



中國罕王控股有限公司

CHINA HANKING HOLDINGS LIMITED

罕王  
HANKING

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 03788



INTERIM REPORT  
**2020**

# ***MISSION***

As Emerging Key Player

# ***VALUE***

Always Beyond Expectations



# ***CONTENTS***

Corporate Information	2
Financial Highlights	4
Management Discussion and Analysis	5
Other Information	21
Report on Review of Condensed Consolidated Financial Statements	30
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	31
Condensed Consolidated Statement of Financial Position	33
Condensed Consolidated Statement of Changes in Equity	35
Condensed Consolidated Statement of Cash Flows	37
Notes to the Condensed Consolidated Financial Statements	39
Definitions of Terms	71

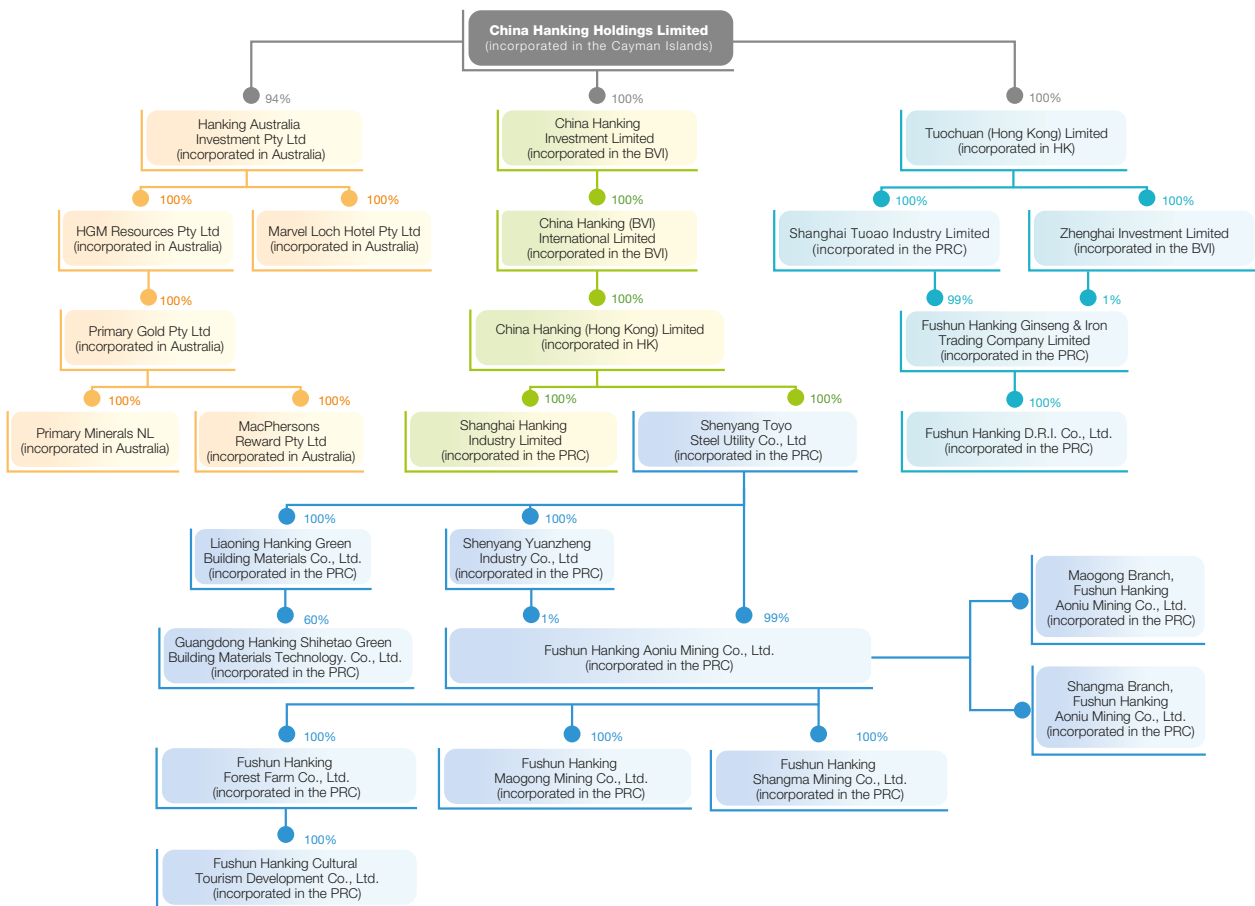
# CORPORATE INFORMATION

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 and utilization of mineral resources and metals. The Group is mainly engaged in exploration, mining, processing and smelting of iron, gold and other strategic metals and marketing of products as well as development of mineral resources.

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

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



Note: This shareholding structure chart reflects the Group's shareholding structure as at 30 June 2020.

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**

Jingtian & Gongcheng LLP  
Suites 3203-3207, 32/F  
Edinburgh Tower, The Landmark  
15 Queen's Road Central  
Central  
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*)  
Dr. Qiu Yumin

**Non-executive Directors**

Mr. Kenneth Lee  
Mr. Xia Zhuo

**Independent Non-executive Directors**

Mr. Wang Ping  
Dr. Wang Anjian  
Mr. Ma Qingshan

**Audit Committee**

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

**Remuneration Committee**

Mr. Wang Ping (*Chairman*)  
Mr. Kenneth 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		
	2020	2019	Change
Revenue (RMB thousand)	<b>1,160,965</b>	1,183,885	-1.94%
Profit for the period attributable to owners of the Company (RMB thousand)	<b>170,519</b>	109,724	55.41%
Earnings per share (RMB cent)	<b>9.4</b>	6.0	56.67%
Interim dividend (HKD per share)	<b>0.04</b>	0.00	N/A
Net margin	<b>14.67%</b>	9.47%	Up by approximately 5.20 percentage points
Return on net assets	<b>20.68%</b>	10.27%	Up by approximately 10.41 percentage points



# MANAGEMENT DISCUSSION AND ANALYSIS

## Results Highlight<sup>notes</sup>

### 1. The Group's profit for the period increased significantly

The Group survived from the COVID-19 epidemic so far as a result of its execution of the highest level of prevention and control since it was first informed of the potential spread of the epidemic. The Group reported zero case of infection and maintained ongoing production and operation. In addition, benefiting from the substantial increase in sales volume of high-purity iron and the steady development of other segments as planned, in the first half of 2020, the Group's profit for the period increased significantly to RMB170,303,000, representing a year-on-year increase of RMB58,225,000 or 51.95%.

### 2. The environmental impact assessment of a high-grade gold deposit in the Northern Territory of Australia has been completed; and excellent exploration results have been achieved in the gold deposit in Western Australia

The Group's Tom's Gully gold deposit in the Northern Territory of Australia, with an average grade of 8.9 grams per ton, passed the stringent environmental impact assessment in March 2020. This marked the completion of a crucial step before commencement of mining and accelerated the finalisation of the "Mine Management Plan" which the Company is preparing to submit to the Northern Territory Ministry of Mines for approval. In addition, the Coolgardie gold deposit in Western Australia has drilled multiple holes and achieved remarkable drilling results, which confirmed the continuity of gold mineralisation, improved the reliability of gold resources, and discovered multiple gold ore bodies near the surface and low-grade thick gold ore bodies containing high-grade gold veins, making it an ideal choice for large-scale open-pit mining.

### 3. The output of high-purity iron doubled and net profit increased substantially

Thanks to the technological improvement completed in the second half of 2019, the output of high-purity iron in the first half of 2020 was 322 thousand metric tons, representing a year-on-year increase of 101.25%. Although affected by the epidemic, sales revenue and net profit of the high-purity iron business increased by 50.50% and 50.48% year-on-year, respectively, thus further consolidating Hanking's position as the largest supplier of wind power ductile casting iron in China.

- Notes:
1. 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.
  2. Due to rounding, numbers presented throughout this report may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

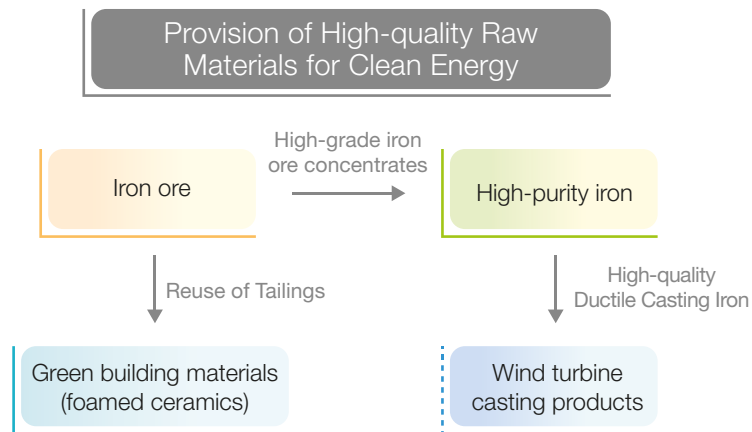
## MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

### Operation Review

#### 1. Domestic Iron Business in China

Thanks to its own high-quality iron ore resources and unique technical process, the average grade of iron ore concentrate produced by Hanking is over 68%, and due to its low content of sulfur and phosphorus, Hanking's downstream high-purity iron products enjoy strong corrosion resistance. In addition, it well meets the casting requirements of major equipment in wind power and marine engineering sectors due to its features of low titanium content and high tensile strength. At present, Hanking remains the largest supplier in the wind power ductile casting iron market in China for its high-purity iron, which provides high-quality raw materials for clean energy and will continue to expand its application fields.



- **Iron Ore Business**

- **Industry overview**

In 2020, as a result of the spread of the COVID-19 epidemic, slowdown in production capacity at home and abroad led to shrinkage in supply of iron ores, while demand for iron ores experienced an explosive increase as driven by the construction of domestic end-infrastructure and expedited schedules in property development. From January to June, output of pig iron, crude steel and steel in China were 432,680 thousand metric tons, 499,010 thousand metric tons and 605,840 thousand metric tons, representing a year-on-year increase of 2.2%, 1.4% and 2.7%, respectively, which drove robust growth in the demand for iron ores, with port inventory level remaining low. The imbalance of supply and demand resulted in continuous price hikes of iron ores. According to Mysteel, the average price of Australian Iron Ore Index 62% Fe was US\$102.61/metric ton as of 28 June 2020, representing an increase of approximately 12.0% as compared to that recorded at the end of 2019.



## MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

- **Operation status**

As affected by insufficient mining and supply of iron ores during the most severe period of the epidemic in early 2020, the Group's output of iron ore concentrates in the first quarter was approximately 100 thousand metric tons less as planned. With effective control of the epidemic, the Group's output of iron ore concentrates has gradually resumed to normal level in the second quarter of 2020. During the first half of 2020, the output of iron ore concentrates and sales volume of the Group were 861 thousand metric tons and 881 thousand metric tons, respectively, representing a year-on-year decrease of 9.18% and 3.61%, respectively. Affected by the closure of ramp in Maogong Mine and the reduction in supply of iron ores, the planned annual output of iron ore concentrates was reduced from 1,850 thousand metric tons to 1,500 thousand metric tons.

Although the underground mining progress was behind schedule, the continuous improvement in processing has increased the production efficiency. For the six months ended 30 June 2020, the cash operation cost of iron ore concentrates was RMB307/metric ton, representing a decrease of 1.60% over the corresponding period of last year, and the cost of sales was RMB357/metric ton, representing an increase of 3.48% as compared to the corresponding period of last year. It remains as one of the mines with the lowest production cost throughout the country and continues to maintain its core competitiveness in low-cost operations.

## MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

**Breakdown of cash operation costs of the iron ore business**

	Cash operation costs of iron ore concentrates (RMB/metric ton of iron ore concentrates)		Changes	
	For the six months ended 30 June 2020	2019	Amount	Ratio
Comprehensive mining cash costs	145	150	-5	-3.33%
Processing cash costs (Note 1)	59	73	-14	-19.18%
Transportation expenses (Note 2)	20	26	-6	-23.08%
Tax (Note 3)	47	41	6	14.63%
Mine management expenses (Note 4)	36	22	14	63.64%
<b>Total</b>	<b>307</b>	<b>312</b>	<b>-5</b>	<b>-1.60%</b>

- Notes:
1. Maogong Mine replaced large spare parts such as high-pressure rollers in the first half of last year, but no such replacement was recorded in the first half of this year.
  2. The decrease in transportation expenses per metric ton was due to the change of customers with a shorter transportation distance.
  3. The increase in tax per metric ton was due to the increase in the sales price of iron ore concentrates per metric ton.
  4. The increase in mine management expenses was due to the increase in safety, exploration, intermediary and greening costs.

Thanks to the increase in average selling price of iron ore concentrates and the Group's effective cost control measures, in the context of a year-on-year decrease in sales volume, the iron ore business recorded a net profit of RMB175,598,000, representing an increase of 26.74% as compared to the corresponding period of last year.

## MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

### Operation breakdown of the iron ore business

	For the six months ended 30 June		Change
	2020	2019	
Output (thousand metric tons)	861	948	-9.18%
Sales volume (thousand metric tons)	881	914	-3.61%
Average selling price (RMB per metric ton)	756	729	3.70%
Average cost of sales (RMB per metric ton)	357	345	3.48%
Revenue (RMB thousand)	666,184	666,159	0.00%
Gross profit (RMB thousand)	351,980	350,305	0.48%
Gross margin	52.84%	52.59%	Up by approximately 0.25 percentage point
Net profit (RMB thousand)	175,598	138,546	26.74%
Net margin	26.36%	20.80%	Up by approximately 5.56 percentage points
Capital expenditure (RMB thousand) <sup>Note 1</sup>	88,745	38,060	133.17%

Note 1: Capital expenditure in the first half of 2020 is mainly used for the intangible assets obtained during the period.

- **Resources and reserves**

During the first half of 2020, the iron ore resources and reserves of the Group had no material change as compared to the data at the end of 2019.

- **High-Purity Iron Business**

- **Industry overview**

Against the backdrop of accelerating development trend of large-scale wind turbines and the confirmed logic of expedited installation of onshore wind turbines in China, the “Thirteenth Five-Year Plan for the Development of National Marine Economy” clearly requires the strengthened development of high-power offshore wind power equipment of 5MW, 6MW and above, which indicates that the wind power equipment industry will usher in good structural opportunities. At present, Hanking remains the largest supplier in the wind power ductile casting iron market in China for its high-purity iron, which is especially suitable for large-scale wind power and offshore wind power equipment, and thus will directly benefit from the structural adjustment of the wind power industry.

## MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

- **Operation status**

Leveraging the advantage of its own high-quality mineral resources, the Group's high-purity iron business has established a product mix that mainly comprised of wind power ductile casting iron products, supplemented by other ductile casting iron products. Following the completion of the technological improvement of the high-purity iron business last year, its annual production capacity has increased from 560 thousand metric tons to 660 thousand metric tons. Thanks to the technological improvement, the output of high-purity iron in the first half of 2020 was 322 thousand metric tons, representing a year-on-year increase of 101.25%. However, as logistics transportation has been hampered by the epidemic in stages, in the first half of 2020, sales volume of high-purity iron recorded 246 thousand metric tons, representing a year-on-year increase of 65.10%; and the average selling price recorded RMB3,117/metric ton, representing a year-on-year decrease of 8.97%. As a result, revenue and net profit from the high-purity iron business has increased significantly, but the profit margin remained unchanged.

**Operation breakdown of the high-purity iron business**

	For the six months ended 30 June		
	2020	2019	Change
Output (thousand metric tons)	<b>322</b>	160	101.25%
Sales volume (thousand metric tons)	<b>246</b>	149	65.10%
Average selling price (RMB per metric ton)	<b>3,117</b>	3,424	-8.97%
Average cost of sales (RMB per metric ton)	<b>2,583</b>	2,583	0.00%
Revenue (RMB thousand)	<b>766,243</b>	509,138	50.50%
Gross profit (RMB thousand)	<b>131,256</b>	125,055	4.96%
Gross margin	<b>17.13%</b>	24.56%	Down by approximately 7.43 percentage points
Net profit (RMB thousand)	<b>55,319</b>	36,762	50.48%
Net margin	<b>7.22%</b>	7.22%	Unchanged
Capital expenditure (RMB thousand)	<b>2,943</b>	89,132	-96.70%

## MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

- **Green Building Materials Project**

The production of the green building materials project has been suspended since January 2020, and technological improvement for the production line is planned to be completed in August 2020. At present, the products of Hanking Green Building Materials mainly comprise foamed ceramic composite panels, which enjoys the features of waterproof, fireproof, anti-cracking, anti-leakage and good durability. It is known as a novel wall product that can be used to replace the existing wall materials in the domestic market.

Due to the epidemic and technological transformation, the construction of the customer's project was postponed, which affected the individual performance of contracts. In the first half of 2020, Hanking Green Building Materials achieved a sales revenue of approximately RMB5,593,000.

## 2. Overseas Gold Mining Business

- **Industry overview**

In 2020, driven by the economic stimulus of central banks around the world, the escalated trade friction between China and the United States, and inflation and other concerns about the economic impact of the pandemic, including inflation, the gold price exceeded US\$1,800/ounce for the first time since 2011. As of the end of June, the COMEX New York gold futures price has increased by 18% as compared to the beginning of the year, and hit a record high of more than US\$2,000 in August. The loose monetary policies of central banks, the sluggish effective interest rate and the record-high increase in gold ETF holdings have all driven and will continue to drive the continuous increase of gold price.

- **Operation status**

The Group's Tom's Gully gold deposit in the Northern Territory has 315 thousand ounces of gold resources with an average grade of 8.9 grams per metric ton. As both the strike direction and deep extension of the ore body are not closed, there is a potential to have expanded resources. Tom's Gully gold deposit was approved by the environmental review in March 2020, which marked a crucial step for the project to commence the mining process. The project is currently in the process of obtaining mining approval. The Rustlers Roost project has a single ore body resource of 1.3 million ounces, 77% of which are JORC resources of the control level. Currently, exploration works are continued in a bid to further expand the resources and reserves. In addition, the environmental assessment on mine development and construction has also been initiated.

## MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

Coolgardie gold deposit in Western Australia has obtained all approvals for mine production. As part of the mining preparation and production plan, the project has drilled more than 30 air reverse circulation (RC) boreholes in total of approximately 4,000 metres since April 2020, and has achieved remarkable drilling results. The new round of drilling extended the existing gold mineralisation belt by 200 meters in the strike direction, discovered multiple new ore bodies, and improved the continuity of mineralisation and the reliability of gold resources. As a result of these outstanding results, the Company will design and drill more holes to raise the control level of the gold ore body with a view to increasing gold resources and reserves.

As the Group's gold business is still under preparation for production, no sales were recorded during the first half of 2020. For the six months ended 30 June 2020, the capital expenditure of the gold business was RMB5,553,000 (first half of 2019: RMB3,977,000), which was mainly for the environmental impact assessment and exploration expenses of the gold deposits.

- **Resources and reserves**

During the first half of 2020, the gold resources and reserves of the Group had no material change as compared to the data at the end of 2019.

### Future Plans for Material Investment or Capital Assets

As of 30 June 2020, the Group was considering acquiring suitable assets, but it had neither signed any binding agreement, nor had any concrete plans to acquire any material investment or capital assets other than those carried out in the Group's ordinary course of business. The Group will keep abreast of the changing market conditions, proactively identify investment opportunities in order to broaden the revenue base of the Group, enhance its future financial performance and profitability.

## MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

### Financial Review

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

In the first half of 2020, revenue from the Group's continuing operations was RMB1,160,965,000, representing a decrease of RMB22,920,000, or 1.94% as compared to the corresponding period of last year, mainly due to: 1) the increase of approximately 97 thousand metric tons in sales volume of high-purity iron and the increase in revenue of approximately RMB332,420,000 as a result of the increase in output following the completion of the technological improvement of the high-purity iron business but the decrease of approximately RMB307/metric ton in average sales price of high-purity iron as compared to the corresponding period of last year; and 2) the fact that following the Group's successful acquisition of high-purity iron business in the corresponding period of last year, revenue from iron ore concentrates sold to the high-purity iron business has become the Group's internal revenue and is required to be eliminated at the group consolidation level, resulting in a decrease of RMB277,055,000 in revenue.

For the first half of 2020, cost of sales incurred by the Group's continuing operations amounted to RMB713,880,000, representing an increase of RMB3,608,000 or 0.51% over the corresponding period of last year, among which, cost of sales incurred by high-purity iron business increased by approximately RMB250,904,000 over the corresponding period of last year, mainly attributable to the fact that sales volume of high-purity iron increased by approximately 97 thousand metric tons as compared to the corresponding period of last year, and following the Group's successful acquisition of high-purity iron business in the corresponding period of last year, revenue from iron ore concentrates sold to the high-purity iron business has become the Group's internal revenue and is required to be eliminated at the group consolidation level, resulting in a decrease of RMB241,104,000 in cost of sales.

For the first half of 2020, gross profit of the Group's continuing operations was approximately RMB447,085,000, representing a decrease of approximately RMB26,528,000 or 5.60% 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 40.00% to 38.51% during the first half of 2020.

## MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

## Analysis on the revenue by major products

	For the six months ended 30 June									
	2020					2019				
	Iron ore concentrates	High-purity iron	Others	Internal elimination	Total	Iron ore concentrates	High-purity iron	Others	Internal elimination	Total
Revenue	666,184	766,243	5,593	-277,055	1,160,965	666,159	509,138	8,588	-	1,183,885
Cost of sales	314,204	634,987	5,793	-241,104	713,880	315,854	384,083	10,335	-	710,272
Gross profit	351,980	131,256	-200	-35,951	447,085	350,305	125,055	-1,747	-	473,613
Gross profit margin	52.84%	17.13%	-3.58%	-	38.51%	52.59%	24.56%	-20.34%	-	40.00%

## 2. Other Income, Other Gains and Losses

In the first half of 2020, other income from the Group's continuing operations was RMB3,488,000, representing a decrease of RMB319,000, or 8.38% as compared to the corresponding period of last year. Other income mainly represented interest income.

In the first half of 2020, other losses from the Group's continuing operations was RMB6,862,000, representing a decrease of RMB19,126,000, or 73.60% as compared to the corresponding period of last year, which was mainly attributable to the decrease in impairment loss of long-term assets of RMB25,923,000 as provision were made for impairment loss of RMB25,096,000 on certain long-term assets which will be no longer in use due to high-purity iron business's suspension of production for technological improvement in the corresponding period of last year. Other losses mainly consisted of the impairment loss of assets, foreign exchange losses, disposal gains of available-for-sale financial assets, net income or loss from disposal of properties, plants and equipment, and other overheads, etc.



## MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

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

For the first half of 2020, the distribution and selling expenses of the Group's continuing operations were RMB51,044,000, representing an increase of RMB2,076,000 or 4.24% as compared to the corresponding period of last year, which was mainly due to 1) the increase of 97 thousand metric tons in the sales volume of high-purity iron business as compared to the corresponding period of last year, which in turn resulted in an increase of RMB7,487,000 in the distribution and selling expenses; and 2) the decrease in sales volume of iron ore concentrates of 33 thousand metric tons from the corresponding period of last year, which in turn resulted in a decrease of RMB5,768,000 in distribution and selling expenses as compared to the corresponding period of last year. Selling and distribution expenses consisted of transportation expenses, labour expenses and others.

In the first half of 2020, the administrative expenses of the Group's continuing operations was RMB111,761,000, representing an increase of RMB16,284,000, or 17.06% as compared to the corresponding period of last year, which was mainly due to the taxes in relation to the acquisition of high-purity iron business as well as research and development expenses. Administrative expenses included remuneration paid to the management and administrative staff of the Group, depreciation and amortization, leasing and office expenses, business development expenses, professional consultation and service expenses, taxation expenses, bank charges and others.

### 4. Finance Costs and Income Tax Expense

In the first half of 2020, the finance costs of the Group's continuing operations was RMB47,825,000, representing a decrease of RMB11,356,000, or 19.19% as compared to the corresponding period of last year. Finance costs included interest expenses on bank borrowing, discount expenses and other finance expenses. The decrease in finance costs was mainly due to the decrease in interest expenses as a result of a decrease in bank borrowings.

In the first half of 2020, the income tax expense of the Group's continuing operations was RMB57,304,000, representing a decrease of RMB39,013,000, or 40.50% as compared to the income tax expense of 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 due to the make-up payment of RMB44,558,000 made in the corresponding period of last year in respect of under provision in prior years.

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

Based on the above, in the first half of 2020, the Group's profit for the period was RMB170,303,000, representing an increase of 51.95% or RMB58,225,000 as compared to the corresponding period of last year.

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

## MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

Based on the profit for the period, and affected by the changes in fair values of financial assets measured at fair value through other comprehensive income, foreign currency translation and so on, the total comprehensive income for the first half of 2020 was RMB172,101,000, representing an increase of RMB12,106,000 or 7.57% as compared to the corresponding period of last year.

### 6. Property, Plant and Equipment, Inventories, Intangible Assets

As at 30 June 2020, the net value of property, plant and equipment of the Group was RMB898,134,000, representing a decrease of RMB59,874,000 or 6.25% as compared to that as at the end of the previous year.

As at 30 June 2020, the inventories of the Group were RMB292,534,000, representing an increase of RMB56,354,000 or 23.86% as compared to that as at the end of the previous year. During the epidemic, the transportation of products of the high-purity iron business was restricted, resulting in increased inventory.

As at 30 June 2020, the intangible assets of the Group were RMB373,846,000, representing an increase of RMB56,734,000 or 17.89% as compared to that as at the end of the previous year, mainly due to the mining rights of the iron ore concentrates obtained during the period and the exploration expense of the gold deposits.

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

As at 30 June 2020, trade receivables of the Group were RMB90,653,000, representing a decrease of RMB8,809,000 over the end of last year.

As at 30 June 2020, other receivables of the Group were RMB138,513,000, representing a decrease of RMB97,052,000 over the end of last year, mainly due to the recovered amount of RMB105,000,000 from the remaining sales of Xingzhou Mining during the period.

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

As at 30 June 2020, bills receivables of the Group (bank acceptance bills) were RMB96,503,000, representing an increase of RMB67,843,000 over the end of last year, of which undiscounted bank acceptance bills were RMB46,873,000. Such bills can be discounted at any time to satisfy the capital requirement.

As at 30 June 2020, trade payables of the Group were RMB104,022,000, representing an increase of RMB8,077,000 over the end of last year. As at 30 June 2020, other payables of the Group were RMB156,985,000, representing an increase of RMB8,670,000 over the end of last year.

## MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

### 8. Cash Use Analysis

The summary of the Group's consolidated statement of cash flows for the first half of 2020 is set out below:

	For the six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Net cash flows from operating activities	451,842	362,925
Net cash flows from investing activities	(285,121)	(514,113)
Net cash flows from financing activities	(32,458)	(117,287)
Net increase/(decrease) in cash and cash equivalents	134,263	(268,475)
Cash and cash equivalents at the beginning of the period	38,146	381,256
Effect of changes in foreign exchange rate on cash and cash equivalents	613	897
Cash and cash equivalents at the end of the period	173,022	113,678

For the first half of 2020, the net cash inflow from operating activities was RMB451,842,000. The amount was mainly attributed to the profit before tax of RMB227,607,000, together with depreciation and amortization of RMB109,388,000, finance costs of RMB47,825,000, and the increase of RMB215,107,000 in trade and other payables, which were offset by the increase of RMB56,354,000 in inventory, the increase of RMB67,843,000 in receivables at FVTOCI and payment of income tax of RMB32,451,000.

For the first half of 2020, the net cash outflow from investing activities was RMB285,121,000. The amount mainly included the amount of RMB24,315,000 used as payments for the acquisition of new plants and equipment, etc. and acquisition of properties in order to expand production capacity and technology upgrade, the amount of RMB44,300,000 as payment for acquisitions, the amount of RMB24,288,000 as payment for the purchases of intangible assets, the net placement of borrowings and bills deposits of RMB301,490,000 and the recovered amount of RMB105,000,000 from the remaining sales of Xingzhou Mining.

For the first half of 2020, the net cash outflow from financing activities was RMB32,458,000, which was mainly attributable to the newly added bank borrowings of RMB634,500,000, the repayment of bank borrowings of RMB505,000,000, the payment of dividend of RMB132,430,000 and the settlement of interest on borrowings of RMB47,235,000.

## MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

## 9. Cash and Borrowings

As at 30 June 2020, the available cash and cash equivalents of the Group amounted to RMB219,895,000, representing an increase of RMB164,239,000 or 295.10% as compared to the end of the previous year.

## Breakdown of Available Cash and Cash Equivalents

	30 June 2020 RMB'000	31 December 2019 RMB'000	Changes Amount RMB'000	Ratio
Cash and bank deposits	173,022	38,146	134,876	353.58%
Bank acceptance bills (undiscounted)	46,873	17,510	29,363	167.69%
Available cash and cash equivalents	<b>219,895</b>	55,656	164,239	295.10%

As at 30 June 2020, bills payables and borrowings of the Group amounted to RMB551,900,000 and RMB830,763,000, respectively, and the amount net of borrowings and bills deposits was RMB892,029,000, representing an increase of RMB52,910,000 or 6.31% as compared to the end of the previous year.

## Breakdown of Borrowings and Bills Payables

	30 June 2020 RMB'000	31 December 2019 RMB'000	Changes Amount RMB'000	Ratio
Borrowings – due within one year	687,500	662,500	25,000	3.77%
Borrowings – due after one year	143,263	38,763	104,500	269.59%
Sub-total	830,763	701,263	129,500	18.47%
Bills payables	551,900	327,000	224,900	68.78%
Total	<b>1,382,663</b>	1,028,263	354,400	34.47%
Less: borrowings and bills deposits	490,634	189,144	301,490	159.40%
Net borrowings and bills payables	<b>892,029</b>	839,119	52,910	6.31%

Apart from the information disclosed above or otherwise in this report, the Group has no outstanding mortgage, pledge, debentures or other loan capital issued or agreed to be issued, bank overdrafts, borrowings, liabilities under acceptance or other similar liabilities, hire purchase and finance lease commitments, or any guarantees or other material contingent liabilities. The Directors have confirmed that, save as disclosed above, there was no material change in the debts and contingent liabilities of the Group since 31 December 2019.

## MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

### 10. Gearing Ratio

The gearing ratio, as calculated by dividing total liabilities by total assets, of the Group increased from 65.08% on 31 December 2019 to 70.04% on 30 June 2020.

### 11. Major Risks

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

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

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

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

### 12. Pledge of Assets and Contingent Liabilities

Some of the bank borrowings and bills payables of the Group are secured by bank deposits, property, plant and equipment as well as right-of-use assets. As at 30 June 2020, the net carrying value of the pledged bank deposits, property, plant and equipment, mining rights assets and right-of-use assets amounted to RMB490,634,000, RMB53,153,000, RMB96,316,000 and RMB5,733,000, respectively.

As at 30 June 2020, the Group had no material contingent liabilities.

## MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

### 13. Capital Commitments

As at 30 June 2020, the capital commitment of the Group was RMB25,228,000, representing a decrease of RMB1,221,000 or 4.62% over that of the end of last year. The capital commitment mainly consisted of the amount of RMB13,589,000 for the underground mining works of Shangma Mine, the amount of RMB5,719,000 for the exploration expense of the gold deposits in Australia and the amount of RMB4,000,000 for the minor works in the high-purity iron business segment.

### 14. Capital Expenditure

The Group's capital expenditure decreased from approximately RMB140,766,000 in the first half of 2019 to approximately RMB101,694,000 in the first half of 2020, representing a decrease of 27.76% over that of the same period last year, which was mainly due to the technological improvement of the high-purity iron business in the first half of 2019. Expenditure incurred in the first half of 2020 mainly included (i) expenditure for plants, machines and equipment and properties amounting to RMB22,125,000; (ii) expenditure for intangible assets amounting to RMB74,288,000; and (iii) increase of RMB5,281,000 in right-of-use assets.

### 15. Significant Foreign Investments Held

The Group did not hold any significant investments as at 30 June 2020.

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

The Group had no material acquisitions or disposals of subsidiaries and associated companies during the first half of 2020.

## 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 2020, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (as defined in Part XV of the SFO) which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions taken or deemed to have under such provisions of the SFO), or which are required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO or which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

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

Name of Director and Chief Executive	Status/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding
Yang Jiye <sup>1</sup>	Interest in controlled corporation	1,114,061,666 (long positions)	61.21%
		7,500,000 (short positions)	0.41%
Xia Zhuo <sup>2</sup>	Interest in controlled corporation	19,130,589 (long positions)	1.05%
		Beneficial owner	60,000 (long positions)
Zheng Xuezhi	Beneficial owner	2,452,000 (long positions)	0.13%

Notes:

- Mr. Yang Jiye holds 100% interest in Bisney Success Limited and Tuochuan Capital Limited, respectively. As a result, Mr. Yang Jiye is deemed to hold interest in 494,360,500 Shares held by Bisney Success Limited and 619,701,166 Shares held by Tuochuan Capital Limited.
- Mr. Xia Zhuo holds 54.38% interest in Splendour Ventures Limited. As a result, Mr. Xia Zhuo is deemed to hold interest in 19,130,589 Shares held by Splendour Ventures Limited. The accurate percentage of the 60,000 Shares beneficially owned by Mr. Xia Zhuo is 0.00329670%.

## 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 <sup>1</sup>	Hanking Australia Investment Pty Ltd	Interest in controlled corporation	6,300,000 (long positions)	3.00%
Yang Jiye <sup>2</sup>	Hanking Australia Investment Pty Ltd	Interest in controlled corporation	6,300,000 <sup>3</sup> (long positions)	3.00%
Zheng Xuezhi <sup>2</sup>	Hanking Australia Investment Pty Ltd	Interest in controlled corporation	6,300,000 <sup>3</sup> (long positions)	3.00%

## Notes:

1. Dr. Qiu Yumin and his spouse jointly holds 100% equity interests in Golden Resource Pty Ltd. Hence, Dr. Qiu Yumin is deemed to be interested in 6,300,000 shares in Hanking Australia Investment held by Golden Resource Pty Ltd.
2. Each of Mr. Yang Jiye and Mr. Zheng Xuezhi holds 33.33% equity interests in Best Fate Limited. Hence, each of Mr. Yang Jiye and Mr. Zheng Xuezhi is deemed to be interested in 6,300,000 shares in Hanking Australia Investment held by Best Fate Limited.
3. These 6,300,000 shares are the same block of shares.

Save as disclosed above, as at 30 June 2020, 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.



OTHER INFORMATION  
(CONTINUED)**2. Substantial Shareholders' Interests or Short Positions in the Shares and Underlying Shares of the Company**

As at 30 June 2020, as far as the Directors of the Company, having made all reasonable enquires, are aware, the following persons (other than the Directors and chief executives of the Company) owned interests or short positions in the shares or underlying shares of the Company which shall be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholders	Status/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding
Yang Min <sup>1</sup>	Interest in controlled corporation	206,025,000 (long positions)	11.32%
China Hanking (BVI) Limited	Beneficial owner	206,025,000 (long positions)	11.32%
Bisney Success Limited	Beneficial owner	494,360,500 (long positions)	27.16%
Tuochuan Capital Limited	Beneficial owner	619,701,166 (long positions)	34.05%
		7,500,000 (short positions)	0.41%
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)	15.38%
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)	27.47%

Note:

- Ms. Yang Min holds 100% interest in China Hanking (BVI) Limited. Thus Ms. Yang Min is deemed to have an interest in 206,025,000 Shares held by China Hanking (BVI) Limited.

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

## OTHER INFORMATION

(CONTINUED)

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

At the annual general meeting (the “**AGM**”) of the Company held on 28 May 2020, in accordance with Article 84(1) of the Articles of Association, Dr. Qiu Yumin (executive Director), Mr. Kenneth Lee (non-executive Director) and Dr. Wang Anjian (independent non-executive Director) retired by rotation at the AGM, and being eligible, offered themselves for re-election.

Mr. Wang Ping ceased to be the independent non-executive director of China Sinostar Group Company Limited (HKSE: 485), a company listed on the Hong Kong Stock Exchange and the non-executive director of Chongyi Zhangyuan Tungsten Co., Ltd. (SZSE: 002378), a company listed on the Shenzhen Stock Exchange, with effect from May and June 2020, respectively.

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

### 4. Directors' Service Contract

The Company has entered into a director's service contract and a letter of appointment with each of the Directors. The particulars of these service contracts include: (1) the term of their appointment as Directors is for three years commencing from 17 March 2018 (in the case of Mr. Yang Jiye, Mr. Zheng Xuezhi, Dr. Qiu Yumin, Mr. Kenneth Lee, Mr. Wang Ping, Dr. Wang Anjian and Mr. Ma Qingshan) and from 29 August 2019 to 16 March 2021 (in the case of Mr. Xia Zhuo); and (2) are subject to early termination in accordance with their respective terms.

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

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules, and also formulated the Written Guideline on Dealings in the Securities of the Company by Directors and the Relevant Employees (the “**Company Guideline**”), which adopted the standards equivalent to the provisions of Appendix 10 to the Listing Rules as the model code regarding dealings in the Company's securities by the Directors. Specific enquiries have been made to all Directors and the relevant employees of the Company, who have confirmed that they have complied with the Model Code and the Company Guideline throughout the six months period ended 30 June 2020.

## OTHER INFORMATION (CONTINUED)

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

During the six months ended 30 June 2020, 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 2020, the Group had a total of 1,605 employees (as at 30 June 2019: a total of 1,511 employees).

For the six months ended 30 June 2020, the aggregate remuneration expenses and other employee benefits costs of the Group amounted to RMB69,774,000 (for the six months ended 30 June 2019: RMB73,036,000). 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 2020 to 30 June 2020, 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, has assumed the role of CEO and President of the Company. Although this is not in compliance with the requirements under Rule A.2.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, the Company believes that vesting the roles of both chairman of the Board and CEO in Mr. Yang Jiye can provide strong and consistent leadership and enable more effective planning and better execution of long-term business strategies, which is beneficial to the overall development of the Company. The Company will decide whether to appoint another person as the CEO based on the business operation if and when appropriate.

## OTHER INFORMATION

(CONTINUED)

### 9. Audit Committee

During the period from 1 January 2020 to 30 June 2020, 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 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 2020 interim results for the six months ended 30 June 2020 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 recommended the payment of an interim dividend of HK\$0.04 per Share for the six months ended 30 June 2020 to Shareholders. It is expected that the interim dividend will be paid to the Shareholders by 10 November 2020.

#### Closure of Register of Members

In order to determine the Shareholders who are entitled to receive the interim dividend, the register of members of the Company will also be closed from Thursday, 29 October 2020 to Tuesday, 3 November 2020, both days inclusive, during which period no transfer of Shares will be registered. For unregistered Shareholders who wish to be eligible to receive the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, 28 October 2020. Shareholders whose names appear on the register of members of the Company on Tuesday, 3 November 2020 will be entitled to receive the interim dividend.

### 11. Major Legal Proceeding

During the six months ended 30 June 2020, 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.

OTHER INFORMATION  
(CONTINUED)

## 12. Continuing Disclosure under the Listing Rules

On 24 July 2019, Tuochuan Capital Limited pledged 280,000,000 Shares (representing approximately 15.32% of the issued share capital of the Company as at 24 July 2019) in favour of China Citic Bank Corporation Limited, Dalian Branch ("**Citic Bank**") as security for a term loan facility of a maximum aggregate amount of RMB127,500,000 provided by the Citic Bank to Aoni Mining, a subsidiary of the Company. Details of which are set out in the announcement of the Company dated 24 July 2019.

On 27 July 2020, the abovementioned 280,000,000 Shares pledge has been released and discharged by Citic Bank.

On 8 June 2020, China Hanking (BVI) Limited and Tuochuan Capital Limited pledged 200,000,000 Shares and 300,000,000 Shares (representing approximately 10.99% and 16.48% of the issued share capital of the Company as at 8 June 2020, respectively) in favour of Bank of Fushun Co., Ltd., Xinfu Branch ("**Fushun Bank**"), respectively, as securities for their certain loans and loans for a subsidiary of the Company. Of the aforementioned pledged shares, 100,000,000 Shares (representing approximately 5.49% of the issued share capital of the Company as at 8 June 2020) were pledged by Tuochuan Capital Limited in favour of the Fushun Bank as security for a loan in the amount of RMB125,000,000 for Hanking D.R.I., a subsidiary of the Company as general working capital under the loan agreement dated 8 June 2020. Details of which are set out in the announcement of the Company dated 10 June 2020.

Saved as disclosed above, the Company had no other disclosure obligations under Rule 13.20, Rule 13.21 and Rule 13.22 of the Listing Rules as at 30 June 2020.

## 13. Share Option Scheme

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

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

The scheme mandate limit is 10% of the shares of Hanking Australia Investment in issue on the date on which the scheme was adopted. The scheme shall be valid and effective for a period of 48 months from the date of adoption. The maximum number of shares of Hanking Australia Investment to be issued upon the exercise of options that may be granted under the scheme is 21,000,000 shares. The scheme will be expired on 25 January 2023, with remaining life of approximately 31 months from 1 July 2020.

## OTHER INFORMATION

(CONTINUED)

On 27 April 2020, Hanking Australia Investment granted 3,950,000 options (the “**Options**”) in aggregate to subscribe for 3,950,000 shares in the share capital of Hanking Australia Investment (each an “**HAI Share**”) to certain employees of Hanking Australia Investment (the “**Grantees**”). The exercise price for 2,950,000 Options is AUD0.286 per HAI Share and the exercise price for 1,000,000 Options is AUD0.3 per HAI Share. The exercise price was determined and approved by the board of directors of Hanking Australia Investment in accordance with the recommendation of the independent tax adviser, the fair market price and the performance of the staff. The number of shares accounts for approximately 1.85% of the total share capital upon the exercise of the Options of Hanking Australia Investment after the full exercise of the Options. The Options granted have an exercisable term of 4 years from the Date of Grant. Please refer to note 24 to the financial statements for details.

None of the Grantees is a Director, chief executive or substantial Shareholders or any of their respective associates (as defined the Listing Rules).

### 14. Restricted Share Award Scheme

The Company adopted a restricted share award scheme on 29 August 2019. The restricted share award scheme does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules.

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

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

The restricted share award scheme has come into effect from 29 August 2019 and will remain in full force and effect for a term of 10 years or until such date of early termination as may be determined by the Board (whichever the earlier), after which no award shares shall be further granted or accepted, provided that the provisions under the scheme shall remain in full force and effect in order to give effect to the vesting of the award shares granted and accepted prior to the expiry or termination of the scheme.

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

A selected participant shall be entitled to receive the award shares held by the trustee, and the award shares shall vest in three (3) years, of which one third of a selected participant’s applicable award shares shall become vested upon each of the first anniversary, the second anniversary, and the third anniversary.

As of the date of this report, the trustee, as instructed by the Board, purchased a total of 12,748,000 Shares on the market at a total consideration of HK\$21,830,750. The trustee holds these Shares pursuant to the rules of the scheme and the terms of the deed of trust.

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

# FINANCIAL REPORT

Report on Review of Condensed Consolidated Financial Statements	30
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	31
Condensed Consolidated Statement of Financial Position	33
Condensed Consolidated Statement of Changes in Equity	35
Condensed Consolidated Statement of Cash Flows	37
Notes to the Condensed Consolidated Financial Statements	39



# 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 31 to 70, which comprise the condensed consolidated statement of financial position as of 30 June 2020 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.

### 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

19 August 2020



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

For the six months ended 30 June 2020

	NOTES	Six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<b>Continuing operations</b>			
Revenue	3A	1,160,965	1,183,885
Cost of sales		(713,880)	(710,272)
Gross profit		447,085	473,613
Other income		3,488	3,807
Other gains and losses	4	(6,862)	(25,988)
Impairment losses under expected credit loss ("ECL") model, net of reversal	5	552	(4,193)
Distribution and selling expenses		(51,044)	(48,968)
Administrative expenses		(111,761)	(95,477)
Research and development expenses		(6,026)	–
Finance costs		(47,825)	(59,181)
Profit before tax	6	227,607	243,613
Income tax expense	7	(57,304)	(96,317)
Profit for the period from continuing operations		170,303	147,296
<b>Discontinued operation</b>			
Loss for the period from discontinued operation	8	–	(35,218)
Profit for the period		170,303	112,078
<b>Other comprehensive income:</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange differences on translation of financial statements of foreign operations		1,798	6,157
Fair value gain on:			
– receivables measured at fair value through other comprehensive income ("FVTOCI")		–	9,849
Reclassification of cumulative translation reserve upon disposal of a foreign operation to profit or loss		–	31,911
Other comprehensive income for the period (net of tax)		1,798	47,917
Total comprehensive income for the period		172,101	159,995

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

(CONTINUED)

For the six months ended 30 June 2020

	NOTE	Six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Profit (loss) for the period attributable to owners of the Company:			
– Continuing operations		170,519	147,321
– Discontinued operation		–	(37,597)
		170,519	109,724
(Loss) profit for the period attributable to non-controlling interests			
– Continuing operations		(216)	(25)
– Discontinued operation		–	2,379
		(216)	2,354
		170,303	112,078
Total comprehensive income for the period attributable to:			
Owners of the Company		171,462	155,684
Non-controlling interests		639	4,311
		172,101	159,995
Basic earnings per share (RMB cent per share)	10		
From continuing and discontinued operations		9.4	6.0
From continuing operations		9.4	8.1

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	NOTES	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	11	898,134	958,008
Intangible assets	12	373,846	317,112
Right-of-use assets	13	169,575	180,229
Financial assets at fair value through profit or loss ("FVTPL")	17	1,583	3,179
Deferred tax assets		11,144	11,188
Deposits on acquisition of property, plant and equipment		1,983	1,244
Restricted deposits	14	36,825	36,752
Pledged bank deposits	18	10,000	20,000
		<b>1,503,090</b>	1,527,712
<b>Current assets</b>			
Inventories		292,534	236,180
Trade and other receivables	15	229,166	335,027
Receivables at FVTOCI	16	96,503	28,660
Financial assets at FVTPL	17	65	1,000
Pledged bank deposits	18	480,634	169,144
Bank balances and cash	18	173,022	38,146
		<b>1,271,924</b>	808,157
<b>Current liabilities</b>			
Trade, bills and other payables	19	812,907	571,260
Amount due to a related party	28	34,023	44,300
Borrowings	20	687,500	662,500
Lease liabilities		2,886	5,174
Contract liabilities		52,720	46,560
Tax liabilities		102,035	77,226
		<b>1,692,071</b>	1,407,020
Net current liabilities		<b>(420,147)</b>	(598,863)
<b>Total assets less current liabilities</b>		<b>1,082,943</b>	928,849

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(CONTINUED)

At 30 June 2020

	NOTES	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
<b>Capital and reserves</b>			
Share capital	22	148,321	148,321
Reserves		672,804	656,356
Equity attributable to owners of the Company		821,125	804,677
Non-controlling interests		10,257	10,984
<b>Total equity</b>		<b>831,382</b>	815,661
<b>Non-current liabilities</b>			
Borrowings	20	143,263	38,763
Lease liabilities		5,075	4,158
Rehabilitation provision		55,424	55,267
Other long-term liabilities	21	47,799	15,000
		251,561	113,188
		1,082,943	928,849

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the Company											Total RMB'000			
	Paid-in capital RMB'000	Restricted shares held for incentive Award Scheme RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Future development funds reserve RMB'000	Future development funds reserve RMB'000	Statutory surplus reserve RMB'000	Share-based payments reserve RMB'000	Special reserve RMB'000	Actuarial reserve on retirement benefit plan RMB'000	Other reserves RMB'000 (note b)		Retained earnings RMB'000	Attributable to owners of the Company RMB'000	Non- controlling interests RMB'000
At 1 January 2020 (audited)	148,321	(4,382)	167,502	220,684	639,426	-	(2,291)	-	(1,577,161)	-	6,554	1,193,312	804,677	10,984	815,661
Profit (loss) for the period	-	-	-	-	-	-	-	-	-	-	-	170,519	170,519	(216)	170,303
Other items of comprehensive income for the period	-	-	-	-	-	943	-	-	-	-	-	-	943	865	1,788
Total comprehensive income for the period	-	-	-	-	-	943	-	-	-	-	-	170,519	171,462	639	172,101
Transfer to future development funds reserve, net of utilisation	-	-	-	-	17,517	-	-	-	-	-	-	(17,517)	-	-	-
Recognition of equity-settled share-based payments (note 24)	-	-	-	-	-	-	389	-	-	-	-	-	389	-	389
Dividend declared (note 9)	-	-	-	-	-	-	-	-	-	-	-	(132,430)	(132,430)	-	(132,430)
Profit appropriation to statutory surplus reserve	-	-	-	4,494	-	-	-	-	-	-	-	(4,494)	-	-	-
Purchase of ordinary shares pursuant to the Scheme (as defined in note 23)	-	(12,539)	-	-	-	-	-	-	-	-	-	-	(12,539)	-	(12,539)
Acquisition of Zhengyuan Investment Limited (note 27A)	-	-	-	-	-	-	-	-	-	(10,434)	-	-	(10,434)	(1,366)	(11,800)
At 30 June 2020 (unaudited)	148,321	(16,901)	167,502	224,978	676,943	-	(1,348)	389	(1,577,161)	(16,989)	12,215,390	821,125	10,257	831,382	
At 31 December 2018 (original stated)	148,390	-	174,200	122,223	594,049	(9,740)	(43,907)	-	(557,161)	162	(44)	924,013	1,392,443	188,407	1,540,850
Merger accounting restatement (note 27B)	-	-	-	89,360	13,019	(109)	-	-	-	-	(171,213)	72,043	3,100	949	4,049
At 31 December 2018 and 1 January 2019 (unaudited) (restated)	148,390	-	174,200	211,683	607,068	(9,849)	(43,907)	-	(557,161)	162	(171,659)	996,056	1,395,543	189,356	1,544,899
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	103,724	103,724	2,354	112,078
Reclassification of cumulative transition reserve upon disposal of a foreign operation to profit or loss	-	-	-	-	-	31,911	-	-	-	-	-	-	31,911	-	31,911
Other items of comprehensive income for the period	-	-	-	-	-	9,849	4,200	-	-	-	-	-	14,049	1,367	16,006
Total comprehensive income for the period	-	-	-	-	-	9,849	36,111	-	-	-	-	103,724	155,684	4,311	159,935
Transfer to future development funds reserve, net of utilisation	-	-	-	-	26,739	-	-	-	-	-	-	(26,739)	-	-	(26,739)
Dividend declared (note 9)	-	-	-	-	-	-	-	-	-	-	-	(32,159)	(32,159)	-	(32,159)
Disposal of Hanking (no reversal) (as defined in note 8(A))	-	-	-	-	-	-	-	-	-	(162)	-	155,728	(179,722)	-	(23,994)
Disposal of Hanking Housing (as defined in note 8(B))	-	-	-	-	-	-	-	-	-	9,225	-	9,225	-	-	9,225
Profit appropriation to statutory surplus reserve	-	-	-	3,525	-	-	-	-	-	-	-	(3,525)	-	-	-
Consideration paid for acquisition of subsidiaries under common control (note 27B)	-	-	-	-	-	-	-	-	(1,020,000)	-	-	-	(1,020,000)	-	(1,020,000)
At 30 June 2019 (unaudited)	148,390	-	174,200	215,208	633,867	-	(7,796)	-	(1,577,161)	-	6,554	1,042,297	624,021	13,945	637,966

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(CONTINUED)

For the six months ended 30 June 2020

### Notes:

Other than those additional disclosures relating to the current period movements in reserves as described below, the definition and nature of statutory reserve, future development funds reserve, special reserve and other reserves are the same as those presented in the Group's annual financial statements for the year ended 31 December 2019.

- (a) The future development fund can only be used for the future development of the iron ore mining business and production of high-purity iron and is not available for distribution to shareholders. RMB28,910,000 and RMB30,961,000 of future development fund was provided during the six months ended 30 June 2020 and 2019, respectively. RMB11,393,000 and RMB4,162,000 was utilised during the six months ended 30 June 2020 and 2019, respectively.
- (b) The movements in other reserve during the current period represents the difference between the carrying amount of the non-controlling interests, and the fair value of the consideration paid arising from acquisition of 100% equity interest in Zhenghai Investment Limited.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Net cash from operating activities	<b>451,842</b>	362,925
<b>Investing activities</b>		
Purchases of property, plant and equipment	<b>(24,315)</b>	(130,691)
Payments for intangible assets	<b>(24,288)</b>	(5,629)
Payments for right-of-use assets	<b>(3,095)</b>	(16,408)
Consideration received from disposal of Xingzhou Mining (as defined in note 15)	<b>105,000</b>	–
Net cash outflow arising from disposal of Hanking Housing	–	(121)
Net cash outflow arising from disposal of Hanking (Indonesia)	–	(2,930)
Purchases for financial assets at FVTPL	–	(51,237)
Proceeds on disposal of financial assets at FVTPL	<b>935</b>	108,140
Proceeds on disposal of property, plant and equipment	<b>3,072</b>	2,963
Interest received	<b>3,488</b>	1,216
Withdrawal of restricted cash	<b>144</b>	2,768
Placement of restricted cash	<b>(272)</b>	(6)
Settlement of consideration payable for acquisition of subsidiaries	<b>(44,300)</b>	–
Withdrawal of pledged bank deposits in relation to borrowings and bills payable	<b>50,160</b>	91,208
Placement of pledged bank deposits in relation to borrowings and bills payable	<b>(351,650)</b>	(513,386)
Net cash used in investing activities	<b>(285,121)</b>	(514,113)

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(CONTINUED)

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<b>Financing activities</b>		
New borrowings raised	634,500	398,600
Repayment of borrowings	(505,000)	(461,900)
Payments of lease liabilities	(3,777)	–
Interest paid	(47,235)	(71,687)
Dividend paid to owners of the Company	(132,430)	–
Advance of loans from staffs	–	30,400
Repayment of loans from staffs	–	(12,700)
Advance from a related party	135,323	–
Repayment of advance from a related party	(101,300)	–
Purchase of ordinary shares pursuant to the Scheme (as defined in note 23)	(12,539)	–
Net cash used in financing activities	(32,458)	(117,287)
Net increase (decrease) in cash and equivalents	134,263	(268,475)
Cash and cash equivalents at 1 January	38,146	381,256
Effect of foreign exchange rate changes	613	897
Cash and cash equivalents at 30 June	173,022	113,678



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 1. BASIS OF PREPARATION

### A. General Information

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

### B. Going Concern Assumption

The Directors have given careful consideration to the going concern of the Group in light of the fact that as at 30 June 2020, the Group’s current liabilities exceeded its current assets by renminbi (“RMB”) RMB420,147,000. In addition, as at 30 June 2020, the Group had capital commitments contracted for but not provided in the condensed consolidated financial statements amounting to RMB25,228,000 as disclosed in note 26.

Mr. Yang Jiye, one of the Controlling Shareholders, who also 99% owned and controlled Liaoning Hanking Investment Co., Ltd\* (遼寧罕王投資有限公司) (“Hanking Investment”), has agreed not to demand for repayment of the Group’s amount due to Hanking Investment of which amounted to RMB34,023,000 as at 30 June 2020 until the Group has sufficient financial ability to repay.

As at 30 June 2020, the Group had available conditional banking facilities of RMB306,740,000 (“Conditional Facilities”). The utilisation of these Conditional Facilities are subject to approval on a case-by-case basis. The Directors are confident that the Group would be successful in obtaining approval in respect of these Conditional Facilities according to its historical successful experience and the relevant terms and conditions to drawdown.

The management of the Group are confident that a significant portion of the Group’s bank borrowings can be successfully renewed upon maturity in view of the Group’s historical successful experiences in refinancing the expiring debts.

In addition, Mr. Yang Jiye, one of the Controlling Shareholders has agreed to provide sufficient funds to the Group so that the Group will be able to meet all current obligations as they fall due in the next twelve months after the six months ended 30 June 2020.

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

\* English name is for identification purpose only.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2020

### 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.

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards (“IFRSs”) and application of certain accounting policy which became relevant to the Group as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2019.

#### Application of amendments to IFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in IFRSs Standards and the following amendments to IFRSs issued by the International Accounting Standards Board, for the first time, which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in IFRSs Standards and the amendments to IFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

In addition, the Group has applied the following accounting policy which became relevant to the Group in the current interim period.

#### Equity-settled share-based payment transactions

##### Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group’s estimate of equity instruments that will eventually be vested, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to be vested based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2020

### 2. PRINCIPAL ACCOUNTING POLICIES (continued)

Equity-settled share-based payment transactions (continued)

#### Share options granted to employees (continued)

When share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to retained earnings. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will be transferred to retained earnings.

When shares granted are vested, the amount previously recognised in share-based payments reserve will be transferred to other reserve.

### 3A. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of revenue from continuing operations

	For the six months ended 30 June 2020			
	Iron Ore Business RMB'000 (Unaudited)	High-purity Iron Business RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>Sales of goods (recognised at a point in time)</b>				
Iron ore concentrates	388,663	–	–	388,663
High-purity iron	–	758,590	–	758,590
Building materials	–	–	5,586	5,586
Raw and leftover materials	466	7,653	7	8,126
<b>Total</b>	<b>389,129</b>	<b>766,243</b>	<b>5,593</b>	<b>1,160,965</b>
<b>Geographical markets</b>				
Mainland China	389,129	766,243	5,593	1,160,965

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2020

## 3A. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

Disaggregation of revenue from continuing operations (continued)

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

## 3B. SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately according to the geographical information of the operations and products. The principal activities of the Group are iron ore exploration, mining, processing and sale ("Iron Ore Business"), production and sales of high-purity iron ("High-purity Iron Business") in the People's Republic of China (the "PRC"), and gold exploration, mining, processing and sale ("Gold Business") in the Australia. The Group identified an operating segment which is a component of the Group (a) that engages in business activities from which it may earn revenue and incur expenses; and (b) whose operating results are reviewed regularly by the chief executive officer, being the chief operating decision maker, to make decisions about resources allocation and performance assessment.

No operating segments have been aggregated in arriving at the reportable segments of the Group.

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2020

### 3B. SEGMENT INFORMATION (continued)

#### Segment revenue and results

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

Six months ended 30 June 2020

	Iron Ore Business RMB'000 (Unaudited)	High-purity Iron Business RMB'000 (Unaudited)	Gold Business RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Adjustments and eliminations RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue						
External sales	389,129	766,243	-	5,593	-	1,160,965
Inter-segment sales (note)	277,055	-	-	-	(277,055)	-
	666,184	766,243	-	5,593	(277,055)	1,160,965
Segment profit (loss)	217,985	70,236	(7,644)	(13,845)	(37,163)	229,569
Central administration costs and directors' salaries						(1,448)
Other income and other gains and losses						(514)
Group's profit before tax from continuing operations						227,607

Note: Dalian Huaren Trade Co., Ltd. \*(大連華仁貿易有限公司) ("Dalian Huaren") and Fushun Deshan Trade Co., Ltd.\* (撫順德山貿易有限公司) ("Fushun Deshan"), which are related parties controlled by Ms. Yang Min, one of a Controlling Shareholders of the Company, acted as the agents of Fushun Hanking Direct Reduced Iron Co., Ltd.\* (撫順罕王直接還原鐵有限公司) ("Hanking D.R.I.") to purchase the iron ore concentrates from the Group's Iron Ore Business segment prior to the completion of Acquisition (as defined in note 27B). Upon completion of the Acquisition on 30 June 2019, the Group's Iron Ore Business directly supplied iron ore concentrates to Hanking D.R.I, which is now a subsidiary of the Group's High-Purity Iron Business, instead of through any intermediary agencies.

\* English name is for identification purpose only.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2020

### 3B. SEGMENT INFORMATION (continued)

#### Segment revenue and results (continued)

Six months ended 30 June 2019

#### Continuing operations

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2020

**3B. SEGMENT INFORMATION (continued)**

## Segment assets and liabilities

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

## Segment assets

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
<b>Continuing operations</b>		
Iron Ore Business	<b>1,320,139</b>	1,161,740
High-purity Iron Business	<b>1,072,017</b>	823,534
Gold Business	<b>244,713</b>	240,458
Total reportable segment assets	<b>2,636,869</b>	2,225,732
Other reporting segment	<b>95,498</b>	99,315
Unallocated		
Property, plant and equipment	<b>6</b>	8
Financial assets at FVTPL	<b>1,583</b>	3,179
Other receivables	<b>5,812</b>	5,735
Bank balances and cash	<b>35,246</b>	1,900
Consolidated assets	<b>2,775,014</b>	2,335,869

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2020

### 3B. SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

#### Segment liabilities

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
<b>Continuing operations</b>		
Iron Ore Business	<b>730,304</b>	503,709
High-purity Iron Business	<b>1,136,483</b>	934,931
Gold Business	<b>28,253</b>	61,072
Total reportable segment liabilities	<b>1,895,040</b>	1,499,712
Other reporting segment	<b>11,151</b>	10,309
Unallocated		
Other payables	<b>37,441</b>	10,187
Consolidated liabilities	<b>1,943,632</b>	1,520,208

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

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



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2020

## 4. OTHER GAINS AND LOSSES

Continuing operations

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Loss on disposal of property, plant and equipment	(1,407)	(242)
Fair value loss on financial assets at FVTPL	(1,586)	(1,237)
Net foreign exchange loss	(448)	(1,491)
Impairment loss on property, plant and equipment	–	(25,096)
Impairment loss on intangible assets	–	(827)
Donations	(7,085)	–
Others	3,664	2,905
	<b>(6,862)</b>	<b>(25,988)</b>

## 5. IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Impairment losses (reversed) recognised in respect of:		
– trade receivables	(401)	2,041
– other receivables	(151)	2,152
	<b>(552)</b>	<b>4,193</b>

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2020

## 6. PROFIT FOR THE PERIOD – CONTINUING OPERATIONS

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

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Auditors' remuneration	1,308	1,475
Write-down of inventories	–	3,398
Depreciation and amortisation:		
– Depreciation of property, plant and equipment	78,135	64,594
– Depreciation of right-of-use assets	15,960	13,774
– Amortisation of intangible assets	15,293	17,828
Total depreciation and amortisation	109,388	96,196
Capitalised in inventories	(91,347)	(83,341)
	18,041	12,855
Staff costs (including directors):		
– Salary and other benefits	67,653	66,530
– Retirement benefits scheme contributions (note)	1,732	6,506
– Share-based payment	389	–
Total staff costs	69,774	73,036
Capitalised in inventories	(28,386)	(34,859)
	41,388	38,177

Note: According to the policy issued by Liaoning Province in March 2020, retirement benefits scheme contributions, work injury and unemployment insurance from February to June 2020 were exempted for small and medium enterprises. In July 2020 Liaoning Province announced that the above policy will be extended to 31 December 2020. As certain subsidiaries of the Group are small and medium enterprises, the Group enjoyed such concession.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2020

### 7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<b>Continuing operations</b>		
Income tax expenses comprise:		
PRC enterprise income tax ("EIT") – current	54,763	55,473
Under provision of EIT in prior years (note)	2,498	44,558
	<b>57,261</b>	100,031
Deferred tax expense (credit)	43	(3,714)
Income tax expense relating to continuing operations	<b>57,304</b>	96,317

Note: During the year ended 31 December 2018, the Group disposed of Fushun Hanking Shangma Mining Co., Ltd.\* (撫順罕王上馬礦業有限公司) ("Shangma Mining") to an independent third party and utilised the related deductible temporary differences previously not recognised for the calculation of the Group's income tax expenses for the year ended 31 December 2018.

However, in April 2019, the Group acquired back Shangma Mining due to certain regulatory reasons at the original disposal price.

Therefore, the deduction made in 2018 had been reversed in the six months ended 30 June 2019, resulting in an under provision of EIT in prior years of RMB44,558,000 and charged to profit or loss, accordingly.

PRC income tax is calculated based on the statutory income tax rate of 25% (2019: 25%) of taxable income of the subsidiaries in accordance with the relevant PRC tax rules and regulations.

On 22 July 2019, Fushun Hanking Aoni Mining Co., Ltd.\* (撫順罕王傲牛礦業有限公司) obtained "High Technology Enterprise" status for 3 years that entitled it a preferential tax rate of 15% for a period of three years starting from 2019 to 2021 according to EIT Law.

On 10 October 2017, Hanking D.R.I. obtained "High Technology Enterprise" status for 3 years that entitled it a preferential tax rate of 15% for a period of three years starting from 2017 to 2019 according to EIT Law. Hanking D.R.I. is currently reapplying the qualification of "High Technology Enterprise" status upon expiry during the current interim period. The tax rate of Hanking D.R.I. is 25% for the six months ended 30 June 2020 (2019: 15%).

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

\* English name is for identification purpose only.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2020

### 8. DISPOSAL OF SUBSIDIARIES AND DISCONTINUED OPERATION

#### (A) Nickel Business

On 5 July 2018, the Company entered into a share sale and purchase agreement with Tuochuan Capital Limited which was controlled by Mr. Yang Jiye, and Mr. Yang Jiye (as the guarantor), pursuant to which the Company agreed to sell, and Tuochuan Capital Limited agreed to purchase, the entire 70% of equity interest of Hanking (Indonesia) Mining Limited ("Hanking (Indonesia)") held by the Company for a total consideration of RMB350,000,000. Hanking (Indonesia) and its subsidiaries constituted the Group's nickel ore exploration, mining, smelting and sale business in Indonesia ("Nickel Business"). The transaction was approved by the shareholders on 24 August 2018. The Group's disposal of Hanking (Indonesia) was completed during the six months ended 30 June 2019. A gain on disposal of RMB155,728,000 was recognised which is treated as deemed capital contribution. Details of the transactions and disclosures are set out in 2019 annual report.

#### (B) Hanking Housing

During the six months ended 30 June 2019, the Group entered into a share transfer agreement with Mr. Yang Jiye, one of the Controlling Shareholders, for disposal of its entire 100% equity interest in Shanghai Hanking House Technology Co., Ltd.\* (上海罕王住宅工业化科技有限公司) ("Hanking Housing") and its subsidiaries at a cash consideration of RMB1. The disposal was completed on 31 March 2019 on which date the Group lost control of Hanking Housing and its subsidiaries. A gain on disposal of RMB9,225,000 was recognised which is treated as deemed capital contribution. Details of the transaction and disclosures are set out in 2019 annual report.

### 9. DIVIDENDS

During the current interim period, a dividend of Hong Kong Dollars ("HKD") 0.08 per share amounting to HKD145,600,000 (equivalent to RMB132,430,000) in aggregate in respect of the year ended 31 December 2019 (2019: a final dividend of HKD0.02 per share amounting to HKD36,557,000 (equivalent to RMB32,159,000) in aggregate in respect of the year ended 31 December 2018) was declared and paid to the owners of the Company whose names appeared in the register of members of the Company on 8 June 2020.

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of HKD0.04 per share amounting to HKD72,800,000 (equivalent to RMB66,498,000) in aggregate (2019: nil) will be paid to the owners of the Company whose names appear in the Register of Members on 3 November 2020.

\* English name is for identification purpose only.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2020

### 10. 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:

	<b>For the six months ended</b>	
	<b>30 June 2020 RMB'000 (Unaudited)</b>	30 June 2019 RMB'000 (Unaudited)
<b>Earnings</b>		
Profit for the period from continuing and discontinued operations attributable to owners of the Company	<b>170,519</b>	109,724
Less: loss for the period from discontinued operation attributable to owners of the Company	–	37,597
Profit for the period from continuing operations attributable to owners of the Company, for the purposes of basic earnings per share	<b>170,519</b>	147,321
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>1,811,921,000</b>	1,827,829,000

The weighted average number of ordinary shares for the six months ended 30 June 2020 for the purpose of basic earnings per share has been adjusted for the weighted average effect of 10,945,000 ordinary shares (2019: nil) repurchased as restricted shares held for strategic incentive award scheme.

#### From discontinued operation

Basic loss per share for the discontinued operation is nil per share for the six months ended 30 June 2020 (2019: basic loss per share of RMB2.1 cents for the discontinued operation), based on the loss for the period from the discontinued operation of nil (2019: loss for the period from the discontinued operation of RMB37,597,000) and the denominators detailed above for basic earnings per share.

Diluted earnings per share presented is the same as basic earnings per share as the Company did not have dilutive potential ordinary shares in issue in both six months ended 30 June 2020 and 2019.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2020

### 11. 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 RMB22,125,000 (six months ended 30 June 2019: RMB118,934,000) for business expansion of the Group.

No impairment loss has been recognised during the current interim period (six months ended 30 June 2019: RMB25,096,000) has been recognised due to the technical obsolescence of certain machines).

### 12. MOVEMENTS IN INTANGIBLE ASSETS

During the current interim period, the Group had additions of exploration and evaluation assets of RMB5,553,000 (six months ended 30 June 2019: RMB3,977,000), and had additions of mining rights of RMB68,735,000 (six months ended 30 June 2019: nil).

No impairment loss has been recognised during the current interim period (six months ended 30 June 2019: RMB827,000 has been recognised in respect of certain exploration and evaluation assets related to the Gold Business being impaired in full because the management of the Group expect such amount cannot be recoverable).

### 13. MOVEMENTS IN RIGHT-OF-USE ASSETS

During the current interim period, the Group entered into several new lease agreements with lease terms ranged from 1 to 8 years. The Group is required to make fixed monthly payments. On lease commencement, the Group recognised right-of-use assets of RMB5,281,000 (six months ended 30 June 2019: RMB2,471,000) and lease liabilities of RMB2,185,000 (six months ended 30 June 2019: RMB2,266,000).

### 14. RESTRICTED DEPOSITS

As at 30 June 2020, restricted deposits comprised RMB36,825,000 (31 December 2019: RMB36,752,000) of deposits placed in banks in respect of rehabilitation deposits for iron and gold mining operations. These deposits were not expected to release within the next twelve months, accordingly, they were classified as non-current assets.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2020

## 15. TRADE AND OTHER RECEIVABLES

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Trade receivables		
– Third parties	<b>98,831</b>	108,041
Less: allowance for credit loss	<b>(8,178)</b>	(8,579)
	<b>90,653</b>	99,462
Other receivables		
– Advances to suppliers	<b>12,752</b>	8,271
– Deposits (note a)	<b>5,372</b>	5,933
– Deposit for resource tax	<b>49,873</b>	64,544
– Other tax recoverable	<b>10,077</b>	4,006
– Value-added tax recoverable	<b>29,791</b>	27,742
– Staff advance	<b>19,841</b>	14,268
– Consideration receivable (note b)	<b>5,619</b>	110,619
– Prepaid expense	<b>4,716</b>	1,336
– Amount due from third parties	<b>1,135</b>	2,767
– Others	<b>15,876</b>	12,769
	<b>155,052</b>	252,255
Less: allowance for credit loss	<b>(16,539)</b>	(16,690)
Total other receivables	<b>138,513</b>	235,565
Total trade and other receivables	<b>229,166</b>	335,027

Notes:

- (a) The amount mainly represented various deposits under the sales contracts between the Group and its customers and other deposits related to the mining environment protection requirements under the relevant PRC regulation.
- (b) The amount mainly included the consideration receivable as a result of the Group's disposal of Fushun Hanking Xingzhou Mining Co., Ltd\* (撫順罕王興洲礦業有限公司) ("Xingzhou Mining") in the previous years.

\* English name is for identification purpose only.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2020

**15. TRADE AND OTHER RECEIVABLES (continued)**

The disposal was completed during the year ended 31 December 2018. Up to 31 December 2019, among the total consideration of RMB360,000,000, RMB105,000,000 was not yet settled by the buyer. The consideration receivable has been settled in full by cash during the six months ended 30 June 2020. The consideration receivable was unsecured, interest-free, and repayable on demand.

The Group allows an average credit period of 7 days to its customers of iron ore concentrates, 60 days to customers of high-purity iron and 30 days to customers of building materials. However, upon maturity of the credit period, the Group would further negotiate with its customers and may consider extending the repayment schedule, based on customers' historical payment records and credit quality, on a case-by-case basis.

As at 30 June 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB5,172,000 (2019: RMB19,023,000) which are past due as at the reporting date.

The following is an ageing analysis of trade receivables, net of loss allowance, presented based on the invoice dates, which approximated the revenue recognition date.

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
– Within 7 days	55,349	69,793
– 8 days to 30 days	28,837	29,015
– 31 days to 60 days	3,710	654
– 61 days to 90 days	2,757	–
	<b>90,653</b>	99,462



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2020

## 16. RECEIVABLES AT FVTOCI

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019* RMB'000 (Audited)
Receivables at FVTOCI comprise:		
Bills receivables (note)	<b>96,503</b>	28,660

Note: Included in the Group's bills receivables are amounts of RMB49,630,000 (2019: RMB11,150,000) being endorsed to certain suppliers on a full recourse basis. If the bills are not paid on maturity, the banks and the suppliers have the right to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to the bills receivables, it continues to recognise the full carrying amount of the receivables and has recognised 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.

Receivables at FVTOCI endorsed to suppliers with full recourse:

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Carrying amount of transferred assets	<b>49,630</b>	11,150
Carrying amount of associated liabilities	<b>(49,630)</b>	(11,150)
Net position	-	-

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2020

### 16. RECEIVABLES AT FVTOCI (continued)

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

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
– Within 6 months	58,504	1,000
– 6 months to 1 year	37,999	27,660
	<b>96,503</b>	28,660

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

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
– Within 6 months	96,503	28,660

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2020

## 17. FINANCIAL ASSETS AT FVTPL

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Listed investments at fair value (note)	<b>1,583</b>	3,179
Unlisted financial product investments at fair value	<b>65</b>	1,000
	<b>1,648</b>	4,179

Note: As at 30 June 2020, the listed equity investments represent the Group's equity interests for long-term holding purpose in one company (31 December 2019: one company) listed on Australian Securities Exchange. The investments are measured at fair value at the end of the reporting period.

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

Bank balances and cash of the Group comprise cash and short term bank deposits with an original maturity of three months or less. The bank balances carry variable interest rates ranging from 0.125%-0.35% (31 December 2019: 0.125%-0.35%) per annum.

Pledged bank deposits represented security deposits for notes payables and bank borrowings, carrying fixed interest rates ranging from 0.35%-3.63% (31 December 2019: 0.35%-3.99%) per annum.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2020

## 19. TRADE, BILLS AND OTHER PAYABLES

Pursuant to the payment terms, suppliers of Iron Ore Business and High-purity Iron Business are mainly given the credit period of up to 90 days and 15 days respectively from the time when the goods are received from suppliers.

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Trade payables (note)		
– Within 90 days	75,882	73,814
– 91 days to 1 year	18,616	9,396
– 1 year to 2 years	6,116	3,874
– 2 years to 3 years	2,622	8,366
– Over 3 years	786	495
	<b>104,022</b>	95,945
Bills payables	<b>551,900</b>	327,000
Other payables		
Advance from customers	14,260	7,440
Other tax payable	32,576	19,392
Payable for acquisition of property, plant and equipment	23,202	26,056
Outsourced service payable	9,961	32,045
Transportation fee payable	24,058	16,062
Accrued expense	5,506	7,066
Salary and bonus payables	8,033	8,057
Interest payable	877	1,371
Refundable deposits	977	987
Amount due to an independent third party	–	12,000
Consideration payable	11,800	–
Payable for mining rights (note 21)	18,088	–
Others	7,647	17,839
	<b>156,985</b>	148,315
Total trade and other payables, and bills payables	<b>812,907</b>	571,260

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2020

## 19. TRADE, BILLS AND OTHER PAYABLES (continued)

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

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Within 6 months	181,000	17,000
6 months to 1 year	370,900	310,000
	<b>551,900</b>	327,000

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

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Within 6 months	465,900	310,000
6 months to 1 year	86,000	17,000
	<b>551,900</b>	327,000

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2020

### 20. BORROWINGS

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Bank loans	<b>800,763</b>	701,263
Other loans (note a)	<b>30,000</b>	–
	<b>830,763</b>	701,263
Secured and guaranteed	<b>535,763</b>	543,763
Secured and unguaranteed	<b>155,000</b>	47,500
Unsecured and guaranteed	<b>140,000</b>	110,000
	<b>830,763</b>	701,263
Fixed-rate	<b>830,763</b>	701,263
Carrying amount repayable (note b):		
Due within one year	<b>687,500</b>	662,500
More than one year, but not more than two years	<b>18,263</b>	20,000
More than two years, but not more than five years	<b>125,000</b>	18,763
	<b>830,763</b>	701,263

Note:

- a. It represents other loan received from local government of RMB30,000,000 (2019:nil). The loan carried interest at the benchmark interest rate issued by the People's Bank of China ("PBOC") and was repayable within six months.
- 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 2020

## 20. BORROWINGS (continued)

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

	<b>30 June 2020</b>	31 December 2019
	%	%
	<b>(Unaudited)</b>	(Audited)
Fixed-rate borrowings	<b>3.85-8.60</b>	4.35 – 9.60

The secured and guaranteed bank borrowings were guaranteed by the Controlling Shareholders and the companies controlled by them. Among the secured and guaranteed bank borrowings, RMB125,000,000 (31 December 2019: RMB148,000,000) were secured by certain assets of the companies controlled by the Controlling Shareholders. The remaining secured and guaranteed bank borrowings are secured by certain property, plant and equipment, right-of-use assets and shares of subsidiaries of the Group.

The secured and unguaranteed bank borrowing are secured by pledged bank deposits of the Group.

The unsecured bank borrowings of approximately RMB140,000,000 (31 December 2019: RMB110,000,000) at 30 June 2020 were guaranteed by the Controlling Shareholders and the companies controlled by them.

## 21. OTHER LONG-TERM LIABILITIES

	<b>30 June 2020</b>	31 December 2019
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Payables for mining rights (note)	<b>65,887</b>	15,000
Less: current portion (note 19)	<b>(18,088)</b>	–
	<b>47,799</b>	15,000

Note:

It represents payables to a government authority for purchase of mining rights of RMB65,887,000 (2019: RMB15,000,000), which was repayable by instalments within five years (2019: three years).

The current portion of the payables is included in other payables.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2020

### 22. SHARE CAPITAL

The amount as at 30 June 2020 and 31 December 2019 represented the issued share capital of the Company. Details of movement of share capital of the Company are as follows:

	Number of shares	Share capital HKD'000	RMB equivalent RMB'000
Ordinary shares of HKD0.1 each			
Authorised:			
At 1 January 2019, 30 June 2019, 31 December 2019 and 30 June 2020	10,000,000,000		
Issued and fully paid:			
At 1 January 2019 and 30 June 2019	1,827,829,000	182,783	148,960
Shares repurchased and cancelled	(7,829,000)	(783)	(639)
At 31 December 2019 and 30 June 2020	1,820,000,000	182,000	148,321



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2020

### 23. RESTRICTED SHARES HELD FOR STRATEGIC INCENTIVE AWARD SCHEME

On 29 August 2019, the board of directors of the Company (the “Board”) resolved to adopt a restricted share award scheme (the “Scheme”) whereby awards of ordinary shares (the “Award Shares”) of the Company may be made to eligible participants (the “Selected Participants”), pursuant to which existing ordinary shares of the Company will be purchased by a trustee from the market out of cash contributed by the Group and be held in trust until such Shares are vested with the relevant Selected Participants in accordance with the provisions of the Scheme.

The Scheme became effective on 29 August 2019 and shall continue to be effective for a term of 10 years or until such date of early termination as determined by the Board, whichever is earlier, after which no further Award Shares shall be granted or accepted, but the provisions of the Scheme shall remain effective in order to give effect to the vesting of Award Shares granted and accepted prior to the expiration or termination of the Scheme.

In January, March, April, May and June 2020, the trustee of the Company’s Scheme purchased a total of 8,052,000 ordinary shares from the secondary market at a total consideration of approximately RMB12,539,000 pursuant to the terms of the trust deed under the Scheme.

As at 30 June 2020, no Award Shares have been granted to any Selected Participants pursuant to the Scheme.

### 24. SHARE-BASED PAYMENTS

The share option scheme of Hanking Australia Investment Pty Ltd. (“Hanking Australia Investment”) was adopted on 25 January 2019. The scheme is designed to recognise the contributions of selected key persons (including the employees and directors of Hanking Australia Investment and its related body corporates, and any person who was determined by the board of directors of Hanking Australia Investment to be a key person when issuing or granting the options) to the Company, and provide an incentive for and to motivate them to remain in their employments with the Company.

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2020

**24. SHARE-BASED PAYMENTS (continued)**

The table below discloses movement of the Hanking Australia Investment's share options held by the Group's employees:

	<b>Number of share options</b>
Outstanding as at 1 January 2020	–
Granted during the period	3,950,000
Outstanding as at 30 June 2020	3,950,000

On 27 April 2020, Hanking Australia Investment granted 3,950,000 options (the "Options") to subscribe for 3,950,000 shares in the share capital of Hanking Australia Investment to certain employees of Hanking Australia Investment. The Options have a vesting period of 4 years and will be vested and become exercisable on the occurrence of certain vesting events. The fair value of the Options was determined at the date of grant using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the Options were granted. During the six months ended 30 June 2020, the Group recognised a share-based payment expense of Australian Dollars ("AUD") 80,000 (equivalent to RMB389,000).

The following assumptions were used to calculate the fair values of the Options:

	<b>27 April 2020</b>
Exercise price	AUD0.286-0.3
Expected life	4 years
Expected volatility	72.65%
Risk-free interest rate	0.74%

The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2020

## 25. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	30/06/2020	31/12/2019			
Listed equity investments classified as financial assets at FVTPL	<b>Listed equity securities in Australia: RMB1,583,000</b>	Listed equity securities in Australia: RMB3,179,000	Level 1	Quoted bid prices in an active market.	N/A
Unlisted financial product investment classified as financial assets at FVTPL	<b>Unlisted managed investment funds in the PRC: RMB65,000</b>	Unlisted managed investment funds in the PRC: RMB1,000,000	Level 2	Discounted cash flow was used to capture the present value of the expected future economic benefit that will flow to the Group.	N/A
Receivables at FVTOCI	<b>Receivables at FVTOCI in the PRC: RMB96,503,000</b>	Receivables at FVTOCI in the PRC: RMB28,660,000	Level 2	Income approach – in this approach, the discounted cash flow method was used to capture the present value of the cash flows to be derived from the receivables using the discount rate that reflected the credit risk of the corresponding banks which are observable.	N/A

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

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2020

## 26. CAPITAL COMMITMENTS

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	<b>25,228</b>	26,449

## 27. ACQUISITION OF A SUBSIDIARY

## A. Acquisition of Zhenghai Investment Limited

On 2 January 2020, Tuochuan (Hong Kong) Limited (“Tuochuan (Hong Kong)”), a wholly owned subsidiary of the Company, entered into a share sale and purchase agreement with the sole shareholder of Zhenghai Investment Limited, an independent third party, pursuant to which the third party agreed to sell, and Tuochuan (Hong Kong) agreed to purchase, the entire 100% of equity interest of Zhenghai Investment Limited, which held 1% equity interests of Fushun Hanking Ginseng & Iron Trading Co, Ltd.\* (撫順罕王人參鐵貿易有限公司) (“Ginseng & Iron”), for a total consideration of RMB11,800,000. The consideration receivable is not settled as at 30 June 2020 and is unsecured interest-free, and repayable on demand.

Assets acquired at the date of acquisition is as follows:

	RMB'000
Investment in Ginseng & Iron	11,800

Following the completion of the acquisition, Ginseng & Iron became a wholly owned subsidiary of Tuochuan (Hong Kong).

## B. Acquisition of Tuochuan (Hong Kong)

On 1 April 2019, the Company and the relevant sellers entered into an agreement in relation to the acquisition of 100% equity interests of Tuochuan (Hong Kong) and its subsidiaries for a consideration of RMB1,020,000,000 (the “Acquisition”). Tuochuan (Hong Kong) and its subsidiaries are engaged in the High-purity Iron Business. In preparing for the Acquisition, the entities comprising Tuochuan (Hong Kong) and its subsidiaries underwent a series of group reorganisation. Details of the group reorganisation were set out in the Very Substantial Acquisition circular issued by the Company dated 29 April 2019, which has been published on the website of the Hong Kong Stock Exchange.

\* English name is for identification purpose only.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2020

### 27. ACQUISITION OF A SUBSIDIARY (continued)

#### B. Acquisition of Tuochuan (Hong Kong) (continued)

In addition, a series of current account offsetting agreements (“Current Account Offsetting Agreements”) had been entered into among the Company, certain of its subsidiaries, Tuochuan Capital Limited, China Hanking (BVI) Limited, Hanking Investment and Hanking Industrial Group Co., Ltd. on 30 June 2019, pursuant to which the consideration payable for Acquisition of Tuochuan (Hong Kong) of RMB1,020,000,000 will be offset by consideration receivable for the disposal of Hanking (Indonesia) of RMB350,000,000, the consideration payable for the acquisition of Ginseng & Iron of RMB128,700,000, and the net amount due from the related parties including Hanking (Indonesia) and Hanking Investment as at the relevant date which amounted to RMB673,075,000.

After the above-said offsetting arrangements, the Group resulted in a net amount due to Hanking Investment of RMB125,625,000 as at 30 June 2019. The amount is unsecured, interest-free and payable on demand. Subsequently, the Group repaid RMB81,325,000 in 2019 and the remaining RMB44,300,000 in 2020 to Hanking Investment in cash.

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

The Acquisition was completed during the six months ended 30 June 2019.

### 28. 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	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<b>Continuing operations</b>		
Sales of goods to:		
Fushun Deshan (note b)	-	124,641
Purchases of Goods from:		
Fushun Deshan (note b)	-	122,251

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2020

### 28. RELATED PARTY DISCLOSURES (continued)

(a) Related party transactions-continued (continued)

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Expenses relating to short-term leases: Shenyang Shengtai Property Management Co., Ltd.* (note a) (瀋陽盛泰物業管理有限公司) ("Shenyang Shengtai")	-	751

(b) Lease liabilities:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
	Shenyang Shengtai (note a & d)	3,238

(c) 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	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Salaries and other benefits	4,078	4,310
Retirement benefits schemes contribution	194	611
	<b>4,272</b>	4,921

\* English name is for identification purpose only.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2020

### 28. RELATED PARTY DISCLOSURES (continued)

(d) Amount due to a related party

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Hanking Investment (note c)	<b>34,023</b>	44,300

(e) Other receivable

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Best Fate Limited ("Best Fate") (note e)	<b>5,619</b>	5,619

Notes:

- (a) The company is a related party which is controlled by Ms. Yang Min, one of the Controlling Shareholders of the Company.
- (b) Fushun Deshan acted as one of the agents of Hanking D.R.I. to purchase the iron ore concentrates from the Group's Iron Ore Business segment prior to the completion of Acquisition.
- Upon completion of the Acquisition, the Group directly supplied iron ore concentrates to Hanking D.R.I, of which has now consolidated to the Group, instead of through any intermediary agencies.
- (c) Hanking Investment is controlled by Mr. Yang Jiye, one of the Controlling Shareholders of the Company. The amount is unsecured, interest-free and payable on demand.
- (d) During the year ended 31 December 2019, the Group entered into several new lease agreements for the use of business operation with the Shenyang Shengtai for 3 years. The Group has recognised an addition of right-of-use assets and lease liabilities of RMB4,290,000.
- (e) On 17 December 2018, the Company entered into an agreement with Best Fate, pursuant to which the Company agreed to transfer 3% shares of Hanking Australia Investment to Best Fate at the consideration of AUD1,260,000 (equivalent to approximately RMB5,619,000). The beneficial owners of Best Fate are the executive directors of the Company and/or directors of Hanking Australia Investment.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2020

### **29. NON-CASH TRANSACTION**

Other than the current account offsetting agreements as set out in note 27(B), there were no other significant non-cash transactions carried out in the current interim period.

### **30. EVENT AFTER THE END OF THE REPORTING PERIOD**

Save as disclosed in the report, there were no other significant events taken place subsequent to the end of the six months ended 30 June 2020.



# DEFINITIONS OF TERMS

“Aoniu Mining”	Fushun Hanking Aoniu Mining Co., Ltd (撫順罕王傲牛礦業股份有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
“AUD”	the lawful currency of Australia
“Australia”	The Commonwealth of Australia
“Board”	the board of Directors of the Company
“BVI”	British Virgin Islands
“China” or “PRC”	the People’s Republic of China. For the purpose of this report, references in this report to the PRC or China do not include Hong Kong, Macau Special Administrative Region and Taiwan
“the Company” or “our Company” or “we”	China Hanking Holdings Limited (中國罕王控股有限公司)
“Controlling Shareholder(s)”	has the meaning ascribed to it in the Listing Rules and unless the context requires otherwise, refers to Ms. Yang Min, Mr. Yang Jiye, China Hanking (BVI) Limited, Bisney Success Limited and Tuochuan Capital Limited
“Directors”	the directors of the Company
“EBITDA”	the abbreviation of earnings before interest, taxes, depreciation and amortization
“Ginseng & Iron”	Fushun Hanking Ginseng & Iron Trading Company Limited (撫順罕王人參鐵貿易有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
“the Group” or “Hanking”	China Hanking Holdings Limited and its subsidiaries
“Hanking Australia Investment”	Hanking Australia Investment Pty Ltd, a limited liability company established in Australia and a non wholly-owned subsidiary of the Company
“Hanking D.R.I.”	Fushun Hanking D.R.I. Co., Ltd. (撫順罕王直接還原鐵有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
“Hanking Green Building Materials”	Liaoning Hanking Green Building Materials Co., Ltd. (遼寧罕王綠色建材有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company

## DEFINITIONS OF TERMS

*(CONTINUED)*

“Hanking Group”	Hanking Group Co., Limited (罕王實業集團有限公司), a limited liability company established in the PRC on 4 April 1996, whose shares are held by Ms. Yang Min (88.96%) and other individuals. Hanking Group is a holding company controlled by a Controlling Shareholder
“Hanking (Indonesia)”	Hanking (Indonesia) Mining Limited, a limited company established in the BVI, which was no longer a subsidiary of the Company after June 2019
“HK\$” or “HKD”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Maogong Mine”	located at Shiwen Town, Fushun City, an iron mine operated through Maogong Branch of Aoniu Mining
“RMB”	the lawful currency of the PRC
“Shangma Mine”	located at Shangma Town, Fushun City, an iron mine operated through Shangma Branch of Aoniu Mining
“Shangma Mining”	Fushun Hanking Shangma Mining Co., Ltd. (撫順罕王上馬礦業有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“United States”	the United States of America
“US\$”	the lawful currency of the United States