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罕王
HANKING

# CHINA HANKING HOLDINGS LIMITED
# 中 國 罕 王 控 股 有 限 公 司

*(incorporated in the Cayman Islands with limited liability)*

**(Stock code: 03788)**

## Interim Results Announcement for the Six Months ended 30 June 2012

**Results Highlights**

For the six months ended 30 June 2012:

- The iron ore production volumn of the Group reached 2,899.2 thousand tons, representing a year-on-year increase of 37.90%; the iron ore concentrates production volumn reached 681 thousand tons, representing a year-on-year increase of 8.71%.
- The revenue of iron ore concentrates of the Group amounted to RMB604 million, representing a year-on-year decrease of 19.74%.
- The profit of the period attributable to owners of the Company amounted to RMB206 million, representing a year-on-year increase of 51.26%.
- The net earnings per share was RMB0.11, representing a year-on-year increase of RMB0.02.
- The Board does not recommend the payment of an interim dividend as for the six months ended 30 June 2012.

The board of directors (the "Board") of China Hanking Holdings Limited (the "Company") hereby announced the unaudited consolidated results for the six months ended 30 June 2012 (the "2012 Interim Results") of the Company and its subsidiaries (the "Group"). The 2012 Interim Results has been reviewed by the audit committee of the Company (the "Audit Committee") and Deloitte Touche Tohmatsu as the auditor of the Company, and has been approved by the Board on 20 August 2012.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 June 2012*

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2012** | 2011 |
| | *NOTES* | ***RMB'000*** | *RMB'000* |
| | | **(unaudited)** | (audited) |
| **Revenue** | | **604,034** | 752,638 |
| Cost of sales | | **(211,264)** | (201,752) |
| Gross profit | | **392,770** | 550,886 |
| Other income | | **1,770** | 516 |
| Selling and distribution expenses | | **(14,089)** | (12,503) |
| Administrative expenses | | **(72,124)** | (66,027) |
| Other expenses | | **(7,279)** | (21,927) |
| Net foreign exchange (loss) gain | | **(282)** | 4,131 |
| Finance costs | | **(20,998)** | (211,591) |
| Profit before tax | *3* | **279,768** | 243,485 |
| Income tax expense | *4* | **(73,566)** | (103,901) |
| Profit for the period | | **206,202** | 139,584 |
| Other comprehensive income: | | | |
| Fair value loss on available-for-sales financial assets | | **(317)** | — |
| Total comprehensive income for the period | | **205,885** | 139,584 |
| Profit for the period attributable to: | | | |
| Owners of the Company | | **206,202** | 136,325 |
| Non-controlling interests | | **—** | 3,259 |
| | | **206,202** | 139,584 |
| Total comprehensive income for the period attributable to: | | | |
| Owners of the Company | | **205,885** | 136,325 |
| Non-controlling interests | | **—** | 3,259 |
| | | **205,885** | 139,584 |
| Earnings per share | | | |
| — Basic *(RMB cent per share)* | *6* | **11** | 9 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 30 June 2012*

| | NOTES | 30 June 2012 RMB'000 (unaudited) | 31 December 2011 RMB'000 (audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **570,491** | 436,873 |
| Intangible assets | | **299,350** | 307,999 |
| Prepaid lease payments | | **274,000** | 231,946 |
| Deferred tax assets | | **4,643** | 6,734 |
| Deposit on acquisition of property, plant and equipment | | **11,411** | 14,010 |
| | | **1,159,895** | 997,562 |
| **Current assets** | | | |
| Inventories | | **50,991** | 38,046 |
| Prepaid lease payments | | **26,753** | 18,594 |
| Trade and other receivables | *7* | **538,452** | 399,524 |
| Tax recoverable | | **2,734** | 6,070 |
| Available-for-sale financial assets | | **42,823** | — |
| Bank balances and cash | *8* | **684,154** | 315,701 |
| | | **1,345,907** | 777,935 |
| **Current liabilities** | | | |
| Trade and other payables | *9* | **161,209** | 201,937 |
| Bank borrowings | *10* | **830,000** | 250,000 |
| Consideration payable | | **—** | 2,350 |
| Tax liabilities | | **177,714** | 191,786 |
| | | **1,168,923** | 646,073 |
| Net current assets | | **176,984** | 131,862 |
| Total assets less current liabilities | | **1,336,879** | 1,129,424 |

| | NOTES | 30 June 2012 RMB'000 (unaudited) | 31 December 2011 RMB'000 (audited) |
|---|---|---|---|
| **Capital and reserves** | | | |
| Share capital | *11* | **149,137** | 149,137 |
| Reserves | | **1,147,742** | 980,287 |
| Total equity attributable to owners of the Company | | **1,296,879** | 1,129,424 |
| **Non-current liability** | | | |
| Bank borrowings | *10* | **40,000** | — |
| | | **1,336,879** | 1,129,424 |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2012*

### 1. BASIS OF PREPARATION

Prior to the Group Reorganisation, Ms. Yang Min and Mr. Yang Jiye, through their direct equity interest and ownership in certain related companies which had equity interest in, effectively controlled the companies comprising the Group.

Through the Group Reorganisation as detailed in the Prospectus of the Company dated 20 September 2011, the Company became the holding company of the Group on 18 January 2011. The consolidated financial statements of the Group for the year ended 31 December 2011 has been prepared using the principles of merger accounting, and includes the results and cash flows of the companies comprising the Group pursuant to the Group Reorganisation as if the business combination had occurred from the date when the combining entities or business first came under the control of the Controlling Parties, Ms. Yang Min and Mr. Yang Jiye, except that the results attributable to the owners of the group companies other than Ms. Yang Min and Mr. Yang Jiye prior to the Group Reorganisation were treated as non-controlling interests.

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

### 2. SEGMENT INFORMATION

The Group has operating in one segment, being the iron ore mining and processing. The Group identified an operating segment which is a component of the Group (a) that engages in business activities from which it may earn revenues and incur expenses; and (b) whose operating results are reviewed regularly by the executive directors, the chief operating decision maker, to make decisions about resources allocation and assess its performance.

The accounting policies of the operating segment are the same as those adopted by the Group in the preparation of condensed consolidated financial statements expect that the financial impact of deferred taxation, effective interest on other borrowings and listing expenses had not been considered by the Group's chief operating decision maker to make decisions about resources to be allocated and assess performance. Reconciliation from the operating segment to the consolidated financial statements is as follows:

| | Six months ended 30 June | |
|---|---|---|
| | **2012** | 2011 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| Segment revenue | **604,034** | 752,638 |
| Segment result | **208,293** | 343,485 |
| Less: Listing expenses | **—** | 19,168 |
| Deferred taxation | **2,091** | (9,459) |
| Effective interest on other borrowings | **—** | 194,192 |
| Profit for the year | **206,202** | 139,584 |

All of the Group's revenue are derived from the PRC and the non-current assets are located in the PRC and therefore, no geographical information is presented.

## 3. PROFIT BEFORE TAX

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

| | Six months ended 30 June | |
|---|---|---|
| | **2012** | 2011 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| Cost of inventories recognized as an expense | **174,385** | 185,010 |
| Auditors' remuneration | **400** | 94 |
| Release of prepaid lease payments | **12,419** | 9,469 |
| Depreciation and amortisation: | | |
| — Property, plant and equipment | **23,877** | 20,761 |
| — Intangible assets | **9,565** | 9,160 |
| | **33,442** | 29,921 |
| Net foreign exchange gain | **282** | (4,131) |
| Staff costs (including directors): | | |
| — Salary and other benefits | **50,651** | 35,296 |
| — Retirement benefits scheme contributions | **7,021** | 2,070 |
| | **57,672** | 37,366 |

## 4. INCOME TAX EXPENSES

| | Six months ended 30 June | |
|---|---|---|
| | **2012** | 2011 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| Income tax expenses comprise: | | |
| PRC enterprise income tax ("EIT") — current | **70,727** | 112,964 |
| Under provision of EIT in prior years | **748** | 396 |
| Deferred tax | **2,091** | (9,459) |
| | **73,566** | 103,901 |

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

PRC income tax is calculated based on the statutory income tax rate of 25% (2011: 25%) of taxable income of the subsidiaries based on the relevant PRC tax rules and regulations.

China Hanking Investment Limited ("Hanking Investment") and China Hanking (BVI) International Limited ("Hanking International") were incorporated in the British Virgin Islands ("BVI") and are not subject to income tax of any jurisdiction during the period (2011: nil).

Hanking HK was incorporated in Hong Kong and Hong Kong Profits Tax rate is 16.5% (2011: 16.5%).

Hanking Australia Pty Ltd. was incorporated in Australia and has no assessable profits subject to Australia profits tax during current period (2011: nil).

## 5. DIVIDENDS

| | Six months ended 30 June | |
|---|---|---|
| | **2012** | 2011 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| Final dividend declared for 2011 | | |
| RMB2.1 cents (2010: nil) per share | **38,430** | — |

During the current interim period, a final dividend of RMB2.1 cents per share in respect of the year ended 31 December 2011 (2011: RMB nil cents per share in respect of the year ended 31 December 2010) was declared and paid to the owners of the Company.

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

## 6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the six months ended 30 June 2012 attributable to owners of the Company and the weighted average number of 1,830,000,000 shares in issued during the current period (2011: weighted average number of 1,500,000,000 shares comprising 1,000,000 shares in issue as at the date of 16 September 2011 and 1,499,000,000 shares to be issued pursuant to the capitalisation issue as if the shares had been in issue throughout the six months ended 30 June 2011).

No diluted earnings per share is presented as the Company did not have dilutive potential ordinary shares in issue.

## 7. TRADE AND OTHER RECEIVABLES

Since 1 July 2011, the Group allows an average credit period of 7 days to all its customers. Prior to 1 July 2011, the Group allowed an average credit period of 7 days to all its non-related party customers while there was no credit period policy to its related party customers and the related party customers normally settled trade receivables within three months. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period.

| | **30 June 2012** | 31 December 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| Within 7 days | **28,188** | 17,070 |
| 8 days to 3 months | **7,532** | — |
| | **35,720** | 17,070 |
| Bills receivables | **251,805** | 215,973 |
| Total trade receivables | **287,525** | 233,043 |
| Other receivables, deposits and prepayments | **250,927** | 166,481 |
| | **538,452** | 399,524 |

## 8. 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 of 0.35% (2011: 0.50%) per annum.

## 9. TRADE AND OTHER PAYABLES

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

| | **30 June 2012** | 31 December 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| Within 3 months | **14,473** | 9,375 |
| 3 months to 1 year | **811** | 357 |
| 1 year to 2 years | **—** | 498 |
| Over 2 years | **—** | 91 |
| | **15,284** | 10,321 |
| Bill payables | **594** | 10,235 |
| Total trade payables | **15,878** | 20,556 |
| Other payables, advances and accruals | **145,331** | 181,381 |
| | **161,209** | 201,937 |

## 10. BANK BORROWINGS

| | **30 June 2012** | 31 December 2011 |
|---|---|---|
| | ***RMB'000*** | RMB'000 |
| | **(unaudited)** | (audited) |
| Fixed-rate bank loans | **480,000** | — |
| Floating-rate bank loans *(note a)* | **390,000** | 250,000 |
| | **870,000** | 250,000 |
| Secured bank loans *(note b)* | **370,000** | 250,000 |
| Unsecured bank loans | **500,000** | — |
| | **870,000** | 250,000 |
| Amount repayable: | | |
| Due within one year (amount shown under current liabilities) | **830,000** | 250,000 |
| More than two years, but not exceeding five years (amount shown under non-current liabilities) | **40,000** | — |
| | **870,000** | 250,000 |
| Effective interest rates of bank borrowings | **7.72%** | 6.85% |

*Notes:*

(a) The floating-rate bank loans carry interest at 110% to 130% of the one-to-three-year interest rates of RMB loan promulgated by the People's Bank of China.

(b) The secured bank borrowings of RMB290,000,000 (31 December 2011: RMB200,000,000) were secured by various assets including the mining rights with carrying amounts of RMB284,854,000 (31 December 2011: RMB251,655,000) and by the pledge of equity interest right of Benxi Mining. Of the above RMB290,000,000, bank borrowings of RMB140,000,000 were also guaranteed by Ms. Yang Min.

The remaining secured bank borrowing of RMB80,000,000 (31 December 2011: RMB50,000,000) was secured by the bills receivables with carrying amount of RMB80,000,000 (31 December 2011: RMB51,250,000).

## 11. SHARE CAPITAL

Paid-in capital of the Group at 1 January 2011 represented the combined paid-in capital of Aoniu Mining and STSU attributable to the ultimate controlling parties (Ms. Yang Min and Mr. Yang Jiye). The amount as at 30 June 2012 and 31 December 2011, represented the then issued share capital of the Company, details of movements of share capital of the Company are as follow:

| | Number of share | Share capital | Shown in the consolidated financial statements |
|---|---|---|---|
| | | *HK$'000* | *RMB'000* |
| Ordinary shares of HK$0.1 each | | | |
| Authorised: | | | |
| On the date of incorporation and at 1 January 2011 | 3,900,000 | | |
| Increased on 16 June 2011 | 9,996,100,000 | | |
| At 31 December 2011 and 30 June 2012 | 10,000,000,000 | | |
| Issued: | | | |
| At 1 January 2011 | 1,000,000 | — | — |
| Issue by capitalisation of the share premium account relating to capitalisation issue | 1,499,000,000 | 149,900 | 122,229 |
| New issue of shares by way of initial public offering | 330,000,000 | 33,000 | 26,908 |
| At 31 December 2011 and 30 June 2012 | 1,830,000,000 | 182,900 | 149,137 |

On 16 June 2011, pursuant to the resolutions in writing passed by the shareholders of the Company, the increase of the authorised share capital of the Company from HK$390,000 divided into 3,900,000 shares of a nominal or par value of HK$0.10 each to HK$1,000,000,000 divided into 10,000,000,000 shares of a nominal or par value of HK$0.10 each by the creation of 9,996,100,000 shares, which shall rank *pari passu* in all respects with the shares in issue as at the date of this resolution, was approved.

Pursuant to the resolutions in writing of the shareholders of the Company passed on 16 September 2011, conditional on the share premium account of the Company being credited as a result of the issue of the offer shares by the Company pursuant to the initial public offering of shares of the Company and subject to the IPO price, the sum of HK$149,990,000 be capitalised and be applied in paying up in full at par 1,499,000,000 shares, each of which was allotted and issued to the shareholders of the Company.

In connection with the Company's initial public offering, 330,000,000 shares of HK$0.10 each were issued at a price of HK$2.51 per share for a total cash proceeds of approximately HK$828,300,000 (equivalent to RMB675,396,000). Dealings in these shares on the Main Board of The Stock Exchange of Hong Kong Limited commenced on 30 September 2011.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 1. Market Review

In the first half of 2012, the global economy followed the drift of the previous year and the economy of the United States continued to recover with a tardy pace in the first half year. Recession started to demonstrate its contagious effect in European countries with economic growth diving down into the downstream channel. Naturally, the economy of China was affected and the growth rate was dampened. The Gross Domestic Product (GDP) in the first half of 2012 was RMB22,709.8 billion, representing an increase of 7.8% compared with the corresponding period of the previous year. Currently, the domestic steel output is in general featured with a modest growth and a significantly decelerated growth rate. According to the data from the National Bureau of Statistics of the People's Republic of China, during the period from January to June of this year, the national outputs of pig iron, crude steel and steel were 334.04 million tons, 357.2 million tons and 467.44 million tons respectively, representing an increase of 2.9%, 1.8% and 6.1% respectively compared to the corresponding period of the previous year.

According to the data published by Bureau of Statistics of Liaoning Province, the GDP of Liaoning province was RMB1,122.81 billion in the first half of 2012, representing an increase of 9.2% compared with the corresponding period of the previous year and was higher than the national average. This year, the major target of the economic and social development in Liaoning is: an increase of 11% in the regional GDP. The outline of the Twelfth Five-Year Plan stated explicitly that the overall revitalization of Northeast Old Industrial Bases will be put forward and accordingly, Liaoning Province continued to promote industrial upgrading measures for industries including equipment manufacturing, and to construct affordable housing as well as energy and transportation facilities, which will then boost the demand for raw materials (including iron ore). Meanwhile, the Liaoning Provincial Land and Resources Department issued a notice, naming 2012 as the year of rectification for the whole mining industry of the province when the order of the industry will be rectified in full. Specifically, the authority will effectively manage geological exploration units to prevent unauthorized and illegal cooperation and market interference. It will also effectively stem illegal activities such as unlicensed exploration and mining, unauthorized or excessive mining, wasting or destruction of mineral resources and severe pollution to the environment. These policies have provided favourable conditions for the Group to consolidate the mineral resources in the region.

### 2. Business and Operation Review

#### (1) *Major Operation Results*

In the first half of 2012, the iron ore mining of the Group was expanded, and the iron ore production volumn was 2,899.2 thousand tons, representing a year-on-year increase of 37.90%; the production of iron ore concentrates reached 681 thousand tons, representing an increase of 8.71% as compared to corresponding period of the previous year; the Group achieved sales of iron ore concentrates of 659 thousand tons, representing a decrease of 3.08%

as compared with corresponding period of the previous year, while sales revenue of iron ore concentrates was RMB603,277 thousand, representing a decrease of 19.03% as compared to the corresponding period of the previous year. As at 30 June 2012, the total assets of the Group reached RMB2.506 billion, representing an increase of RMB731 million as compared to RMB1.775 billion as at the beginning of this year.

The average cash operation cost per ton of iron ore concentrate of each of the mines was RMB281.5, representing an increase of RMB22.2 as compared with the corresponding period in the previous year which was RMB259.3. The increase in cash operation cost was mainly due to the increase in the level of resources tax provision from RMB9 per ton of iron ore to RMB12 per ton of iron ore in February this year.

Affected by the domestic economic slowdown, the average selling price (excluding tax) of iron ore concentrates of the Group in the first half of 2012 decreased from RMB1,095.85 per ton in the corresponding period of the previous year to RMB915.25 per ton, representing a decrease of 16.5%.

**(2) *Reserves of Iron Ore Resources***

The Group will continue to increase the investment in geological exploration in our existing mines and their surroundings, with a view to obtaining iron ore resources of relatively high quality with the advantages of lower risks and costs. As at 30 June 2012, the Group owned 196 million tons of iron ore resources and 163 million tons of iron ore reserves that complied with the Australian Joint Ore Reserves Committee standards.

**(3) *Management of Projects and Capacity Expansion***

In order to further improve the processing capability of raw ores and the capacity of iron ore concentrates of our existing mines, the Group had carried out a series of construction projects to upgrade and reconstruct the existing mines and construct new production facilities. In the first half of 2012, 10 applications and 45 contracts of construction projects were submitted for the approval of the Company. The Company has 4 key construction projects in 2012, which include the second phase of the technology improvement of the first processing plant of Aoniu Mine, mining works in Aoniu Mine; reconstruction and expansion of processing plant with annual capacity of 3 million tons in Maogong Mine; mining works in Benxi Mine. The progress of each major project is stated below:

*Aoniu Mine*

The first phase of the technology improvement has shown a preliminary result, and on such foundation, the second phase of the technology improvement of the first processing plant of Aoniu Mine has officially begun in February 2012. As at the end of June 2012, the civil construction of the thickening pond was completed and is currently in the stage of equipment installation, while the construction of head tank has also completed. Furthermore, the procurement and installation of the modified equipment for the dust-disposal system of the second processing plant of Aoniu Mine will begin. The underground mining works in Aoniu Mine has already started in the mid of April 2012. Currently, the urgent issues of power supply and motive force for underground mining and production have been settled. Before the end of June 2012, the design, tender and construction of the head tank for underground mining work, as well as the watering of the mine entrance have been accomplished. The progress of the project is basically the same as scheduled.

*Maogong Mine*

High grading magnetic iron ore was found in Maogong Mine, and there is a huge potential to increase the ore reserves in the region. Currently, the environmental assessment, the safety assessment and the water conservation contracts for the reconstruction and expansion project of a processing plant in Maogong Mine have been entered into; the main plant construction is now proceeding as planned. The tender for the infrastructure of the crushing plant has been completed and the construction is going to be started as planned. The tenders and procurements for the key equipment have been completed.

*Benxi Mine*

Starting from November 2011, the Benxi Mining has started the Underground Excavation Project of Mengjia Mine of Benxi Mining with Annual Capacity of 1.2 million tons, and the design of the project is mixed with the adoption of shafts and ramps. The tunneling for the ramps has been completed, while the main well towers foundation is also completed. The urban construction of the tower of the main drilling well, the equipment and shaft equipment projects were underway. Besides, the installation works of shafts of South wind shaft project were now being carried out.

## 3. Financial Review

### (1) *Income, Cost of Sales, Gross Profit*

For the first half of 2012, the income of the Group was approximately RMB604,034 thousand, representing a decrease of RMB148,604 thousand or 19.74% as compared to the corresponding period in the previous year. The main reason for the decrease was due to the drop in the unit selling price of the iron ore concentrates.

For the first half of 2012, the cost of sales of the Group was approximately RMB211,264 thousand, representing an increase of RMB9,512 thousand or 4.71% as compared to the corresponding period in the previous year. The main reason for the increase was due to the rise in resources tax provision standard from RMB9/ton of iron ore to RMB12/ton of iron ore in February this year.

For the first half of 2012, the gross profit of the Group was approximately RMB392,770 thousand, representing a decrease of RMB158,116 thousand or 28.70% as compared to the corresponding period in the previous year. As compared to the same period last year, the substantial drop in gross profit margin of the Group in the first half of 2012, from 73.19% to 65.02%, was mainly due to the slipping of the average unit selling price of iron ore concentrates and the increase in the resource taxes for the iron ore.

**(2)** ***Other Income and Expense***

For the first half of 2012, other income of the Group was approximately RMB1,770 thousand, representing an increase of RMB1,254 thousand or 243.02% as compared to the corresponding period of the previous year. Other income was mainly interest income, and the increase was mainly due to the abundance of capital of the Company during this reporting period which led to an increase in interest income during the reporting period.

For the first half of 2012, other expenses of the Group were approximately RMB7,279 thousand, representing a decrease of RMB14,648 thousand or 66.80% as compared with the corresponding period of the previous year. Other expenses included loss of selling properties and plants and equipment, charity donation, expenses related to listing of the Company and other overheads. Other expenses were significantly lower than the same period in the previous year. The reason was mainly due to the inclusion of listing expenses of the Company and the losses from the disposal of fixed assets in the expense of the same period last year. During the reporting period, there are no such large expenses related to those two items mentioned above.

**(3)** ***Selling and Distribution Expenses, Administrative Expenses***

For the first half of 2012, the selling and distribution expenses of the Group were approximately RMB14,089 thousand, representing an increase of RMB1,586 thousand or 12.68% as compared to the corresponding period in the previous year. Selling and distribution expenses included transportation expenses, labour expenses and others.

For the first half of 2012, the administrative expenses of the Group were approximately RMB72,124 thousand, representing an increase of RMB6,097 thousand or 9.23% as compared to the corresponding period in the previous year. Administrative expenses included remuneration paid to the Group's management and administrative staff, depreciation and amortization, leasing and office expenses, business development expenses, professional consultation and service expenses, taxation expenses and others. The increase in staff costs (included in cost of sales, selling and distribution expenses and administrative expenses) from RMB37,400 thousand to RMB57,700 thousand is mainly due to the changes in social insurance due to the change of government policy.

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

For the first half of 2012, the net foreign exchange loss of the Group was approximately RMB282 thousand, whereas the net foreign exchange gain of the corresponding period in the previous year was RMB4,131 thousand. The main reason for the change is the net exchange losses generated from foreign currency denominated assets and liabilities held by the Group due to changes in exchange rate.

For the first half of 2012, the financing costs of the Group were approximately RMB20,998 thousand, which decreased by RMB190,593 thousand or 90.08% as compared to the corresponding period in the previous year. Financing costs included bank borrowings interest expenses, discount interest expenses and other financial loans interest expenses. The significant decrease of financial cost in the current period as compared to the same period in the previous year was mainly due to the interests from private borrowings that the Company bore in larger amount in the corresponding period in the previous year. During the six months ended 30 June 2012, the repayment of the private borrowings was settled by the Company, and therefore no such type of expenses was charged.

For the first half of 2012, the income tax expenses of the Group was approximately RMB73,566 thousand, which decreased by RMB30,335 thousand or 29.20% as compared to the corresponding period in the previous year. Income tax expenses included the total amount of tax currently payable and deferred tax. As at the end of the first half of 2012, according to the deducted tax in the consolidated statement of comprehensive income and profit before tax, the effective tax rate of the Group was 26.3%, while the effective tax rate for the corresponding period of the previous year was 42.7%. The main reason for the decrease in the effective rate was that there are no overseas financial loans in the current period. Moreover, the financial costs from the private borrowings related to the listing for the same period in the previous year was incurred by the Company (a company incorporated in Cayman Islands), and therefore it is not deductible for the purpose of PRC income tax.

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

In the first half of 2012, the losses on the changes in fair values of financial assets available for sale of the Group was approximately RMB317 thousand.

**(6)** ***Profit and Total Comprehensive Income for the Period***

Based on the reasons mentioned above, the profit and the total comprehensive income for the first half of 2012 of the Group were approximately RMB205,885 thousand, representing an increase of RMB66,301 thousand or 47.50% as compared to the corresponding period in the previous year. During the six months ended 30 June 2012, the net profit margin of the Group was 34.14%, while it was 18.55% as at the corresponding period in the previous year. The growth in the net profit margin was mainly due to the fact that private borrowings costs and listing expenses were relatively higher as at the same period in the previous year when the Company was in the process of listing. Upon the successful listing of the Company, the relevant expenses decreased significantly during the six months ended 30 June 2012, which resulted in the increase of net profit margin for the current period as compared to the corresponding period last year.

**(7) *Property, Plant and Equipment, Inventory***

For the first half of 2012, the property, plant and equipment of the Group were approximately RMB570,491 thousand, representing an increase of approximately RMB133,618 thousand or 30.59% as compared to the end of the previous year. The increase was mainly due to the expansion of the production capacity through the construction of plants, office buildings, tailings and the procurement of machine and equipment.

For the first half of 2012, the inventory of the Group was approximately RMB50,991 thousand, representing an increase of approximately RMB12,945 thousand or 34.02% as compared to the end of the previous year. The increase was mainly due to the restriction of the sales volume of Benxi Mine by contracts and agreements.

**(8) *Trade and Other Receivables, Trade and Other Payables***

For the first half of 2012, the trade receivables and the note receivables of the Group was approximately RMB287,525 thousand, representing an increase of approximately RMB54,482 thousand over the end of the previous year, of which, the increase in the notes receivables was due to the fact that the Company has sufficient cash flow during the current period and not all notes were discounted upon receipt. For the first half of 2012, the other receivables of the Group was approximately RMB250,927 thousand, which increased by approximately RMB84,446 thousand as compared to the end of the previous year. The increase was mainly due to the prepayment of other recoverable tax, which is related to certain resources tax and local tax policies regulated by the local tax bureau.

For the first half of 2012, the trade payables and note payables of the Group was approximately RMB15,878 thousand, representing a decrease of RMB4,678 thousand or 22.76% as compared to the end of the previous year. The decrease was mainly due to the maturity for settlement of the note payables. Meanwhile, because the Company has made use of the credit period granted by the suppliers, which resulted in a slightly increase in the amount of trade payables.

For the first half of 2012, the other payables of the Group was approximately RMB145,331 thousand, representing a decrease of approximately RMB36,050 thousand, or 19.87% as compared to the end of the previous year. The main reason for the decrease was the progress payment payable for properties, plants and equipment according to the contracts. Besides, other tax payables also decreased.

**(9) *Cash Use Analysis***

The net cash inflow from the operating activities during the first half of 2012 was RMB63,186 thousand, which was mainly attributed to the profit before tax of RMB279,768 thousand, partially offset by the increase of RMB118,928 thousand in trade and other receivables. As for the current period, the income tax expenses were RMB82,211 thousand, and the cash outflow from other operating activities was RMB15,443 thousand.

During the first half of 2012, the net cash outflow from investing activities amounted to RMB280,499 thousand, which mainly reflected the amount of RMB155,581 thousand used in the construction of the underground pits and the acquisition of properties, plants and equipment in Benxi Mine and Xingzhou Mine, the prepaid lease payment of RMB62,632 thousand in relation to the application of additional land use rights in the mining areas, the amount of RMB916 thousand used in the acquisition of intangible assets, purchase of loan receivable of RMB20,000 thousand, purchase of the available-for-sale financial assets of RMB43,140 thousand and the receipt of interest income of RMB1,770 thousand.

During the first half of 2012, the net cash inflow from the financing activities was RMB585,484 thousand, which included the repayment of bank loans of RMB100,000 thousand and the payment of the shareholders' dividends of RMB32,166 thousand, offset by the proceeds of RMB720,000 thousand from new bank borrowings.

**(10)** ***Bank Borrowings***

For the year ended 31 December 2011 and the first half of 2012, the bank borrowings of the Group were approximately RMB250,000 thousand and RMB870,000 thousand, respectively. In addition to the information disclosed above or otherwise in this results announcement, the Group has no outstanding mortgage, pledge, debentures or other loan capital issued or agreed to be issued, bank overdrafts, borrowing, liabilities under acceptance or other similar liabilities, hire purchase and finance lease commitments, or any guarantees or other material contingent liabilities. The Directors have confirmed that, save for the information disclosed above, there has been no material changes in the indebtedness and contingent liabilities of the Group since 31 December 2011.

**(11)** ***Gearing Ratio, Interest Rate Risk, and Foreign Exchange Risk***

The gearing ratio of the Group increased from 36.4% in 31 December 2011 to 48.2% in 30 June 2012, which is calculated by dividing the total liabilities by the total assets.

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

The businesses of the Group are located in China, and its major operating transactions are dominated in RMB. In addition to the liabilities arising from the financing loans dominated in US dollars and certain professional expenses payable dominated in HK dollars and US dollars mainly arising from the listing of the Company, most of the assets and liabilities of the Group are dominated in RMB. Since RMB is not freely convertible, the risk that the Chinese government may take measures to interfere the exchange rates, may bring effects to the Group's net asset value, profit and the dividends declared to the extent that such dividends are subject to foreign exchange, and we have no hedging measures against such exchange risks.

**(12)** ***Assets Securities and Contingent Liabilities***

The bank borrowings of the Group are secured by the mining rights certificates and, notes and equity interest in Benxi Mine. Meanwhile, Ms. Yang Min offered a guarantee for the Group on it's bank borrowings of RMB140,000 thousand. As of 30 June 2012, the aggregate net carrying value of the assets used as securities amounted to RMB285,000 thousand, and the aggregate net carrying value of the notes used as securities amounted to RMB80,000 thousand.

As of 30 June 2012, the Group had no material contingent liabilities.

**(13)** ***Capital Commitments***

As at 30 June 2012, the Group had future capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided for of approximately RMB147.9 million (30 June 2011: RMB34.3 million). Such increase is mainly due to the increase in the expenditure in the exploration, development of mines and mining.

**(14)** ***Material Acquisitions and Disposals of Assets, and the Merger Issue***

As of 30 June 2012, the Group had no material acquisitions and disposals of assets and merger issue.

**(15)** ***Use of the Proceeds***

The Company was listed on the main board of The Stock Exchange of Hong Kong Limited on 30 September 2011. The net proceeds raised from the listing of the Company excluding underwriting expenses and other expenses payable related to its initial public offering ("IPO") amounted to approximately HK$807.3 million. As of 30 June 2012, the IPO proceeds available for application and already applied by the Company are set out as follows:

| | Net Proceeds for the Global Offering | |
|---|---|---|
| **Purposes** | **Available for application** *Million HK$* | **Already applied** *Million HK$* |
| Repayment of bank borrowing | 702.3 | 702.3 |
| Expansion and upgrading of the mining areas and production equipments | 68.6 | 68.6 |
| Acquiring new mining areas and relevant production equipments | 36.4 | — |
| Total | 807.3 | 770.9 |

**(16)** ***Exploration, Development and Mining Expenses***

The exploration, development and mining production activities expenses of the Group was approximately RMB472,644 thousand in the corresponding period in 2011. It dropped to approximately RMB222,822 thousand in the first half of 2012. The expenses for the first half of 2012 mainly included: (i) expenses on properties, plants and equipments of RMB155,709 thousand; (ii) land lease payments of RMB66,612 thousand paid in order to acquire the using right of mining lands; and (iii) expenses of RMB501 thousand generated from the acquisition of the mining rights certificates.

## 4. Future Outlook

Under the influence of the slowdown of economic growth in China and the sluggish growth in fixed assets investment, the crude steel output of the first half of 2012 merely recorded an increase of 1.8% compared to the corresponding period of the previous year, while the rate of growth decreased 7.8% year-on-year. Yet, to consider the absolute output volume, the crude steel output of China for the first half of 2012 reached 357 million tons, representing 46.6% of the global crude steel output, which remains as the largest crude steel production country worldwide. At the same time, as at the end of 2011, the urbanization rate in China reached 51.27%. However, this figure shows that China still has huge potential in terms of urbanization. Accordingly, the rate of growth of crude steel output in China may not reach a high level, but the aggregate output will still maintains at a high level, which will in turn be the continuous support for the future demand for the iron ores market.

In recent years, the State has promulgated a series of policies to encourage the development of mining industry which covers the iron ore segment. Such policies included encouraging mining companies to conduct "integrated exploration" and carry out mining activities on temporary lands under the pilot scheme in Liaoning province. The Group has fully utilized such policies to expand its exploration areas and mining capabilities. In addition, the redevelopment and the new construction projects of the processing plant of Aoniu Mine and Maogong Mine under the Group will be completed progressively in the first half of 2013. Upon completion, the processing capability of these two mines alone will reach 6 million tons per year which in turn will significantly increase the iron ore processing capacity of the Group.

## OTHER INFORMATION

### Corporate Governance

The Company has fully complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules during the period from 1 January 2012 to 31 March 2012. Meanwhile, the Company has complied with most of the best practices as suggested therein.

During the period from 1 April 2012 to 30 June 2012, the Company has fully complied with the code provisions of the amended Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules. Meanwhile, the Company has complied with most of the best practices as suggested therein.

### Compliance with Model Code for Securities Transactions by Directors of Listed Companies

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding the dealings in the Company's securities by the Directors of the Group. Specific enquiry has been made to all the Directors of the Company and the Directors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2012.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2012.

### Audit Committee

During the six months ended 30 June 2012, the Audit Committee comprised three independent non-executive Directors, namely Mr. Wang Ping, Mr. Johnson Chi-King Fu and Mr. Wang Anjian, with Mr. Wang Ping as the chairman of the Audit Committee.

Pursuant to Rule 3.21 of the Listing Rules, the Company established the Audit Committee. According to Rule 3.22 of the Listing Rules and the Code on Corporate Governance Practices (Corporate Governance Code and Corporate Governance Report as amended on 1 April 2012) as set out in Appendix 14 of the Listing Rules, the terms of reference of the Audit Committee was approved and stated; the Audit Committee is primarily responsible for reviewing and monitoring the financial report and the internal control of the Group, and reviewing the accounting policies, accounting principles and methods adopted by the Company with the management of the Company.

The Audit Committee, which has reviewed the 2012 Interim Results of the Company for the six months ended 30 June 2012 which has not been audited by independent auditors, believes that the interim results were prepared in accordance with the accounting principles, rules and regulations adopted, and made appropriate disclosure.

**Interim Dividend**

The Board has resolved not to distribute any interim dividend for the six months ended 30 June 2012.

**Major Subsequent Event**

On 3 July 2012, Aoniu Mining, a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Shenyang Toyo Steel Company Limited, pursuant to which Aoniu Mining has agreed to acquire, and Shenyang Toyo Steel Company Limited has agreed to sell, an aggregate of 100% equity interest in Fushun Hanking Shangma Mining Company Limited for a total consideration of RMB100 million. The transaction should comply with the reporting, announcement and independent shareholders' approval requirements contained in Chapter 14A of the Listing Rules. The Company has already published an announcement in respect of the above acquisition on 3 July 2012. Upon the approval of the acquisition at the extraordinary general meeting and the fulfillment of other conditions precedent, Fushun Hanking Shangma Mining Company Limited will become a wholly-owned subsidiary of the Company.

**Major Legal Proceeding**

During the six months ended 30 June 2012, the Group was not involved in any major legal proceedings or arbitrations. To the knowledge of the Directors, there is no pending or potential major legal proceedings or claims.

**Publication of Interim Results and Report**

This results announcement will be published on the website of The Stock Exchange of Hong Kong Limited at http://www.hkexnews.hk and the Company's website at www.hankingmining.com.

The Company's 2012 interim report containing all the information required under the Listing Rules will be despatched to the shareholders and will be published on the websites of the Company and The Stock Exchange of Hong Kong Limited in due course.

## Acknowledgement

The Board would like to hereby give sincere acknowledgement to the shareholders, management team, employees, business partners and customers for their consistent support, and great appreciation to their hard work and enthusiasm.

By order of the Board
**China Hanking Holdings Limited**
**Yang Min**
*Chairlady and Non-executive Director*

Shenyang, PRC, 20 August 2012

*As at the date of this announcement, the executive Directors are Mr. Pan Guocheng, Mr. Zheng Xuezhi, Mr. Xia Zhuo and Mr. Qiu Yumin; the non-executive Directors are Ms. Yang Min, Mr. Yang Jiye, Mr. Lan Fusheng and Mr. Kenneth Jue Lee; and the independent non-executive Directors are Mr. Chen Yuchuan, Mr. Wang Ping, Mr. Johnson Chi-King Fu and Mr. Wang Anjian.*