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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 2013

RESULTS HIGHLIGHTS

For the six months ended 30 June 2013:

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

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

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

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

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

The board (the "Board") of directors (the "Directors") of China Hanking Holdings Limited (the "Company") hereby announced the unaudited consolidated results for the six months ended 30 June 2013 (the "2013 Interim Results") of the Company and its subsidiaries (the "Group"). The 2013 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 27 August 2013.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	NOTES	Six months ended 30 June **2013** *RMB'000* **(Unaudited)**	2012 *RMB'000* (Unaudited and restated)
Revenue	2	**676,572**	749,023
Cost of sales		**(309,273)**	(316,085)
Gross profit		**367,299**	432,938
Other income		**5,298**	1,843
Selling and distribution expenses		**(17,018)**	(23,077)
Administrative expenses		**(139,211)**	(106,543)
Other expenses		**(6,379)**	(15,094)
Net foreign exchange loss		**(7,381)**	(4,204)
Finance costs		**(63,241)**	(43,476)
Profit before tax	3	**139,367**	242,387
Income tax expense	4	**(63,289)**	(78,688)
Profit for the period		**76,078**	163,699
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
Net fair value gain (loss) on available-for-sale financial assets		**2,181**	(317)
Exchange differences on translation of financial statements of foreign operations		**(19,538)**	(2,525)
Other comprehensive income for the period		**(17,357)**	(2,842)
Total comprehensive income for the period		**58,721**	160,857
Profit for the period attributable to:			
Owners of the Company		**99,973**	193,962
Non-controlling interests		**(23,895)**	(30,263)
		76,078	163,699
Total comprehensive income for the period attributable to:			
Owners of the Company		**81,760**	192,463
Non-controlling interests		**(23,039)**	(31,606)
		58,721	160,857
Earnings per share			
– Basic and diluted (RMB cent per share)	6	**5.5**	10.6

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2013

	NOTES	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Unaudited and restated)
Non-current assets			
Property, plant and equipment		**1,282,313**	899,626
Intangible assets		**889,653**	890,612
Prepaid lease payments		**331,887**	351,393
Deferred tax assets		**3,801**	5,152
Loan receivable from a third party		**15,300**	15,300
Deposit on acquisition of property, plant and equipment		**5,454**	47,767
Restricted cash		**47,412**	–
		2,575,820	2,209,850
Current assets			
Inventories		**137,136**	97,378
Prepaid lease payments		**46,821**	47,026
Trade and other receivables	7	**356,913**	416,779
Tax recoverable		**7,392**	7,222
Available-for-sale financial assets		**6,847**	2,941
Loans to related parties		**7,478**	33,770
Pledged bank deposits	8	**380,000**	–
Bank balances and cash	8	**410,015**	581,960
		1,352,602	1,187,076
Current liabilities			
Trade and other payables	9	**350,612**	268,254
Bank borrowings	10	**1,227,880**	800,000
Loans from related parties		**10,934**	228,516
Consideration payable		**357,329**	143,320
Loans payable to non-controlling interest of a subsidiary		**3,873**	6,052
Deferred income		**1,991**	–
Tax liabilities		**64,637**	197,077
		2,017,256	1,643,219
Net current liabilities		**(664,654)**	(456,143)
Total assets less current liabilities		**1,911,166**	1,753,707

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2013

	NOTES	**30 June 2013** *RMB'000* **(Unaudited)**	31 December 2012 *RMB'000* (Unaudited and restated)
Capital and reserves			
Share capital	*11*	**149,137**	149,137
Reserves		**986,447**	1,232,385
Total equity attributable to owners of the Company		**1,135,584**	1,381,522
Non-controlling interests		**155,400**	186,258
		1,290,984	1,567,780
Non-current liabilities			
Bank borrowings	*10*	**346,007**	–
Consideration payable		**209,376**	183,935
Rehabilitation provision		**63,690**	833
Retirement benefit obligations		**1,109**	1,159
		620,182	185,927
		1,911,166	1,753,707

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2013

1. PREPARATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

2. SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately according to the geographical information of the operations and products. Following the acquisitions of Hanking Indonesia and an Australia gold mine during the period, the Group has been operating in three segments, being iron ore business (the business of Shenyang Toyo Steel Utility Co., Ltd and its subsidiaries, excluding Yingkou Xinwang Alloy Furnace Charge Co., Ltd.(營口鑫旺合金爐料有限公司)), nickel ore business (business of Hanking Indonesia and its subsidiaries, including Yingkou Xinwang Alloy Furnace Charge Co., Ltd.(營口鑫旺合金爐料有限公司)) and gold mine business (business of Hanking Australia Pty Ltd and its subsidiaries), respectively. The Group identified an operating segment which is a component of the Group (a) that engages in business activities from which it may earn revenues and incur expenses; and (b) whose operating results are reviewed regularly by the executive directors, the chief operating decision maker, to make decisions about resources allocation and assess its performance.

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

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

Six months ended 30 June 2013

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

Six months ended 30 June 2012

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

3. PROFIT BEFORE TAX

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

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

4. INCOME TAX EXPENSE

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

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

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

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

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

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

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

5. DIVIDENDS

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

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

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

6. EARNINGS PER SHARE

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

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

7. TRADE AND OTHER RECEIVABLES

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

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

8. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

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

Bank balances and cash of the Group comprise cash and short term bank deposits with an original maturity of three months or less. The bank balances carry variable interest rates of 0.35%-6.50% (2012: 0.35%-6.50%) per annum.

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 aging of bills payables are within six months. The following is an aged analysis of trade payables based on the date of the goods received at the end of the reporting period:

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

10. BANK BORROWINGS

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

Notes:

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

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

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

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

11. SHARE CAPITAL

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

I. Operation Review

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

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

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

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

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

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

1. Iron Ore Business

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

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

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

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

The revenue of iron ore business is RMB666,986 thousand in the first half of 2013, representing a decrease of 9.78% as compared to the corresponding period of last year, with an earnings before interest, taxes, depreciation and amortization ("EBITDA") of RMB397,184 thousand, representing a decrease of RMB52,886 thousand as compared to the corresponding period of last year, which is mainly due to the decline in the sales price of iron ore concentrate. The profit margin of EBITDA is 59.55%, representing a decrease of 1.33 percentage points as compared to the corresponding period of last year.

2. Nickel Ore Business

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

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

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

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

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

3. *Gold Mining Business*

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

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

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

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

II. Finance Review

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

1. Income, Cost of Sales, Gross Profit

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

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

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

2. Other Income and Expenses

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

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

3. *Selling and Distribution Expenses, Administrative Expenses*

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

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

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

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

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

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

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

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

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

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

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

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

7. *Dividends*

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

8. *Properties, Plants and Equipment, Inventories*

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

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

9. Trade and Other Receivables, Trade and Other Payables

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

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

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

10. Cash Use Analysis

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

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

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

11. Cash and Borrowings

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

As of 30 June 2013, the balance of bank borrowings of the Group was RMB1,573,887 thousand, representing an increase of RMB773,887 thousand as compared to the end of last year. In addition to the information disclosed above or otherwise in this 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 2012.

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

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

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

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

13. Assets Securities and Contingent Liabilities

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

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

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

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

15. Use of the Proceeds

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

16. Exploration, Development and Mining Expenses

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

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

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

III. FUTURE OUTLOOK

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

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

OTHERS

Corporate Governance

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

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

To comply with Code Provision A.5.6 of the Corporate Governance Code, which will come into effect on 1 September 2013, the Company had formulated the Board Diversity Policy and was approved by the Board on 27 August 2013.

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

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

Purchase, Sale or Redemption of Listed Securities of the Company

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

Audit Committee

During the six months ended 30 June 2013, 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 Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules, the terms of reference of the Audit Committee was approved and stated; the Audit Committee is primarily responsible for reviewing and monitoring the financial report and the internal control of the Group, and reviewing the accounting policies, accounting principles and methods adopted by the Company with the management of the Company.

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

Interim Dividend

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

Major Legal Proceedings

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

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 2013 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
Chairlady and Non-executive Director
Yang Min

Shenyang, PRC, 27 August 2013

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.