(Loss) profit for the period attributable to:			
Owners of the Company		**(112,323)**	50,875
Non-controlling interests		**(12,619)**	(21,359)
		(124,942)	29,516
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		**(132,407)**	33,696
Non-controlling interests		**(15,093)**	(22,217)
		(147,500)	11,479
(Loss) earnings per share (RMB cent per share)	9	**(6.1)**	2.8

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	NOTES	**30 June 2015 RMB'000 (Unaudited)**	31 December 2014 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	10	**1,369,328**	1,450,984
Intangible assets	11	**1,251,241**	1,038,886
Prepaid lease payments	12	**318,340**	314,534
Deferred tax assets		**7,815**	8,475
Loan receivable from a third party		**11,300**	11,300
Deposit on acquisition of property, plant and equipment		**11,420**	21,770
Restricted cash	13	**3,769**	4,014
		2,973,213	2,849,963
Current assets			
Inventories		**148,966**	137,306
Prepaid lease payments	12	**42,659**	63,100
Trade and other receivables	14	**684,125**	572,019
Tax recoverable		**5,205**	11,743
Available-for-sale financial assets	15	**209,371**	8,695
Pledged bank deposits	16	**842,332**	502,453
Bank balances and cash	16	**47,297**	299,587
		1,979,955	1,594,903
Current liabilities			
Trade and other payables	17	**442,124**	425,859
Bank borrowings	18	**2,274,395**	1,636,485
Consideration payable	19	**104,469**	82,683
Loans payable to non-controlling interest of a subsidiary		**–**	3,173
Tax liabilities		**31,169**	31,567
Other financial liabilities	20	**33,879**	–
		2,886,036	2,179,767
Net current liabilities		**(906,081)**	(584,864)
Total assets less current liabilities		**2,067,132**	2,265,099

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(CONTINUED)

At 30 June 2015

	NOTES	**30 June 2015 RMB'000 (Unaudited)**	31 December 2014 RMB'000 (Audited)
Capital and reserves			
Share capital	21	**149,137**	149,137
Reserves		**889,732**	1,022,139
Total equity attributable to owners of the Company		**1,038,869**	1,171,276
Non-controlling interests		**211,510**	228,458
		1,250,379	1,399,734
Non-current liabilities			
Bank borrowings	18	**490,279**	589,683
Consideration payable	19	**192,340**	206,652
Rehabilitation provision		**64,180**	68,090
Retirement benefit obligations		**6,700**	940
Deferred tax liabilities		**3,618**	–
Other financial liabilities	20	**59,636**	–
		816,753	865,365
		2,067,132	2,265,099

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	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 2014(audited)	149,137	495,537	84,777	309,974	22,174	(36,947)	(557,161)	773,452	1,240,943	259,274	1,500,217
Profit for the period	–	–	–	–	–	–	–	50,875	50,875	(21,359)	29,516
Other comprehensive income for the period	–	–	–	–	(22,174)	4,995	–	–	(17,179)	(858)	(18,037)
Profit and total comprehensive income for the period	–	–	–	–	(22,174)	4,995	–	50,875	33,696	(22,217)	11,479
Transfer to future development funds reserve, net of utilisation	–	–	–	59,711	–	–	–	(59,711)	–	–	–
2013 final dividend	–	–	–	–	–	–	–	(36,600)	(36,600)	–	(36,600)
Profit appropriation to surplus reserve	–	–	502	–	–	–	–	(502)	–	–	–
Balance at 30 June 2014(unaudited)	149,137	495,537	85,279	369,685	–	(31,952)	(557,161)	727,514	1,238,039	237,057	1,475,096
Balance at 1 January 2015(audited)	**149,137**	**495,537**	**84,970**	**456,667**	**-**	**(56,830)**	**(557,161)**	**598,956**	**1,171,276**	**228,458**	**1,399,734**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(112,323)**	**(112,323)**	**(12,619)**	**(124,942)**
Other comprehensive income for the period	**-**	**-**	**-**	**-**	**2,370**	**(22,454)**	**-**	**-**	**(20,084)**	**(2,474)**	**(22,558)**
Profit and total comprehensive income for the period	**-**	**-**	**-**	**-**	**2,370**	**(22,454)**	**-**	**(112,323)**	**(132,407)**	**(15,093)**	**(147,500)**
Transfer to future development funds reserve, net of utilisation	**-**	**-**	**-**	**12,199**	**-**	**-**	**-**	**(12,199)**	**-**	**-**	**-**
2014 final dividend	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Disposal of Yingkou Xinwang	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,855)**	**(1,855)**
Profit appropriation to surplus reserve	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance at 30 June 2015(unaudited)	**149,137**	**495,537**	**84,970**	**468,866**	**2,370**	**(79,284)**	**(557,161)**	**474,434**	**1,038,869**	**211,510**	**1,250,379**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(CONTINUED)

For the six months ended 30 June 2015

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, Aoniu Mining, Benxi Mining, Maogong Mining, Xingzhou Mining, Fushun Shangma are required to transfer an amount to a future development fund at RMB5-10 (2014: RMB23-28) 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.

RMB20,175,000 and RMB75,167,000 of future development fund was provided during the six months ended 30 June 2015 and 2014, respectively. RMB7,976,000 and RMB15,456,000 of future development fund was utilised during the six months ended 30 June 2015 and 2014, respectively.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	NOTES	30/06/2015 RMB'000 (Unaudited)	30/06/2014 RMB'000 (Unaudited)
Net cash (used in) from operating activities		**(23,856)**	210,631
Net cash used in investing activities:			
Purchases and deposit paid for acquisition of property, plant and equipment		**(92,700)**	(101,322)
Payments for prepaid lease payments		**(6,126)**	(15,193)
Disposal of a subsidiary	7	**(572)**	–
Purchase of available-for-sale investment		**(198,483)**	(7,021)
Proceeds on disposal of property, plant and equipment		**3,580**	188
Interest received		**10,584**	7,194
Purchase of intangible assets		**(144,175)**	(6,518)
Withdrawal (placement) of restricted cash		**245**	(2,884)
		(427,647)	(125,556)
Net cash generated from (used in) financing activities:			
Placement of pledged bank deposits		**(339,879)**	(51,462)
New bank loans raised		**1,159,941**	874,693
Repayments of borrowings		**(621,231)**	(949,534)
Dividend paid to the owners of the Company		**–**	(36,600)
		198,831	(162,903)
Net decrease in cash and equivalents		**(252,672)**	(77,828)
Cash and cash equivalents at 1 January		**299,587**	369,995
Effect of foreign exchange rate changes		**382**	2,047
Cash and cash equivalents at 30 June represented by bank balances and cash		**47,297**	294,214

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

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 2015, the Group has net current liability of RMB906,081,000. Aoniu Mining had an unutilised banking facility of RMB692,596,000 which will be expired after 25 October 2016. China Hanking Holdings Limited had an unutilised banking facility of RMB332,152,000 which will be expired after 30 June 2016. 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 account of the renewable banking facilities and internally generated funds. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

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 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

In the current interim period, the Group has applied the following new Interpretation and amendments to International Financial Reporting Standards ('IFRSs') issued by the International Accounting Standards Board ("IASB") that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to IAS 19	Defined Benefit Plans: Employee Contributions
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle

The directors of the Company anticipate that the application of those new and revised standards and amendments will have no material impact on the results and financial position of the Group.

3. SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately according to the geographical information of the operations and products. The Group has been operating in 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.), nickel business (business of Hanking Indonesia and its subsidiaries, including Yingkou Xinwang Alloy Furnace Charge Co., Ltd.) and gold business (business of Hanking Australia 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 2015

	Iron RMB'000	Nickel RMB'000	Gold RMB'000	Total RMB'000
SEGMENT REVENUE				
External sales	471,159	–	–	471,159
Inter-segment sales	–	–	–	–
	471,159	–	–	471,159
Segment loss	(59,213)	(21,545)	(11,395)	(92,153)
Central administration costs and directors' salaries				(13,873)
Finance costs				(9,780)
Group's loss before tax				(115,806)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2015

3. SEGMENT INFORMATION (continued)

Six months ended 30 June 2014

	Iron RMB'000	Nickel RMB'000	Gold RMB'000	Total RMB'000
SEGMENT REVENUE				
External sales	716,812	16,313	–	733,125
Inter-segment sales	–	–	–	–
	716,812	16,313	–	733,125
Segment profit (loss)	167,929	(44,145)	(38,537)	85,247
Central administration costs and directors' salaries				(5,032)
Finance costs				(8,684)
Other income and expense				118
Group's profit before tax				71,649

4. OTHER EXPENSES AND LOSSES

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Impairment loss of property, plant and equipment, intangible assets and prepaid lease payments	**47,805**	12,963
Impairment loss of available-for-sale financial assets	**177**	18,751
Loss on disposal of Yingkou Xingwang	**2,266**	–
Others	**4,485**	3,499
	54,733	35,213

5. (LOSS) PROFIT BEFORE TAX

(Loss) profit before taxation has been arrived at after charging:

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories recognised as an expense	**292,333**	374,977
Auditors' remuneration	**500**	500
Release of prepaid lease payments	**20,828**	27,626
Depreciation and amortisation:		
– Property, plant and equipment	**86,837**	90,507
– Intangible assets	**7,426**	6,772
	94,263	97,279
Staff costs (including directors):		
– Salary and other benefits	**70,907**	95,510
– Retirement benefits scheme contributions	**9,812**	9,432
	80,719	104,942

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2015

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Income tax expenses comprise:		
PRC enterprise income tax ("EIT") – current	**4,775**	42,334
Under (over) provision of EIT in prior years	**1,007**	(437)
Deferred tax	**3,354**	236
	9,136	42,133

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% (2014: 25%) of taxable income of the subsidiaries based on the relevant PRC tax rules and regulations.

China Hanking Investment Limited ("Hanking Investment"), China Hanking (BVI) International Limited ("Hanking International") and Hanking Indonesia were incorporated in the British Virgin Islands ("BVI") and are not subject to income tax of any jurisdiction during the period (2014:nil).

China Hanking (Hong Kong) Limited ("Hanking HK"), Hanking Mining (Hong Kong), Denway Development, City Globe and Harvest Globe were incorporated in Hong Kong and Hong Kong Profits Tax rate is 16.5% (2014:16.5%).

Hanking Australia, Hanking Gold and Hanking Gold Mining Alliance were incorporated in Australia and Australia profits tax rate is 30% (2014: 30%). They have no assessable profits subject to Australia profits tax during the current period (2014: nil).

Subsidiaries of Hanking Indonesia were incorporated in Indonesia and Indonesia profits tax rate is 25% (2014: 25%). They have no assessable profits subject to Indonesia profits tax during the current period (2014:nil).

7. DISPOSAL OF A SUBSIDIARY

During the current interim period, the Group entered into a share transfer agreement with the non-controlling interest for dispose of its entire 55% equity interest in a subsidiary, Yingkou Xinwang Alloy Furnace Charge Co., Ltd. ("Yingkou Xinwang"). The disposal was completed on 28 February 2015, on which date the Group lost control of Yingkou Xinwang.

The loss from the disposed subsidiary for the current and preceding interim periods is analysed as follows:

	2 months ended 28/02/2015 RMB'000	6 months ended 30/06/2014 RMB'000
Loss of Yingkou Xinwang's operation for the period	**269**	13,504
Loss on disposal of Yingkou Xinwang	**2,266**	–
	2,535	13,504

The results of Yingkou Xinwang for the current and preceding interim periods were as follows:

	2 months ended 28/02/2015 RMB'000	6 months ended 30/06/2014 RMB'000
Revenue	**–**	3,698
Cost of sales	**–**	(2,398)
Distribution expenses	**–**	(5)
Other income	**45**	2
Other expenses	**(102)**	(13,670)
Administrative expenses	**(212)**	(1,131)
Loss for the period	**(269)**	(13,504)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2015

7. DISPOSAL OF A SUBSIDIARY (continued)

The net assets of Yingkou Xinwang at the date of disposal were as follows:

	RMB'000
Net assets disposed of	4,121
Loss on disposal:	
Consideration received	–
Non-controlling interest	1,855
Net assets disposed of	(4,121)
	(2,266)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	RMB'000
Cash consideration	–
Cash and cash equivalents disposed of	(572)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(572)

8. DIVIDENDS

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Final dividend declared for 2014 RMB nil cent (2013: RMB2.0 cents) per share	**–**	36,600

During the current interim period, no dividend in respect of the year ended 31 December 2014 (2014: RMB2.0 cents per share in respect of the year ended 31 December 2013) was declared and paid to the owners of the Company.

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

9. (LOSS) EARNINGS PER SHARE

The calculation of loss per share is based on the loss for the six months ended 30 June 2015 attributable to owners of the Company and the 1,830,000,000 shares in issue during the current period (2014: 1,830,000,000 shares).

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment (including capital expenditure for construction in progress) of RMB80,055,000 for business expansion in the Group.

An impairment loss amounting to RMB42,634,000 (31 December 2014:RMB7,909,000) has been recognised in respect of certain equipment to the extent that the carrying amount exceeded the recoverable amount based on the best estimate by the management during period ended 30 June 2015.

11. INTANGIBLE ASSETS

As at 30 June 2015, the Company has pledged mining rights with a net book value of approximately RMB270,059,000 (31 December 2014: RMB284,404,000) in PRC to secure the bank borrowings of RMB1,007,405,000 (31 December 2014: RMB887,758,000). Mining rights with a net book value of approximately RMB22,946,000 (31 December 2014: nil) in Australia were pledged to secure the bank borrowings of RMB122,489,000 (31 December 2014: nil).

An impairment loss amounting to RMB3,288,000 (31 December 2014: nil) has been recognised in respect of certain mining rights and exploration and evaluation assets to the extent that the carrying amount exceeded the recoverable amount based on the best estimate by the management during period ended 30 June 2015.

12. PREPAID LEASE PAYMENTS

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Analysed for the reporting purpose as:		
Current portion	**42,659**	63,100
Non-current portion	**318,340**	314,534
	360,999	377,634

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2015

12. PREPAID LEASE PAYMENTS (continued)

The prepaid lease payments were amortised over the benefit periods from 5 to 50 years. At 30 June 2015, amount of RMB242,536,000 (31 December 2014: RMB253,225,000), represented the pre-paid rental to various farmers and no land certificates for these pre-paid rental have been obtained.

An impairment loss amounting to RMB1,883,000 (31 December 2014: nil) has been recognised in respect of certain prepaid lease payments to the extent that the carrying amount exceeded the recoverable amount based on the best estimate by the management during period ended 30 June 2015.

As at 30 June 2015, the Company has pledged prepaid lease payments with the carrying amount of RMB14,841,000 (31 December 2014: RMB15,006,000) have been pledged to secure the advance from customer of RMB30,000,000 (31 December 2014: RMB30,000,000)

13. RESTRICTED CASH

As at 30 June 2015, the restricted cash of Hanking Australia amounted to RMB3,769,000 (31 December 2014: RMB4,014,000) represented deposits paid to suppliers as a guarantee of payment.

14. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 7 days to its customers of iron ore concentrates. 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 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Within 7 days	**126,184**	33,044
8 days to 3 months	**66,443**	91,778
3 months to 1 year	**34,541**	–
	227,168	124,822
Bills receivables	**134,478**	209,955
Total trade receivables	**361,646**	334,777
Other receivables, deposits and prepayments	**322,479**	237,242
	684,125	572,019

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Listed investment at fair value (note a)	**9,535**	8,695
Unlisted financial product investments at fair value (note b)	**199,836**	–
	209,371	8,695

Notes:

(a) The listed investment represents the Group's equity interests in three companies listed on Australian Securities Exchange. The investments are measured at fair value at the end of the reporting period.

An impairment of RMB177,000 (2014: RMB21,747,000) was recognised during the current period in respect of a significant decline in the fair value of security below its cost.

As at 30 June 2015, the Company has pledged its listed investment to secure the bank borrowings of RMB122,489,000 (31 December 2014: nil).

(b) The investments are managed by licensed financial institutions in the PRC to principally invest in certain financial assets including notes, bonds and other money market investments, or to invest in interest swap market. The principal of the investments are guaranteed and the yields are not promised.

The expected yield of these investments ranges from 4.4% per annum to 4.85% per annum. In the opinion of the Directors, the fair values of these investments are close to the amounts of principal calculated on the expected yield rates.

As at 30 June 2015, the Company has pledged unlisted financial product investments with carrying amount of RMB90,376,000 (31 December 2014: nil) to secure the bank borrowings of RMB270,000,000 (31 December 2014: nil).

16. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

The pledged bank deposits at 30 June 2015 were for the purpose of issuance of bank borrowings and notes payable and carried fixed interest rate of 2.67%-3.30% per annum.

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% (2014: 0.35%) per annum.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2015

17. 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 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 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Within 3 months	**117,664**	66,728
3 months to 1 year	**2,790**	14,108
1 year to 2 years	**678**	1,384
2 years to 3 years	**173**	1,528
Over 3 years	**1,633**	816
	122,938	84,564
Bill payables	**45,581**	35,851
Total trade payables	**168,519**	120,415
Other payables, advances and accruals	**273,605**	305,444
	442,124	425,859

18. BANK BORROWINGS

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Secured bank loans (note b)		
Fixed-rate bank loans	**1,577,404**	1,387,758
Floating-rate bank loans (note a)	**1,187,270**	838,410
	2,764,674	2,226,168
Amount repayable:		
Due within one year (amount shown under current liabilities)	**2,274,395**	1,636,485
More than one year, but not exceeding five years (amount shown under non-current liabilities)	**490,279**	589,683
	2,764,674	2,226,168
Effective interest rates of bank borrowings	**4.99%**	5.58%

Notes:

a) The floating-rate bank loans of RMB220,000,000 carry interest at 117% of the interest rate of RMB loans promulgated by the People's Bank of China. The USD loans of RMB967,270,000 carry 3-month LIBOR plus 100-190 base points of the interest rate.

b) The bank borrowings of RMB1,007,405,000 (31 December 2014: RMB887,758,000) were secured by the mining rights with carrying amounts of RMB270,059,000 (31 December 2014: RMB284,404,000) and by the pledge of equity interest right of Maogong Mining, Xingzhou Mining and Fushun Shangma. Of the above RMB1,007,406,000, bank borrowings of RMB907,404,000 were also guaranteed by Hanking Group and Ms. Yang Min. Hanking Group was ultimately controlled by Ms. Yang Min.

The bank borrowings of RMB520,000,000 (31 December 2014: RMB540,000,000) were guaranteed by Hanking Group and Ms. Yang Min.

The bank borrowings of RMB844,780,000 (31 December 2014: RMB798,410,000) were secured by the letter of credit of the Group.

The bank borrowings of RMB122,489,000 (31 December 2014: nil) were secured by the mining rights with carrying amounts of RMB22,946,000 (31 December 2014: nil) and by the listed investment with a fair value of RMB9,535,000 (31 December 2014: nil) at the end of the reporting period. The bank borrowings were also guaranteed by China Hanking Holdings Limited and Ms. Yang Min.

At 30 June 2015, the bank borrowings of RMB270,000,000 were secured by pledged bank deposits of RMB180,000,000 and available-for-sale financial assets with carrying amount of RMB90,376,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2015

19. CONSIDERATION PAYABLE

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Analysed for the reporting purpose as:		
Current portion	**104,469**	82,683
Non-current portion	**192,340**	206,652
	296,809	289,335

The amount as at 30 June 2015 represented:

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

As at 30 June 2015, the consideration payable for acquisition of KS, KKU and KP of RMB285,139,000 (31 December 2014: RMB277,665,000) was recognised at amortised cost using the effective interest method at the date of acquisition. According to the acquisition agreements, it will be repaid on installment basis by reference to the progress of the mining development with the last payment fall due in the year of 2032. The amount of RMB92,799,000 (31 December 2014: RMB71,013,000) 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 RMB11,670,000 at 30 June 2015 and 31 December 2014 represented the consideration payable to Evergreen Mining 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.

20. OTHER FINANCIAL LIABILITIES

The remaining balance represents the amount which should be paid in five years to Government for the purchase of mining rights.

21. SHARE CAPITAL

The amount as at 30 June 2015 and 31 December 2014, 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	Shown in the consolidated financial statements
		HK$'000	RMB'000
Ordinary shares of HK$0.1 each			
Authorised:			
At 31 December 2014 and 30 June 2015	10,000,000,000		
Issued:			
At 31 December 2014 and 30 June 2015	1,830,000,000	182,900	149,137

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Part 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).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2015

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

Financial assets/ financial liabilities	Fair value as at 30/06/2015	Fair value as at 31/12/2014	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: RMB9,535,000**	Listed equity securities in Australia: RMB8,695,000	Level 1	Quoted bid prices in an active market.	N/A	N/A
Available-for-sale financial assets in the condensed consolidated statement of financial position	**Unlisted financial product investments in PRC: RMB199,836,000**	Nil	Level 3	Discounted cash flow. Future cash flows are estimated based on expected applicable yield of the underlying investment portfolio and adjustments of related expenses, discounted at a rate that reflects the credit risk of various counterparties	Actual yield of the underlying investment portfolio and the discount rate	The higher the actual yield, the higher the fair value

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.

23. CAPITAL COMMITMENTS

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

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	**183,293**	423,914

24. 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	
	2015	2014
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales of goods to:		
Dalian Huaren Trade Co., Ltd.		
大連華仁貿易有限公司 (notes a & d)	**111,627**	17,975
Fushun Deshan Trade Co., Ltd.		
撫順德山貿易有限公司 (notes b & d)	**–**	60,724
	111,627	78,699
Processing fee paid to:		
Benxi Hanking Iron Processing Co. Ltd. (note a)		
本溪罕王鐵選有限公司	**11,047**	14,406
Rental expense paid to:		
Shenyang Shengtai Property Management Co., Ltd. (note a)		
瀋陽盛泰物業管理有限公司	**1,751**	1,489
Transportation fee paid to:		
Fushun Mingyang Transport Co., Ltd. (note c)		
撫順名揚運輸有限公司	**17,468**	15,967
Exploration fee paid to:		
Liaoning Hanking Mining Development Co., Ltd. (note a)		
遼寧罕王礦業發展有限公司	**883**	–

Notes:

(a) These companies are the related parties which are controlled by Ms. Yang Min.

(b) Fushun Deshan Trade Co., Ltd. is wholly owned by Mr. He Baoxian, the father-in-law of Mr. Yang Jiye.

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

(d) Dalian Huaren Trade Co., Ltd. and Fushun Deshan Trade Co., Ltd. acted as an agent of Fushun Hanking D.R.I Co., Ltd. to purchase the iron ore concentrates from the Group.

25. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 3 July 2015, the Company, as the purchaser, entered into a non-binding memorandum of understanding ("MOU") with the registered shareholders (the "Vendors") of a company incorporated in the Republic of Indonesia (the "Target Company").

Pursuant to the MOU, the Company intends to acquire and the Vendors intend to sell the shares and the shareholder's loan of the Target Company. As at 3 July 2015, the Target Company owns and operates a nickel mining project in Southeast Sulawesi, Indonesia and holds all the necessary approvals, licenses, permits and certificates for operating its mining business in the Republic of Indonesia.

The consideration for the possible acquisition shall be US$38.00 million (equivalent to approximately HK$296.40 million).

DEFINITIONS OF TERMS

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

DEFINITIONS OF TERMS
(CONTINUED)

"the Company" or "our Company" or "we"	China Hanking Holdings Limited
"Controlling Shareholders"	has the meaning ascribed to it in the Listing Rules and unless the context requires otherwise, refers to Ms. Yang Min, Mr. Yang Jiye, China Hanking (BVI) Limited, Bisney Success Limited and Best Excellence Limited
"Denway Development"	Denway Development Limited, a limited liability company incorporated in Hong Kong which holds 75% equity interest in KS and KKU
"Directors"	the directors of the Company
"EBITDA"	the abbreviation of Earnings Before Interest, Taxes, Depreciation and Amortization
"Evergreen Mining"	Evergreen Mining Limited, a limited liability company incorporated in the BVI on 23 November 2012, an indirectly wholly-owned subsidiary of Hanking Group
"Fushun Shangma"	Fushun Hanking Shangma Mining Co., Ltd. (撫順罕王上馬礦業有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
"the Group" or "Hanking"	China Hanking Holdings Limited and its subsidiaries
"Hanking Australia"	Hanking Australia Pty Ltd, a limited liability company established in Australia and a wholly-owned subsidiary of the Company
"Hanking Gold"	Hanking Gold Mining Pty Ltd, a limited liability company established in 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), a limited liability company established in the PRC on 4 April 1996, whose shares are held by Ms. Yang Min (60.67%) and Mr. Yang Jiye (28.29%) and other individuals. Hanking Group is a holding company and is controlled by the Controlling Shareholders
"Hanking Indonesia"	Hanking (Indonesia) Mining Limited, a limited company established in the BVI and a non wholly-owned subsidiary of the Company
"Hanking Mining (Hong Kong)"	Hanking Mining (Hong Kong) Limited, a limited company established in Hong Kong and a wholly-owned subsidiary of the Company

DEFINITIONS OF TERMS
(CONTINUED)

"Harvest Globe"	Harvest Globe Limited, a limited liability company established in Hong Kong, a non wholly-owned subsidiary of Denway Development
"HMNS"	PT Hanking Makmur Nickel Smelt (罕王富域鎳冶煉有限公司), a limited company established in Indonesia and a non wholly-owned subsidiary of the Company
"HK$" 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"	laterite nickel project operated by the Company through KKU, KP and KS in North Konawe, the South-East Sulawesi of Indonesia
"Indonesian Rupiah"	the lawful currency of Indonesia
"JORC Code"	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Resources (2012 edition), as published by the Joint Ore Reserves Committee
"KKU"	PT Karyatama Konawe Utara, a company established in Indonesia, an indirectly non wholly-owned subsidiary of the Company
"km"	kilometers
"KP"	PT Konutara Prima, a company established in Indonesia, an indirectly non wholly-owned subsidiary of the Company

DEFINITIONS OF TERMS

(CONTINUED)

"KS"	PT Konutara Sejati, a company established in Indonesia, an indirectly non wholly-owned subsidiary of the Company
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Maogong Mine"	located at Shiwen Town, Fushun City, an iron mine operated through Maogong Mining, a subsidiary of the Company
"Maogong Mining"	Fushun Hanking Maogong Mining Co., Ltd. (撫順罕王毛公鐵礦有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
"Measured Resource"	a measured 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
"RMB"	Renminbi Yuan, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended from time to time)
"Shangma Mine"	located at Fushun Shangma, an iron mine operated through Fushun Shangma, a subsidiary of the Company
"Shares"	ordinary share(s) of nominal value of HK$0.1 each in the share capital of the Company
"Shareholder(s)"	the holder(s) of the Share(s)
"SXO"	located at the center of Yilgarn goldfield in Western Australia (Southern Cross Operation, abbreviated as SXO Gold Project)
"United States"	the United States of America
"US$" or "US dollars" or "USD"	United States dollars, the lawful currency of the United States
"Xingzhou Mine"	located at Dongzhou District, Fushun City, an iron mine operated through Xingzhou Mining, a subsidiary of the Company
"Xingzhou Mining"	Fushun Hanking Xingzhou Mining Co., Ltd. (撫順罕王興洲礦業有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company