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

Interim Report 2018

MISSION

As Emerging Key Player

VALUE

Always Beyond Expectations

CONTENTS

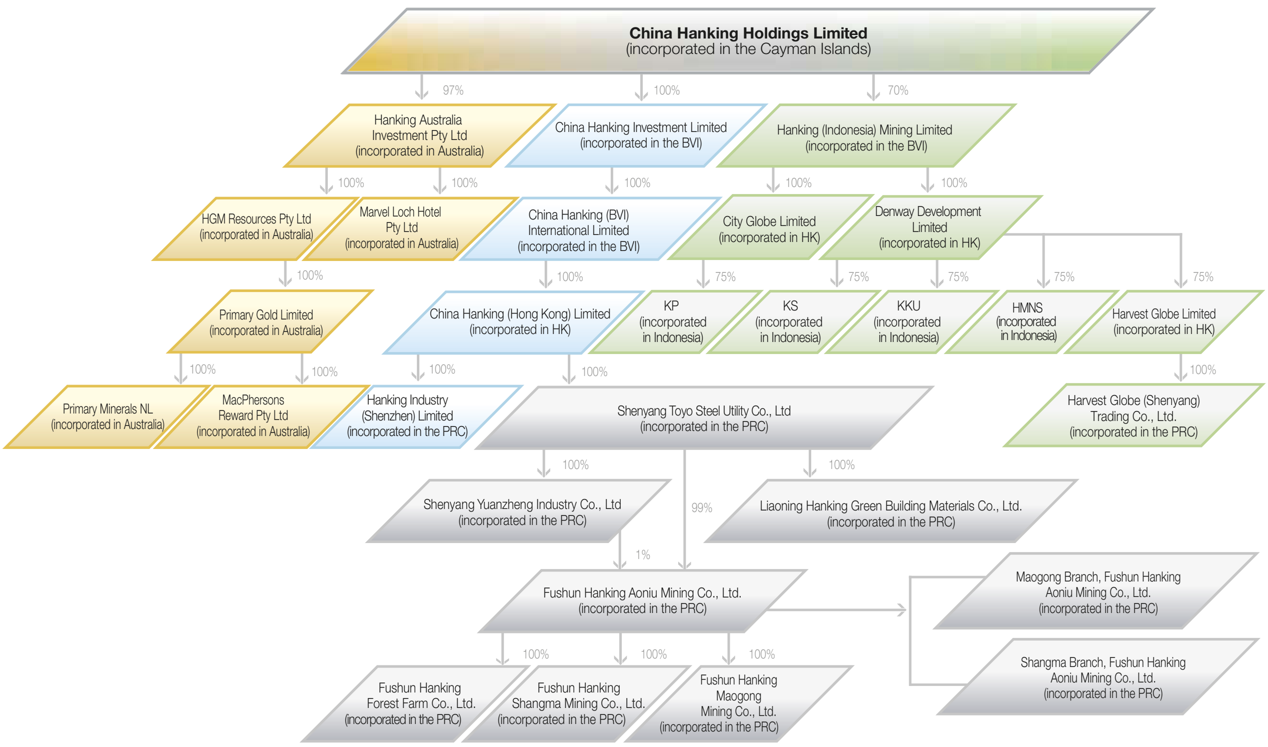
CORPORATE INFORMATION

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

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

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

Shareholding Structure of the Group[Note]



Note: This shareholding structure chart reflects the Group's shareholding structure as at 30 June 2018.

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

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

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

Authorized Representatives
Mr. Zheng Xuezhi
Ms. So Lai Shan

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

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

Hong Kong Legal Advisor
Chiu & Partners
40/F, Jardine House,
1 Connaught Place,
Hong Kong

Principal Share Registrar in the Cayman Islands
Conyers 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
Shops 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
Mr. Yang Jiye
(Chairman, Chief Executive Officer and President)
Mr. Zheng Xuezhi *(Chief Financial Officer and Vice President)*
Dr. Qiu Yumin *(Vice President)*
Mr. Xia Zhuo

Non-executive Director
Mr. Kenneth Jue Lee

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

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

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

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

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

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June **2018**	2017	Change (%)
Sales volume of iron ore concentrates (thousand metric tons)	**907**	932	-2.68%
Sales volume of nickel ores (thousand metric tons)	**197**	–	N/A
Continuing operations:			
Revenue (RMB'000)	**601,701**	541,452	11.13%
Gross profit (RMB'000)	**258,071**	260,340	-0.87%
Gross margin	**42.89%**	48.08%	-10.80%
Profit for the period from continuing operations (RMB'000)	**133,668**	54,918	143.40%
EBITDA from continuing operations (RMB'000)	**244,639**	261,435	-6.42%
Profit margin of EBITDA from continuing operations	**40.66%**	48.28%	-15.79%
Profit for the period from discontinued operations (RMB'000)	**–**	765,028	-100.00%
Profit for the period attributable to owners of the Company (RMB'000)	**138,203**	830,639	-83.36%
Earning per share (RMB cent per share) – From continuing operations	**7.60**	3.70	105.41%

MANAGEMENT DISCUSSION AND ANALYSIS

Major Operation Results[Note]

1. **Recording substantial increase in profit for the period from continuing operations**

   The Group's profit for the period from continuing operations was approximately RMB133,668,000 (the first half of 2017: RMB54,918,000), representing an increase of approximately RMB78,750,000 or 143.40% over the corresponding period of last year.

2. **Promoting the development of the gold project**

   Since our investment in PGO in 2014, the Company has been its sole largest shareholder. During the first half of 2018, the Company acquired all of the issued shares of PGO at an offer price of AUD35,386,000 in cash. PGO has JORC Code-compliant resource of approximately 2 million ounces at an average grade of 1.1 gram/ton gold and ore reserve of approximately 0.23 million ounces at an average grade of 3.9 gram/ton gold. In order to further expand our gold business in Australia, and leveraging on the success of the SXO Gold Project, the Company will strive to further develop and enhance asset value through exploration, development and operation of the mines.

3. **Increasing output of high-grade iron ore concentrates**

   Through continuous development and research as well as constant technology improvements, the output and sales volume of Maogong Mine, the key operating mine of the Group, continued to grow at a rapid pace. The output of Maogong Mine amounted to 664 thousand metric tons for the first half of 2018 (the first half of 2017: 562 thousand metric tons), representing a year-on-year increase of 18.15%, which accounted for 70.94% of the Group's output of iron ore concentrates. Driven by the production expansion of Maogong Mine, the output of iron ore concentrates by the Group amounted to 936 thousand metric tons for the first half of 2018, representing a year-on-year increase of 0.43%.

4. **Maintaining the competitiveness of low-cost operations and high gross profit of the iron ore business**

   Benefiting from the economies of scale generated by continuous technology improvement, the cash operation cost of iron ore concentrates was RMB286 per metric ton for the six months ended 30 June 2018, remaining as one of the mines with the lowest production cost in the country, and the iron ore business recorded a gross profit margin of 43.03%.

5. **Commencement of production and sales of the green building materials project**

   The green building materials project was approved for launch by the Board at the end of August 2017. In October 2017, Hanking Green Building Materials was established, and the construction of the main plant located in Fushun City, Liaoning Province commenced during the same period. The Company planned to invest a total of RMB120 million to build a foamed ceramics production line with an annual production capacity of 120,000 cubic meters and the ancillary projects. After commencement of construction for over half a year, the first production line was put into production in August 2018, which adopts the tunnel kiln technology. As of the date of this report, Hanking Green Building Materials has concluded sale agreements with customers for approximately 4,300 cubic meters of partition boards.

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

MANAGEMENT DISCUSSION AND ANALYSIS
(CONTINUED)

During the first half of 2018, revenue from the Group's continuing operations amounted to approximately RMB601,701,000 (the first half of 2017: RMB541,452,000), representing an increase of approximately RMB60,249,000 or 11.13% as compared to the corresponding period of last year. The profit for the period was approximately RMB133,668,000 (the first half of 2017: RMB54,918,000), representing an increase of approximately RMB78,750,000 or 143.40% from that of the same period of last year. As at 30 June 2018, the total asset of the Group was RMB3,527,474,000, decreasing by 10.30% as compared with that recorded on 31 December 2017. The gearing ratio, as calculated by dividing total liabilities by total assets, of the Group decreased from 64.35% as at 31 December 2017 to 57.44% as at 30 June 2018.

Iron Ore Business

During the first half of 2018, due to the further production expansion of the four major mines and the increase in supply, port inventory remained at a relatively high level. During the first half of the year, the import price of iron ores (Platts, at a grade of 62%) peaked at US$79.95 per metric ton in February and kept fluctuating within the range of US$60 to US$70 per metric ton afterwards.

With the penetration of the supply-side structural reform in China, most of the iron will be produced using the blast furnace method in the coming 15 to 20 years, which will continue to drive strong demand for the iron ores. Furthermore, with the further implementation of de-capacity measures in the steel industry and the industry structural adjustment, downstream steel sectors maintained a relatively high profit margin, providing solid support for the price of iron ores. Benefiting from a favorable foreign exchange environment, it is expected that the price of iron ores will remain on a stable upward track, showing an overall trend of fluctuating at a low level.

Moreover, due to the implementation of environmental protection measures, demands for persistently high-grade raw iron ores from the steel companies will remain robust, which will ensure a stable profit margin for high-grade raw iron ores.

1. Achieving year-on-year increase in product prices by producing high-grade iron ore concentrates

The iron ore business of the Company is situated at the famous iron ore metallogenic belt of Anshan to Benxi where iron ore resource is rich and in good quality. Over the past couple years, the Company has been working hard to improve the quality of its iron ore concentrate products. The Company produced iron ore concentrates at a stable grade of 68% or above with low content of sulfur, phosphorus and other impurity substance, enabling our clients to significantly reduce their production costs. Therefore, the Company concluded new annual sales agreements with our major customers at the beginning of 2018, increasing the sales price of iron ore concentrates by approximately RMB21 per metric ton. Benefiting from the rising sales price and a favourable market condition, the average sales price of our iron ore concentrates was approximately RMB623 per metric ton in the first half of 2018 (first half of 2017: RMB581 per metric ton), representing an increase of approximately RMB42 per metric ton or 7.23% as compared with that for the corresponding period of last year.

Through continuous technology improvements, Maogong Mine of the Group has achieved steady growth in output, leading to continuous increase in the output and sales volume of iron ore concentrates. The output of Maogong Mine amounted to 664 thousand metric tons in the first half of 2018 (first half of 2017: 562 thousand metric tons), representing a year-on-year increase of 18.15%, which accounted for 70.94% of the Group's output of iron ore concentrates. Driven by the production expansion of Maogong Mine, the output of iron ore concentrates by the Group amounted to 936 thousand metric tons in the first half of 2018, representing a year-on-year increase of 0.43%, while the sales volume of iron ore concentrates amounted to 907 thousand metric tons, representing a year-on-year decrease of 2.68%.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONTINUED)

The breakdown of output and sales volume of iron ore concentrates

	For the six months ended 30 June		
	2018 (thousand metric tons)	2017 (thousand metric tons)	Change in percentage
Output	**936**	932	0.43%
Of which, Maogong Mine	**664**	562	18.15%
Aoniu Mine	**272**	370	-26.49%
Sales volume	**907**	932	-2.68%
Of which, Maogong Mine	**644**	567	13.58%
Aoniu Mine	**263**	365	-27.95%

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

Through continuous technology improvements, the output of Maogong Mine was increased to achieve economies of scale, leading to significant decrease in processing costs. However, as the proportion of underground mining operation increased during the first half of 2018, the cash operation cost of iron ore concentrates was RMB286/metric ton during the six months ended 30 June 2018, representing an increase of 9.16% as compared to the corresponding period of last year, and the cost of sales was RMB355/metric ton, representing an increase of 17.58% as compared to the corresponding period of last year. Nevertheless, it remained as one of the mines with the lowest production cost in the country, continuing to maintain its core competitiveness of low-cost operations.

The breakdown of cash operation costs of the iron ore business

	Cash operation costs of iron ore concentrates (RMB/metric ton of iron ore concentrates) For the six months ended 30 June			
Item	**2018**	2017	Change	Change in percentage
Comprehensive mining cash costs *(Note 1)*	**137**	111	26	23.42%
Processing cash costs *(Note 2)*	**69**	73	-4	-5.48%
Transportation expense *(Note 3)*	**18**	20	-2	-10.00%
Tax *(Note 4)*	**36**	40	-4	-10.00%
Mine management expense *(Note 5)*	**26**	18	8	44.44%
Total	**286**	262	24	9.16%

Notes:

1. The substantial increase in the mining costs for per metric ton of iron ore concentrates was mainly due to the increase in the outsourcing costs for mining.

2. The decrease in the processing costs for per metric ton of iron ore concentrates was due to the increase in the output of iron ore concentrates and continuous technology improvements in the first half of 2018.

3. The decrease in transportation expense for per metric ton of iron ore concentrates was due to the decrease in sales volume to customers who were located at distant places.

4. The decrease in tax expense for per metric ton of iron ore concentrates was due to the reduction or exemption of resource tax enjoyed by Aoniu Mine and the substitution of sewage charge by green tax.

5. The increase in mine management expense was due to the increase in expenditures for gardening, exploration and research and development.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONTINUED)

3. Resources and reserves

During the first half of 2018, due to the completion of disposal of Xingzhou Mining, the iron ore resources and JORC Code-compliant iron ore reserves of the Group were approximately 99 million metric tons and 40 million metric tons respectively, which had no material change as compared to the data at the end of 2017 (excluding data of Xingzhou Mine).

4. Commencement of production of the green building materials project

Since its establishment, and upholding the principles of "safety, community harmony and green mine", the iron ore business of Hanking strives to improve resource utilization and mitigate impacts of production activities on the environment by ways of recycling and technology upgrade.

Through extensive study, the management found that the iron tailings produced by Maogong Mine had low sulfur and phosphorus content and high silicon and aluminum content, making it perfect to be used as the main raw materials for the production of foamed ceramics. The iron tailing (solid wastes) produced by the mine is used to produce a new type of building materials (i.e. foamed ceramics), which are mainly used as external wall insulation board and interior wall board due to its light, fireproof, anti-flaming, moisture-proof, insulation, sound-proof and other properties, and can be used as a new wall materials to replace the existing wall materials in the domestic market and has huge market potential.

The green building materials project was approved for launch by the Board at the end of August 2017. In October 2017, Hanking Green Building Materials was established, and the construction of the main plant located in Fushun City, Liaoning Province commenced during the same period. The Company planned to invest a total of RMB120 million to build a foamed ceramics production line with an annual production capacity of 120,000 cubic meters and the ancillary projects. As at 30 June 2018, the accumulative investment amounted to approximately RMB47,060,000. After commencement of construction for over half a year, the first production line was put into production in August 2018, which adopts the tunnel kiln technology to mainly produce partition boards.

Through productive research and development activities, Hanking Green Building Materials had developed its own core technologies and established standards for enterprise producing partition boards. The main products – partition boards are characterised with its thermal insulation and heat-proof functions, which are energy-efficient and environmentally-friendly.

Furthermore, as of the date of this report, Hanking Green Building Materials has concluded sale agreements with customers for approximately 4,300 cubic meters of partition boards. With the launching of this project and commencement of sale of products, the iron ore resources were reused to bring additional income for the Company, which also released capacity in the tailings storage facility and further mitigated the impact on the environment by mining production.

5. **Overview of the iron ore business**

In the first half of 2018, the average sales price of iron ore concentrates produced by the Group was RMB623/metric ton (first half of 2017: RMB581/metric ton), representing an increase of approximately RMB42/metric ton or 7.23% as compared with that for the corresponding period of last year. For the six months ended 30 June 2018, revenue of the iron ore business of the Group was RMB564,940,000, representing a year-on-year increase of 4.34%, mainly due to the rising average sales price and the increase in the output of iron ore concentrates; gross profit margin of the products was 43.03%, decreased by approximately 5 percentage points as compared with that of the same period of last year; net profit of the iron ore business amounted to RMB166,454,000 (first half of 2017: RMB122,271,000), representing a year-on-year increase of 36.14%.

In order to further expand the output of Maogong Mine, we carried out technology improvements for the underground mining work of Maogong Mine and the processing plant as planned. It is scheduled to complete the joint test run and technology improvement by the end of 2018. The total capital expenditure of the iron ore business for the first half of the year was RMB32,385,000, representing a year-on-year decrease of 4.21%.

Gold Business

In the first half of 2018, the interest hikes by the Federal Reserve on the back of a strong American economy drove the US Dollar upwards, continuing to put pressure on the gold price. After kicking off at US$1,302.70 per ounce at the beginning of the year, the international gold price was on an upward track where the gold price fluctuated around US$1,330 per ounce for four months and once peaked at US$1,366.05 per ounce. Being affected by the trade war and a persistently strong US Dollar, gold price has been declining since the end of April and closed at US$1,253.20 per ounce for the first half of the year. In the second half of 2018, the weak wage growth in the United States, the increasing uncertainties arising from the trade frictions between China and the United States and expectation of depreciation of the Renminbi will raise risk aversion sentiment in the market, which will provide support for the gold price.

During the first half of 2018, due to fluctuations in the US Dollar, the USD-denominated gold price showed a trend of overall decrease. However, as the Company's gold business is located in Australia, the AUD-denominated gold price imposes a more direct impact on the Company. During the first half of 2018, the AUD-denominated gold price kicked off the year at AUD1,669/ounce and closed at AUD1,692/ounce, with the lowest price of AUD1,655/ounce and the highest price of AUD1,763/ounce, recording the highest fluctuation range in history.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONTINUED)

1. **Completion of acquisition of PGO gold project**

In February 2018, Hanking Australia Investment (a subsidiary of the Company) and PGO (a company listed on the Australian Securities Exchange), through friendly negotiations, have entered into (i) a bid implementation agreement (BIA), under which Hanking Australia Investment has agreed to make a recommended conditional takeover bid for all of the issued shares of PGO at an offer price of AUD0.0575 cash per share; and (ii) in conjunction with the BIA, the loan and facility agreement, pursuant to which Hanking Australia Investment has agreed to provide PGO with an AUD1.5 million unsecured loan facility to assist PGO fund its short term working capital needs and other approved project activities during the offer period.

On 10 April 2018, the acquisition of PGO was approved by the Foreign Investment Review Board of Australia, and the conditions precedent for the off-market takeover bid of all the shares of PGO have been satisfied. 56.5% of the shares in PGO were held by HGM, a wholly-owned subsidiary of Hanking Australia Investment, while the rest of the shares would be acquired on the market through public offer. The acquisition of all the shares of PGO was eventually completed on 8 June 2018. The total consideration for the acquisition of PGO was AUD35,386,000.

PGO is an Australian listed gold company with interests in the Coolgardie gold project in Western Australia and the Toms Gully gold project and the RustlersRoost gold project in the Northern Territory, among which, the Toms Gully gold project has a processing plant which is on care and maintenance, while the Coolgardie gold project has received all mining permits. As at the time of the acquisition, PGO had JORC Code-compliant resource of approximately 2 million ounces at an average grade of 1.1 gram/ton gold and ore reserve of approximately 0.23 million ounces at an average grade of 3.9 gram/ton gold.

The Company has been the sole largest shareholder of PGO since 2014. Pursuant to the Company's established strategy, the Company has been proactively developing the precious metal sector, in an effort to create maximum value for the shareholders.

2. **Other business in Australia**

After completion of the disposal of the SXO Gold Project, the Company held some equity interests in several listed companies in Australia through Hanking Australia Investment. As at 30 June 2018, the fair value of these equity interests in these listed companies amounted to RMB7,080,000, representing a year-on-year decrease of 35.47%[Note]. Hanking Australia Investment is mainly engaged in investments in Australia.

3. **Overview of the gold business**

The gold business did not record any sales in the first half of 2018 as the PGO gold project was still under preparation for production. For the six months ended 30 June 2018, the capital expenditure for the acquisition of PGO assets was RMB204,177,000, representing a year-on-year increase of 143.92%.

Note: The acquisition of PGO was completed during the current period, therefore, the previously-owned share value of PGO was deducted from the comparative data at the end of last year.

Nickel Business

During the first half of the year, with strong support from the consumption of stainless steel and new energy vehicles, nickel prices in domestic and overseas markets were on an upward track, recording steady growth in both price and transaction volume. Shanghai Nickel Index closed at RMB117,680 per metric ton in mid of the year.

1. Cooperating with partners to develop nickel resources

KS and KKU, both being subsidiaries of the Company, have been cooperating with independent third parties to carry out the mining, production and trading of the nickel ores from the nickel mining area. All of the nickel ores will be sold within Indonesia, and KS and KKU shall share the profit generated from the sale of the nickel.

Affected by policy prohibiting raw ore export promulgated by the Indonesia government, production of the Company's nickel business was suspended in 2014. In light of the demands for nickel ore in Indonesia, the Company resumed production and trading of its nickel business in August 2017. However, the regulation that nickel ores mined in Indonesia can only be sold to the local market has resulted in a wide gap between the nickel prices in the Indonesian market and the international market where the international price was almost one time higher, leading to overall weak profitability of the nickel business as the sales price of nickel ores in the local Indonesian market was much lower than the price of imported laterite nickel ores in China. For the first half of 2018, the accumulative output of the nickel business was 183 thousand metric tons, including 176 thousand metric tons of nickel ores with a grade higher than 1.7%, and the sales volume of the nickel business amounted to 197 thousand metric tons, with the cash operation cost of RMB102 per metric ton.

2. Overview of the nickel business

In the first half of 2018, the average sales price of nickel ores produced by the Company was RMB187 per metric ton (production of the nickel business was suspended in the first half of 2017); revenue of the nickel business was RMB36,761,000; the gross profit margin was 40.67%; and the loss for the period was RMB12,542,000.

3. Resources and reserves

During the first half of 2018, there was no material change in the nickel ore resources and reserves held by the Group as compared to that at the end of 2017.

4. Significant subsequent events

On 5 July 2018, the Company entered into a share sale and purchase agreement with Tuochuan Capital Limited and Mr. Yang Jiye, pursuant to which the Company has agreed to sell, and Tuochuan Capital Limited has agreed to purchase, 70% equity interests of Hanking (Indonesia) for a total consideration of RMB350,000,000. Mr. Yang Jiye acted as the guarantor of Tuochuan Capital Limited, while Tuochuan (Hong Kong) Limited, a wholly-owned subsidiary of Tuochuan Capital Limited, pledged the 99% equity interests of Fushun Hanking Ginseng & Iron Trading Company Limited held by it to the Company. The transaction was considered and approved by the independent shareholders of the Company at the extraordinary general meeting held on 24 August 2018. Please refer to the announcements of the Company dated 5 July and 24 August 2018 respectively and the circular of the Company dated 6 August 2018 for details.

It is expected that the Company will record a premium of approximately RMB130,000,000 as a result of the disposal. As the purchaser of the transaction is a Controlling Shareholder of the Company, this transaction constitutes business combination under common control, thus the difference between the sales price and the profit attributable to the Company (i.e. the above-mentioned premium arising from the disposal) shall be credited to capital surplus. Accordingly, the Company will not record any profit or loss as a result of the disposal. Upon completion of the disposal, Hanking (Indonesia) will cease to be a non wholly-owned subsidiary of the Company and the financial results of Hanking (Indonesia) will not be consolidated into the accounts of the Company.

Approximately 50% of the proceeds from the disposal will be used for the development (including exploration, environment protection and pre-feasibility study) of the gold mine project of PGO (a gold mining company in Australia recently acquired by the Company) and the rest 50% will be used for the proposed acquisitions between the Company and identified potential sellers, which are still under negotiation. The Company will make further announcement pursuant to the Listing Rules in due course. If the proposed acquisition could not be materialized, such proceeds will be used to supplement the general working capital of the Company (such as expenses for underground mining and purchase of raw materials).

Affected by policy prohibiting raw ore export promulgated by the Indonesia government, mining and export activities of nickel business of the Company were suspended in 2014. In August 2017, in light of the demands for nickel ore in Indonesia, the Company resumed production in nickel business, producing aggregate approximately 259 thousand metric tons, and selling approximately 223 thousand metric tons of nickel ore in Indonesia. However, Hanking (Indonesia) remained in a loss-making position with losses of RMB39.6 million, RMB24.3 million and RMB26.9 million for the years ended 2015, 2016 and 2017 respectively, resulting in increase in its debt level as no cash flow was generated from its operation activity. The management of the Group holds the view that the disposal of Hanking (Indonesia) will help to improve the profitability of existing asset portfolio and optimize the assets and liabilities structure of the Company.

As the Company intends to develop or acquire mineral projects in other countries and regions, the management of the Group believes that the cash inflow from the disposal of Hanking (Indonesia) will provide financial support for the construction and acquisition of existing and potential mineral projects. Moreover, given the fact that the total foreign equity in the three project companies of Hanking (Indonesia), i.e. KP, KS and KKU, currently amounts to 83.5% which exceeds the foreign equity ceiling of 49% for mining companies in their tenth year after commencement of production as stipulated by the Indonesia law, the deadline for the Company's disposal of equity interests of Hanking (Indonesia) is November 2019 (being the tenth year after the commencement of production of Hanking (Indonesia) since November 2009). The Company has approached to, and negotiated with several independent third parties but did not enter into any final agreement with those potential purchasers, therefore, the management of the Group is of the opinion that the disposal of equity interests in Hanking (Indonesia) to the Controlling Shareholder is in the interest of the Company and its Shareholders as a whole and will entirely eliminate such legal risk exposure.

Financial Review

1. Revenue, Cost of Sales, Gross Profit

For the first half of 2018, revenue from the Group's continuing operations was RMB601,701,000, representing an increase of RMB60,249,000 or 11.13% over the corresponding period of last year, mainly due to: 1) an increase of RMB42/metric ton in the sales price of iron ore concentrates over the corresponding period of last year, resulting in an increase in revenue of RMB37,769,000; and 2) the commencement of production and sales in nickel business from November 2017, achieving revenue of RMB36,761,000 for the first half of 2018.

For the first half of 2018, cost of sales incurred by the Group's continuing operations amounted to RMB343,630,000, representing an increase of RMB62,518,000 or 22.24% over the corresponding period of last year, mainly attributable to: 1) the increase in unit cost of sales of iron ore concentrates as compared to the corresponding period of last year, leading to an increase of RMB48,122,000 in cost of sales; and 2) the commencement of production and sales in nickel business from November 2017, leading to an increase of RMB21,810,000 in cost of sales.

For the first half of 2018, gross profit of the Group's continuing operations was RMB258,071,000, representing a decrease of RMB2,269,000 or 0.87% over the corresponding period of last year. As compared to the corresponding period of last year, gross profit margin of the Group's continuing operations decreased from 48.08% to 42.89% in the first half of 2018.

Analysis on the revenue by major products

	For the six months ended 30 June					
	2018 RMB'000			2017 RMB'000		
	Iron ore	**Nickel ore**	**Total**	Iron ore	Nickel ore	Total
Revenue	**564,940**	**36,761**	**601,701**	541,452	–	541,452
Cost of sales	**321,820**	**21,810**	**343,630**	281,112	–	281,112
Gross profit	**243,120**	**14,951**	**258,071**	260,340	–	260,340
Gross profit margin	**43.03%**	**40.67%**	**42.89%**	48.08%	–	48.08%

MANAGEMENT DISCUSSION AND ANALYSIS
(CONTINUED)

2. Other Income, Other Gains and Losses

For the first half of 2018, other income from the Group's continuing operations was RMB3,508,000, representing an increase of RMB1,306,000 or 59.31% over the corresponding period of last year. Other income mainly represented interest income.

For the first half of 2018, other gains of the Group's continuing operations were RMB7,961,000, representing an increase of RMB6,979,000 or 710.69% over the corresponding period of last year, which was mainly attributable to the recognition of gain of RMB13,732,000 upon the completion of disposal of Xingzhou Mining during the current period and the increase in foreign exchange losses on foreign currency deposits due to fluctuations in exchange rate.

3. Distribution and Selling Expenses, Administrative Expenses

For the first half of 2018, the distribution and selling expenses of the Group's continuing operations were RMB23,744,000, representing an increase of RMB4,971,000 or 26.48% as compared to the corresponding period of last year, which was mainly due to the increase of RMB6,248,000 in distribution and selling expenses as a result of the commencement of production and sales in nickel business from November 2017. Selling and distribution expenses consisted of transportation expenses, labour expenses and others.

For the first half of 2018, the administrative expenses of the Group's continuing operations were RMB85,116,000, representing an increase of RMB8,692,000 or 11.37% 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 doubtful debt reserves and others.

4. Finance Costs and Income Tax Expense

For the first half of 2018, the finance costs of the Group's continuing operations were RMB46,804,000, representing a decrease of RMB12,857,000 or 21.55% as compared to the corresponding period of last year. Finance costs included bank borrowing interest expenses, discount expenses and other finance expenses and the amortization of the long-term payable discount charges. The decrease was mainly due to a decrease of RMB18,295,000 in interest expenses as a result of a decrease in bank borrowings, an increase of RMB12,891,000 in discount interest expenses as a result of an increase in discounting of bank acceptance bills, and a decrease of RMB7,453,000 in amortization of long-term payable discount charges as compared to the corresponding period of last year.

For the first half of 2018, the income tax credit of the Group's continuing operations was RMB19,792,000, representing a decrease of RMB73,540,000 or 136.82% over income tax expense for the corresponding period of last year. Income tax expense included the total amount of current tax payable and deferred tax. The decrease in income tax expense for the current period was mainly attributable to the restructuring of the iron ore business and the decrease in current income tax expense as a result of the deductible losses incurred upon the completion of disposal of Xingzhou Mining, and the increase in the current income tax credit as a result of the deferred tax assets recognized in respect of the timing differences arising from deductible losses, etc.

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

After the application of IFRS 9 Financial Instruments on 1 January 2018, the Group has classified the available-for-sale investments as financial assets at fair value through profit or loss in the consolidated statement of financial position, with the changes in fair value entirely recognised in the statement of profit or loss. For the first half of 2018, the Group recorded gains on changes in fair value of the available-for-sale investments of RMB6,930,000.

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

Based on the reasons mentioned above, the profit for the period of the Group's continuing operations for the first half of 2018 was RMB133,668,000, representing an increase of RMB78,750,000 or 143.40% as compared to RMB54,918,000 recorded for the corresponding period of last year.

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

Based on the profit for the period, and affected by the changes in fair values of receivables measured at fair value through other comprehensive income, foreign currency translation and so on, the total comprehensive income for the first half of 2018 was RMB119,196,000, representing a decrease of RMB733,301,000 or 86.02% as compared to the corresponding period of last year.

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

As of 30 June 2018, the net value of property, plant and equipment of the Group was RMB837,156,000, representing a decrease of RMB28,265,000 or 3.27% as compared to that as at the end of the previous year.

As of 30 June 2018, the inventories of the Group were RMB84,416,000, representing a decrease of RMB5,253,000 or 5.86% as compared to that as at the end of the previous year.

As of 30 June 2018, the intangible assets of the Group were RMB851,076,000, representing an increase of RMB174,639,000 or 25.82% as compared to that as at the end of the previous year, which was mainly due to the increase in mining right and exploration assets following the completion of acquisition of PGO in Australia during the current period.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONTINUED)

8. Trade and Other Receivables, Trade and Other Payables

As of 30 June 2018, trade receivables of the Group were RMB317,462,000, representing an increase of RMB100,018,000 over the end of last year, mainly attributable to the increase in the balance of trade receivables of the iron ore concentrates.

As of 30 June 2018, bills receivables of the Group (bank acceptance bills) were RMB322,301,000, representing a decrease of RMB100,771,000 over the end of last year, of which undiscounted bank acceptance bills were RMB78,835,000. Such bills can be discounted at any time to satisfy the need for cash.

As of 30 June 2018, other receivables of the Group were RMB329,401,000, representing an increase of RMB149,582,000 over the end of last year, which was mainly due to the recognition of the remaining disposal proceeds receivable amounting to RMB130,000,000 during the current period after the completion of disposal of Xingzhou Mining.

After the application of IFRS 9 Financial Instruments on 1 January 2018, the Group has classified the trade and bill receivables of the iron ore business as receivables at fair value through other comprehensive income based on the characteristics of the business model and contractual cash flow. The fair value and expected credit losses were assessed by the Group at the end of the reporting period, with the changes in the fair value included in other comprehensive income and the expected credit losses included in other gains and losses.

As of 30 June 2018, trade payables of the Group were RMB22,986,000, representing a decrease of RMB2,973,000 over the end of last year. As of 30 June 2018, bills payables of the Group were RMB23,500,000, representing a decrease of RMB5,000,000 over the end of last year. As of 30 June 2018, other payables of the Group were RMB158,639,000, representing a decrease of RMB290,989,000 over the end of last year, which was mainly due to the decrease of RMB230,000,000 in other payables as a result of the completion of disposal of Xingzhou Mining.

9. **Cash Use Analysis**

The summary of the Group's consolidated statement of cash flows for the first half of 2018 is set out below:

	For the six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Net cash flows from operating activities	**186,926**	155,857
Net cash flows from investing activities	**-265,475**	874,744
Net cash flows from financing activities	**-248,130**	-713,834
Net increase in cash and cash equivalents	**-326,679**	316,767
Cash and cash equivalents at the beginning of the period	**394,911**	70,162
Assets reclassified as held for sale	**–**	-6,113
Effect of changes in foreign exchange rate on cash and cash equivalents	**-2,836**	-1,114
Cash and cash equivalents at the end of the period	**65,396**	379,702

The net cash inflow from operating activities during the first half of 2018 was RMB186,926,000. The amount was mainly attributed to the profit before tax of RMB113,876,000, together with depreciation and amortization of RMB83,959,000, and finance costs of RMB46,804,000, which were offset by a decrease of RMB41,194,000 in payables and a gain on disposal of Xingzhou Mining of RMB13,732,000.

For the first half of 2018, the net cash outflow from investing activities amounted to RMB265,475,000. The amount mainly included the amount of RMB169,988,000 used in the acquisition of PGO in Australia, the amount of RMB78,131,000 used in the acquisition of new plants and equipment, etc. and acquisition of properties in order to expand production capacity and improve technology and the amount of RMB18,209,000 used in the acquisition of intangible assets.

For the first half of 2018, the net cash outflow from financing activities was RMB248,130,000, which was mainly from the newly added bank borrowings of RMB235,236,000, the repayment of bank loans of RMB426,155,000, the settlement of loan interest of RMB42,249,000 and the payment of dividend of RMB14,962,000.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONTINUED)

10. Cash and Borrowings

As of 30 June 2018, bank balance and cash of the Group amounted to RMB65,396,000, together with pledged and restricted bank deposits of RMB56,095,000, representing a decrease of RMB322,668,000 or 72.65% as compared to the end of last year.

As of 30 June 2018, the balance of bank borrowings of the Group was RMB1,415,000,000, representing a decrease of RMB192,307,000 as compared to the end of last year. After deducting all margin loans, the balance of bank borrowings was RMB820,000,000. In addition to the information disclosed above or otherwise in this report, the Group has no outstanding mortgage, pledge, debentures or other loan capital issued or agreed to be issued, bank overdrafts, borrowing, liabilities under acceptance or other similar liabilities, hire purchase and finance lease commitments, or any guarantees or other material contingent liabilities. The Directors have confirmed that, save as disclosed above, there was no material change in the debts and contingent liabilities of the Group since 31 December 2017.

11. Gearing Ratio

The gearing ratio, as calculated by dividing total liabilities by total assets, of the Group decreased from 64.35% on 31 December 2017 to 57.44% on 30 June 2018.

12. Major Risks

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

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

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

Foreign exchange risk: Up to the date of this report, the reporting currency of the Group was RMB. Since RMB is not freely convertible, the risk that the Chinese government may take measures to interfere exchange rates may 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. In addition, the Group owns assets in Indonesia and Australia. Their assets and liabilities are denominated in Indonesian Rupiah and AUD respectively, which are subject to fluctuation in the foreign exchange rate and affect net assets value and profit of the Group to some extent. The management of the Group will continue to monitor the currency matching between the revenue and costs of the Group and exchange risks, and may consider taking appropriate measures to hedge material exchange risks when necessary.

13. Pledge of Assets and Contingent Liabilities

Some of the bank borrowings of the Group are secured by the mining rights certificates. As of 30 June 2018, the aggregate net carrying value of the pledged mining rights amounted to RMB33,459,000.

As of 30 June 2018, the Group had no material contingent liabilities.

14. Capital Commitment

As at 30 June 2018, the capital commitment of the Group was RMB83,866,000, representing an increase of RMB18,478,000 or 28.26% over that of the end of last year. The capital commitment mainly consisted of the amount of RMB29,016,000 for the construction work of the processing plant of Maogong Mine, the amount of RMB28,925,000 for the underground mining works of Shangma Mine, as well as the amount of RMB25,170,000 for the construction work and equipment of the green building materials project.

15. Capital Expenditure

The Group's capital expenditure increased from approximately RMB117,518,000 in the first half of 2017 to approximately RMB236,572,000 in the first half of 2018. Expenditure incurred in the first half of 2018 mainly included (i) expenditure for acquisition of plants, machine equipment and properties amounting to RMB31,760,000; (ii) expenditure for acquisition of intangible assets amounting to RMB202,889,000; (iii) expenditure for acquisition of land amounting to RMB1,923,000. Among which, the expenditure for acquisition of intangible assets was mainly related to the increase in mining right and exploration assets as a result of the acquisition of PGO.

16. Significant Foreign Investments Held

Save for the equity interests in two companies listed on Australian Securities Exchange held by the Group, the Group did not hold any other significant investments as of 30 June 2018.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONTINUED)

17. Material Acquisitions and Disposals of Subsidiaries and Associated Companies

In February 2018, Hanking Australia Investment, a subsidiary of the Company, and PGO, a company listed on the Australian Securities Exchange, through friendly negotiations, have entered into (i) the Bid Implementation Agreement (the "**BIA**"), under which Hanking Australia Investment has agreed to make a recommended conditional takeover bid for all of the issued shares of PGO at an offer price of AUD0.0575 cash per share; and (ii) in conjunction with the BIA, the Loan and Facility Agreement, pursuant to which Hanking Australia Investment has agreed to provide PGO with an AUD1.5 million unsecured loan facility to assist PGO fund its short term working capital needs and other approved project activities during the offer period. On 8 June 2018, the acquisition of all of PGO's shares was completed. The total consideration for the acquisition of PGO was AUD35,386,000. Please refer to the "Completion of acquisition of PGO gold project" on page 12 of this report for details.

Aoniu Mining, a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with an independent third party on 13 April 2017 to dispose of all its equity interests in Xingzhou Mining. The total consideration of the disposal was RMB360,000,000 with reference to the unaudited total assets of Xingzhou Mining as at 28 February 2017 and the shareholder's loan. Aoniu Mining will receive RMB360,000,000 as a result of the disposal, including the recovery of the shareholder's loan at a sum of RMB340,000,000 and the equity consideration of RMB20,000,000. In the first half of 2018, the above-mentioned disposal was completed, and a gain on disposal of RMB13,732,000 was recognised by the Group, while the payment receivable amounting to RMB130,000,000 was included in other receivables.

Save as aforesaid, the Group had no other material acquisitions or disposals of subsidiaries and associated companies during the first half of 2018.

18. Significant Subsequent Events

On 5 July 2018, the Company entered into a share sale and purchase agreement with Tuochuan Capital Limited and Mr. Yang Jiye (as the guarantor), pursuant to which, the Company has agreed to sell, and Tuochuan Capital Limited has agreed to purchase, 70% equity interests of Hanking (Indonesia) for a total consideration of RMB350,000,000. It is expected that the Company will record a premium of approximately RMB130,000,000 as a result of the disposal. As the purchaser of the transaction is a Controlling Shareholder of the Company, this transaction constitutes business combination under common control, thus the difference between the sale price and the profit attributable to the Company (i.e. the above-mentioned premium arising from the disposal) shall be credited to capital surplus. Accordingly, the Company will not record any profit or loss as a result of the disposal. Upon completion of the disposal, Hanking (Indonesia) will cease to be a non wholly-owned subsidiary of the Company and the financial results of Hanking (Indonesia) will not be consolidated into the accounts of the Company. The transaction was considered and approved by the independent shareholders of the Company at the extraordinary general meeting held on 24 August 2018. Please refer to "Significant subsequent events" on page 13 of this report for details.

OTHER INFORMATION

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

So far as the Company is aware, as at 30 June 2018, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (as defined in Part XV of the SFO) which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions taken or deemed to have under such provisions of the SFO), or which are required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO or which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"), were as follows:

(1) Interests in the shares of the Company:

Name of Director and Chief Executive	Status/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding
Yang Jiye[1]	Founder of discretionary trust	494,360,500 (long positions)	27.01%
	Interest in controlled corporation	305,881,000 (long positions)	16.71%
Xia Zhuo[2]	Interest in controlled corporation	19,130,589 (long positions)	1.05%
	Beneficial owner	60,000 (long positions)	Less than 0.01%
Zheng Xuezhi	Beneficial owner	2,452,000 (long positions)	0.13%

Notes:

1. Mr. Yang Jiye is the founder of a management trust which holds the entire issued share capital of Bisney Success Limited and holds 100% interest in Tuochuan Capital Limited. As a result, Mr. Yang Jiye is deemed to hold interest in 494,360,500 Shares held by Bisney Success Limited and 305,881,000 Shares held by Tuochuan Capital Limited.

2. Mr. Xia Zhuo holds 54.38% interest in Splendour Ventures Limited. As a result, Mr. Xia Zhuo is deemed to hold interest in 19,130,589 Shares held by Splendour Ventures Limited. The accurate percentage of the 60,000 Shares beneficially owned by Mr. Xia Zhuo is 0.00327869%.

OTHER INFORMATION
(CONTINUED)

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

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

Save as disclosed above, as at 30 June 2018, none of the Directors and chief executives of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position taken or deemed to have under such provisions of the SFO), or which are required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO or which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

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

As at 30 June 2018, as far as the Directors of the Company, having made all reasonable enquires, are aware, the following persons (other than the Directors and chief executives of the Company) owned interests or short positions in the shares or underlying shares of the Company which shall be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholders	Status/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding
Yang Min[1]	Interest in controlled corporation	506,025,000 (long positions)	27.65%
	Founder of discretionary trust	13,820,166 (long positions)	0.76%
China Hanking (BVI) Limited	Beneficial owner	506,025,000 (long positions)	27.65%
Bisney Success Limited	Beneficial owner	494,360,500[2] (long positions)	27.01%
Le Fu Limited	Interest in controlled corporation	494,360,500[2] (long positions)	27.01%
UBS Nominees Limited	Nominee for the Trustee	494,360,500[2] (long positions)	27.01%
UBS Trustees (BVI) Limited	Trustee	494,360,500[2] (long positions)	27.01%
Tuochuan Capital Limited	Beneficial owner	305,881,000 (long positions)	16.71%
China Citic Bank Corporation Limited (中信銀行股份有限公司)	Person having a security interest in Shares	280,000,000 (long positions)	15.30%
Xinfu Branch, Bank of Fushun Co., Ltd. (撫順銀行股份有限公司新撫支行)	Person having a security interest in Shares	500,000,000 (long positions)	27.32%

Notes:

1. Ms. Yang Min holds 100% interest in China Hanking (BVI) Limited and serves as settlor and beneficiary of a management trust which holds the entire issued share capital of Best Excellence Limited. Thus Ms. Yang Min is deemed to have an interest in 506,025,000 Shares held by China Hanking (BVI) Limited and 13,820,166 Shares held by Best Excellence Limited.

2. These 494,360,500 Shares belong to the same group of Shares.

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

3. Changes of Directors and Directors' Information

On 20 March 2018, (1) Dr. Pan Guocheng resigned as Chief Executive Officer and President of the Company due to his other personal commitments which require more of his dedications, while was re-designated from an executive Director to a non-executive Director and remained as the chairman of the health, safety, environmental protection and community committee (the "**HSEC Committee**") of the Company; and (2) Mr. Yang Jiye was appointed as Chief Executive Officer and President of the Company.

At the annual general meeting (the "**AGM**") of the Company held on 24 May 2018, in accordance with Article 84(1) of the Articles of Association, Mr. Zheng Xuezhi (executive Director), Dr. Pan Guocheng (non-executive Director) and Mr. Ma Qingshan (independent non-executive Director) retired by rotation at the AGM. Among which, Mr. Zheng Xuezhi and Mr. Ma Qingshan, being eligible, offered themselves for re-election, while Dr. Pan Guocheng did not offer himself for re-election as he would like to focus on his other business and accordingly has retired as a non-executive Director upon conclusion of the AGM in accordance with the Articles of Association.

Following his retirement as a non-executive Director, Dr. Pan Guocheng also ceased to be the chairman of the HSEC Committee. Since 24 May 2018, Dr. Qiu Yumin has been appointed as the chairman of the HSEC Committee.

On 24 August 2018, (1) Mr. Xia Zhuo resigned as a joint company secretary of the Company in order to focus on other businesses of the Company, but remained as an executive Director. Moreover, in order to comply with the provisions in relation to the appointment of company secretary designated by an external service provider under the Guidance for Boards and Directors issued by the Hong Kong Stock Exchange in July 2018, Ms. Mok Ming Wai resigned as a joint company secretary of the Company; and (2) Ms. Zhang Jing and Ms. So Lai Shan were appointed as joint company secretaries of the Company.

On 24 August 2018, (1) Ms. Mok Ming Wai resigned as an authorised representative of the Company; and (2) Ms. So Lai Shan was appointed as an authorised representative of the Company. Mr. Zheng Xuezhi remains as the other authorised representative of the Company.

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

OTHER INFORMATION
(CONTINUED)

4. Directors' Service Contract

The Company has entered into a director's service contract and a letter of appointment with each of the Directors. The particulars of these service contracts include: (1) the term of their appointment as Directors is for three years commencing from 17 March 2018 (in the case of Mr. Yang Jiye, Mr. Zheng Xuezhi, Dr. Qiu Yumin, Mr. Xia Zhuo, Mr. Kenneth Jue Lee, Mr. Wang Ping, Dr. Wang Anjian and Mr. Ma Qingshan); and (2) are subject to early termination in accordance with their respective terms.

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

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules, and also formulated the Written Guideline on Dealings in the Securities of the Company by Directors and the Relevant Employees (the "**Company Guideline**"), which adopted the standards equivalent to the provisions of Appendix 10 to the Listing Rules as the model code regarding dealings in the Company's securities by the Directors. Specific enquiries have been made to all Directors and the relevant employees of the Company, who have confirmed that they have complied with the Model Code and the Company Guideline throughout the six months period ended 30 June 2018.

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

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

7. Employee and Remuneration Policy

As at 30 June 2018, the Group had a total of 984 employees (as at 30 June 2017: a total of 1,077 employees).

For the six months ended 30 June 2018, the aggregate remuneration expenses and other employee benefits costs of the Group amounted to RMB55,390,000 (for the six months ended 30 June 2017: RMB80,492,000), and such decrease is mainly due to the share-based payment recognized for the six months period ended 30 June 2017 of RMB31,344,000. The remuneration policy of the Group is formulated on the basis of performance of individual employees and the prevailing salaries' trends in various regions, emphasizing on the direct relation between the employees' income and the operation performance and revenue of the Group. The remuneration policy is subject to review by the Group every year. The Group also provides its employees with training programmes, mandatory provident fund scheme, pension, medical insurance, occupational injury insurance, unemployment insurance, maternity insurance and other insurances required by the government as well as discretionary bonuses.

8. Corporate Governance

Save as disclosed herein, during the period from 1 January 2018 to 30 June 2018, the Company has complied with the remaining code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, meanwhile, the Company has complied with most of the best practices as recommended therein.

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

9. Audit Committee

During the period from 1 January 2018 to 30 June 2018, the Audit Committee comprised two independent non-executive Directors, namely Mr. Wang Ping (Chairman of the Audit Committee) and Dr. Wang Anjian, and one non-executive Director, namely Mr. Kenneth Jue Lee.

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

The Audit Committee, which has reviewed the 2018 interim results for the six months ended 30 June 2018 of the Company which has not been audited by independent auditors, believes that the interim results were prepared in accordance with the accounting standards, rules and regulations adopted, and made appropriate disclosure.

10. Interim Dividend

The Board has proposed not to distribute any interim dividend for the six months ended 30 June 2018.

OTHER INFORMATION
(CONTINUED)

11. Major Legal Proceeding

During the six months ended 30 June 2018, the Group was not involved in any major legal proceedings or arbitrations. To the knowledge of the Directors, there is no other pending or potential major legal proceeding or claim.

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

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

On 31 October 2017, Tuochuan Capital Limited pledged 280,000,000 Shares in favour of China Citic Bank Corporation Limited, Dalian Branch ("**China CITIC Bank**") as security for a term loan facility up to a maximum aggregate amount of RMB175,000,000 provided by China CITIC Bank to Aoniu Mining. The above pledged Shares represented approximately 15.30% of the issued share capital of the Company as at 31 October 2017. Details are set out in the announcement of the Company dated 31 October 2017.

FINANCIAL REPORT

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF CHINA HANKING HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of China Hanking Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 32 to 89, which comprise the condensed consolidated statement of financial position as of 30 June 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company (the "Directors") are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

Conclusion

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
24 August 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	NOTES	Six months ended 30 June **2018** **RMB'000** **(Unaudited)**	 2017 RMB'000 (Unaudited)
Continuing operations			
Revenue	4A	**601,701**	541,452
Cost of sales		**(343,630)**	(281,112)
Gross profit		**258,071**	260,340
Other income		**3,508**	2,202
Other gains and losses	5	**7,961**	982
Distribution and selling expenses		**(23,744)**	(18,773)
Administrative expenses		**(85,116)**	(76,424)
Finance costs		**(46,804)**	(59,661)
Profit before tax	6	**113,876**	108,666
Income tax credit (expense)	7	**19,792**	(53,748)
Profit for the period from continuing operations		**133,668**	54,918
Discontinued operation			
Profit for the period from discontinued operation	10	**–**	765,028
Profit for the period		**133,668**	819,946
Other comprehensive (expense) income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**(11,547)**	12,492
Reclassification of cumulative translation reserve upon disposal of a foreign operation to profit or loss		**–**	19,944
Fair value (loss) gain on:			
– available-for-sale investments		**–**	115
– receivables measured at fair value through other comprehensive income ("FVTOCI")		**(2,925)**	–
Other comprehensive (expense) income for the period (net of tax)		**(14,472)**	32,551
Total comprehensive income for the period		**119,196**	852,497

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(CONTINUED)

For the six months ended 30 June 2018

	NOTES	Six months ended 30 June **2018** RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Profit for the period attributable to owners of the Company:			
– Continuing operations		**138,203**	67,003
– Discontinued operation		**–**	763,636
Profit for the period attributable to owners of the Company		**138,203**	830,639
(Loss) profit for the period attributable to non-controlling interests			
– Continuing operations		**(4,535)**	(12,085)
– Discontinued operation		**–**	1,392
Loss for the period attributable to non-controlling interests		**(4,535)**	(10,693)
		133,668	819,946
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**125,726**	863,489
Non-controlling interests		**(6,530)**	(10,992)
		119,196	852,497
Earnings per share (RMB cent per share)	12		
From continuing and discontinued operations		**7.6**	45.4
From continuing operations		**7.6**	3.7

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	NOTES	**30 June 2018 RMB'000 (Unaudited)**	31 December 2017 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	13	**837,156**	865,421
Intangible assets	14	**851,076**	676,437
Prepaid lease payments	15	**122,045**	137,314
Available-for-sale investments	19	**–**	21,778
Financial assets at fair value through profit or loss ("FVTPL")	20	**7,080**	–
Deferred tax assets		**33,701**	10,189
Loan receivable		**11,300**	11,300
Deposit on acquisition of property, plant and equipment		**76,485**	49,199
Restricted deposits	16	**21,118**	3,797
		1,959,961	1,775,435
Current assets			
Inventories		**84,416**	89,669
Prepaid lease payments	15	**33,358**	29,761
Trade and other receivables	17	**332,177**	397,263
Bills receivables	17	**–**	423,072
Receivables at FVTOCI	18	**636,987**	–
Tax recoverable		**100**	339
Available-for-sale investments	19	**–**	406,794
Financial assets at FVTPL	20	**380,102**	–
Pledged bank deposits	21	**34,977**	45,451
Bank balances and cash	21	**65,396**	394,911
		1,567,513	1,787,260
Assets classified as held for sale	8	**–**	369,955
		1,567,513	2,157,215
Current liabilities			
Trade and other payables	22	**181,625**	475,587
Bills payables	22	**23,500**	28,500
Borrowings	23	**995,000**	1,151,887
Consideration payable	24	**34,442**	65,180
Tax liabilities		**64,766**	84,614
		1,299,333	1,805,768
Liabilities associated with assets classified as held for sale	8	**–**	23,687
		1,299,333	1,829,455
Net current assets		**268,180**	327,760
Total assets less current liabilities		**2,228,141**	2,103,195

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(CONTINUED)

At 30 June 2018

	NOTES	**30 June 2018 RMB'000 (Unaudited)**	31 December 2017 RMB'000 (Audited)
Capital and reserves			
Share capital	25	**149,137**	149,137
Reserves		**1,172,244**	1,066,320
Equity attributable to owners of the Company		**1,321,381**	1,215,457
Non-controlling interests		**179,851**	186,381
Total Equity		**1,501,232**	1,401,838
Non-current liabilities			
Borrowings	23	**420,000**	455,420
Consideration payable	24	**277,273**	241,100
Rehabilitation provision		**25,340**	1,580
Retirement benefit obligations		**1,484**	1,558
Deferred tax liabilities		**2,812**	1,699
		726,909	701,357
		2,228,141	2,103,195

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	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	FVTOCI reserve RMB'000	Translation reserve RMB'000	Share-based payment reserve RMB'000	Special reserve RMB'000 (note c)	Actuarial reserve on retirement benefit plan RMB'000	Other reserve RMB'000 (note d)	Retained earnings RMB'000	Attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2017 (audited)	149,137	495,537	84,970	512,098	11,767	–	(51,322)	2,936	(557,161)	207	(614)	(45,479)	602,076	203,093	805,169
Profit (loss) for the period	–	–	–	–	–	–	–	–	–	–	–	830,639	830,639	(10,693)	819,946
Other comprehensive income (expense) for the period	–	–	–	–	115	–	32,735	–	–	–	–	–	32,850	(299)	32,551
Total comprehensive income (expense) for the period	–	–	–	–	115	–	32,735	–	–	–	–	830,639	863,489	(10,992)	852,497
Transfer to future development funds reserve, net of utilisation	–	–	–	18,515	–	–	–	–	–	–	–	(18,515)	–	–	–
Recognition of share-based payment (note 28)	–	–	–	–	–	–	–	31,344	–	–	–	–	31,344	–	31,344
Reclassification upon disposal of Hanking Australia (as defined in note d)	–	–	–	–	–	–	–	(34,280)	–	–	–	34,280	–	(3,039)	(3,039)
Special dividend (note 10)	–	–	–	–	–	–	–	–	–	–	–	(319,774)	(319,774)	–	(319,774)
Balance at 30 June 2017 (unaudited)	149,137	495,537	84,970	530,613	11,882	–	(18,587)	–	(557,161)	207	(614)	481,151	1,177,135	189,062	1,366,197
Balance at 31 December 2017 (audited)	149,137	175,763	111,081	552,620	12,927	–	(27,779)	–	(557,161)	152	(614)	799,331	1,215,457	186,381	1,401,838
Effect arising from adoption of IFRS 9 (note e)	–	–	–	–	(12,927)	(4,568)	–	–	–	–	–	12,655	(4,840)	–	(4,840)
Balance at 1 January 2018 (restated)	149,137	175,763	111,081	552,620	–	(4,568)	(27,779)	–	(557,161)	152	(614)	811,986	1,210,617	186,381	1,396,998
Profit (loss) for the period	-	-	-	-	-	-	-	-	-	-	-	138,203	138,203	(4,535)	133,668
Other comprehensive expense for the period	-	-	-	-	-	(2,925)	(9,552)	-	-	-	-	-	(12,477)	(1,995)	(14,472)
Total comprehensive (expense) income for the period	-	-	-	-	-	(2,925)	(9,552)	-	-	-	-	138,203	125,726	(6,530)	119,196
Transfer to future development funds reserve, net of utilisation	-	-	-	20,573	-	-	-	-	-	-	-	(20,573)	-	-	-
Reclassification upon disposal of Xingzhou Mining (as defined in note b)	-	-	-	(2,674)	-	-	-	-	-	-	-	2,674	-	-	-
Dividend (note 11)	-	-	-	-	-	-	-	-	-	-	-	(14,962)	(14,962)	-	(14,962)
Balance at 30 June 2018 (unaudited)	149,137	175,763	111,081	570,519	-	(7,493)	(37,331)	-	(557,161)	152	(614)	917,328	1,321,381	179,851	1,501,232

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(CONTINUED)

For the six months ended 30 June 2018

Notes:

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

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

(b) Pursuant to regulation in the PRC, Fushun Hanking Aoniu Mining Co., Ltd. ("Aoniu Mining"), Fushun Hanking Maogong Mining Co., Ltd, Fushun Hanking Xingzhou Mining Co., Ltd. ("Xingzhou Mining"), Fushun Hanking Shangma Mining Co., Ltd., subsidiaries of the Group, are required to transfer an amount to a future development fund at RMB5-10 (2017: RMB5-10) per ton of iron ore mined annually which will be used for enhancement of safety production environment and improvement of facilities. The fund can only be used for the future development of the iron ore mining business and is not available for distribution to shareholders.

RMB20,815,000 and RMB23,171,000 of future development fund was provided during the six months ended 30 June 2018 and 2017, respectively. RMB242,000 and RMB4,656,000 of future development fund was utilised during the six months ended 30 June 2018 and 2017, respectively.

RMB2,674,000 has been reclassified from future development funds reserve to retained earnings upon completion of the disposal of Xingzhou Mining during the current interim period.

(c) Special reserve mainly represented the contribution from/distribution to the then equity shareholders when the Company has the business combination involving entities under common control in 2013.

(d) Other reserve represented the dilution impact to the Group's interest in Hanking Australia Pty Ltd (the "Hanking Australia") for the year ended 2016 as a result of the share subscription transaction as more fully explained in note 28.

(e) Upon the adoption of IFRS 9 "*Financial Instruments*" on 1 January 2018, the cumulative impact of RMB12,655,000 was recorded as an adjustment to the retained earnings as at 1 January 2018, including additional impairment loss allowance recognised under the expected credit loss model of RMB362,000, deferred tax asset of RMB90,000 recognised and cumulative fair value gain of RMB12,927,000 relating to those equity investments previously classified as available-for-sale investments and carried at cost less impairment transferred from investments revaluation reserve to retained earnings.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	NOTES	Six months ended 30 June **2018** **RMB'000** **(Unaudited)**	 2017 RMB'000 (Unaudited)
Net cash from operating activities		**186,926**	155,857
Investing activities			
Purchases for property, plant and equipment		**(78,131)**	(145,975)
Payments for prepaid lease payments		**(5,222)**	(16,780)
Payments for intangible assets		**(18,209)**	(104,185)
Net cash inflow arising on disposal of Gold Business (as defined in note 4B)	10	**–**	898,093
Net cash outflow on acquisition of PGO (as defined in note 4B)	9	**(169,988)**	–
Settlement of advance to Hanking Australia		**–**	273,178
Capital gain tax paid for disposal of Hanking Australia		**(14,241)**	–
Purchases for available-for-sale investments		**–**	(1,358,500)
Proceeds on disposal of available-for-sale investments		**–**	1,306,449
Purchases for financial assets at FVTPL		**(90,228)**	–
Proceeds on disposal of financial assets at FVTPL		**119,435**	–
Proceeds on disposal of property, plant and equipment		**5,846**	2,375
Interest received		**3,431**	1,476
Increase in restricted deposits		**(3,545)**	(583)
Settlement of consideration payable for acquisition of subsidiaries		**(2,000)**	–
Loan to an independent third party		**(23,097)**	–
Withdrawal of pledged bank deposits		**70,726**	51,821
Placement of pledged bank deposits		**(60,252)**	(32,625)
Net cash (used in) from investing activities		**(265,475)**	874,744
Financing activities			
New borrowings raised		**235,236**	497,845
Repayment of borrowings		**(426,155)**	(847,616)
Interest paid		**(42,249)**	(44,289)
Dividend paid to owners of the Company		**(14,962)**	(319,774)
Net cash used in financing activities		**(248,130)**	(713,834)
Net (decrease) increase in cash and cash equivalents		**(326,679)**	316,767
Cash and cash equivalents at 1 January		**394,911**	70,162
Bank balances and cash of Xingzhou Mining eliminated upon transfer to assets classified as held for sale	8	**–**	(6,113)
Effect of foreign exchange rate changes		**(2,836)**	(1,114)
Cash and cash equivalents at 30 June		**65,396**	379,702

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("IFRSs") and except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets at the respective fair values, the remaining balance of the purchase price is then allocated to the other individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Application of new and amendments to IFRS

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the International Accounting Standards Board which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014 – 2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

The new and amendments to IFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers

The Group has applied IFRS 15 for the first time in the current interim period. IFRS 15 superseded IAS 18 *"Revenue"*, IAS 11 *"Construction Contracts"* and the related interpretations.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application.

Key changes in accounting policies resulting from application of IFRS 15

IFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers (continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Under direct sales model, the Group produces iron ore concentrates, raw nickel and raw and leftover materials and sells products directly to customers. Revenue is recognised at a point in time when a customer obtains control of the products and the Group satisfies a performance obligation.

The application of IFRS 15 in the current interim period has had no material impact on the Group's financial performance and positions for the current period and prior years and/or on the disclosures set out in these consolidated financial statements.

2.2 Impacts and changes in accounting policies of application on IFRS 9 "*Financial Instruments*"

In the current period, the Group has applied IFRS 9 *"Financial Instruments"* and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained earnings and other components of equity as at 1 January 2018, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 *"Financial Instruments: Recognition and Measurement"*.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Impacts and changes in accounting policies of application on IFRS 9 *"Financial Instruments"* (continued)

2.2.1 Key changes in accounting policies resulting from application of IFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with IFRS 15.

All recognised financial assets that are within the scope of IFRS 9 are subsequently measured at amortised cost or fair value.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

Receivables classified as at FVTOCI

Subsequent changes in the carrying amounts for receivables classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these receivables are recognised in other comprehensive income ("OCI") and accumulated under the heading of FVTOCI reserve. Impairment allowance are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these receivables. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these receivables had been measured at amortised cost. When these receivables are derecognised, the cumulative gains or losses previously recognised in OCI are reclassified to profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Impacts and changes in accounting policies of application on IFRS 9 *"Financial Instruments"* (continued)

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 (continued)

Classification and measurement of financial assets (continued)

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

The directors of the Company (the "Directors") reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in Note 2.2.2.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade and other receivables, loan receivable, receivables at FVTOCI, pledged bank deposits, restricted deposits and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Impacts and changes in accounting policies of application on IFRS 9 *“Financial Instruments”* (continued)

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 (continued)

Impairment under ECL model (continued)

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor’s ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of “investment grade” as per globally understood definitions.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Impacts and changes in accounting policies of application on IFRS 9 *"Financial Instruments"* (continued)

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 (continued)

Impairment under ECL model (continued)

Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default ("PD") which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Impacts and changes in accounting policies of application on IFRS 9 ***"Financial Instruments"*** (continued)

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 (continued)

Impairment under ECL model (continued)

Credit-impaired financial assets (continued)

- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Measurement and recognition of ECL

The measurement of ECL is a function of the PD, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the PD and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Impacts and changes in accounting policies of application on IFRS 9 *"Financial Instruments"* (continued)

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 (continued)

Impairment under ECL model (continued)

Measurement and recognition of ECL (continued)

- Nature of financial instruments (i.e. the Group's trade and other receivables are each assessed as a separate group. Loan receivable is assessed for ECLs on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Except for receivables that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables where the corresponding adjustment is recognised through a loss allowance account. For receivables that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the FVTOCI reserve without reducing the carrying amounts of these receivables.

As at 1 January 2018, the Directors reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9. The results of the assessment and the impact thereof are detailed in Note 2.2.2.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Impacts and changes in accounting policies of application on IFRS 9 *"Financial Instruments"* (continued)

2.2.2 Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets subject to ECL under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

	Notes	Available-for-sales investments RMB'000	Financial assets at FVTPL required by IFRS 9 RMB'000	Receivables at FVTOCI RMB'000	Amortised cost previously classified as loans and receivables (including cash and cash equivalants) RMB'000	Deferred tax assets RMB'000	Investments revaluation reserve RMB'000	FVTOCI reserve RMB'000	Retained earnings RMB'000
Closing balance at 31 December 2017 – IAS 39		428,572	–	–	1,150,918	10,189	12,927	–	799,331
Effect arising from initial application of IFRS 9:									
Reclassification:									
From available-for-sale investments	(a)	(428,572)	428,572	–	–	–	(12,927)	–	12,927
From loans and receivables	(b)	–	–	631,014	(631,014)	–	–	–	–
Remeasurement:									
Impairment under ECL model – other receivables	(c)	–	–	–	(362)	90	–	–	(272)
Fair value adjustment of receivables at FVTOCI	(b)	–	–	(6,090)	–	1,522	–	(4,568)	–
Opening balance at 1 January 2018		**-**	**428,572**	**624,924**	**519,542**	**11,801**	**-**	**(4,568)**	**811,986**

(a) *Available-for-sale investments*

From available-for-sale investments to financial assets at FVTPL

At the date of initial application of IFRS 9, the Group's listed equity investments of RMB21,778,000 and unlisted managed investment funds of RMB406,794,000, totaling RMB428,572,000, were reclassified from available-for-sale investments to financial assets at FVTPL. The respective fair value gain of RMB7,831,000 and RMB5,096,000, net of income tax, relating to those listed equity investments and unlisted investment funds previously carried at fair value, totaling RMB12,927,000, were transferred from investments revaluation reserve to retained earnings.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Impacts and changes in accounting policies of application on IFRS 9 *"Financial Instruments"* (continued)

2.2.2 Summary of effects arising from initial application of IFRS 9 (continued)

(b) Loans and receivables

As part of the Group's cash flow management, a substantial part of the trade receivables are settled by bills received from customers and the Group has the practice of discounting substantial part of the bills to financial institutions and endorsing substantial part of the bills to suppliers before the bills are due for payment and derecognise the bills discounted or endorsed on the basis that the Group has transferred substantially all risks and rewards to the relevant counterparties. Accordingly, the Group's trade receivables and trade receivables supported by bills of RMB631,014,000 were considered as within the business model both to hold to collect contractual cash flows and to sell, and reclassified to receivables at FVTOCI. The related difference of RMB6,090,000 between the fair value and carrying amount was adjusted to receivables at FVTOCI and FVTOCI reserve as at 1 January 2018.

Deferred tax assets of RMB1,522,000 were recognised as at 1 January 2018 accordingly.

(c) Impairment under ECL model

The Group always applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables. The ECL on trade receivables is assessed individually.

Loss allowances for receivables at FVTOCI and other financial assets at amortised cost mainly comprise of other receivables, loan receivable, pledged bank deposits, restricted deposits, and bank balances measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition, except for those financial assets past due for more than 30 days, which are measured on lifetime ECL basis as those credit risk had increased significantly since initial recognition.

As at 1 January 2018, the additional credit loss allowance on financial assets at amortised cost of RMB362,000 and the corresponding deferred tax assets of RMB90,000, totaling RMB272,000 have been recognised against retained earnings. The additional loss allowance is charged against the respective asset.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Impacts and changes in accounting policies of application on IFRS 9 ***"Financial Instruments"*** (continued)

2.2.2 Summary of effects arising from initial application of IFRS 9 (continued)

(c) Impairment under ECL model (continued)

No loss allowances were recognised for bank balances and cash, pledged bank deposits, restricted deposits, and receivables at FVTOCI as at 31 December 2017 and 1 January 2018. All loss allowances for financial assets including other receivables as at 31 December 2017 reconciled to the opening loss allowance as at 1 January 2018 is as follows:

	Other receivables RMB'000
At 31 December 2017 – IAS39	143,294
Amounts remeasured through opening retained earnings	362
At 1 January 2018	143,656

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards, amendments and interpretation

As a result of the changes in the entity's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each individual line item.

	31 December 2017 (Audited) RMB'000	IFRS 9 RMB'000	1 January 2018 (Restated) RMB'000
Non-current assets			
Available-for-sale investments	21,778	(21,778)	–
Financial assets at FVTPL	–	21,778	21,778
Deferred tax assets	10,189	1,612	11,801
Others with no adjustments	1,743,468	–	1,743,468
	1,775,435	1,612	1,777,047
Current assets			
Trade and other receivables	397,263	(208,304)	188,959
Bills receivables	423,072	(423,072)	–
Receivables at FVTOCI	–	624,924	624,924
Available-for-sale investments	406,794	(406,794)	–
Financial assets at FVTPL	–	406,794	406,794
Others with no adjustments	560,131	–	560,131
	1,787,260	(6,452)	1,780,808
Assets classified as held for sale	369,955	–	369,955
	2,157,215	(6,452)	2,150,763
Current liabilities			
Others with no adjustments	1,805,768	–	1,805,768
Liabilities associated with assets classified as held for sale	23,687	–	23,687
	1,829,455	–	1,829,455
Net current assets	**327,760**	**(6,452)**	**321,308**
Total assets less current liabilities	**2,103,195**	**(4,840)**	**2,098,355**
Capital and reserves			
Share capital	149,137	–	149,137
Reserves	1,066,320	(4,840)	1,061,480
Equity attributable to owners of the Company	1,215,457	(4,840)	1,210,617
Non-controlling interests	186,381	–	186,381
Total equity	**1,401,838**	**(4,840)**	**1,396,998**
Non-current liabilities			
Others with no adjustments	701,357	–	701,357
	2,103,195	**(4,840)**	**2,098,355**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2018

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's initially adopted accounting policies in current interim period, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumption are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if revision affects both current and future periods.

Critical judgements in applying accounting policies

The following is the critical judgements, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the condensed consolidated financial statements.

Judgement in determining the timing of satisfaction of performance obligations

The recognition of each of the Group's revenue streams requires judgement by the Directors in determining the timing of satisfaction of performance obligations.

In making their judgement, the Directors consider the detailed criteria for recognition of revenue set out in IFRS 15, and in particular, whether the Group has satisfied all the performance obligations over time or at a point in time with reference to the detailed terms of transaction as stipulated in the contracts entered into with its customers and counterparties.

The Directors have assessed that the control of the goods (including iron and nickel) underlying the sales contracts has been transferred to the customers upon the delivery and acceptance of the goods delivered. Therefore, the Directors have justified that the performance obligation in respect of the sales income is satisfied at a point in time and recognises revenue at a point in time.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months after the end of the reporting period.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Impairment of financial assets

The Group reviews its financial assets to assess impairment on a regular basis. The methodologies and assumptions used for estimating the impairment are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Since the adoption of IFRS 9 on 1 January 2018, management estimates the amount of loss allowance for ECL on trade and other receivables, loan receivable, receivables at FVTOCI, bank balances, restricted deposits and pledged bank deposits based on the credit risk of the financial assets. The estimation of the credit risk of the financial assets involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

Fair value measurements and valuation process

Some of the Group's assets (including financial assets at FVTPL and receivables at FVTOCI) are measured at fair value for financial reporting purposes. The board of the directors authorised the financial department headed up by the Chief Financial Officer of the Group to determine the appropriate valuation techniques and inputs for fair value.

In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. Where the Level 1 inputs are not available, the Group engages third-party qualified valuation experts to perform the valuation. The valuation team works closely with the qualified external valuation experts to establish the appropriate valuation techniques and inputs to the model. The valuation team reports the findings to the board of the directors of the Group every year to explain the cause of the fluctuations in the fair value of the assets and liabilities.

Information about the valuation techniques and inputs used in determining the fair value of various assets is disclosed in note 26.

Recognition of deferred tax assets

The Group recognised deferred tax assets for all deductible temporary differences to the extent that it is probable that taxable profit would be available against which the deductible temporary difference can be utilised. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be charged to profit or loss after the measurement period in which such a reversal takes place.

As at 30 June 2018, the Group has recognised deferred tax asset arising from unused tax losses and other deductible temporary differences in the amount of RMB33,701,000 (31 December 2017: RMB10,189,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2018

4A. REVENUE FROM GOODS

Disaggregation of revenue

	For the six months ended 30 June 2018		
	Iron RMB'000	**Nickel RMB'000**	**Total RMB'000**
Types of goods (recognised at a point in time)			
Iron ore concentrates	563,942	–	563,942
Raw nickel	–	36,761	36,761
Raw and leftover materials	998	–	998
Total	564,940	36,761	601,701
Geographical markets			
Mainland China	564,940	–	564,940
Indonesia	–	36,761	36,761
Total	564,940	36,761	601,701

4B. SEGMENT INFORMATION

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

An operating segment regarding gold business (the "Gold Business") was discontinued in the previous interim period along with the completion of the Group's disposal of Hanking Australia with its subsidiaries during the six months period ended 30 June 2017, despite that the Group still held equity interests in two public companies listed in Australian Securities Exchange. However, the Group resumed its operation in the Gold Business upon the successful acquisition of Primary Gold Limited ("PGO"), an independent third party and a public company listed on Australian Securities Exchange, in this current interim period. Further details are set out in note 9.

4B. SEGMENT INFORMATION (continued)

Segment revenues and results

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

Six months ended 30 June 2018

Continuing operations

	Iron RMB'000	**Nickel RMB'000**	**Gold RMB'000**	**Total RMB'000**
Segment revenue (all from external sales)	**564,940**	**36,761**	**–**	**601,701**
Segment profit (loss)	**146,662**	**(12,542)**	**(5,956)**	**128,164**
Central administration costs and directors' salaries				**(14,079)**
Other income and other gains and losses				**(209)**
Group's profit before tax from continuing operations				**113,876**

Six months ended 30 June 2017

Continuing operations

	Iron RMB'000	Nickel RMB'000	Total RMB'000
Segment revenue (all from external sales)	541,452	–	541,452
Segment profit (loss)	175,996	(28,907)	147,089
Recognition of share-based payment			(3,523)
Central administration costs and directors' salaries			(14,620)
Finance costs			(3,335)
Other income and other gains and losses			(16,945)
Group's profit before tax from continuing operations			108,666

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

For the six months ended 30 June 2018

4B. SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

Segment assets

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Continuing operations		
Iron	**2,440,752**	2,833,932
Nickel	**837,290**	852,888
Gold	**219,133**	–
Total segment assets	**3,497,175**	3,686,820
Unallocated		
Property, plant and equipment	**20**	1,573
Available-for-sale investments	**–**	21,778
Financial assets at FVTPL	**7,080**	–
Restricted deposits	**–**	666
Inventories	**–**	85
Trade and other receivables	**2,545**	1,908
Bank balances and cash	**20,654**	219,820
Consolidated assets	**3,527,474**	3,932,650

4B. SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

Segment liabilities

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Continuing operations		
Iron	**1,642,204**	2,159,062
Nickel	**272,449**	352,825
Gold	**111,002**	–
Total segment liabilities	**2,025,655**	2,511,887
Unallocated		
Other payables	**587**	4,684
Tax liabilities	**–**	14,241
Consolidated liabilities	**2,026,242**	2,530,812

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

- all assets are allocated to operating segments other than property, plant and equipment, available-for-sale investments, financial assets at FVTPL, restricted deposits, inventories, trade and other receivables and bank balances and cash used and held by the headquarter; and

- all liabilities are allocated to operating segments other than other payables and tax liabilities of the headquarter.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2018

5. OTHER GAINS AND LOSSES

Continuing operations

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Gain on disposal of property, plant and equipment	**244**	454
Cumulative gain on disposal of available-for-sale investments reclassified from investments revaluation reserve	**–**	6,449
Fair value gain on financial assets at FVTPL	**6,930**	–
Impairment loss of available-for-sale investments	**–**	(5,092)
Net foreign exchange (loss) gain	**(7,408)**	738
Gain on disposal of Xingzhou Mining (note 8)	**13,732**	–
Others	**(5,537)**	(1,567)
	7,961	982

6. PROFIT FOR THE PERIOD – CONTINUING OPERATIONS

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories recognised as an expense	**307,931**	232,544
Auditors' remuneration	**500**	500
Release of prepaid lease payments	**13,558**	14,240
Depreciation and amortisation:		
– Property, plant and equipment	**46,915**	55,994
– Intangible assets	**23,486**	17,782
Total depreciation and amortisation	**70,401**	73,776
Capitalised in inventories	**(7,191)**	(7,242)
	63,210	66,534
Staff costs (including directors):		
– Salary and other benefits	**49,600**	40,752
– Retirement benefits scheme contributions	**5,790**	5,739
– Share-based payment	**–**	3,523
Total staff costs	**55,390**	50,014
Capitalised in inventories	**(3,201)**	(3,323)
	52,189	46,691

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2018

7. INCOME TAX (CREDIT) EXPENSE

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Continuing operations		
Income tax expenses comprise:		
PRC enterprise income tax ("EIT") – current	**646**	41,925
(Over) under provision of EIT in prior years	**(234)**	4,933
	412	46,858
Deferred tax (credit) charge (note)	**(20,204)**	6,890
Income tax (credit) expense relating to continuing operations	**(19,792)**	53,748

Note: During the current interim period, deferred tax assets of approximately RMB21,317,000 are recognised in respect of tax losses.

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% (2017: 25%) of taxable income of the subsidiaries based on the relevant PRC tax rules and regulations.

China Hanking Investment Limited ("Hanking Investment"), China Hanking (BVI) International Limited ("Hanking International") and Hanking (Indonesia) Mining Limited ("Hanking (Indonesia)") were incorporated in the British Virgin Islands ("BVI") and are not subject to income tax of any jurisdiction during the current and last interim periods.

China Hanking (Hong Kong) Limited ("Hanking HK"), Denway Development Limited, City Globe Limited and Harvest Globe Limited were incorporated in Hong Kong and Hong Kong profits tax rate is 16.5% (2017: 16.5%).

Subsidiaries of Hanking (Indonesia) were incorporated in Indonesia and Indonesia profits tax rate is 25% (2017: 25%). There are no assessable profits subject to Indonesia profits tax during the current and last interim periods.

Subsidiaries of Hanking Australia Investment Pty Ltd ("Hanking Australia Investment") were incorporated in Australia and Australian profits tax rate is 30% (2017: 30%). There are no assessable profits subject to Australian profits tax during the current and last interim periods.

8. DISPOSAL OF A SUBSIDIARY

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

The assets and liabilities attributable to Xingzhou Mining, which were expected to be sold within twelve months, were classified as assets and liabilities associated with assets classified as held for sale and were separately presented in the consolidated statement of financial position as at 31 December 2017.

The disposal was completed during the current interim period. A disposal gain of RMB13,732,000 was recognised. Among the total consideration of RMB360,000,000, RMB130,000,000 was not yet settled by the buyer and included in "other receivables" as at 30 June 2018. The consideration receivable is unsecured, interest free, and repayable on demand.

9. ACQUISITION OF A SUBSIDIARY

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2018

9. ACQUISITION OF A SUBSIDIARY (continued)

Assets and liabilities recognised at the date of acquisition:

	RMB'000 (Unaudited)
Property, plant and equipment	1,208
Intangible assets	198,444
Restricted deposits	13,776
Trade and other receivables	1,232
Bank balances and cash	2,585
	217,245
Trade and other payables	(6,243)
Rehabilitation provision	(23,903)
	(30,146)
Consideration transferred	
Cash consideration paid	166,767
Directly attributable cost of acquisition	5,806
Fair value of 51,800,000 shares of PGO previously owned and classified as financial assets at FVTPL (note 20)	14,526
Total consideration	187,099

10. DISCONTINUED OPERATION

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

The unaudited consolidated profit for the last interim period from the discontinued Gold Business was set out below.

	For the period from 1 January 2017 to date of disposal RMB'000
Profit of Gold Business for the period	29,626
Gain on disposal of Gold Business	763,223
Acceleration of share-based payment charged to profit or loss due to disposal of Hanking Australia (note 28)	(27,821)
	765,028

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2018

10. DISCONTINUED OPERATION (continued)

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

	For the period from 1 January 2017 to date of disposal RMB'000 (Unaudited)
Revenue	212,702
Cost of sales	(195,219)
Other income	23,740
Administrative expenses	(15,197)
Other gains and losses	5,666
Finance cost	(2,066)
Profit before tax	29,626
Income tax expense (note)	–
Profit for the period	29,626

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

Consideration

	RMB'000 (Unaudited)
Consideration received:	
Cash received (note a)	1,277,579

10. DISCONTINUED OPERATION (continued)

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

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

Gain on disposal of subsidiaries

	RMB'000 (Unaudited)
Consideration received (note b)	1,277,579
Less: net assets disposed of	(101,300)
Add: non-controlling interests	3,039
Less: transaction costs (note c)	(68,289)
Less: capital gain tax (note d)	(327,862)
Less: reclassification of cumulative translation reserve upon disposal of a foreign operation to profit or loss	(19,944)
Gain on disposal	763,223

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2018

10. DISCONTINUED OPERATION (continued)

Net cash inflow arising on disposal of Gold Business:

	RMB'000 (Unaudited)
Cash consideration received	1,277,579
Add: receipt of advance previously made to Hanking Australia on date of disposal	273,178
Less: bank balances and cash disposed of	(2,096)
Less: Transaction costs paid	(68,289)
Less: capital gain tax paid	(327,862)
	1,152,510
Analysed at:	
Net cash inflow (outflow) arising on disposal of Gold Business:	
For the six-months period ended 30 June 2017	898,093
For the period from 1 July 2017 to 31 December 2017	268,658
For the six-months period ended 30 June 2018	(14,241)
	1,152,510

Cash flows from (used in) Gold Business:

	For the period from 1 January 2017 to date of disposal RMB'000 (Unaudited)
Net cash flows from operating activities	42,252
Net cash flows used in investing activities	(65,258)
Net cash flows used in financing activities	(7,826)
Net cash flows	(30,832)

10. DISCONTINUED OPERATION (continued)

Notes:

(a) Consideration of RMB1,274,000,000 had been received in the six-months period ended 30 June 2017. The remaining were received in the period from 1 July 2017 to 31 December 2017.

(b) The final consideration was agreed by the Purchaser, the Company and Other Vendors, after certain working capital adjustments and repayment of all borrowings of Hanking Australia, pursuant to the share sale agreement.

(c) Transaction costs comprised professional fee of RMB44,994,000, payment to settlement of mining rights disputation of RMB14,254,000 and bonus for this transaction to staff of RMB9,041,000.

(d) Given the Company's capital gain tax to the Australia tax authority exceeded 10% of the purchase price, according to the Australia Tax ACT 1953, the Purchaser was required to deduct 10% of the total purchase price as withholding tax and pay to the Australia tax authority directly on behalf of the Company. This 10% withholding tax was the partial payment of the capital gain tax that the Company was obliged to pay to the Australia tax authority. The taxable capital gain was calculated by deducting cost base from the consideration received. Cost base consisted of investment of the Company and transaction cost directly attributable to the disposal. The Australia capital gain tax rate was 30% of capital gain.

11. DIVIDENDS

During the current interim period, a dividend of HK$0.01 per share amounting to HK$18,300,000 (equivalent to RMB14,962,000) in aggregate in respect of the year ended 31 December 2017 (2017: nil in respect of the year ended 31 December 2016) was declared and paid to the owners of the Company whose names appeared in the register of members of the Company on 1 June 2018.

During the six months period ended 30 June 2017, a special dividend of HK$0.2 per share amounting to HK$366,000,000 (equivalent to RMB319,774,000) in aggregate in respect of the disposal of Gold Business was declared and paid to the owners of the Company whose names appeared in the register of members of the Company on 26 May 2017.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2018

12. EARNINGS PER SHARE

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

From continuing and discontinued operations

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

	For the six months ended	
	30 June 2018	30 June 2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period from continuing and discontinued operations attributable to owners of the Company	**138,203**	830,639
Less: profit for the period from discontinued operation attributable to owners of the Company	**–**	(763,636)
Profit for the period from continuing operations attributable to owners of the Company, for the purposes of basic earnings per share	**138,203**	67,003

Number of shares

	Number of shares 30 June 2018 and 2017
Number of ordinary shares for the purposes of basic earnings per share	1,830,000,000

12. EARNINGS PER SHARE (continued)

From discontinued operation

Basic earnings per share for the discontinued operation is RMB41.7 cents per share for the six months ended 30 June 2017, based on the profit for the period from the discontinued operation of RMB763,636,000 and the denominators detailed above for basic earnings per share.

Diluted earnings per share presented is the same as basic earnings per share which is RMB7.6 cents for six months ended 30 June 2018 (six months ended 30 June 2017: RMB3.7 cents from continuing operations) as the Company did not have dilutive potential ordinary shares in issue in both six months ended 30 June 2018 and 2017.

13. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group had additions of property, plant and equipment (including capital expenditure for construction in progress) of RMB31,760,000 (six months ended 30 June 2017: RMB87,920,000) for business expansion in the Group, including addition of property, plant and equipment of RMB1,208,000 through the acquisition of PGO.

No impairment loss has been recognised during the current and last interim periods.

14. MOVEMENTS IN INTANGIBLE ASSETS

During the current interim period, the Group had additions of exploration and evaluation assets of RMB198,444,000 through the acquisition of PGO, and had additions of mining rights amounting to RMB4,445,000 (six months ended 30 June 2017: RMB20,266,000).

As at 30 June 2018, the Company has pledged mining rights with a carrying amount of approximately RMB33,459,000 (31 December 2017: RMB102,999,000) in PRC to secure the bank borrowings of RMB475,000,000 (31 December 2017: bank borrowing of RMB540,000,000 and other loans of RMB27,853,000).

No impairment loss has been recognised during the current and last interim periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2018

15. PREPAID LEASE PAYMENTS

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Analysed for the reporting purpose as:		
Current portion	**33,358**	29,761
Non-current portion	**122,045**	137,314
	155,403	167,075

Prepaid lease payments were amortised over the benefit periods from 5 to 50 years. As at 30 June 2018, prepaid lease payments with no land certificates being obtained amounted to RMB111,585,000 (31 December 2017: RMB127,397,000).

No impairment loss has been recognised during the current and last interim periods.

16. RESTRICTED DEPOSITS

As at 30 June 2018, restricted deposits mainly comprised RMB20,167,000 (31 December 2017: RMB3,131,000) of deposits placed in banks in respect of iron mining operations, and rehabilitation deposits for gold mining operations, which was assumed via the acquisition of PGO. These deposits were not expected to release within the next twelve months, accordingly, they were classified as non-current assets.

17. TRADE AND OTHER RECEIVABLES, AND BILLS RECEIVABLES

(A) Trade and other receivables

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

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Trade receivables (note a)		
– Within 7 days	**–**	85,560
– 8 days to 90 days	**2,776**	130,311
– 91 days to 1 year	**–**	1,573
	2,776	217,444
Other receivables (note c)		
– Advances to suppliers	**23,572**	8,830
– Deposits (note b)	**29,979**	44,590
– Deposit for resource tax	**86,786**	102,726
– Other tax recoverable	**922**	1,107
– Value-added tax recoverable	**8,656**	5,475
– Staff advance	**11,804**	6,739
– Consideration receivable (note 8)	**130,000**	–
– Loans to an independent third party	**23,097**	–
– Others	**14,585**	10,352
Total other receivables	**329,401**	179,819
Total trade and other receivables	**332,177**	397,263

Notes:

(a) The aged analysis of trade receivables, of which no allowance for doubtful debts had been recognised, was presented based on the invoice date at the end of the reporting period.

(b) The amount represented various environment protection deposits required under the relevant PRC regulation for fulfilling the environment obligation during the mining process and other deposits related to the mining operations of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2018

17. TRADE AND OTHER RECEIVABLES, AND BILLS RECEIVABLES (continued)

(A) Trade and other receivables (continued)

Notes: (continued)

(c) Movement of allowance for other receivables for the six months ended 30 June 2018 under IFRS 9

		Stage 1	Stage 2	Stage 3	
	Collective provision RMB'000	**Collective provision 12m ECL RMB'000**	**Collective provision lifetime ECL not credit-impaired RMB'000**	**Individual provision lifetime ECL credit-impaired RMB'000**	**Total RMB'000**
As at 31 December 2017	143,294	–	–	–	143,294
Effect arising from adoption of IFRS 9	(143,294)	–	–	143,656	362
As at 1 January 2018 and 30 June 2018	**–**	**–**	**–**	**143,656**	**143,656**

(B) Bills receivables

	31 December 2017 RMB'000 (Audited)
Bills receivables (note)	423,072

Note: On 1 January 2018, the Group adopted IFRS 9 "*Financial Instruments*". As part of the Group's cash flow management, substantial part of the bills receivables held by the Group were managed within a business model whose objective is both to collect the contractual cash flows and to sell the bills receivables by discounting some of the bills to financial institutions and endorsing some of them to suppliers before the bills are due for payment, and derecognising the bills discounted and endorsed on the basis that the Group has transferred substantially all risks and rewards to the relevant counterparties. Therefore, these bills receivables were subsequently classified as trade receivables supported by bills and measured at FVTOCI which are included in note 18.

17. TRADE AND OTHER RECEIVABLES, AND BILLS RECEIVABLES (continued)

(B) Bills receivables (continued)

When the trade receivables become due, certain of the Group's customers would arrange settlement by issuing bills to the Group. The Group would then analyse its working capital needs, and consider certain amount of which to be discounted to the banks as to obtain immediate funding for the Group's general working capital purpose or to endorse the bills to settle the Group's trade payables.

As at 31 December 2017, the Group's bills receivables were issued by banks with the following maturity.

	31 December 2017 RMB'000 (Audited)
Within 6 months	293,072
6 months to 1 year	130,000
	423,072

As at 31 December 2017, included in the Group's bills receivables were amounts of RMB245,164,000 being transferred to certain banks by discounting the bills on a full recourse basis. If the bills receivables were not paid on maturity, the banks had the right to request the Group to pay the unsettled balance. As the Group had not transferred the significant risks and rewards relating to the bills receivables, it continued to recognise the full carrying amount of the bills receivables and had recognised the cash received as bank borrowings from discounting of the bills receivables with full recourse. The financial asset was carried at amortised cost in the consolidated statement of financial position. Such bills of the Group had been pledged as securities for obtaining the bank borrowings as at 31 December 2017.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2018

18. RECEIVABLES AT FVTOCI

	30 June 2018 RMB'000 (Unaudited)
Receivables at FVTOCI comprise:	
Trade receivables	**322,301**
Trade receivables supported by bills (note a)	**314,686**
	636,987
The aged analysis of receivables at FVTOCI: (note b)	
– Within 7 days	**73,165**
– 8 days to 90 days	**102,461**
– 91 days to 1 year	**292,450**
– 1 year to 2 years	**168,911**
	636,987

Notes:

(a) Included in the Group's trade receivables supported by bills are amounts of RMB237,542,000 being transferred to certain banks by discounting the bills on a full recourse basis and RMB5,924,000 being endorsed to certain suppliers on a full recourse basis. If the bills are not paid on maturity, the banks and the suppliers have the right to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to the receivables supported by bills, it continues to recognise the full carrying amount of the receivables and has recognised the cash received as bank borrowings from the discounting of the bills and as payables from the endorsement of the bills with full recourse. The financial asset is carried at fair value in the condensed consolidated statement of financial position. The bills of the Group discounted had been pledged as securities for obtaining the bank borrowings as at 30 June 2018.

(b) The aged analysis of receivables at FVTOCI, net of fair value remeasurement under the requirement of IFRS 9, was presented based on the invoice date at the end of the reporting period.

19. AVAILABLE-FOR-SALE INVESTMENTS

	31 December 2017 RMB'000 (Audited)
Listed investments at fair value (note a)	21,778
Unlisted financial product investments at fair value (note b)	406,794
	428,572

Notes:

(a) The listed equity investments represent the Group's equity interests for long-term holding purpose in four companies listed on Australian Securities Exchange, one of which was delisted and provided for a full impairment of RMB5,034,000 during the year ended 31 December 2017. The investments are measured at fair value at the end of the reporting period.

(b) The unlisted managed investments represent funds advanced to a licensed financial institution in the PRC with fixed maturity and a variable yield based on underlying investments. The investments are short-term in nature and all will be matured in one year, while the return of these investments is not guaranteed. Certain available-for-sale investments of the Group had been pledged as securities for obtaining the bank borrowings and issuing of bills as at 31 December 2017.

(c) On 1 January 2018, the Group adopted IFRS 9 "*Financial Instruments*", the available-for-sale investments held by the Group were mandatorily measured at FVTPL as disclosed in note 20. The cumulative impact recorded in investments revaluation reserve as at 1 January 2018 was recorded as an adjustment to the retained earnings as at 1 January 2018, and subsequent fair value change of the investments are recorded in "other gains and losses" in note 5.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2018

20. FINANCIAL ASSETS AT FVTPL

	30 June 2018 RMB'000 (Unaudited)
Listed investments at fair value (note b)	**7,080**
Unlisted financial product investments at fair value (note c)	**380,102**
	387,182

Notes:

(a) On 1 January 2018, the Group adopted IFRS 9 "*Financial Instruments*", the available-for-sale investments held by the Group were mandatorily measured at FVTPL. More details of the financial assets are set out in note 19.

(b) On 26 April 2018, as a result of the success of the open offer, the Group obtained equity interest in PGO through an Open Offer, one of these financial assets at FVTPL. The Group's prior interest in PGO was remeasured at its fair value of AUD2,978,500 (equivalent to RMB14,526,000) on that day and was then derecognised and accounted for as part of the consideration for the acquisition. More details are set out in note 9.

(c) Certain financial assets at FVTPL of the Group had been pledged as securities for obtaining the bank borrowings and issuing of bills as at 30 June 2018.

21. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Bank balances and cash of the Group comprise cash and short term bank deposits with an original maturity of three months or less. The bank balances carry variable interest rates ranging from 0.15%-0.35% (31 December 2017: 0.15%-0.35%) per annum.

Pledged bank deposits represented security deposits for notes payable and bank borrowings, carried fixed interest rates ranging from 0.35%-2.3% (31 December 2017: 0.30%-0.35%) per annum.

22. TRADE AND OTHER PAYABLES, AND BILLS PAYABLES

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

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Trade payables (note a)		
– Within 90 days	**11,392**	13,307
– 91 days to 1 year	**9,532**	10,385
– 1 year to 2 years	**928**	971
– 2 years to 3 years	**454**	439
– Over 3 years	**680**	857
	22,986	25,959
Other payables		
Advance from customers	**1,122**	127
Other tax payable	**21,107**	44,252
Payable for acquisition of property, plant and equipment	**55,158**	75,451
Payable for acquisition of prepaid lease payments	**2,944**	6,243
Payable for mining rights	**–**	13,764
Outsourced service payable	**13,756**	14,569
Transportation fee payable	**9,747**	6,609
Accrued expense	**2,740**	7,975
Salary and bonus payables	**11,130**	6,788
Interest payable	**1,149**	1,644
Refundable deposits received (note b)	**5,847**	235,227
Loans from independent third parties (note c)	**22,705**	20,274
Others	**11,234**	16,705
	158,639	449,628
Total trade and other payables	**181,625**	475,587

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2018

22. TRADE AND OTHER PAYABLES, AND BILLS PAYABLES (continued)

Notes:

(a) The aged analysis of trade payables was presented based on the date of the goods received at the end of the reporting period.

(b) The refundable deposits as at 31 December 2017 included mainly the refundable deposits of RMB230,000,000 received in respect of the Group's proposed disposal of Xingzhou Mining. The deposits have been transferred into consideration upon the completion of the disposal during the current interim period.

(c) The loans were advanced by the independent third parties to KS and KKU, both defined in note 24, which are unsecured, interest-free and repayable on demand. The loans are provided to the Group in order to support the resumption of the Group's nickel business in Indonesia.

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

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Within 6 months	**3,500**	14,000
6 months to 1 year	**20,000**	14,500
	23,500	28,500

23. BORROWINGS

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Bank loans	**1,415,000**	1,579,454
Other loans (note a)	**–**	27,853
	1,415,000	1,607,307
Secured	**1,235,000**	1,427,307
Unsecured	**180,000**	180,000
	1,415,000	1,607,307
Fixed-rate	**1,415,000**	1,579,454
Floating-rate	**–**	27,853
	1,415,000	1,607,307
Carrying amount repayable (note b):		
Due within one year	**995,000**	1,151,887
More than one year, but not more than two years	**420,000**	455,420
	1,415,000	1,607,307

Notes:

(a) It represented loans advanced from a government authority for purchase of mining rights. The loan carries interest at the benchmark interest rate issued by the People's Bank of China ("PBOC") and was repayable within two years.

(b) The amounts are based on scheduled repayment dates set out in the respective loan agreements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2018

23. BORROWINGS (continued)

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

	30 June 2018 % (Unaudited)	31 December 2017 % (Audited)
Fixed-rate borrowings	**4.35-6.09**	4.35-6.09
Variable-rate borrowings	**N/A**	4.75

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

The unsecured bank borrowings of approximately RMB180,000,000 (31 December 2017: RMB180,000,000) at 30 June 2018 were guaranteed by Ms. Yang Min, a controlling shareholder of the Company, Mr. Yang Jiye and the companies controlled by Ms. Yang Min.

Ms. Yang Min and Mr. Yang Jiye, son of Ms. Yang Min, together with the companies controlled by them, provided guarantee for secured bank borrowings of the Group of approximately RMB1,235,000,000 (31 December 2017: RMB690,000,000).

24. CONSIDERATION PAYABLE

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Analysed for the reporting purpose as:		
Current portion	**34,442**	65,180
Non-current portion	**277,273**	241,100
	311,715	306,280

24. CONSIDERATION PAYABLE (continued)

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

As at 30 June 2018, the consideration payable for acquisition of KS, KKU and KP of RMB311,715,000 (31 December 2017: RMB306,280,000) was recognised at amortised cost using the effective interest method and effective interest rate of 14% 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 RMB34,442,000 (31 December 2017: RMB65,180,000) repayable within the next twelve months is classified under current portion which is calculated based on Directors' estimation on the project development progress.

25. SHARE CAPITAL

The amount as at 30 June 2018 and 31 December 2017, represented the issued share capital of the Company, details of movement of share capital of the Company are as follows:

	Number of shares	**Share capital**	**RMB equivalent**
		HK$'000	RMB'000
Ordinary shares of HK$0.1 each			
Authorised:			
At 1 January 2017, 31 December 2017 and 30 June 2018	10,000,000,000		
Issued and fully paid:			
At 1 January 2017, 31 December 2017 and 30 June 2018	1,830,000,000	182,900	149,137

26. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets 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 are observable.

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

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

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

26. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

Financial assets	Fair value as at 30/06/2018	Fair value as at 31/12/2017	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Listed equity investments classified as financial assets at FVTPL (2017: available-for-sale investments)	**Listed equity securities in Australia: RMB7,080,000**	Listed equity securities in Australia: RMB21,778,000	Level 1	Quoted bid prices in an active market.	N/A
Unlisted managed investment funds classified as financial assets at FVTPL (2017: available-for-sale investments)	**Unlisted managed investment funds in the PRC: RMB380,102,000**	Unlisted managed investment funds in the PRC: RMB406,794,000	Level 3	Income approach – in this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of these investees.	Actual yield from the investment
Receivables at FVTOCI	**Receivables at FVTOCI in the PRC: RMB636,987,000**	N/A	Level 3	Income approach – in this approach, the discounted cash flow method was used to capture the present value of the cash flows to be derived from the receivables.	Actual yield from the investment

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

For the six months ended 30 June 2018

26. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

The following table represents the changes in Level 3 unlisted managed investment funds during the six months ended 30 June 2018 and 2017:

	Financial assets at FVTPL at 30 June 2018 RMB'000 (Unaudited)	Available-for-sale investments at 30 June 2017 RMB'000 (Unaudited)
At beginning of the period	**–**	402,007
Reclassification from available-for-sale investment upon initial adoption of IFRS 9	**406,794**	–
Adjusted balance at beginning of the period	**406,794**	402,007
Addition	**88,287**	1,358,500
Disposal	**(119,433)**	(1,306,449)
Gain recognised in OCI	**–**	5,934
Gain recognised in profit or loss	**4,454**	–
At the end of the period	**380,102**	459,992

Included in profit or loss for the six months ended 30 June 2018 is an amount of RMB4,454,000 gain relating to unlisted managed investment funds classified as financial asset as at FVTPL held at the end of 30 June 2018. Included in OCI for the six months ended 30 June 2017 is an amount of RMB5,934,000 gain relating to unlisted managed investment funds classified as available-for-sale investments held at the end of 30 June 2017 and is accumulated in "investments revaluation reserve".

27. CAPITAL COMMITMENTS

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

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 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	**83,866**	65,388

28. SHARE-BASED PAYMENT TRANSACTIONS

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

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

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

28. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

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

29. RELATED PARTY DISCLOSURES

(a) Related party transactions

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Continuing operations		
Sales of goods to:		
Dalian Huaren Trade Co., Ltd. (notes a & b) (大連華仁貿易有限公司) ("Dalian Huaren")	**152,976**	187,092
Fushun Deshan Trade Co., Ltd. (note b) (撫順德山貿易有限公司) ("Fushun Deshan")	**59,131**	–
	212,107	187,092
Rental expense paid to:		
Shenyang Shengtai Property Management Co., Ltd. (note a) (瀋陽盛泰物業管理有限公司)	**947**	998
Hanking Industrial Group Co., Ltd. (note a) (罕王實業集團有限公司)	**450**	75
	1,397	1,073

Notes:

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

(b) Dalian Huaren and Fushun Deshan acted as the agents of Fushun Hanking D.R.I Co., Ltd ("Hanking D.R.I."), a related party of the Group, to purchase the iron ore concentrates from the Group. Hanking D.R.I. is controlled by Mr. Yang Jiye and Dalian Huaren is controlled by Ms. Yang Min. The Directors assessed that Fushun Deshan is an entity controlled by Hanking D.R.I. and was therefore a related party of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2018

29. RELATED PARTY DISCLOSURES (continued)

(b) Compensation of key management personnel

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries and other benefits	**13,231**	4,060
Retirement benefits schemes contribution	**472**	190
Shared-based payment	**–**	3,523
	13,703	7,773

30. EVENT AFTER THE END OF THE REPORTING PERIOD

On 5 July 2018, the Company entered into the share sale and purchase agreement with Tuochuan Capital Limited, a wholly-owned subsidiary of Mr. Yang Jiye, and Mr. Yang Jiye, one of the controlling shareholders of the Company, pursuant to which the Company has agreed to sell, and Tuochuan Capital Limited has agreed to purchase, the Group's entire 70% equity interest of Hanking (Indonesia), which is an investment holding company holding three nickel project companies, for a total cash consideration of RMB350,000,000. The proceeds from the disposal will be used for the development of the Group's investment in the Gold Business arising from the acquisition of PGO during the current interim period and the development of other mineral projects as well as be used to supplement the working capital of the Company. The transaction was approved by the shareholders in 24 August 2018.

On 24 August 2018, the Company, Hanking Australia Investment, Dr. Qiu and Golden Resource Pty Limited entered into a loan capitalisation agreement, so as to enhance the development capability of Hanking Australia Investment, enabling the Company to push forward the development of the PGO Gold Business. Pursuant to the agreement, the Company proposed to make additional capital contribution in an amount of AUD42,000,000 (equivalent to approximately RMB210,601,000) to Hanking Australia Investment.

DEFINITIONS OF TERMS

"Aoniu Mine"	located at Hou'an Town, Fushun City, an iron mine operated through Aoniu Mining, a subsidiary of the Company
"Aoniu Mining"	Fushun Hanking Aoniu Mining Co., Ltd. (撫順罕王傲牛礦業股份有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
"Articles of Association"	the articles of association approved by the Company at the general meeting held on 16 September 2011, effective as from the time when the trading of the Company's Shares commenced on the Hong Kong Stock Exchange and as amended from time to time
"AUD"	the lawful currency of Australia
"Australia"	The Commonwealth of Australia
"Board"	the board of Directors of the Company
"BVI"	British Virgin Islands
"China" or "PRC"	the People's Republic of China. For the purpose of this report only, 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)
"the Company" or "our Company" or "we"	China Hanking Holdings Limited
"Controlling Shareholder(s)"	has the meaning ascribed to it in the Listing Rules and unless the context requires otherwise, refers to Ms. Yang Min, Mr. Yang Jiye, China Hanking (BVI) Limited, Bisney Success Limited, Best Excellence Limited and Tuochuan Capital Limited

DEFINITIONS OF TERMS

(CONTINUED)

"Denway Development"	Denway Development Limited, a limited liability company incorporated in Hong Kong which holds 75% equity interest in KS and KKU
"Directors"	the directors of the Company
"EBITDA"	the abbreviation of earnings before interest, taxes, depreciation and amortization
"Fushun 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, which was a non wholly-owned subsidiary of the Company before 20 April 2017
"Hanking Australia Investment"	Hanking Australia Investment Pty Ltd, a limited liability company established in Australia and a non wholly-owned subsidiary of the Company
"Hanking Green Building Materials"	Liaoning Hanking Green Building Materials Co., Ltd. (遼寧罕王綠色建材有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
"Hanking Group"	Hanking Group Co., Limited (罕王實業集團有限公司), a limited liability company established in the PRC on 4 April 1996, whose shares are held by Ms. Yang Min (88.96%) and other individuals. Hanking Group is a holding company controlled by a Controlling Shareholder
"Hanking (Indonesia)"	Hanking (Indonesia) Mining Limited, a limited company established in the BVI and a non wholly-owned subsidiary of the Company
"Harvest Globe"	Harvest Globe Limited, a limited liability company established in Hong Kong, a non wholly-owned subsidiary of Denway Development
"HGM"	HGM Resources Pty Ltd, a limited liability company established in Australia and a non wholly-owned subsidiary of the Company

DEFINITIONS OF TERMS
(CONTINUED)

"HMNS"	PT Hanking Makmur Nickel Smelt (罕王富域鎳冶煉有限公司), a limited company established in Indonesia and a non wholly-owned subsidiary of the Company
"HK$"	the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Indonesia"	The Republic of Indonesia
"Indonesian Rupiah"	the lawful currency of Indonesia
"JORC Code"	JORC Code, 2012 Edition as published by Australasian Joint Ore Reserves Committee
"KKU"	PT Karyatama Konawe Utara, a company established in Indonesia and an indirectly non wholly-owned subsidiary of the Company
"KP"	PT Konutara Prima, a company established in Indonesia and an indirectly non wholly-owned subsidiary of the Company
"KS"	PT Konutara Sejati, a company established in Indonesia and an indirectly non wholly-owned subsidiary of the Company
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Maogong Mine"	located at Shiwen Town, Fushun City, an iron mine operated through Maogong Mining, a subsidiary of the Company
"Maogong Mining"	Fushun Hanking Maogong Mining Co., Ltd. (撫順罕王毛公鐵礦有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
"PGO"	Primary Gold Limited, a limited liability company established in Australia, which became a non wholly-owned subsidiary of the Company after 8 June 2018
"RMB"	the lawful currency of the PRC

DEFINITIONS OF TERMS
(CONTINUED)

"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended from time to time)
"Shangma Mine"	located at Shangma Town, Fushun City, an iron mine operated through Fushun Shangma, a subsidiary of the Company
"Share(s)"	ordinary share(s) with a nominal value of HK$0.10 each in the share capital of the Company
"SXO"	located at Yilgarn goldfield in Western Australia (Southern Cross Operation, abbreviated as SXO)
"SXO Gold Project"	the Southern Cross Operation Gold Project located at Yilgarn goldfield in Western Australia, which was operated through the Company's subsidiary Hanking Gold Mining Pty Ltd before 20 April 2017
"United States"	the United States of America
"US$"	the lawful currency of the United States
"Xingzhou Mine"	located at Dongzhou District, Fushun City, an iron mine operated through Xingzhou Mining
"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, which was no longer a subsidiary of the Company during the period of this report