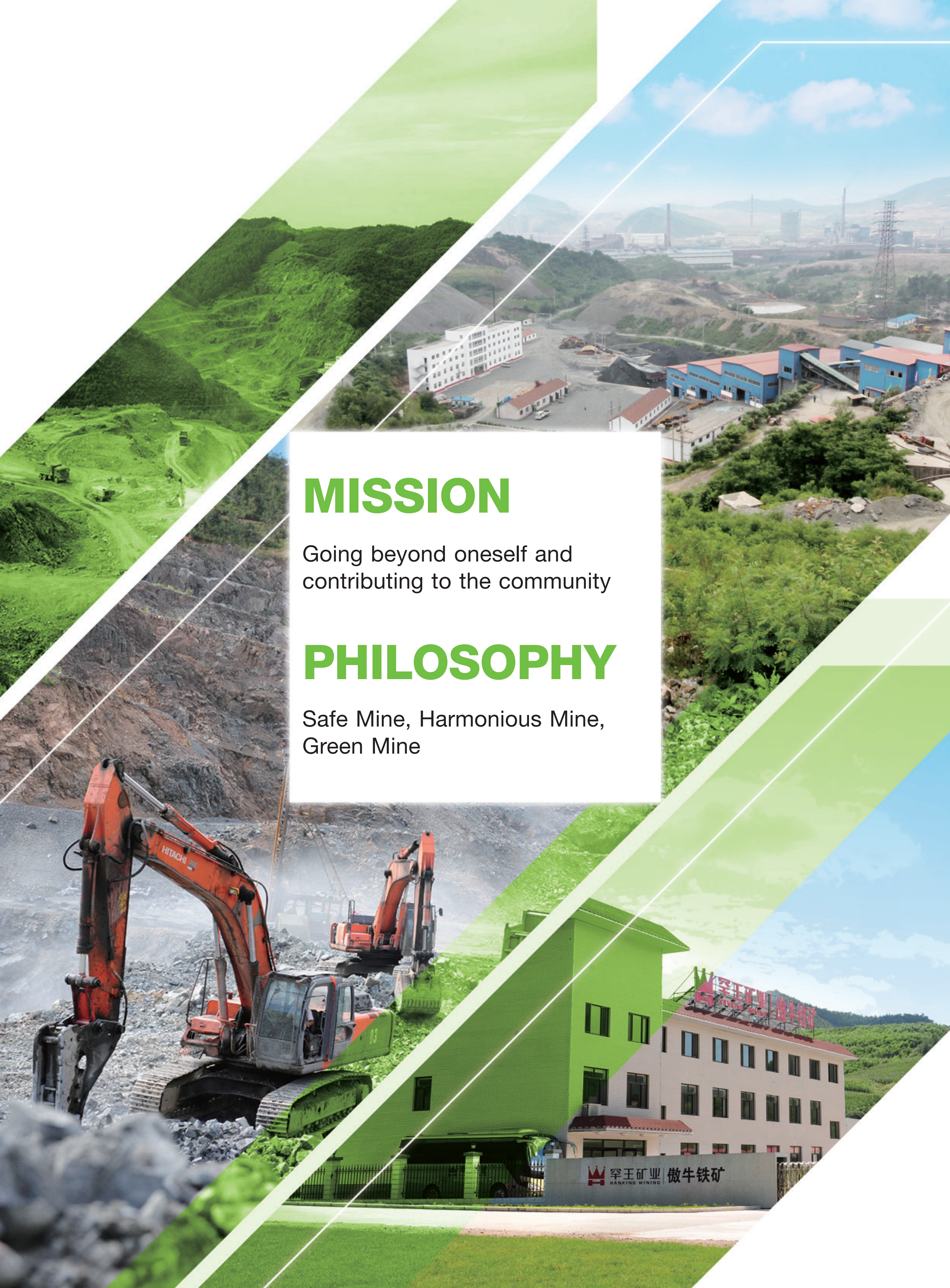
中國罕王控股有限公司

CHINA HANKING HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 03788

2014
INTERIM REPORT



MISSION

Going beyond oneself and contributing to the community

PHILOSOPHY

Safe Mine, Harmonious Mine, Green Mine

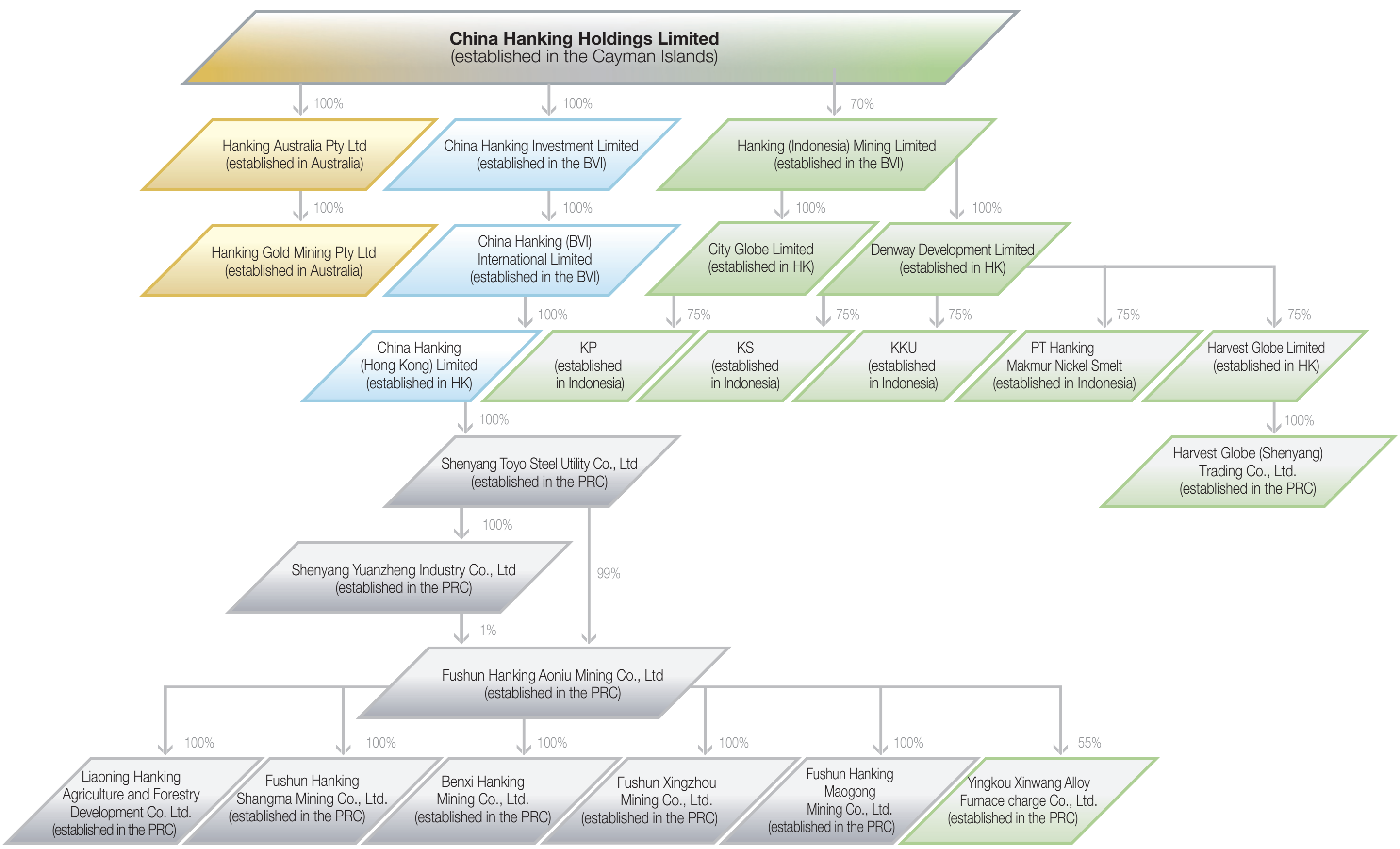
CONTENTS

CORPORATE INFORMATION

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

The Group was founded in 1992. Since its establishment, the Company upheld the core value of "people-oriented and business integrity", and adhered to the tenet of "safe mine, harmonious mine and green mine". In 2013, the Company became an international mining company with three major business segments (i.e. iron ore, nickel ore and gold ore) under the guidance of the development strategy of internationalization and minerals limited diversification. As the core business of the Group, the iron ore business locates in Liaoning Province of China, mainly engaging in exploration, mining, processing and selling of iron ore and the product is iron ore concentrates; the nickel ore business locates in South East Sulawesi, Indonesia, mainly engaging in laterite nickel exploration, mining, smelting and selling and the product is nickel ore and nickel metal; while the gold mining business locates in Western Australia, mainly engaging in exploration, mining, processing and selling of gold ore and the product is gold bullion.

Shareholding Structure of the Company and its Subsidiaries



CORPORATE INFORMATION
(CONTINUED)

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

Company's Statutory English Name
China Hanking Holdings Limited

Stock Code
03788

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

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PRC

Principal Place of Business in Hong Kong
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15 Queen's Road Central
Hong Kong

Authorized Representatives
Mr. Wang Ping
Ms. Mok Ming Wai

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

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

Hong Kong Legal Advisor
Cheung & Lee
in association with Locke Lord (HK) LLP
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1 Garden Road
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Principal Share Registrar in the Cayman Islands
Codan Trust Company (Cayman) Limited
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Hutchins Drive
P. O. Box 2681
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Cayman Islands

Hong Kong Share Registrar
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Directors

Executive Directors
Mr. Pan Guocheng *(Chairman)*
Mr. Yang Jiye
(Vice Chairman, Chief Executive Officer and President)
Mr. Zheng Xuezhi *(Chief Financial Officer)*
Mr. Xia Zhuo
Mr. Qiu Yumin

Non-executive Directors
Ms. Yang Min
Mr. Kenneth Jue Lee
Mr. Lan Fusheng

Independent Non-executive Directors
Mr. Wang Ping
Mr. Johnson Chi-King Fu
Mr. Wang Anjian

Audit Committee
Mr. Wang Ping *(Chairman)*
Mr. Johnson Chi-King Fu
Mr. Wang Anjian

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

Nomination Committee
Mr. Pan Guocheng *(Chairman)*
Mr. Johnson Chi-King Fu

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

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		Percentage
	2014	2013	Change
Sales amount of iron ore concentrates (thousand tons)	**939.3**	777.1	20.88%
Sales amount of nickel ores (thousand tons)	**60.5**	0	–
Income (RMB'000)	**733,125**	676,572	8.36%
Gross profit (RMB'000)	**303,444**	367,299	-17.39%
Gross margin	**41.39%**	54.29%	-23.76%
Profit for the period (RMB'000)	**29,516**	76,078	-61.2%
Profit attributable to owners of the Company (RMB'000)	**50,875**	99,973	-49.11%
EBITDA (RMB'000)	**235,899**	257,352	-8.34%
Profit margin of EBITDA	**32.18%**	38.04%	-15.41%
Basic earnings per share (RMB cent)	**2.8**	5.5	-49.09%

MANAGEMENT DISCUSSION AND ANALYSIS

Major Operation Results

1. Through capacity expansion and technology improvement, the Group has achieved a significant growth in the production of iron ore concentrates for the first half of 2014 hitting a record high of 921,500 tons (first half of 2013: 781,100 tons), which represents a year-on-year increase of 18% and exceeded the production target for the first half of the year.

2. With further improved and refined management and stricter control, the Group maintains the advantage of low-cost operation for the iron ore business. The cash operation cost amounted to RMB388 per ton, which helped to hedge the risk of price slump of iron ore concentrates.

3. The resources and reserves of the SXO Gold Project recorded significant increase. Within 15 months after acquisition of the SXO Gold Project, the gold resources recorded an increase of 99,000 ounces by new discoveries through exploration, adding the total amount of gold resources up to 2,504,000 ounces. Recently, Hanking Gold has completed its feasible study on the development plan of phase one of the SXO Gold Project, which has been put into production at the end of August 2014, and is expected to realize gold output of 60,000 ounces (approximately 2 tons) in 2015.

4. In 2014, due to the implementation of the Export Bans on nickel ore promulgated by the Indonesian government, the prices of nickel ore and nickel metal rocketed up. The Board believed that this would benefit the development of the nickel mines of the Company in the long run. To develop the abundant nickel resources of Indonesia nickel ore project, and make faster and more efficient use of the significant potential value of nickel ore resources, further capacity expansion plan of nickel mines base on the existing shaft furnace (under construction) smelting technique was planned.

For the first half of 2014, the Group recorded a revenue of RMB733,125,000 (first half of 2013: RMB676,572,000), representing an increase of RMB56,553,000 or 8.36% as compared to the corresponding period of last year. The profit for the period amounted to RMB29,516,000 (first half of 2013: RMB76,078,000), representing a year-on-year decrease of 61.2%, with EBITDA of RMB235,899,000 (first half of 2013: RMB257,352,000), decreased by RMB21,453,000 or 8.34% from that of the corresponding period of last year. The profit margin of EBITDA was 32.18%, down by 5.86 percentage points as compared with that of the corresponding period of last year. As at 30 June 2014, the total asset of the Group amounted to RMB4,211,033,000, decreased by RMB103,742,000 or 2.4% as compared with that recorded on 31 December 2013.

Iron Ore Business

In the first half of 2014, affected by the international market conditions and the structural adjustment of the domestic economy, the growth in the gross domestic product and fixed asset investments gradually slowed down. The domestic output of raw iron for the first half of the year increased by 0.5% on a year-on-year basis to 362 million tons. Coupled with the increase in production of the major international iron ore manufacturers and the year-on-year increase of 19.1% in imported iron ore at domestic ports, the price of iron ore slumped further over the first half of 2014. In the first half of 2014, the average selling price of iron ore concentrates produced by the Group was RMB763/ton (first half of 2013: RMB858/ton), representing a year-on-year decrease of 11.1%.

For the six months ended 30 June 2014, the revenue of iron ore business of the Company was RMB716,812,000, representing a year-on-year increase of 7.47%, mainly attributable to the increase in sales amount of iron ore concentrates by 162,200 tons or 21%, which was partly offset by the decline of its average selling price by RMB95/ton or 11%. EBITDA was RMB290,051,000, decreased by 13.12% from that of the corresponding period of last year, mainly due to the decrease in revenue as a result of the aforesaid reasons and the increase in selling costs of iron ore concentrates by RMB11/ton or 2.89%. The profit margin of EBITDA was 40.46%, down by 9.6 percentage points as compared with that of the corresponding period of last year. The total capital expenditure amounted to RMB101,710,000, representing a year-on-year decrease of 34.22%.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONTINUED)

Output and sales volume of iron ore concentrates hitting record highs

Through capacity expansion and technical innovations, the output of iron ore concentrates of the Group hit a record high. For the first half of 2014, the output of iron ore concentrates produced by the Group amounted to 921,500 tons (first half of 2013: 781,100 tons), representing a year-on-year increase of 18%. The sales volume of iron ore concentrates amounted to 939,300 tons (first half of 2013: 777,100 tons), increased by 21% on a year-on-year basis. In the first half of 2014, as the core business of the Company, the iron ore business developed at a steady pace, the mining capacity continued to grow and the mining amount maintained stable growth momentum, amounting to 3,686,900 tons, which laid a solid foundation for achievement of substantial increase in annual output.

Breakdown of output and sales volume of iron ore concentrates

	Output of iron ore concentrates (ton)			Sales volume of iron ore concentrates (ton)			Average selling price (RMB)		
Mines	**First half of 2014**	First half of 2013	Changes	**First half of 2014**	First half of 2013[Note]	Changes	**First half of 2014**	First half of 2013	Changes
Maogong Mine	**136,853**	191,291	-28.46%	**143,134**	193,486	-26.02%	**N/A**	N/A	N/A
Aoniu Mine	**482,316**	369,301	30.60%	**496,440**	362,684	36.88%	**N/A**	N/A	N/A
Benxi Mine	**135,809**	129,345	5.00%	**144,105**	127,847	12.72%	**N/A**	N/A	N/A
Xingzhou Mine	**72,464**	49,751	45.65%	**58,802**	51,520	14.13%	**N/A**	N/A	N/A
Shangma Mine	**94,075**	41,427	127.09%	**96,827**	41,538	133.10%	**N/A**	N/A	N/A
Total	**921,517**	781,115	17.97%	**939,308**	777,075	20.88%	**763**	858	-11.07%

Note: The figure of 774,990 tons for the total sales amount of iron ore concentrates stated in the announcement published on 22 July 2014 by the Company is not correct, please refer to the figure stated in the table above.

Maintaining the advantage of low-cost operations of the iron ore business

To keep the costs at the lower end of the cost curve of the industry, the Company continuously strived to reinforce control over costs and expenses and overall budget management.

As at 30 June 2014, the cash operation cost of iron ore concentrates was RMB388/ton, representing an increase of RMB25 or 6.89% as compared to the corresponding period of last year. The increase was mainly attributable to the increase in mining costs as Benxi Mine has entirely converted to the underground mining and a portion of ore production in the Aoniu Mine was also mined from underground.

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

	For the six months ended 30 June		
	2014	2013	Change
Mining (RMB/ton)	**158.96**	98.91	60.71%
Processing (RMB/ton)	**116.40**	127.59	-8.77%
Freights (RMB/ton)	**21.3**	20.75	2.65%
Tax (RMB/ton)	**58.37**	70.21	-16.86%
Mine management fees (RMB/ton)	**32.97**	45.54	-27.60%
Total	**388**	363	6.89%

The production costs are expected to increase in the short term due to the transition to underground mining. However, the Company believes that underground mining will bring out more stable production to enhance the mining and processing capacity. These will effectively offset the adverse impact of higher underground mining costs, enabling the Company to maintain its advantage of low-cost operations and resist the risks associated with fluctuations on the iron ore price.

Promoting the major mine development projects as scheduled

The major mine development projects for mine sustainability and expansion have been moving forward according to the planned timelines. Here are the brief descriptions for progress in the major projects:

1. In respect of Maogong Mine, the Group intended to invest a total of RMB393,105,000 to construct the shaft and tunnel project with a mining capacity of 3 million tons per annum. During the six months ended 30 June 2014, RMB18,035,000 has been actually invested, and the cumulative investment is RMB32,519,000 as at 30 June 2014.

2. In respect of the underground mining project of the No. 3 mining area of Aoniu Mine, design capacity was achieved in March 2014, the estimated total investment is RMB95,378,000. During the six months ended 30 June 2014, RMB20,679,000 has been actually invested, and the cumulative investment is RMB100,236,000 as at 30 June 2014.

3. For the underground mining projects of Shangma Mine, Yanghu Beishan mining area, the estimated total investment is RMB20,000,000. During the six months ended 30 June 2014, RMB794,000 has been actually invested, and the cumulative investment is RMB794,000 as at 30 June 2014. It is expected that production will be commenced in July 2015.

4. Electricity transmitting and transforming engineering work was carried out in Shangma to support the underground operations of Shangma Mine, the estimated total investment is RMB7,820,000. During the six months ended 30 June 2014, the infrastructure construction of the transformer station was completed, RMB379,000 has been actually invested, and the cumulative investment is RMB379,000 as at 30 June 2014. It is expected that the engineering work will be completed in the fourth quarter of 2014.

Achieving progress in exploration

In the first half of 2014, the Company's exploration team has conducted an exploration program in the areas near and in depth of the existing mine sites. The exploration has successfully made new discoveries and delineated a new iron ore resource of 3,785 thousand tons (of which 595 thousand tons from Shangma Mine and 3,190 thousand tons from Aoniu Mine). For the six months ended 30 June 2014, the exploration costs amounted to RMB1,899,000 in total. Details on exploration works conducted at each mine were as follows:

Mines	**Number of drilling holes**	**Drilling footage** (metre)	**Drilling diameter** (millimetre)
Shangma Mine	11	3,240.79	75
Benxi Mine	0	0	0
Maogong Mine	0	0	0
Aoniu Mine	8	2,399.36	75
Xingzhou Mine	0	0	0
Total	19	5,640.15	N/A

As at 30 June 2014, there were no significant changes in the iron ore resources and reserves of the Group that complied with the JORC standards.

Nickel Ore Business

To implement the Law on Mineral and Coal Mining (No. 4 of 2009, Laws of the Indonesia), Indonesian government authorities promulgated a regulation on 13 January 2014, pursuant to which all holders of mining production operation licenses shall undertake mineral processing and refining within the territory of Indonesia in order to export a certain amount of products. In addition, the Ministry of Energy and Mineral Resources of the Republic of Indonesia formulated the Regulation of the Minister of Energy and Mineral Resources No. 1 of 2014 on the increase of added value of mineral through mineral processing and refining activities in Indonesia, which imposes timing and quantitative restrictions on export of extracted mineral products as well as the minimum standards on refining and purification in Indonesia. Upon the promulgation of the above regulations ("Export Bans"), the prices of nickel ore and nickel metal have rocketed up. As of 30 June 2014, the closing price of LME nickel was US$19,070/ton, representing an increase of 36.17% as compared to the beginning of 2014. Analysts of global major investment banks are optimistic about the future trend of nickel price, believing that as long as the Indonesian Export Bans are not revoked, and the political situation in Russia and Ukraine maintains the status quo, the rise of nickel price driven by supply contraction will be inevitable.

For the six months ended 30 June 2014, the Group produced 183.7 thousand tons of nickel ore (first half of 2013: 247.4 thousand tons), and realized sales of 60.5 thousand tons (first half of 2013: 0 thousand ton). The production cost of nickel ore was RMB39.31 per ton (first half of 2013: RMB55.36), representing a year-on-year decrease of 28.99%.

In order to develop the abundant nickel resources of Indonesia nickel ore project, the Company must, in accordance with Indonesian laws, construct smelting plant for producing ferronickel products in Indonesia. In order to make faster and more efficient use of nickel ore resources, the Company was making a further research of nickel mine development program base on the original plan of the shaft furnace smelting. In the first half of 2014, in respect of mining, smelting and development of nickel ore, following works were done by Indonesia nickel ore project companies:

1. Site preparation: 230,000 cubic meters were excavated, together with additional reclamation area of 4.6 hectares, a land of 1,000 acres is ready for construction;

2. Site geological exploration and preliminary exploration work: as at 30 June 2014, a total of 15 exploration holes were drilled with a total footage of 370.3 meters. All exploration holes and on-site tests have been completed at the end of July 2014;

3. A total of 4 accommodation quarters were constructed in the mine camps, with a total area of 1,070 square meters;

4. Equipment and materials warehouses with a total area of 1,120 square meters have been constructed and put into use; and

5 In mining stopes, transportation distance has been optimized, and standardized facilities have been constructed.

For the six months ended 30 June 2014, being affected by the Export Bans, the revenue of nickel ore business was RMB16,313,000, representing a year-on-year increase of 70.18%, with an EBITDA of RMB-23,007,000, increased by RMB11,732,000 from that of the corresponding period of last year. The capital expenditure amounted to RMB16,820,000 (first half of 2013: RMB78,031,000), and the capital commitment was RMB6,240,000 (first half of 2013: RMB16,102,000).

Nickel ore business: No exploration work was conducted by the Group in the first half of 2014, the resources of nickel ore had no significant change as compared with that as stated in the Company's annual report of 2013.

Gold Mining Business

In 2013, the Company completed the acquisition of 100% equity interest of the SXO Gold Project, and took necessary measures to conduct exploration work and implemented asset maintenance and team reorganization. After the successful drilling exploration in the second half of 2013, Hanking Gold engaged CSA Global Pty Ltd ("CSA") to estimate the gold resources within Frasers Gold Mine of the SXO Gold Project in accordance with the JORC standards, and signed on the relevant JORC resources report. Comparing with 2013, the resources of the gold mine increased by approximately 465,000 tons of gold ore, and the gold metal recorded an increase of 99,000 ounces. Meanwhile, an amount of 781,000 tons of inferred gold ore resources was upgraded to the indicated category. Currently, Hanking Gold owned 21,074,000 tons of gold ore resources complied with JORC standards at an average gold grade of 3.7g/t, and the gold metal amounted to 2,504,000 ounces (see the Breakdown of JORC Resources of SXO Gold Project Owned by Hanking Gold on page 11 of this report). The newly increased resources was located at areas near the ground surface and suitable for open-pit mining.

To provide guidance for the next phase of exploration, Hanking Gold engaged CSA to conduct comprehensive analysis and research comprising geology, geophysics and geochemistry on the 239 exploration tenements of the SXO Gold Project covering an area of 930 square metres, 43 new target area for prospecting were located, 5 of which were identified as the first batch of targets for further exploration. For the six months ended 30 June 2014, effective exploration costs of RMB3,076,000 were incurred for gold mining business.

Driven by safe-haven buying, gold price rose for two consecutive quarters since the beginning of this year, representing a cumulative increase of 10%. In light of the market conditions and the Company's actual situation, the Company developed a gold mining business strategy with low investments and quick returns. Guided by this strategy, Hanking Gold cooperated with Entech Pty Limited and Como Engineers Pty Ltd respectively from early 2014 to conduct feasibility studies and issue reports in respect of gold mining design and optimized design of processing and smelting plants of the SXO Gold Project. According to the feasibility studies, the Company's phase I mining project included four open-pit gold mines, namely Cornishman, Nevoria, Frasers and Aquarius, with operating duration of four years. The Company entrusted Entech Pty Limited to issue the JORC reserves report based on the mining design. Phase I mining reserves included 2,755,000 tons of gold ore, at an average gold grade of 3.5 g/t, with gold metal of 308,000 ounces (see the Table of JORC Reserves in Phase I Mining of SXO Gold Project as set out on page 12 of this report).

MANAGEMENT DISCUSSION AND ANALYSIS
(CONTINUED)

Hanking Gold engaged contractors for the Phase I mining work of the SXO Gold Project in respect of mining project, transportation of gold ore, technology improvement of processing plants and operation of staff canteen through open tender. Among which, there were ten bidders for the mining project, six bidders for transportation of gold ore, four bidders for the technology improvement of processing plants and three bidders for the operation of staff canteen. After cost audit and comparison among these bidders, the successful contractors were Watpac Civil & Mining Pty Ltd (being the contractor of the mining project), Hamptons Transport Pty Ltd (being the contractor of the transportation of gold ore), Como Engineers Pty Ltd (being the contractor of the technology improvement of processing plants) and Catercare Services Pty Ltd (being the operator of the staff canteen) respectively, all being renowned professional companies of the mining industry in Australia.

According to the results of the above works, Hanking Gold formulated the mining proposal of the gold mine and submitted to the Australian government for approval. As at 30 June 2014, Hanking Gold has obtained all the necessary approvals for the Phase I mining work of the Cornishman Gold Mine.

For the six months ended 30 June 2014, the gold mining business of the Group did not realize sales, with an EBITDA of RMB-17,547,000, decreased by RMB1,660,000 from that of the corresponding period of last year. The capital expenditure amounted to RMB11,524,000 (first half of 2013: RMB106,655,000).

Breakdown of JORC Resources of SXO Gold Project Owned by Hanking Gold

Mines	Marginal grade	Measured amount of gold ore	Grade	Gold content	Indicated amount of gold ore	Grade	Gold content	Inferred amount of gold ore	Grade	Gold content	Total amount of gold ore	Grade	Gold content
	g/t	Thousand tons	g/t	Thousand ounces	Thousand tons	g/t	Thousand ounces	Thousand tons	g/t	Thousand ounces	Thousand tons	g/t	Thousand ounces
Marvel Loch	2.2	287	3.1	29	2,930	3.2	299	1,400	2.5	112	4,620	3.0	440
Nevoria	0.6 (OC);2.0(UG)	0	0	0	3,730	3.4	407	328	4.0	42	4,060	3.4	449
Transvaal	Note 1 (OC);2.6(UG)	0	0	0	1,630	4.7	249	1,800	4.9	286	3,440	4.8	535
Jaccoletti	2.6	0	0	0	0	4.6	0	715	5.5	126	715	5.5	126
Axehandle	0.66	0	0	0	0	0	0	2,080	2.0	131	2,080	2.0	131
Cornishman	0.8	0	0	0	119	4.4	17	0	0	0	119	4.4	17
Edwards Find area	0.7	0	0	0	381	3.1	38	363	2.6	30	744	2.8	68
Frasers	Note 2	0	0	0	1,117	4.6	165	1,474	6.1	289	2,591	5.5	454
Yilgarn Star	4.0	0	0	0	385	6.6	82	0	0	0	385	6.6	82
Other	Note 3	367	1.0	12	1,610	2.7	140	345	4.5	50	2,320	2.7	202
Total		654	2.0	41	11,902	3.7	1,397	8,505	3.9	1,066	21,074	3.7	2,504

OC = open cut; UG = underground.

Note 1: West ore body (oxide ore) = 1.08; west ore body (fresh rock ore) = 1.73; east ore body (oxide ore) = 0.96; east ore body (fresh rock ore) = 1.23.

Note 2: Inside designed open mining pit = 1.0; outside designed open mining pit = 2.5.

Note 3: GVG sulfide ore body = 1.0; GVG open pit = 0.7; New Zealand Gully = 2.5; Ruapehu = 2.6.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONTINUED)

Sources:

1. Data of Frasers and Cornishman are extracted from the resources report signed by Dr. Shi Bielin, a senior resources geologist of CSA Gobal Pty Ltd, in accordance with the JORC standards on 13 March 2014. Dr. Shi Bielin is a member of AusIMM and AIG, and has extensive experience in such type of gold mines as the SXO Gold Project.

2. Data of other mines are extracted from the resources report issued by SBM in 2012. The report was signed by Phillip Uttley, the chief geologist of SBM, in accordance with the JORC standards. Phillip Uttley is a member of AusIMM and has extensive experience in such type of gold mines as the SXO Gold Project.

Table of JORC Reserves in Phase I Mining of SXO Gold Project

Mines	**Category**	**Ores** Thousand tons	**Grade** g/t	**Gold resources** Thousand ounces
Cornishman	Proved	–	–	–
	Probable	756	4.1	100
	Total	**756**	**4.1**	**100**
Nevoria	Proved	–	–	–
	Probable	1,043	3.1	105
	Total	**1,043**	**3.1**	**105**
Frasers	Proved	–	–	–
	Probable	340	3.4	37
	Total	**340**	**3.4**	**37**
Aquarius	Proved	–	–	–
	Probable	616	3.3	65
	Total	**616**	**3.3**	**65**
Total	Proved	–	–	–
	Probable	2,755	3.5	308
	Total	**2,755**	**3.5**	**308**

Note: data shown in the above reserve table are extracted from the reserve report signed by Entech Pty Ltd in accordance with the JORC standards. The report was prepared by Stuart Swapp, a mining engineer, and was reviewed by Shane McLeay, a senior mining engineer and member of AusIMM.

Finance Review

1. **Income, Cost of Sales, Gross Profit**

For the first half of 2014, the Group's revenue was RMB733,125,000, representing an increase of RMB56,553,000 or 8.36% over the corresponding period of last year, mainly due to the increase of 162.2 thousand tons in the sales volume of iron ore concentrates as compared to the corresponding period of last year, while the impact of growth in sales volume on revenue also being partly offset by the decrease in selling price.

For the first half of 2014, the Group's cost of sales was RMB429,681,000, representing an increase of RMB120,408,000 or 38.93% over the corresponding period of last year, mainly attributable to the increase in the sales volume of iron ore concentrates and the rising production costs due to the transition to underground mining of the iron ore mines.

For the first half of 2014, the Group's gross profit was RMB303,444,000, representing a decrease of RMB63,855,000 or 17.39% over the corresponding period of last year. As compared to the corresponding period of last year, gross profit margin of the Group declined slightly from 54.29% to 41.39% in the first half of 2014 which was mainly due to the slipping of the average unit selling price of iron ore concentrates and the rising production costs due to the transition to underground mining of the iron ore mines.

2. **Other Income and Expenses**

For the first half of 2014, the Group's other income was RMB12,251,000, representing an increase of RMB6,953,000 or 131.24% over the corresponding period of last year. Other income mainly included interest income and investment income.

For the first half of 2014, the Group's other expenses were RMB35,213,000, representing an increase of RMB28,834,000 or 452.01% over the corresponding period of last year. For reasons of such increase, please refer to paragraph 5 "The Profit and Losses on Changes in Fair Values of Available-for-Sale Financial Assets" as set out in this section. Other expenses consisted of asset impairment losses, loss from disposal of properties, plants and equipment, charity donation and other overheads.

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

For the first half of 2014, the selling and distribution expenses of the Group were RMB23,559,000, representing an increase of RMB6,541,000 or 38.44% as compared to the corresponding period of last year, which was mainly due to the rising transportation costs as a result of increase in the sales volume for the period as compared to that of last year. Selling and distribution expenses consisted of transportation expenses, labour expenses and others.

For the first half of 2014, the administrative expenses of the Group were RMB132,058,000, representing a decrease of RMB7,153,000 or 5.14% as compared to the corresponding period of last year. Administrative expenses included remuneration paid to the Group's management and administrative staff, depreciation and amortization, leasing and office expenses, business development expenses, professional consultation and service expenses, taxation expenses, bank charges, inventory depreciation reserves, accrued doubt debt reserves and others.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONTINUED)

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

   For the first half of 2014, the financing costs of the Group were RMB53,880,000, which decreased by RMB9,361,000 or 14.8% as compared to the corresponding period of last year. The decrease was mainly due to the decrease of the Company's borrowings during the period. Financing costs included bank borrowing interest expenses, discount expenses and other financial expenses and the amortization of the long-term payable discount charges. For the first half of 2014, the income tax expenses of the Group were approximately RMB42,133,000, which decreased by RMB21,156,000 or 33.43% as compared to the corresponding period of last year. For the first half of 2014, according to the deducted tax in the consolidated statement of comprehensive income and profit before tax, the effective tax rate of the Group was 58.8%, while the effective tax rate for the corresponding period of last year was 45.41%. The reason for the increase in the effective tax rate was that the cost and loss generated from overseas business in the period was not deductible for the purpose of PRC income tax. Income tax expenses included the total amount of current tax payable and deferred tax.

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

   For the first half of 2014, the aggregate fair value losses and impairment loss on available-for-sale financial assets of the Group were RMB42,194,000, of which RMB22,174,000 was incurred by offsetting the revenue recognized in profit of the period in the previous year and RMB18,751,000 was recognized in other expenses. Such losses were attributed to the impairment loss of the shares of the Australian 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 RMB29,516,000, representing a decrease of RMB46,562,000 or 61.2% as compared to the corresponding period of last year. The net profit margin of the Group for the first half of 2014 was 4.03%, while that of the corresponding period of the previous year was 11.24%. The decrease was mainly due to the above combined factors.

   Based on the profit for the period, and affected by the losses on changes in fair values of available-for-sale financial assets and foreign currency translation, the total comprehensive income for the first half of 2014 was approximately RMB11,479,000, representing a decrease of RMB47,242,000 or 80.45% as compared to the corresponding period of the previous year.

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

   As of 30 June 2014, the net properties, plants and equipment of the Group were RMB1,374,595,000, representing a decrease of approximately RMB1,636,000 or 0.12% as compared to the end of the previous year.

   As of 30 June 2014, the inventories of the Group were RMB176,691,000, representing an increase of approximately RMB6,383,000 or 3.75% as compared to the end of the previous year. The main reason for the increase was the increase in the inventory of iron ore and that the Group built up inventory of nickel ore as the Indonesia nickel ore project ceased to export nickel ores.

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

As of 30 June 2014, trade receivables of the Group was RMB128,461,000, representing a decrease of RMB66,429,000 over the end of the previous year, mainly due to the decrease of RMB52,260,000 in bills receivables. As of 30 June 2014, other receivables of the Group was RMB240,718,000, representing an increase of RMB13,468,000 as compared to the end of the previous year.

As of 30 June 2014, trade payables of the Group was RMB65,336,000, representing an increase of RMB5,554,000 as compared to the end of the previous year. As of 30 June 2014, other payables of the Group was RMB296,110,000, representing an increase of RMB3,197,000 as compared to the end of the previous year.

9. **Cash Use Analysis**

The summary of the Group's consolidated statement of cash flows for the first half of 2014 was set out below.

	For the six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Net cash flows from operating activities	**210,631**	131,234
Net cash flows from investing activities	**(125,556)**	(353,105)
Net cash flows from financing activities	**(162,903)**	51,803
Net increase in cash and cash equivalents	**(77,828)**	(170,068)
Cash and cash equivalents at the beginning of the period	**369,995**	581,960
Effect of changes in foreign exchange rate on cash and cash equivalents	**2,047**	(1,877)
Cash and cash equivalents at the end of the period	**294,214**	410,015

The net cash inflow from the operating activities during the first half of 2014 was RMB210,631,000, which was mainly attributed to the profit before tax of RMB71,649,000, together with depreciation and amortization of RMB124,905,000 as well as the decrease of RMB57,453,000 in receivables and was partially offset by income tax paid of RMB72,648,000.

For the first half of 2014, the net cash outflow from investing activities amounted to RMB125,556,000, which mainly reflected the amount of RMB101,322,000 used in acquisition of new plants and equipments to expand production and acquisition of properties, the amount of RMB6,518,000 used as consideration for the acquisition of intangible assets and the amount of RMB15,193,000 used in the acquisition of lands.

For the first half of 2014, the net cash outflow from financing activities was RMB162,903,000, which was mainly from the newly added bank loans of RMB874,693,000. The net cash outflow was offset by the repayment of bank loans of RMB949,534,000, the payment of bank loan deposit of RMB51,462,000 and the distribution of dividend to shareholders of RMB36,600,000.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONTINUED)

10. **Cash and Borrowings**

As of 30 June 2014, cash balance of the Group amounted to RMB805,676,000, representing a decrease of approximately RMB24,319,000 or 2.93% compared to the end of last year.

As of 30 June 2014, the balance of bank borrowings of the Group was RMB1,793,254,000, representing a decrease of RMB74,841,000 as compared to the end of last year. In addition to the information disclosed above or otherwise in this report, the Group has no outstanding mortgage, pledge, debentures or other loan capital issued or agreed to be issued, bank overdrafts, borrowing, liabilities under acceptance or other similar liabilities, hire purchase and finance lease commitments, or any guarantees or other material contingent liabilities. 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 2013.

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

The gearing ratio of the Group decreased from 65.23% in 31 December 2013 to 64.97% in 30 June 2014, 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. In the first half of 2013, the Group improved its liability structure by increasing medium-and-long term bank borrowings, part of which was US dollar loans with variable interest rate. Given the uncertainty in the interest rate of US dollar in the future, the Group entered into a US dollar interest rate swap transaction in November 2013, converting the variable interest rate into fixed interest rate. The management of the Group will continue to monitor the loan portfolio and interest rate risks of the Group, and may consider taking appropriate measures to hedge material interest rate risks when necessary.

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

12. **Assets Securities and Contingent Liabilities**

Some of the bank loans of the Group are secured by the mining rights certificates. As of 30 June 2014, the aggregate net carrying value of the mining rights used as securities amounted to RMB270,331,000.

As of 30 June 2014, the Group had no material contingent liabilities.

13. **Capital Commitment**

For the first half of 2014, the capital commitment of the Group was RMB102,529,000, representing a decrease of RMB31,538,000 or 23.52% over last year. The capital commitment mainly consisted of the amount of RMB81,556,000 for the underground mining works of Shangma Mine, the amount of RMB6,011,000 for the underground mining works of Aoniu Mine and the amount of RMB6,240,000 for the Indonesian smelting project.

14. **Capital Expenditure**

The Group's capital expenditure decreased from approximately RMB339,316,000 in the first half of 2013 to approximately RMB130,054,000 in the first half of 2014. Expenditure incurred in the first half of 2014 mainly included (i) expenditure for acquisition of plants, machine equipments and properties amounting to RMB101,322,000; (ii) expenditure for acquisition of intangible assets amounting to RMB6,518,000; and (iii) expenditure for acquisition of lands amounting to RMB15,193,000.

15. **Significant Investment Held**

Save for the equity interests in three companies listed on Australian Securities Exchange held by the Group, the Group did not hold any significant investments as at 30 June 2014.

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

The Group had no material acquisitions or disposals of subsidiaries and associated companies during the six months ended 30 June 2014.

OTHER INFORMATION

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

As at 30 June 2014, to the best of the Directors' knowledge, the interests or short positions of the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in the Listing Rules, were as follows:

(1) Interests in the shares of the Company:

Name of Director and chief executive	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding
Yang Min[1]	Interests in controlled corporation	760,375,000 (long position)	41.55%
	Founder of discretionary trust	13,820,166 (long position)	0.76%
Yang Jiye[2]	Founder of discretionary trust	424,360,500 (long position)	23.19%
		31,100,000 (short position)	1.70%
Xia Zhuo[3]	Interests in controlled corporation	21,269,589 (long position)	1.16%
	Beneficial owner	60,000 (long position)	0.00%
Pan Guocheng[4]	Beneficial owner	4,200,000 (long position)	0.23%
Zheng Xuezhi[5]	Interests in controlled corporation	2,077,666 (long position)	0.11%
	Beneficial owner	50,000 (long position)	0.00%

Notes:

1. Ms. Yang Min ("Ms. Yang") holds 100% interest in China Hanking (BVI) Limited and serves as settlor and beneficiary of management trust which holds the entire issued share capital of Best Excellence Limited. As a result, Ms. Yang is deemed to hold interests in 760,375,000 Shares held by China Hanking (BVI) Limited and 13,820,166 Shares held by Best Excellence Limited.

2. Bisney Success Limited holds interest of 424,360,500 Shares (long position) and 31,100,000 Shares (short position). The shareholder of Bisney Success Limited is Le Fu Limited, which is wholly owned by UBS Nominees Limited. UBS Nominees Limited is controlled by UBS Trustees (BVI) Limited, which is under the discretionary trust arrangement of The Le Fu Settlement (樂福信託). Mr. Yang Jiye ("Mr. Yang") is the founder of the discretionary trust. As a result, Mr. Yang is deemed to hold interest in 424,360,500 Shares (long position) and 31,100,000 Shares (short position) held by Bisney Success Limited.

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

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

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

(2) Interests in associated corporations of the Company:

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

Note:

1. Ms. Yang Min holds 60.67% interest in Hanking Group Co., Limited (罕王實業集團有限公司), which in turn holds 100% interest in Hanking Aoniu Investment (Hongkong) Company Limited. Hanking Aoniu Investment (Hongkong) Company Limited holds 100% interest in Evergreen Mining Limited, which in turn holds 30% interest in Hanking (Indonesia). As a result, Ms. Yang Min is deemed to hold interest in 300 shares of Hanking (Indonesia), which is held by Evergreen Mining Limited.

Save as disclosed above, as at 30 June 2014, none of the Directors nor chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of SFO) or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or are required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

OTHER INFORMATION
(CONTINUED)

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

As at 30 June 2014, to the best of Directors' knowledge, having made reasonable enquires, the following persons (other than the Directors and chief executives of the Company) own interests or short positions in the shares or underlying shares of the Company which shall be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of SFO or recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholders	Capacity/Nature of interest	Number of Shares	Approximate percentage of issued share capital
China Hanking (BVI) Limited	Beneficial owner	760,375,000 (long position)	41.55%
Bisney Success Limited	Beneficial owner	424,360,500[1] (long position)	23.19%
	Beneficial owner	31,100,000[1] (short position)	1.70%
Le Fu Limited	Interest in controlled corporation	424,360,500[1] (long position)	23.19%
	Interest in controlled corporation	31,100,000[1] (short position)	1.70%
UBS Trustees (BVI) Limited	Trustee	424,360,500[1] (long position)	23.19%
	Trustee	31,100,000[1] (short position)	1.70%
SAIF IV GP Capital Ltd.	Interest in controlled corporation	93,107,000[2] (long position)	5.09%
SAIF IV GP LP	Interest in controlled corporation	93,107,000[2] (long position)	5.09%
SAIF Partners IV L.P.	Beneficial owner	93,107,000[2] (long position)	5.09%
Yan Andrew Y	Interest in controlled corporation	93,107,000[2] (long position)	5.09%

Notes:

1. These 424,360,500 Shares (long position) and 31,100,000 Shares (short position) belong to the same group of shares.

2. These 93,107,000 Shares belong to the same group of shares.

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

3. Changes of Directors and Director's Information

Mr. Yang Jiye, non-executive Director, Mr. Xia Zhuo and Mr. Qiu Yumin, both being executive Directors and Mr. Wang Anjian, independent non-executive Director, retired and were re-elected at the annual general meeting of the Company (the "AGM") held on 29 May 2014 in accordance with Rule 84(1) of the Articles of Association of the Company.

On 31 March 2014, Mr. Qiu Yumin, the executive Director, was appointed as the non-executive director of Primary Gold Limited (ASX: PGO).

Re-designation and Resignation of Directors

As approved by the Board at the Board meeting held on 26 August 2014, the following Directors were redesignated or resigned: (1) Ms. Yang Min, chairlady of the Board, resigned as chairlady of the Board and chairlady of the nomination committee of the Company and has continued to act as the non-executive Director; (2) the Board elected Mr. Pan Guocheng, executive Director, as chairman of the Board and chairman of the nomination committee, while continuing to act as executive Director and chairman of the health, safety, environmental protection and community committee, who will lead the Board and be responsible for the overall operation and development strategy of the Group as well as supervision on the execution and implementation of the strategies by the management. On the same date, Mr. Pan Guocheng resigned as the chief executive officer and president of the Company; (3) Mr. Yang Jiye was re-designated from non-executive Director to executive Director and has continued to act as the vice chairman of the Board. He was also appointed by the Board as chief executive officer and president of the Company, being responsible for the implementation of the overall operation and development strategy of the Group and daily operation and management of the Company; and (4) Mr. Chen Yuchuan, independent non-executive Director, has tendered his resignation to the Board, and has ceased to be member of the nomination committee and the remuneration committee with effect from 26 August 2014. The aforesaid changes were effective on 26 August 2014.

The Board noted that following the resignation of Mr. Chen Yuchuan, independent non-executive Director, the number of independent non-executive Directors fell below the minimum number as required under Rule 3.10A of the Listing Rules, and the number of members of the nomination committee and the remuneration committee fell below the minimum number as set out in the terms of reference of the respective committees. The Company shall appoint one person who meets the requirements under Rule 3.10(2) of the Listing Rules as independent non-executive Director within three months from 26 August 2014, while the Board will elect one member for each of the nomination committee and the remuneration committee.

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

4. Directors' Service Contract

The Company has renewed a service contract with each of the following executive and non-executive Directors. The particulars of these service contracts include: (1) the term of their appointment as Directors is for three years commencing from 31 May 2013 (Ms. Yang Min and Mr. Zheng Xuezhi), for three years commencing from 29 May 2014 (Mr. Xia Zhuo and Mr. Qiu Yumin) or for three years commencing from 26 August 2014 (Mr. Pan Guocheng and Mr. Yang Jiye); and (2) are subject to termination in accordance with their respective terms.

OTHER INFORMATION
(CONTINUED)

The Company has re-entered into a letter of appointment with each of the following independent non-executive Directors, details of which including: (1) the term of their appointment as Directors is for three years commencing from 31 May 2013 (Mr. Wang Ping), for three years commencing from 29 May 2014 (Mr. Wang Anjian) or for three years commencing from 25 February 2014 (Mr. Johnson Chi-King Fu); and (2) subject to termination in accordance with their respective terms.

5. Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, and also formulated the Written Guideline on Dealings in the Securities of the Company by Directors and the Relevant Employees (the "Company Guideline"), which adopted the standards equivalent to the provisions of Appendix 10 to the Listing Rules as the model code regarding dealings in the Company's securities by the Directors and the relevant employees. Specific enquiry has been made to all the Directors and all Directors have confirmed that they have complied with the Model Code and the Company Guideline throughout the six months ended 30 June 2014. Specific enquiry has been made to the relevant employees and the Company confirmed that all the relevant employees have complied with the Company Guideline throughout the six months ended 30 June 2014.

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

During the reporting period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

7. Employees and Remuneration Policy

As at 30 June 2014, the Group had 2,483 employees in total. During the six months ended 30 June 2014, the total remuneration expenses and the aggregate amounts of employees' benefit were RMB95,510,000 (for the first half of 2013: RMB93,235,000). The remuneration policies of the Group were formulated on the basis of performance of individual employees and the prevailing salaries' trends in the various regions, while emphasizing that the employees' income was directly related to its business performance and profits. The Group reviews the remuneration policies every year. The Group also provides employees with training programs, a mandatory provident fund scheme, pension, medical, occupational injury, unemployment and birth insurances and other insurances required by the government and discretionary bonus.

8. Corporate Governance

During the period from 1 January 2014 to 30 June 2014, the Company has fully complied with the code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules. Meanwhile, the Company has complied with most of the best practice as recommended therein.

9. Audit Committee

During the six months ended 30 June 2014, the audit committee of the Company ("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.

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 2014 interim results for the six months ended 30 June 2014 of the Company which has not been audited by independent auditors, believes that the interim results were prepared in accordance with the accounting principles, rules and regulations adopted, and made appropriate disclosure.

10. Interim Dividend

The Board has proposed not to distribute any interim dividend for the six months ended 30 June 2014.

11. Major Legal Proceeding

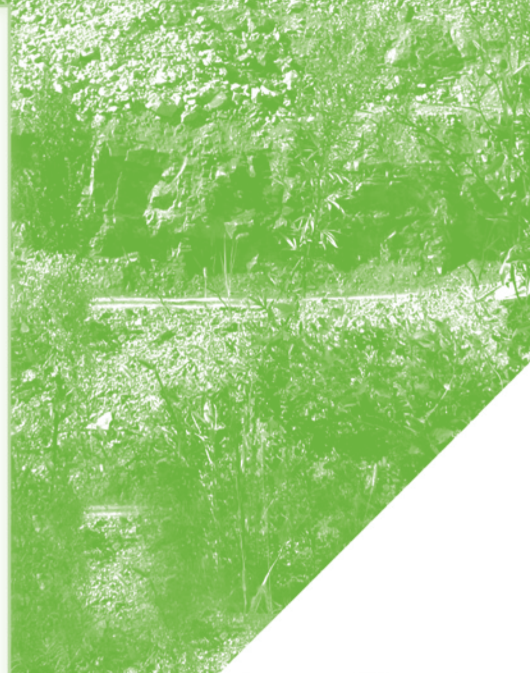
During the six months ended 30 June 2014, the Group was not involved in any major legal proceedings or arbitrations. To the knowledge of the Directors, there is no pending or potential major legal proceeding or claim.

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

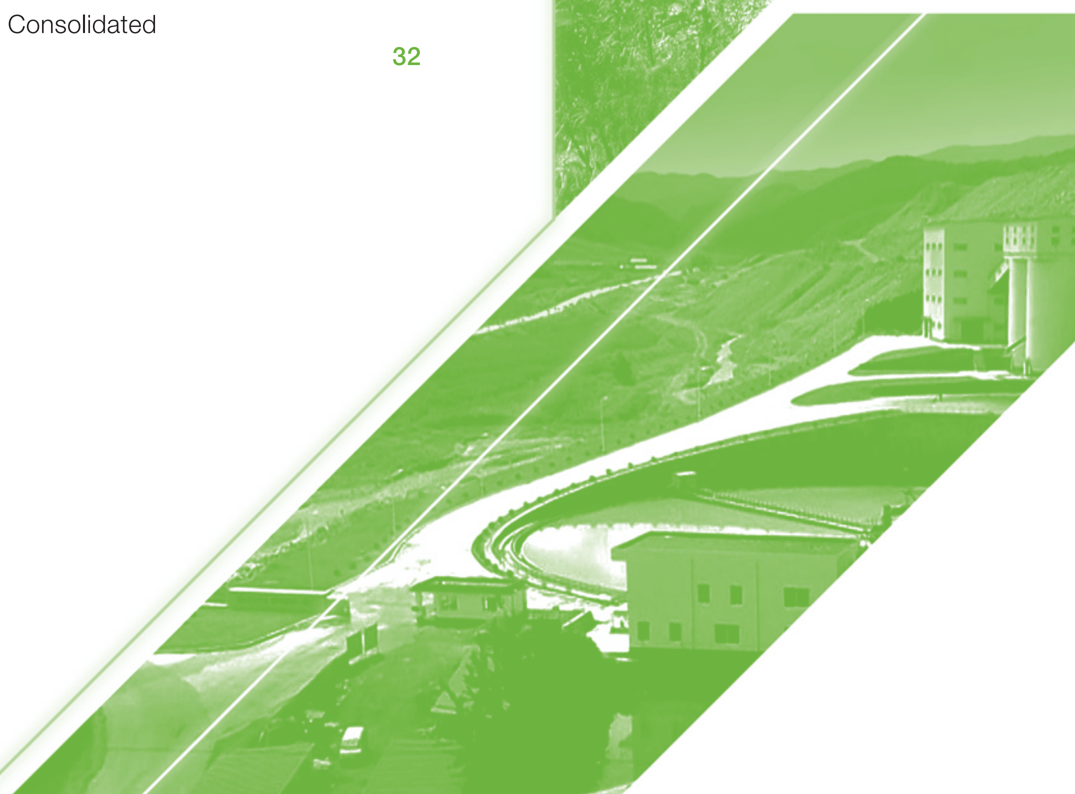
In accordance with the disclosure requirements of Rules 13.18 and 13.21 of the Listing Rules, the following disclosures are included in respect of one of the Company's loan agreements, which contain covenants requiring performance of obligations by the controlling shareholder of the Company.

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

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



FINANCIAL REPORT



REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF CHINA HANKING HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of China Hanking Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 47, which comprises the condensed consolidated statement of financial position as of 30 June 2014 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Listing Rules require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
26 August 2014

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Notes	Six months ended 30 June 2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Revenue	3	**733,125**	676,572
Cost of sales		**(429,681)**	(309,273)
Gross profit		**303,444**	367,299
Other income		**12,251**	5,298
Selling and distribution expenses		**(23,559)**	(17,018)
Administrative expenses		**(132,058)**	(139,211)
Other expenses and losses	4	**(35,213)**	(6,379)
Net foreign exchange gain (loss)		**664**	(7,381)
Finance costs		**(53,880)**	(63,241)
Profit before tax	5	**71,649**	139,367
Income tax expense	6	**(42,133)**	(63,289)
Profit for the period		**29,516**	76,078
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
Net fair value (loss) gain on available-for-sale financial assets		**(22,174)**	2,181
Exchange differences on translation of financial statements of foreign operations		**4,137**	(19,538)
Other comprehensive income for the period		**(18,037)**	(17,357)
Total comprehensive income for the period		**11,479**	58,721
Profit for the period attributable to:			
Owners of the Company		**50,875**	99,973
Non-controlling interests		**(21,359)**	(23,895)
		29,516	76,078
Total comprehensive income for the period attributable to:			
Owners of the Company		**33,696**	81,760
Non-controlling interests		**(22,217)**	(23,039)
		11,479	58,721
Earnings per share			
– Basic and diluted (RMB cent per share)	8	**2.8**	5.5

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	Notes	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	9	**1,374,595**	1,376,231
Intangible assets	10	**971,268**	964,605
Prepaid lease payments	11	**344,585**	357,533
Deferred tax assets		**6,240**	6,476
Loan receivable from a third party		**11,300**	11,300
Deposit on acquisition of property, plant and equipment		**32,868**	28,914
Restricted cash	12	**49,987**	47,103
		2,790,843	2,792,162
Current assets			
Inventories		**176,691**	170,308
Prepaid lease payments	11	**45,661**	45,123
Trade and other receivables	13	**369,179**	422,140
Tax recoverable		**9,712**	7,872
Available-for-sale financial assets	14	**13,271**	47,175
Pledged bank deposits	15	**511,462**	460,000
Bank balances and cash	15	**294,214**	369,995
		1,420,190	1,522,613
Current liabilities			
Trade and other payables	16	**361,446**	352,695
Bank borrowings	17	**1,308,134**	1,385,444
Consideration payable	18	**56,062**	86,943
Loans payable to non-controlling interest of a subsidiary		**3,873**	3,873
Tax liabilities		**45,585**	74,496
		1,775,100	1,903,451
Net current liabilities		**(354,910)**	(380,838)
Total assets less current liabilities		**2,435,933**	2,411,324

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(CONTINUED)

At 30 June 2014

	Notes	**30 June 2014 RMB'000 (Unaudited)**	31 December 2013 RMB'000 (Audited)
Capital and reserves			
Share capital	19	**149,137**	149,137
Reserves		**1,088,902**	1,091,806
Total equity attributable to owners of the Company		**1,238,039**	1,240,943
Non-controlling interests		**237,057**	259,274
		1,475,096	1,500,217
Non-current liabilities			
Bank borrowings	17	**485,120**	482,651
Consideration payable	18	**396,150**	355,261
Rehabilitation provision		**77,538**	71,115
Retirement benefit obligations		**2,029**	2,080
		960,837	911,107
		2,435,933	2,411,324

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to owners of the Company										
	Paid-in capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000 (note a)	Future development funds reserve RMB'000 (note b)	Investments revaluation reserve RMB'000	Translation reserve RMB'000	Special reserve RMB'000	Retained earnings RMB'000	Attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2013(audited)	149,137	495,537	87,046	372,358	(327)	(4,118)	(287,966)	569,855	1,381,522	186,258	1,567,780
Profit for the period	–	–	–	–	–	–	–	99,973	99,973	(23,895)	76,078
Other comprehensive income for the period	–	–	–	–	2,181	(20,394)	–	–	(18,213)	856	(17,357)
Profit and total comprehensive income for the period	–	–	–	–	2,181	(20,394)	–	99,973	81,760	(23,039)	58,721
Distribution to the then equity shareholders upon acquisition of Hanking Indonesia (note c)	–	–	–	–	–	(511)	(286,344)	(17,117)	(303,972)	(7,839)	(311,811)
Controlling shareholders' contribution	–	–	–	–	–	–	45	–	45	20	65
Deemed contribution from shareholders (note d)	–	–	–	–	–	–	12,829	–	12,829	–	12,829
Transfer to future development funds reserve, net of utilisation	–	–	–	62,384	–	–	–	(62,384)	–	–	–
2012 final dividend	–	–	–	–	–	–	–	(36,600)	(36,600)	–	(36,600)
Profit appropriation to surplus reserve	–	–	559	–	–	–	–	(559)	–	–	–
Balance at 30 June 2013 (unaudited)	149,137	495,537	87,605	434,742	1,854	(25,023)	(561,436)	553,168	1,135,584	155,400	1,290,984
Balance at 1 January 2014 (audited)	**149,137**	**495,537**	**84,777**	**309,974**	**22,174**	**(36,947)**	**(557,161)**	**773,452**	**1,240,943**	**259,274**	**1,500,217**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**50,875**	**50,875**	**(21,359)**	**29,516**
Other comprehensive income for the period	**-**	**-**	**-**	**-**	**(22,174)**	**4,995**	**-**	**-**	**(17,179)**	**(858)**	**(18,037)**
Profit and total comprehensive income for the period	**-**	**-**	**-**	**-**	**(22,174)**	**4,995**	**-**	**50,875**	**33,696**	**(22,217)**	**11,479**
Transfer to future development funds reserve, net of utilisation	**-**	**-**	**-**	**59,711**	**-**	**-**	**-**	**(59,711)**	**-**	**-**	**-**
2013 final dividend	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(36,600)**	**(36,600)**	**-**	**(36,600)**
Profit appropriation to surplus reserve	**-**	**-**	**502**	**-**	**-**	**-**	**-**	**(502)**	**-**	**-**	**-**
Balance at 30 June 2014(unaudited)	**149,137**	**495,537**	**85,279**	**369,685**	**-**	**(31,952)**	**(557,161)**	**727,514**	**1,238,039**	**237,057**	**1,475,096**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(CONTINUED)

For the six months ended 30 June 2014

Notes:

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

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

(b) Pursuant to regulation in the PRC, Aoniu Mining, Benxi Mining, Maogong Mining, Xingzhou Mining, Fushun Shangma and Fushun Hanking Shangma Iron Mine ("Shangma Mining") are required to transfer an amount to a future development fund at RMB22 per ton of iron ore mined annually which will be used for enhancement of safety production environment and improvement of facilities. The fund can only be used for the future development of the iron ore mining business and is not available for distribution to shareholders.

RMB79,211,000 and RMB75,167,000 of future development fund was provided during the six months ended 30 June 2013 and 2014, respectively. RMB16,827,000 and RMB15,456,000 of future development fund was utilised during the six months ended 30 June 2013 and 2014, respectively.

(c) Pursuant to an extraordinary general meeting held on 4 March 2013, the Company acquired 70% equity interest of Hanking (Indonesia) and its subsidiaries from Evergreen Mining Limited which is ultimately controlled by the Controlling Parties (the "Acquisition of Hanking Indonesia"). The subsidiaries of Hanking Indonesia mainly engaged in nickel ore mining business. Details of the acquisition are set out in note 1.

(d) The Controlling Parties transferred 8,666,666 shares of the Company to several directors and employees of the Company in June 2013 with nil consideration, to recogise their past contribution to the Group. RMB12,829,000 was calculated on the basis of the share price on the date of transfer and recognised as an expense and special reserve respectively.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	30 June 2014 RMB'000 (Unaudited)	30 June 2013 RMB'000 (Unaudited)
Net cash from operating activities	**210,631**	131,234
Net cash used in investing activities:		
Purchases and deposit paid for acquisition of property, plant and equipment	**(101,322)**	(319,702)
Payments for prepaid lease payments	**(15,193)**	(4,609)
Purchase of available-for-sale investment	**(7,021)**	(1,725)
Proceeds on disposal of property, plant and equipment	**188**	92
Interest received	**7,194**	7,239
Purchase of intangible assets	**(6,518)**	(13,280)
Repayments from related parties	**–**	32,256
Advanced to related parties	**–**	(5,964)
Increase in restricted cash	**(2,884)**	(47,412)
	(125,556)	(353,105)
Net cash (used in) generated from financing activities:		
Increase in pledged bank deposits	**(51,462)**	(380,000)
Proceeds from borrowings	**874,693**	1,453,887
Repayment of borrowings	**(949,534)**	(680,000)
Distribution to the then equity shareholders	**–**	(85,788)
Dividend paid to the owners of the Company	**(36,600)**	(36,600)
Loans from related parties	**–**	1,916
Repayments to related parties	**–**	(219,498)
Repayment of loans from non-controlling interest of a subsidiary	**–**	(2,179)
Controlling shareholders' contribution	**–**	65
	(162,903)	51,803
Net decrease in cash and equivalents	**(77,828)**	(170,068)
Cash and cash equivalents at 1 January	**369,995**	581,960
Effect of foreign exchange rate changes	**2,047**	(1,877)
Cash and cash equivalents at 30 June represented by bank balances and cash	**294,214**	410,015

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

1. BASIS OF PREPARATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

At 30 June 2014, the Group has net current liability of RMB354,910,000. Aoniu Mining had an unutilised banking facility of RMB400,000,000 which will be expired after 3 March 2016. The directors of the Company are satisfied that the Group will have sufficient financial resource to meet its financial obligation as they fall due for the foreseeable future after taking into account of the renewable banking facilities and internally generated funds. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

Business Combinations under Common Control:

The Acquisition of Hanking Indonesia from the Controlling Parties was completed on 4 March 2013. This event involve business combinations under common control and as a result, the consolidated financial statements of the Group throughout the six months ended 30 June 2013 has been prepared using the principles of merger accounting, and includes the results and cash flows of the companies comprising the Group 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, except that the results attributable to the owners of the group companies other than Ms. Yang Min and Mr. Yang Jiye prior to the Acquisition of Hanking Indonesia were treated as non-controlling interests.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2014

1. BASIS OF PREPARATION (continued)

Business Combinations under Common Control: (continued)

a) Acquisition of Hanking Indonesia:

Prior to the Acquisition of Hanking Indonesia, the Controlling Parties, through their direct equity interest and ownership in certain related companies which had equity interest in, effectively controlled the following companies comprising the Group:

	1 January 2013 to 4 March 2013
Hanking Indonesia	62.27%

On 4 March 2013, the Company acquired 70% equity interest of Hanking Indonesia, a company controlled by Evergreen Mining Limited, which are indirectly controlled by the Controlling Parties, at a cash consideration of RMB311,811,000. The Acquisition of Hanking Indonesia has been considered as business combinations under common control and are accounted for using the principal of merger accounting.

The consideration payable for the Acquisition of Hanking Indonesia is accounted for as deemed distribution to the Controlling Parties and recorded under current liabilities as at 30 June 2013.

Upon completion of the Acquisition of Hanking Indonesia on 4 March 2013, the Company has 70% indirect equity interest in Hanking Indonesia.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

For the six months ended 30 June 2014

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

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

- Amendments to IFRS 10, IFRS 12 and IAS 27 *Investment Entities*;
- Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities*;
- Amendments to IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*;
- Amendments to IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting*; and
- IFRIC – Int 21 *Levies*

The application of the above new Interpretation and amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and disclosures set out in these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

For the six months ended 30 June 2014

2. PRINCIPAL ACCOUNTING POLICIES (continued)

New and revised IFRSs' in issue but not yet effective

The Group has not early applied the following new and revised Standards and Interpretations that have been issued but are not yet effective:

IFRS 9	Financial Instruments[1]
IFRS 14	Regulatory Deferral Accounts[2]
IFRS 15	Revenue from Contracts with Customers[3]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle[6]
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle[4]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[5]
Amendments to IAS 27	Equity Method in Separate Financial Statements[5]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for first annual IFRS financial statements beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 July 2014
5 Effective for annual periods beginning on or after 1 January 2016
6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

The directors anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

3. SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately according to the geographical information of the operations and products. The Group has been operating in three segments, being iron mine business (the business of Shenyang Toyo Steel Utility Co., Ltd and its subsidiaries, excluding Yingkou Xinwang Alloy Furnace Charge Co., Ltd.), nickel ore business (business of Hanking Indonesia and its subsidiaries, including Yingkou Xinwang Alloy Furnace Charge Co., Ltd.) 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2014

3. SEGMENT INFORMATION (continued)

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 2014

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

Six months ended 30 June 2013

	Iron RMB'000	Nickel RMB'000	Gold RMB'000	Total 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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

For the six months ended 30 June 2014

4. OTHER EXPENSES AND LOSSES

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Impairment loss of property, plant and equipment	**12,963**	–
Impairment loss of available-for-sale financial assets	**18,751**	–
Others	**3,499**	6,379
	35,213	6,379

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Cost of inventories recognised as an expense	**374,977**	255,602
Auditors' remuneration	**500**	500
Release of prepaid lease payments	**27,626**	24,194
Depreciation and amortisation:		
– Property, plant and equipment	**90,507**	42,440
– Intangible assets	**6,772**	12,304
	97,279	54,744
Staff costs (including directors):		
– Salary and other benefits	**95,510**	93,235
– Retirement benefits scheme contributions	**9,432**	5,804
	104,942	99,039

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2014

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Income tax expenses comprise:		
PRC enterprise income tax ("EIT") – current	**42,334**	61,225
(Over) under provision of EIT in prior years	**(437)**	757
Deferred tax	**236**	1,307
	42,133	63,289

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% (2013: 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 and Hanking (Indonesia) were incorporated in the British Virgin Islands and are not subject to income tax of any jurisdiction during the period (2013: 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% (2013: 16.5%).

Hanking Australia Pty Ltd. and Hanking Gold were incorporated in Australia and Australia profits tax rate is 30% (2013: 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% (2013: 25%). They have no assessable profits subject to Indonesia profits tax during the current period (2013: nil).

7. DIVIDENDS

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Final dividend declared for 2013 RMB2.0 cents (2012: 2.0 cents) per share	**36,600**	36,600

During the current interim period, a final dividend of RMB2.0 cents per share in respect of the year ended 31 December 2013 (2013: RMB2.0 cents per share in respect of the year ended 31 December 2012) 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.

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the six months ended 30 June 2014 attributable to owners of the Company and the 1,830,000,000 shares in issue during the current period (2013: 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.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment (including capital expenditure for construction in progress) of RMB95,496,000 for business expansion in the Group.

An impairment loss amounting to RMB12,963,0000 (2013: nil) has been recognised in respect of certain equipment to the extent that the carrying amount exceeded the recoverable amount based on the best estimate by the management during period ended 30 June 2014. After the assessment by the management, no additional impairment loss is considered to be necessary during the period ended 30 June 2014.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2014

10. INTANGIBLE ASSETS

As at 30 June 2014, the Company has pledged mining rights with a net book value of approximately RMB270,331,000 (31 December 2013: RMB287,150,000) to secure the bank borrowings of RMB500,000,000 (31 December 2013: RMB500,000,000).

11. PREPAID LEASE PAYMENTS

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Analysed for the reporting purpose as:		
Current portion	**45,661**	45,123
Non-current portion	**344,585**	357,533
	390,246	402,656

The prepaid lease payments were amortised over the benefit periods from 5 to 50 years. At 30 June 2014, amount of RMB261,353,000 (31 December 2013: RMB275,843,000), represented the pre-paid rental to various farmers for iron ore mines and no land certificates for these pre-paid rental have been obtained.

12. RESTRICTED CASH

As at 30 June 2014, the restricted cash of Hanking Australia amounted to RMB49,987,000 (31 December 2013: RMB47,103,000) represented unconditional performance bonds which is administered by the Environment Division of the Department of Mines and Petroleum of Australia as security for mine operators to meet the rehabilitation requirements on its tenements.

13. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 7 days to its customers of iron ore concentrates and 15 days to its customers of nickel ore. 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 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Within 7 days	**49,345**	64,713
8 days to 3 months	**2,414**	1,329
3 months to 1 year	**114**	–
	51,873	66,042
Bills receivables	**76,588**	128,848
Total trade receivables	**128,461**	194,890
Other receivables, deposits and prepayments	**240,718**	227,250
	369,179	422,140

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Listed investment at fair value (note)	**32,022**	47,175
Impairment loss recognised	**(18,751)**	–
	13,271	47,175

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

An impairment loss of RMB18,751,000 (2013: nil) was recognised during the current period in respect of a significant decline in the fair value of one security below its cost.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2014

15. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

The pledged bank deposits at 30 June 2014 and 31 December 2013 were for the purpose of issuance of bank borrowings and notes payable and carried fixed interest rate of 2.03%-4.60% per annum.

Bank balances and cash of the Group comprise cash and short term bank deposits with an original maturity of three months or less. The bank balances carry variable interest rates of 0.35% (2013: 0.35%) per annum.

16. 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 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Within 3 months	**44,425**	44,739
3 months to 1 year	**6,318**	1,963
1 year to 2 years	**783**	4,843
2 years to 3 years	**866**	692
Over 3 years	**747**	200
	53,139	52,437
Bill payables	**12,197**	7,345
Total trade payables	**65,336**	59,782
Other payables, advances and accruals	**296,110**	292,913
	361,446	352,695

17. BANK BORROWINGS

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Fixed-rate bank loans	**720,000**	1,020,000
Floating-rate bank loans (note a)	**1,073,254**	848,095
	1,793,254	1,868,095
Secured bank loans (note b)	**1,563,254**	1,798,095
Unsecured bank loans	**230,000**	70,000
	1,793,254	1,868,095
Amount repayable:		
Due within one year (amount shown under current liabilities)	**1,308,134**	1,385,444
More than two years, but not exceeding five years (amount shown under non-current liabilities)	**485,120**	482,651
	1,793,254	1,868,095
Effective interest rates of bank borrowings	**4.20%**	4.34%

Notes:

a) The floating-rate bank loans of RMB350,000,000 carry interest at 105% of the interest rate of RMB loan promulgated by the People's Bank of China. The USD loans of RMB723,254,000 carry 3-month LIBOR plus 100-270 base points of the interest rate.

b) The bank borrowings of RMB500,000,000 (31 December 2013: RMB500,000,000) were secured by various assets including the mining rights with carrying amounts of RMB270,331,000 (31 December 2013: RMB287,150,000).

The bank borrowings of RMB340,000,000 (31 December 2013: RMB170,000,000) were guaranteed by Hanking Industrial Group Co., Ltd. ("Hanking Industrial Group") and Ms. Yang Min. Hanking Industrial Group was ultimately controlled by Ms. Yang Min.

The bank borrowings of RMB723,254,000 (31 December 2013: 330,000,000) were secured by bank deposits of RMB511,462,000 (31 December 2013: RMB460,000,000). At 31 December 2013, bank borrowings of RMB798,095,000 were secured by the letter of credit of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2014

18. CONSIDERATION PAYABLE

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Analysed for the reporting purpose as:		
Current portion	**56,062**	86,943
Non-current portion	**396,150**	355,261
	452,212	442,204

The amount as at 30 June 2014 represented:

(a) Denway Development Limited and City Globe Limited, the subsidiaries of Hanking Indonesia, acquired 75% equity interest of KS and KKU from the independent third parties during the year of 2011. City Globe Limited acquired 75% equity interest of KP from the independent third parties during the year of 2012.

As at 30 June 2014, the consideration payable of RMB260,401,000 (31 December 2013: RMB250,393,000) was recognised at amortised cost using the effective interest method at the date of acquisition. According to the acquisition agreements, it will be repaid in installment basis by reference to the progress of the mining development with the last payment fall due in the year of 2032. The amount repayable within the next twelve months is classified under current portion which is calculated based on directors' estimation on the project development progress.

(b) The remaining balance of RMB191,811,000 at 30 June 2014 and 31 December 2013 represented the consideration payable to Evergreen Mining Limited arising from the acquisition of 70% equity of Hanking Indonesia. Pursuant to the terms of agreement, the amount is repayable after the next twelve months, accordingly, the amount is classified as non-current portion.

19. SHARE CAPITAL

The amount as at 30 June 2014 and 31 December 2013, 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 2013 and 30 June 2014	10,000,000,000		
Issued:			
At 31 December 2013 and 30 June 2014	1,830,000,000	182,900	149,137

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

For the six months ended 30 June 2014

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

Financial assets/ financial liabilities	Fair value as at 30 June 2014	Fair value as at 31 December 2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Available-for-sale financial assets in the condensed consolidated statement of financial position	**Listed equity securities in Australia: RMB13,271,000**	Listed equity securities in Australia: RMB47,175,000	Level 1	Quoted bid prices in an active market	N/A	N/A

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

21. CAPITAL COMMITMENTS

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

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (unaudited)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	**102,529**	134,067

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2014

22. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales of goods to		
Dalian Huaren Trade Co., Ltd. 大連華仁貿易有限公司 (note a & d)	**17,975**	145,233
Fushun Deshan Trade Co., Ltd. 撫順德山貿易有限公司 (note b & d)	**60,724**	–
	78,699	145,233
Material purchased from		
Shanghai Hanking International Trade Co., Ltd. (note a) 上海罕王國際貿易有限公司	**-**	1,322
Processing fee paid to:		
Benxi Hanking Iron Processing Co. Ltd. (note a) 本溪罕王鐵選有限公司	**14,406**	15,969
Rental expense paid to:		
Shenyang Shengtai Property Management Co., Ltd. (note a) 瀋陽盛泰物業管理有限公司	**1,489**	2,095
Transportation fee paid to		
Fushun Mingyang Transport Co., Ltd. (note c) 撫順名揚運輸有限公司	**15,967**	12,885

Note:

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

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

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

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

DEFINITIONS OF TERMS

"Aoniu Mine"	located at Hou'an Town, Fushun City, an iron mine operated through Aoniu Mining, a subsidiary of the Company
"Aoniu Mining"	Fushun Hanking Aoniu Mining Limited (撫順罕王傲牛礦業股份有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
"Articles of Association"	the articles of association approved by the Company at the general meeting held on 16 September 2011, effective as from the time when the trading of the Company's shares commenced on the Hong Kong Stock Exchange and as amended from time to time
"AUD"	the lawful currency of Australia
"Australia"	The Commonwealth of Australia
"Benxi Mine"	located at Benxi City, an iron mine operated through Benxi Mining, a subsidiary of the Company
"Benxi Mining"	Benxi Hanking Mining Co., Ltd. (本溪罕王礦業有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
"Board"	the board of Directors
"BVI"	the British Virgin Islands
"China" or "PRC"	the People's Republic of China. Unless the context requires, references in this report to the PRC or China do not include Hong Kong, Macau Special Administrative Region and Taiwan
"the Company" or "our Company" or "we"	China Hanking Holdings Limited
"Directors"	the directors of the Company
"EBITDA"	the abbreviation of earnings before interest, taxes, depreciation and amortization
"the Group"	the Company and its subsidiaries
"Hanking Gold"	Hanking Gold Mining Pty Ltd, a limited liability company established in Australia and a wholly-owned subsidiary of the Company

DEFINITIONS OF TERMS
(CONTINUED)

"Hanking (Indonesia)"	Hanking (Indonesia) Mining Limited (formerly known as Northeastern Lion Limited), a limited company established in the BVI, a non wholly-owned subsidiary of the Company
"HK$"	the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Indonesia"	The Republic of Indonesia
"Indonesia nickel ore project"	Indonesia laterite nickel project operated by KKU, KP and KS
"Indonesian Rupiah"	the lawful currency of Indonesia
"JORC"	Australasian Joint Ore Reserves Committee
"KKU"	PT Karyatama Konawe Utara, a company established in Indonesia, an indirectly non wholly-owned subsidiary of the Company
"KP"	PT Konutara Prima, a company established in Indonesia, an indirectly non wholly-owned subsidiary of the Company
"KS"	PT Konutara Sejati, a company established in Indonesia, an indirectly non wholly-owned subsidiary of the Company
"Listing Rules"	The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (as amended from time to time)
"Maogong Mine"	located at Shiwen Town, Fushun City, an iron mine operated through Maogong Mining, a subsidiary of the Company
"Maogong Mining"	Fushun Maogong Mining Co., Ltd. (撫順罕王毛公鐵礦有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
"RMB"	Renminbi Yuan, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended from time to time)
"Shangma Mine"	located at Fushun Shangma, an iron mine operated through Fushun Shangma, a subsidiary of the Company

DEFINITIONS OF TERMS
(CONTINUED)

"Fushun Shangma"	Fushun Hanking Shangma Mining Company Limited (撫順罕王上馬礦業有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
"SXO Gold Project"	the Southern Cross Operation Gold Project located at the center of Yilgarn goldfield in Western Australia (Southern Cross Operation, abbreviated as SXO)
"US$" or "US dollars"	United States dollars, the lawful currency of the United States
"Xingzhou Mine"	located at Dongzhou District, Fushun City, an iron mine operated through Xingzhou Mining, a subsidiary of the Company
"Xingzhou Mining"	Fushun Xingzhou Mining Co., Ltd. (撫順興洲礦業有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company