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CHINA HANKING HOLDINGS LIMITED

中國罕王控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 03788)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

RESULTS HIGHLIGHT

1. The gold project in Australia has obtained all environmental protection approvals for mine development

The Company's Mt Bundy Gold Project in Australia received the environmental protection approval for the open-pit gold mine in the first half of 2023, and together with the environmental protection approval for the underground-pit gold mine received previously, all environmental protection approvals for the mine development of this gold project have been obtained. One of the most stringent approval procedures for gold mining project has been completed, and the Company is making full efforts to promote the development and construction of our mines.

2. High-purity iron business resumed normal and continuous production, with significant increase in production and sales volume

The Company's high-purity iron business resumed normal and continuous production in 2023 after experiencing factors such as power restriction and epidemic control. In the first half of 2023, the output of high-purity iron was 420,000 metric tons, representing an increase of 47.37% over the same period last year, and its sales volume was 448,000 metric tons, representing an increase of 78.49% over the same period last year, among which the sales volume of wind power ductile casting iron accounted for approximately 86% of the total sales volume, which has further consolidated Hanking's industry position as the largest supplier of wind power ductile casting iron in China.

3. Iron ore business drives its development by scientific and technological innovation

The Company's iron ore business, on the basis of stable operation, insists on driving its development by scientific and technological innovation. Taking the construction of smart mine as the starting point, the Company has improved its efficiency of production management and control and operation management through scientific and technological means as a whole, from bottom-level production, middle-level management to high-level decision-making. At the same time, we focus on the investment in product research and development, with a view to expanding the application field of products and improving the added value of products.

MAJOR FINANCIAL DATA AND INDICATORS

	For the six months ended 30 June		Change
	2023	2022	
Revenue (RMB thousand)	1,494,059	1,357,641	10.05%
Profit for the period attributable to owners of the Company (RMB thousand)	33,654	47,830	-29.64%
Earnings per Share (RMB cent)	1.7	2.5	-32.00%
Interim dividend (HKD per Share)	0.02	0.02	0.00%
Net margin	2.23%	3.22%	Down 0.99 percentage points
Return on net assets	2.56%	2.94%	Down 0.38 percentage points

The Board of China Hanking Holdings Limited hereby announced the unaudited consolidated results of the Group for the six months ended 30 June 2023 (the “**2023 Interim Results**”). The 2023 Interim Results have been reviewed by the audit committee of the Company (the “**Audit Committee**”) and Deloitte Touche Tohmatsu, the auditor of the Company, and have been approved by the Board on 23 August 2023.

OPERATION REVIEW

I. HIGH-PURITY IRON BUSINESS

1. Industry situation

According to the statistical data of the national electric power industry released by the National Energy Administration, in the first half of 2023, the cumulative installed capacity of wind power in China was 389.21 GW, representing a year-on-year increase of 13.7%, and the newly-added installed capacity of wind power was 22.99 GW, representing a year-on-year increase of 77.7%, of which the newly-added installed capacity in June was 6.63 GW, representing a year-on-year increase of 212.7%. From the perspective of bidding volume from forward-looking indicators, the total bidding volume of wind power in China in 2022 was 86.9 GW, representing a year-on-year increase of 60.6%, hitting a record high. From January to June 2023, the total bidding volume of wind power in China was 34.5 GW, representing a year-on-year decrease of 22%, but still maintained at a relatively high level. China Renewable Energy Society (中國可再生能源學會) expects the average annual newly-added installed capacity in China will be 60-70 GW from 2023 to 2025, which is a significant increase from newly-added installed capacity of 38 GW in 2022. The growth in bidding volume and installed capacity of wind power will boost the market demand for wind power castings.

2. Operation status

The Company's high-purity iron business has an annual production capacity of 930,000 metric tons. In 2023, it resumed normal and continuous production after experiencing factors such as power restriction and epidemic control. In the first half of 2023, the output of high-purity iron was 420,000 metric tons, representing an increase of 47.37% over the same period last year, and its sales volume was 448,000 metric tons, representing an increase of 78.49% over the same period last year, among which the sales volume of wind power ductile casting iron accounted for approximately 86% of the total sales volume. Continuous production ensured the long-term stable and smooth operation of blast furnace, and the hit rate of varieties of iron was improved accordingly.

In the first half of 2023, affected by the factors such as production reduction of upstream wind power casting enterprises in China and the fierce competition in the high-purity pig iron industry, the average selling price of the Company's high-purity iron was RMB3,199/metric ton, representing a year-on-year decrease of 18.16%, while the average cost of sales was RMB3,190/metric ton, representing a year-on-year decrease of 21.12%. The gross profit of high-purity iron business was RMB4,325,000, representing a year-on-year increase of 117.90%, and its gross margin was 0.30%, representing a year-on-year increase of 2.55 percentage points. Both gross profit and gross margin turned from negative to positive.

In the first half of 2023, in terms of sales side, the Company continued to improve the quality of its wind power ductile casting iron products to stabilize its existing customers, and produced customized and differentiated products meeting the needs of different customers to explore new customers. In terms of procurement side, the Company actively identified and newly introduced a number of coke and iron ore concentrate suppliers to reduce the procurement cost of raw materials while ensuring a stable supply of raw materials and meeting the quality requirements, aiming to strive to reduce costs and increase efficiency.

Operation breakdown of high-purity iron business

	For the six months ended		
	30 June		
	2023	2022	Change
Output (thousand metric tons)	420	285	47.37%
Sales volume (thousand metric tons)	448	251	78.49%
Average selling price (RMB per metric ton)	3,199	3,909	-18.16%
Average cost of sales (RMB per metric ton)	3,190	4,044	-21.12%
Revenue (RMB thousand)	1,434,175	1,074,676	33.45%
Gross profit (RMB thousand)	4,325	-24,158	117.90%
			Up 2.55 percentage points
Gross margin	<u>0.30%</u>	<u>-2.25%</u>	<u>points</u>

II. IRON ORE BUSINESS

1. Industry situation

In the first half of 2023, the price of iron ore showed a trend of first rising, then falling, and then bottoming out and rebounding. At first, affected by the positive market macro expectations and the winter storage of raw materials in steel mills, steel mills gradually increased their enthusiasm for production, driving up prices in the black metal sector. Subsequently, due to the low performance of actual macro data and the deepening of losses in steel mills triggered by the negative feedback from downstream finished raw materials, the price of iron ore was under pressure to move downward. Finally, due to the demand for finished raw materials showing the characteristics of “remained resilient in the off-season”, the demand for iron ore maintained at a high level, and the price of iron ore also rebounded. Weak demand for steel in the first half of the year led to continued pressure on industry earnings, while the demand from real estate continued to slump, infrastructure and manufacturing industry have become the main driving force for upward demand for steel.

2. Operation status

Science and technology improve management efficiency

As a state-level “High-tech Enterprise” and a professional, advanced and specialized new “Little Giant” enterprise in Liaoning Province, Aoniu Mining takes the construction of smart mine as the starting point to improve its efficiency of production management and control and operation management through scientific and technological means. In the first half of 2023, the Company further improved the software and hardware construction of the smart mine system in major aspects such as the intelligent operation and maintenance system for high-pressure grinding roller and shaft elevator, production and operation management, and energy management, and expanded the application scenarios. In April, Aoniu Mining declared the “Intelligent Mineral Processing Digital Workshop in Maogong Mine of Hankang” project as the Liaoning Province’s 2023 provincial “Digital Workshop” project.

In the first half of 2023, although the decrease in iron ore concentrate production led to an increase in fixed costs per metric ton, we benefited from the improvement in production management and control efficiency brought about by the smart mine system, and managed to control cash operation costs per metric ton of iron ore concentrate at RMB386, representing a year-on-year increase of only RMB15 or 4.04%.

Breakdown of cash operation costs of the iron ore business

	For the six months ended		
	30 June		
	2023	2022	Change
	(RMB/metric ton of iron ore concentrate)	(RMB/metric ton of iron ore concentrate)	
Mining	187	176	6.25%
Processing ^{note 1}	99	73	35.62%
Transportation ^{note 2}	12	22	-45.45%
Tax ^{note 3}	56	68	-17.65%
Mine management	32	32	0.00%
Total	<u>386</u>	<u>371</u>	<u>4.04%</u>

- Notes:
1. Replacement of the roller sleeves of high-pressure roller and a year-on-year decrease in the output of iron ore concentrate during the period resulted in an increase in the cost per metric ton of processing.
 2. The change in sales volume to different customers resulted in lower transportation cost per metric ton.
 3. The decrease in sales price of iron ore concentrate per metric ton resulted in lower tax expense per metric ton.

Due to the suspension of production caused by land formalities in mines, in the first half of 2023, the Group's iron ore concentrate output was 398,000 metric tons, representing a year-on-year decrease of 11.36%. The iron ore business has resumed normal production since the mid-May 2023, with a planned annual output of 950,000 metric tons of iron ore concentrate. In the first half of 2023, the Group's sales of iron ore concentrate amounted to 389,000 metric tons, representing a year-on-year decrease of 14.88%. The average selling price was RMB965/metric ton, representing a year-on-year decrease of 12.75%. Affected by the decline in sales volume and average selling price of iron ore concentrate, the iron ore business achieved a gross profit of RMB197,070,000, representing a year-on-year decrease of 37.70%; the gross margin was 52.53%, representing a year-on-year decrease of 10.04 percentage points.

Operation breakdown of the iron ore business

	For the six months ended		
	30 June		
	2023	2022	Change
Output (thousand metric tons)	398	449	-11.36%
Sales volume (thousand metric tons)	389	457	-14.88%
Average selling price (RMB per metric ton)	965	1,106	-12.75%
Average cost of sales (RMB per metric ton)	458	414	10.63%
Revenue (RMB thousand)	375,167	505,510	-25.78%
Gross profit (RMB thousand)	197,070	316,316	-37.70%
Gross margin	52.53%	62.57%	Down 10.04 percentage points

Innovation to improve added value of products

The Company emphasized on investment in product research and development, actively expanded the research and development and sales of high-grade iron ore concentrates, and further researched and developed other deep-processed products, with a view to expanding the application fields of its products and increasing the added value of its products.

3. Resources and reserves

The Company is committed to identifying new ores in the existing mines and surrounding areas in order to procure high-quality resources at a lower cost. In the first half of 2023, the Company's focus remained on advancing exploration work at the Shangma and Maogong mining areas as planned. On the basis of the exploration work in 2021 and 2022, the Company has effectively carried out systematic detailed investigation and exploration of concealed ore bodies in the deep part of the mining area based on the regional regularity of ore formation and the established ore identification model. The exploration results gained for more than two years have shown that the prospect of ore identification in the mining area is very broad. In addition to the considerable amount of resources found in the deep part of the Shangma mining area that has already been explored, there are also potential and valuable exploration areas to find a number of similar ore bodies in its periphery, which can provide the basis for the overall planning of the mine and the subsequent ore identification in the future.

The Group is in the process of calculating the resource data on the basis of the previous exploration work. As at the end of June 2023, the iron ore resources and reserves of the Group had no material change as compared to the data as at the end of 2022.

III. GOLD BUSINESS IN AUSTRALIA

1. Industry situation

Since November 2022, the gold price has started to rise from US\$1,629/ounce, and reached a peak of US\$2,081/ounce in May 2023. As of 30 June 2023, Loco-London gold in the first half of the year was generally strong in the range of US\$1,804-2,081/ounce, with an increase of 5.3%. Gold has multiple attributes such as commodity, currency, finance and risk aversion. Under the influence of multiple factors such as the Federal Reserve's gradual entry into the final stage of interest rate hike, inflation in Europe and the US remaining resilient, the pressure on the global economy, and geopolitical conflicts, etc., all favoured the upward movement of the price of gold.

2. Operation status

In the first half of 2023, the Company's Mt Bundy Gold Project in the Northern Territory of Australia received environmental protection approvals for its Rustlers Roost and Quest 29 open-pit gold mines, and together with the environmental protection approval for the Tom's Gully underground-pit gold mine received in 2020, all environmental protection approvals for the mine development of this gold project have been obtained. This marks the completion of one of the most stringent approval procedures for gold mining projects in the Northern Territory.

The Mt Bundy Gold Project was awarded as a "Major Project" by the Northern Territory Government in 2020 and, with strong support from the Government, the Company has commenced the initial work of mine construction, including the construction of a new bridge, the completion of engineering geological drilling for the plant foundation and tailings pond, the installation of drainage system for the Rustlers Roost pit and commencement of drainage, and the construction of a high-quality water purification treatment plant. Currently, the local power grid is being connected to the mining area.

The definitive feasibility study for the gold project is progressing on schedule and several significant improvements have been made, including the organic combination of open-pit mine and underground-pit mine to build a central processing plant with an annual processing capacity of 5 million metric tons of ore. Through a large number of mineral processing and grinding tests, the gold recovery rate in the pre-feasibility study report is targeted to increase from 85% to over 88%, and the grinding granularity is targeted to increase from 75 microns to 106 microns. These improvements will further reduce energy costs and capital expenditures, and significantly improve the overall economic benefits of the project. The definitive feasibility study report is expected to be completed in September 2023.

As the Group's gold business is still under pre-production preparation, no sales were recorded during the first half of 2023. For the six months ended 30 June 2023, the capital expenditure of the gold business was RMB12,546,000 (in the first half of 2022: RMB8,114,000), which was mainly used for the environmental impact assessment and exploration expenses of the gold deposits.

3. Resources and reserves

In the first half of 2023, the Group's gold business designed a new phase of drilling plan, including diamond drills for mineral processing and RC drills for ore identification, and established drilling contracts. Field laying of holes and drilling work has commenced.

In the first half of 2023, the gold resources and reserves of the Group had no material change as compared to the data as at the end of 2022.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

As of 30 June 2023, the Group did not have any concrete plans to make any material investment or acquire capital assets other than those carried out in its ordinary course of business. The Group will keep abreast of the changing market conditions and proactively identify investment opportunities in order to broaden the revenue base of the Group and enhance its future financial performance and profitability.

FINANCIAL REVIEW

1. Revenue, Cost of Sales, Gross Profit

In the first half of 2023, revenue of the Group was RMB1,494,059,000, representing an increase of RMB136,418,000 or 10.05% as compared to the corresponding period of last year. The increase was mainly attributable to: 1) the sales volume of high-purity iron for the period increased by 197,000 metric tons as compared to the corresponding period of last year and the sales price of high-purity iron for the period decreased by RMB710/metric ton as compared to the corresponding period of last year, which resulted in an increase in revenue by RMB359,499,000; and 2) the sales price of iron ore concentrate for the period decreased by RMB141/metric ton as compared to the corresponding period of last year and the sales volume of iron ore concentrate for the period decreased by 68,000 metric tons as compared to the corresponding period of last year, which resulted in a decrease in revenue by RMB130,343,000.

In the first half of 2023, cost of sales incurred by the Group amounted to RMB1,271,973,000, representing an increase of RMB183,868,000 or 16.90% as compared to the corresponding period of last year, mainly attributable to the combined effect of an increase in sales volume of high-purity iron for the period by 197,000 metric tons as compared to the corresponding period of last year and a decrease in unit cost for the period by RMB854/metric ton as compared to the corresponding period of last year.

In the first half of 2023, gross profit of the Group was RMB222,086,000, representing a decrease of RMB47,450,000 or 17.60% over the corresponding period of last year. As compared to the corresponding period of last year, gross margin of the Group declined from 19.85% to 14.86% during the first half of 2023.

Analysis on the revenue by major products

	For the six months ended 30 June 2023				For the six months ended 30 June 2022			
	RMB'000				RMB'000			
	Iron Ore Business	High-purity Iron Business	Others	Total	Iron Ore Business	High-purity Iron Business	Others	Total
Iron Ore								
Concentrates	58,850	-	-	58,850	284,200	95,540	-	379,740
High-purity Iron	-	1,431,253	-	1,431,253	-	972,506	-	972,506
Others	1,075	1,777	1,104	3,956	635	4,356	404	5,395
Total	<u>59,925</u>	<u>1,433,030</u>	<u>1,104</u>	<u>1,494,059</u>	<u>284,835</u>	<u>1,072,402</u>	<u>404</u>	<u>1,357,641</u>

2. Other Income, Other Expense, Other Gains and Losses and Expected Credit Loss

In the first half of 2023, other income of the Group was RMB10,309,000, representing a decrease of RMB1,250,000 or 10.81% as compared to the corresponding period of last year. Other income mainly represented interest income.

In the first half of 2023, other losses and other expense of the Group were RMB1,417,000, representing a decrease of RMB1,094,000 or 43.57% as compared to the corresponding period of last year. Other losses mainly consisted of the impairment loss of assets, foreign exchange losses, disposal gains or losses of available-for-sale financial assets, net gain or loss from disposal of properties, plants and equipment, and other overheads, etc. Other expense represented donation expenditure.

In the first half of 2023, the reversal of impairment loss under the Group's expected credit loss model was RMB631,000, representing a decrease of RMB2,187,000 or 77.61% as compared to the corresponding period of last year, mainly due to the fact that the Group has, upon more due consideration, made provision for an impairment loss on receivables under expected credit loss model according to the historical settlement pattern, industry practice, the Group's historical actual loss experience and general economic conditions of the industry in which the debtors operate.

3. Distribution and Selling Expenses, Administrative Expenses

In the first half of 2023, the distribution and selling expenses of the Group were RMB45,886,000, representing an increase of RMB10,210,000 or 28.62% as compared to the corresponding period of last year, which was mainly due to 1) the increase in sales volume of high-purity iron of 197,000 metric tons as compared to the corresponding period of last year, resulted in an increase of RMB15,480,000 in the distribution and selling expenses; and 2) the sales volume of iron ore concentrate decreased by 68,000 metric tons as compared to the corresponding period of last year, resulted in a decrease of RMB5,375,000 in the distribution and selling expenses. Selling and distribution expenses consisted of transportation expenses, labour expenses and others.

In the first half of 2023, the administrative expenses of the Group were RMB104,754,000, representing an increase of RMB11,804,000 or 12.70% as compared to the corresponding period of last year. Administrative expenses included remuneration paid to the management and administrative staff of the Group, depreciation and amortization, leasing and office expenses, business development expenses, professional consultation and service expenses, taxation expenses, bank charges and others.

4. Finance Costs and Income Tax Expense

In the first half of 2023, the finance costs of the Group amounted to RMB35,141,000, representing a decrease of RMB5,736,000 or 14.03% as compared to the corresponding period of last year, mainly due to a decrease in discount expenses. Finance costs included interest expenses on bank borrowing, discount expenses and other finance expenses.

In the first half of 2023, the income tax expense of the Group was RMB7,999,000, representing a decrease of RMB54,720,000 or 87.25% as compared to the corresponding period of last year. Income tax expense included the total amount of current tax payable and deferred tax. During the same period last year, the recognition of Aoni Mining as a national high and new technology enterprise expired, therefore it was temporarily subject to enterprise income tax at a rate of 25%. At the end of 2022, Aoni Mining was re-accredited as a national high and new technology enterprise.

5. Profit for the Period and Total Comprehensive Income

Based on the above, in the first half of 2023, the Group's profit for the period was RMB33,349,000, representing a decrease of RMB10,401,000 or 23.77% as compared to the corresponding period of last year.

Based on the profit for the period, and affected by foreign currency translation, the total comprehensive income in the first half of 2023 was RMB38,554,000, representing a decrease of RMB5,312,000 or 12.11% as compared to the corresponding period of last year.

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

As at 30 June 2023, the net value of property, plant and equipment of the Group was RMB777,383,000, representing a decrease of RMB45,001,000 or 5.47% as compared to that as at the end of the previous year.

As at 30 June 2023, the inventories of the Group were RMB226,759,000, representing a decrease of RMB168,270,000 or 42.60% as compared to that as at the end of the previous year, mainly due to the decrease in inventory of high-purity iron business.

As at 30 June 2023, the intangible assets of the Group were RMB433,244,000, representing an increase of RMB17,475,000 or 4.20% as compared to that as at the end of the previous year, mainly due to the exploration expense of the iron ore and gold during the period.

7. Trade and Other Receivables, Trade and Other Payables

As at 30 June 2023, trade receivables of the Group were RMB85,138,000, representing a decrease of RMB2,868,000 as compared to that as at the end of the previous year.

As at 30 June 2023, other receivables of the Group were RMB113,812,000, representing a decrease of RMB8,603,000 as compared to that as at the end of the previous year.

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

As at 30 June 2023, bills receivables of the Group (bank acceptance bills) were RMB257,634,000, representing an increase of RMB143,235,000 as compared to that as at the end of the previous year, of which undiscounted and unendorsed bank acceptance bills were RMB99,883,000. Such bills can be discounted at any time to satisfy the Group's capital requirement.

As at 30 June 2023, trade payables of the Group were RMB176,138,000, representing an increase of RMB10,105,000 as compared to that as at the end of the previous year. As at 30 June 2023, other payables of the Group were RMB172,009,000, representing a decrease of RMB49,918,000 as compared to that as at the end of the previous year, mainly due to the payment of consideration payable of RMB33,200,000 during the period.

8. Cash Use Analysis

The summary of the Group's consolidated statement of cash flows in the first half of 2023 is set out below:

	For the six months ended	
	30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash flows from operating activities	145,992	96,800
Net cash flows from investing activities	(444,758)	61,430
Net cash flows from financing activities	346,751	(241,888)
Net increase/(decrease) in cash and cash equivalents	47,985	(83,658)
Cash and cash equivalents at the beginning of the period	134,411	279,491
Effect of changes in foreign exchange rate on cash and cash equivalents	1,694	1,891
Cash and cash equivalents at the end of the period	184,090	197,724

In the first half of 2023, the net cash inflow from operating activities was RMB145,992,000. The amount was mainly attributed to the profit before tax of RMB41,348,000, together with depreciation and amortization of RMB81,545,000, finance costs of RMB35,141,000 and the net change in working capital of RMB10,181,000, which were offset by the payment of income tax of RMB15,218,000.

In the first half of 2023, the net cash outflow from investing activities amounted to RMB444,758,000. The amount mainly included the amount of RMB20,087,000 paid for the addition of plant and equipment as well as acquisition of properties in order to achieve expansion of production capacity and technological upgrade, the amount of RMB37,545,000 paid for the acquisition of intangible assets, the amount of RMB33,200,000 as consideration payable for the acquisition of subsidiaries, the amount of RMB37,916,000 as payment for the investment in an associate and the net placement of borrowings and bills deposits of RMB322,015,000.

In the first half of 2023, the net cash inflow from financing activities was RMB346,751,000, which was mainly from the new bank borrowings of RMB389,707,000, the repayment of bank borrowings of RMB216,500,000, proceeds from notes financing of RMB770,000,000, payments for notes financing of RMB490,000,000 and the settlement of loan interest of RMB34,416,000.

9. Cash and Borrowings

As at 30 June 2023, the available cash and bank acceptance bills of the Group amounted to RMB283,973,000, representing an increase of RMB133,015,000 or 88.11% as compared to the end of last year.

Breakdown of Available Cash and Bank Acceptance Bills

	30 June 2023	31 December 2022	Changes	
	<i>RMB'000</i>	<i>RMB'000</i>	Amount	Ratio
			<i>RMB'000</i>	
Cash and bank balance	184,090	134,411	49,679	36.96%
Bank acceptance bills (undiscounted and unendorsed)	99,883	16,547	83,336	503.63%
Available cash and bank acceptance bills	<u>283,973</u>	<u>150,958</u>	<u>133,015</u>	<u>88.11%</u>

As at 30 June 2023, bills payables and borrowings of the Group amounted to RMB1,050,000,000 and RMB771,054,000, respectively, and the amount net of borrowings and bills deposits was RMB775,622,000, representing an increase of RMB130,639,000 or 20.25% as compared to the end of last year.

Breakdown of Borrowings and Bills Payables

	30 June 2023	31 December 2022	Changes	
	<i>RMB'000</i>	<i>RMB'000</i>	Amount	Ratio
			<i>RMB'000</i>	
Borrowings –				
due within one year	595,054	541,400	53,654	9.91%
Borrowings –				
due after one year	176,000	57,000	119,000	208.77%
Subtotal	771,054	598,400	172,654	28.85%
Bills payables	1,050,000	770,000	280,000	36.36%
Total	1,821,054	1,368,400	452,654	33.08%
Less: borrowings and				
bills deposits	1,045,432	723,417	322,015	44.51%
Net borrowings and				
bills payables	775,622	644,983	130,639	20.25%

Save for the information disclosed above or otherwise in this announcement, the Group has no outstanding mortgage, pledge, debentures or other loan capital issued or agreed to be issued, bank overdrafts, loans, liabilities under acceptance or other similar liabilities, hire purchase and finance lease commitments, or any guarantees or other material contingent liabilities. The Directors have confirmed that, save as disclosed above, there was no material change in the debts or contingent liabilities of the Group since 31 December 2022.

10. Gearing Ratio

The gearing ratio, as calculated by dividing total liabilities by total assets, of the Group increased from 61.90% as at 31 December 2022 to 64.60% as at 30 June 2023.

The Group's net gearing ratio increased from 39.85% as at 31 December 2022 to 44.84% as at 30 June 2023. The net gearing ratio is calculated by dividing net borrowings and bills payables net of borrowings and bills deposits as well as bank balance and cash by total equity.

11. Major Risks

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

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

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

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

12. Pledge of Assets and Contingent Liabilities

Some of the bank borrowings and bills payables of the Group are secured by bank deposits, property, plant and equipment, mining rights as well as right-of-use assets. As at 30 June 2023, the net carrying value of the pledged bank deposits, property, plant and equipment, mining rights and right-of-use assets amounted to RMB1,045,432,000, RMB37,404,000, RMB53,960,000 and RMB5,733,000, respectively.

As at 30 June 2023, the Group had no material contingent liabilities.

13. Capital Commitment

As at 30 June 2023, the capital commitment of the Group was RMB14,416,000, representing an increase of RMB10,576,000 or 275.42% as compared to the end of last year. The capital commitment mainly consisted of engineering expenditures of RMB13,150,000 for the high-purity iron business.

14. Capital Expenditure

The Group's capital expenditure decreased from RMB53,414,000 in the first half of 2022 to RMB44,960,000 in the first half of 2023, representing a year-on-year decrease of 15.83%. Expenditure incurred in the first half of 2023 mainly included (i) expenditure for plants, machines and equipment and properties amounting to RMB17,904,000; (ii) expenditure for intangible assets amounting to RMB22,545,000; and (iii) increase of RMB4,511,000 in right-of-use assets.

15. Significant Investments Held

As at 30 June 2023, the Group did not hold any significant investments.

16. Material Acquisitions and Disposals of Subsidiaries, Associated Companies and Joint Ventures

The Group had no material acquisitions or disposals of subsidiaries, associated companies and joint ventures during the first half of 2023.

17. Significant Subsequent Events

Save as disclosed in this announcement, there were no other significant events taken place subsequent to the end of the six months ended 30 June 2023.

OTHERS

Corporate Governance

Save as disclosed herein, during the six months ended 30 June 2023, the Company has complied with the principles and all the applicable code provisions of Part 2 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules and, meanwhile, complied with most of the best practices as recommended therein.

With effect from 20 March 2018, Mr. Yang Jiye, the chairman of the Board of the Company, has assumed the role of CEO and President of the Company. Although this is not in compliance with the requirements under code provision C.2.1 of Part 2 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, the Company believes that vesting the roles of both chairman of the Board and CEO in Mr. Yang Jiye can provide strong and consistent leadership and enable more effective planning and better execution of long-term business strategies, which is beneficial to the overall development of the Company. As required under the decision-making framework of the Company, all significant decisions shall be made by all Directors to ensure balance of power and authority. The Company will decide whether to appoint another person as the CEO based on the business operation when appropriate.

Model Code for Securities Transactions by Directors of Listed Issuers

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. Specific enquiries have been made to all Directors and the relevant employees of the Company, who have confirmed that they have complied with the Model Code and the Company Guideline throughout the six months period ended 30 June 2023.

Purchase, Sale or Redemption of Listed Securities of the Company

The Company adopted a restricted share award scheme on 29 August 2019, which shall be valid and effective for a period of 10 years. For the six months ended 30 June 2023, the trustee, as instructed by the Board, purchased 2,900,000 Shares on the market at the total consideration of HKD2,299,590. The trustee holds these Shares pursuant to the rules of the scheme and the terms of the deed of trust. As of the date of this announcement, no Shares have been granted to the selected participants under this scheme.

Save as disclosed above, for the six months ended 30 June 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Audit Committee

During the period from 1 January 2023 to 30 June 2023, the Audit Committee comprised two independent non-executive Directors, namely Mr. Wang Ping (Chairman of the Audit Committee) and Dr. Wang Anjian, and one non-executive Director, namely Mr. Kenneth Lee.

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

The Audit Committee, which has reviewed the 2023 Interim Results which has not been audited by independent auditor, believes that the interim results have been prepared in accordance with the accounting standards, rules and regulations adopted, and made appropriate disclosure.

Interim Dividend

The Board recommended the payment of an interim dividend of HKD0.02 per Share for the six months ended 30 June 2023 to the Shareholders. It is expected that the interim dividend will be paid to the Shareholders by 20 October 2023.

Closure of Register of Members

In order to determine the Shareholders who are entitled to receive the interim dividend, the register of members of the Company will be closed from Monday, 9 October 2023 to Thursday, 12 October 2023, both days inclusive, during which period no transfer of Shares will be registered. For unregistered Shareholders who wish to be eligible to receive the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 6 October 2023. Shareholders whose names appear on the register of members of the Company on Thursday, 12 October 2023 will be entitled to receive the interim dividend.

Publication of Interim Results and Report

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

The Company's 2023 interim report containing all the information required under the Listing Rules will be dispatched to the Shareholders and will be published on the websites of the Company and Hong Kong Stock Exchange in due course.

Acknowledgement

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

FINANCIAL STATEMENTS AND NOTES

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	NOTES	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	3A	1,494,059	1,357,641
Cost of sales		(1,271,973)	(1,088,105)
Gross profit		222,086	269,536
Other income	4	10,309	11,559
Other gains and losses	5	(617)	(2,511)
Impairment losses under expected credit loss model, net of reversal		631	2,818
Distribution and selling expenses		(45,886)	(35,676)
Administrative expenses		(104,754)	(92,950)
Research and development expenses		(2,075)	(2,894)
Other expense		(800)	–
Share of results of associates		(2,405)	(2,536)
Finance costs		(35,141)	(40,877)
Profit before tax		41,348	106,469
Income tax expense	7	(7,999)	(62,719)
Profit for the period	6	33,349	43,750

		Six months ended 30 June	
	<i>NOTE</i>	2023	2022
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		<u>5,205</u>	<u>116</u>
Other comprehensive income for the period		<u>5,205</u>	<u>116</u>
Total comprehensive income for the period		<u>38,554</u>	<u>43,866</u>
Profit (loss) for the period attributable to:			
Owners of the Company		33,654	47,830
Non-controlling interests		<u>(305)</u>	<u>(4,080)</u>
		<u>33,349</u>	<u>43,750</u>
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		38,796	47,964
Non-controlling interests		<u>(242)</u>	<u>(4,098)</u>
		<u>38,554</u>	<u>43,866</u>
Basic and diluted earnings per share (RMB cent per share)	9	<u>1.7</u>	<u>2.5</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	<i>NOTES</i>	30 June 2023	31 December 2022
		RMB'000	RMB'000
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment		777,383	822,384
Goodwill		209,132	209,132
Intangible assets		433,244	415,769
Right-of-use assets		195,914	200,378
Interests in associates		84,993	34,556
Financial assets at fair value through profit or loss ("FVTPL")		1,631	2,114
Deferred tax assets		48,295	35,621
Deposits on acquisition of property plant and equipment		20,661	12,943
Restricted deposits		37,047	36,405
Pledged bank deposits		72,000	–
Investment deposit		–	7,542
Amount due from a related party		6,047	7,283
		<u>1,886,347</u>	<u>1,784,127</u>
Current assets			
Inventories		226,759	395,029
Trade and other receivables	10	198,950	210,421
Receivables at fair value through other comprehensive income ("FVTOCI")	11	257,634	114,399
Financial assets at FVTPL		–	1,000
Pledged bank deposits		973,432	723,417
Cash and cash equivalents		184,090	134,411
		<u>1,840,865</u>	<u>1,578,677</u>

	<i>NOTES</i>	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Current liabilities			
Trade, bills and other payables	<i>12</i>	1,398,147	1,157,960
Amount due to a related party		10,113	63,438
Borrowings	<i>13</i>	595,054	541,400
Lease liabilities		3,315	4,622
Contract liabilities		87,276	111,800
Tax liabilities		82,233	76,778
Deferred income		–	437
		<u>2,176,138</u>	<u>1,956,435</u>
Net current liabilities		<u>(335,273)</u>	<u>(377,758)</u>
Total assets less current liabilities		<u>1,551,074</u>	<u>1,406,369</u>
Capital and reserves			
Share capital	<i>14</i>	160,203	160,203
Reserves		1,152,327	1,114,157
Equity attributable to owners of the Company		1,312,530	1,274,360
Non-controlling interests		6,734	6,976
Total equity		<u>1,319,264</u>	<u>1,281,336</u>
Non-current liabilities			
Borrowings	<i>13</i>	176,000	57,000
Lease liabilities		3,404	5,153
Provisions		42,406	42,880
Other long-term liabilities		10,000	20,000
		<u>231,810</u>	<u>125,033</u>
		<u>1,551,074</u>	<u>1,406,369</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

1. BASIS OF PREPARATION

A. General Information

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

B. Going Concern Assessment

The Directors have given careful consideration to the going concern of the Group in light of the fact that as at 30 June 2023, the Group’s current liabilities exceeded its current assets by RMB335,273,000. In addition, as at 30 June 2023 the Group had capital commitments contracted for but not provided in the condensed consolidated financial statements amounting to RMB14,416,000.

As at 30 June 2023, the Group had available conditional banking facilities of RMB460,000,000 (“**Conditional Facilities**”). The utilisation of these Conditional Facilities are subject to approval on a case-by-case basis. The Directors are confident that the Group would be successful in obtaining approval in respect of these Conditional Facilities according to its historical successful experience and the relevant terms and conditions to drawdown. The Directors are also confident that a significant portion of the Group’s bank borrowings can be successfully renewed upon maturity in view of the Group’s historical successful experiences in refinancing the expiring debts.

Subsequent to the end of the reporting period and up to the date of issuance of the condensed consolidated financial statements, the Group has renewed borrowings of RMB180,000,000.

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of new and amendments to International Financial Reporting Standards (“IFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2022.

Application of amendments to IFRSs

In the current interim period, the Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board, for the first time, which are mandatory effective for the annual period beginning on 1 January 2023 for the preparation of the Group’s condensed consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two model Rules

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

3A. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of revenue from contracts with customers

	For the six months ended 30 June 2023			
	Iron Ore Business RMB’000 (Unaudited)	High-purity Iron Business RMB’000 (Unaudited)	Others RMB’000 (Unaudited)	Total RMB’000 (Unaudited)
Sales of goods (recognised at a point in time)				
Iron ore concentrates	58,850	–	–	58,850
High-purity iron	–	1,431,253	–	1,431,253
Building materials	–	–	1,016	1,016
Raw and leftover materials	1,075	1,777	88	2,940
Total	59,925	1,433,030	1,104	1,494,059
Geographical markets				
Mainland China	59,925	1,433,030	1,104	1,494,059

For the six months ended 30 June 2022

	Iron Ore Business <i>RMB'000</i> (Unaudited)	High-purity Iron Business <i>RMB'000</i> (Unaudited)	Others <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Sales of goods (recognised at a point in time)				
Iron ore concentrates	284,200	95,540	–	379,740
High-purity iron	–	972,506	–	972,506
Building materials	–	–	374	374
Raw and leftover materials	635	4,356	30	5,021
Total	284,835	1,072,402	404	1,357,641
Geographical markets				
Mainland China	284,835	1,072,402	404	1,357,641

3B. OPERATING SEGMENTS

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

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

Other operating segment includes production and sales of building materials (i.e., foamed ceramics).

Segment revenue and results

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

Six months ended 30 June 2023

	Iron Ore Business RMB'000 (Unaudited)	High-purity Iron Business RMB'000 (Unaudited)	Gold Business RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Adjustments and eliminations RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue						
External sales	59,925	1,433,030	-	1,104	-	1,494,059
Inter-segment sales	315,242	1,145	-	-	(316,387)	-
	<u>375,167</u>	<u>1,434,175</u>	<u>-</u>	<u>1,104</u>	<u>(316,387)</u>	<u>1,494,059</u>
Segment profit (loss)	<u>98,030</u>	<u>(64,075)</u>	<u>(4,754)</u>	<u>(6,696)</u>	<u>26,983</u>	<u>49,488</u>
Central administration costs and directors' salaries						(4,907)
Other income and other gains and losses						(828)
Share of results of associates						<u>(2,405)</u>
Group's profit before tax						<u>41,348</u>

Six months ended 30 June 2022

	Iron Ore Business RMB'000 (Unaudited)	High-purity Iron Business RMB'000 (Unaudited)	Gold Business RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Adjustments and eliminations RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue						
External sales	284,835	1,072,402	-	404	-	1,357,641
Inter-segment sales	220,675	2,274	-	-	(222,949)	-
	<u>505,510</u>	<u>1,074,676</u>	<u>-</u>	<u>404</u>	<u>(222,949)</u>	<u>1,357,641</u>
Segment profit (loss)	<u>216,523</u>	<u>(73,940)</u>	<u>(4,736)</u>	<u>(5,519)</u>	<u>(21,163)</u>	<u>111,165</u>
Central administration costs and directors' salaries						(883)
Other income and other gains and losses						(1,277)
Share of results of an associate						<u>(2,536)</u>
Group's profit before tax						<u>106,469</u>

Segment assets and liabilities

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

Segment assets

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Iron Ore Business	1,129,773	1,044,531
High-purity Iron Business	2,032,613	1,860,403
Gold Business	342,878	317,693
	<hr/>	<hr/>
Total reportable segment assets	3,505,264	3,222,627
Other reporting segment	71,416	78,421
Unallocated		
Property, plant and equipment	4	4
Financial assets at FVTPL	1,631	3,114
Other receivables	6,163	14,276
Interest in associates	84,993	34,556
Cash and cash equivalents	57,741	9,806
	<hr/>	<hr/>
Consolidated assets	<u>3,727,212</u>	<u>3,362,804</u>

Segment liabilities

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Iron Ore Business	690,026	573,356
High-purity Iron Business	1,673,741	1,462,338
Gold Business	18,817	18,468
	<hr/>	<hr/>
Total reportable segment liabilities	2,382,584	2,054,162
Other reporting segment	5,864	7,806
Unallocated		
Tax liabilities	19,500	19,500
	<hr/>	<hr/>
Consolidated liabilities	<u>2,407,948</u>	<u>2,081,468</u>

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

- all assets are allocated to reportable and operating segments other than certain property, plant and equipment, interest in associates, financial assets at FVTPL, other receivables and cash and cash equivalents used and held by the headquarter; and
- all liabilities are allocated to reportable and operating segments other than certain tax liabilities of the headquarter.

4. OTHER INCOME

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Bank interest income	9,882	10,872
Government grants	427	687
	<u>10,309</u>	<u>11,559</u>

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Fair value loss on financial assets at FVTPL	(516)	(1,303)
Net foreign exchange gain	866	2,675
Impairment loss on property, plant and equipment	–	(6,593)
(Loss) gain on disposal of property, plant and equipment	(33)	232
Others	(934)	2,478
	<u>(617)</u>	<u>(2,511)</u>

6. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Depreciation and amortisation:		
– Depreciation of property, plant and equipment	63,064	64,117
– Depreciation of right-of-use assets	8,275	9,867
– Amortisation of intangible assets	10,206	10,496
	<hr/>	<hr/>
Total depreciation and amortisation	81,545	84,480
Capitalised in inventories	(69,235)	(70,334)
	<hr/>	<hr/>
	12,310	14,146
	<hr/>	<hr/>
Staff costs (including directors):		
– Salary and other benefits	92,701	86,817
– Retirement benefits scheme contributions	6,085	5,409
– Share-based payment	1,420	410
	<hr/>	<hr/>
Total staff costs	100,206	92,636
Capitalised in inventories	(35,582)	(32,803)
	<hr/>	<hr/>
	64,624	59,833
	<hr/>	<hr/>
Write-down of inventories	–	24,555
	<hr/>	<hr/>

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Income tax expenses comprise:		
PRC enterprise income tax (“EIT”) – current	19,519	70,266
Withholding tax	–	3,800
Under provision of EIT in prior years	1,154	4,726
	<u>20,673</u>	<u>78,792</u>
Deferred tax expense	(12,674)	(16,073)
	<u>7,999</u>	<u>62,719</u>
Income tax expense	<u>7,999</u>	<u>62,719</u>

Under the Law of the People’s Republic of China on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years except disclosed as below.

On 28 November 2022, Aoni Mining obtained “High Technology Enterprise” status for 3 years that entitled it a preferential tax rate of 15% for a period of three years from 2022 to 2024.

On 15 September 2020, Fushun Hanking Direct Reduced Iron Co., Ltd.*(撫順罕王直接還原鐵有限公司) (“Hanking D.R.I.”) successfully obtained “High Technology Enterprise” status for another 3 years that entitled it a preferential tax rate of 15% for a period of three years from 2020 to 2022 according to EIT Law. Hanking D.R.I. is currently re-applying the qualification of “High Technology Enterprise” status during the current interim period.

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

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards.

* English name is for identification purpose only.

8. DIVIDENDS

No dividends in respect of the end of the year ended 31 December 2022 (2022: a final dividend of HKD0.12 per share amounting to HKD235,200,000 (equivalent to RMB202,298,000) in aggregate in respect of the year ended 31 December 2021) was declared and paid to the owners of the Company.

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of HKD0.02 per share amounting to HKD39,200,000 (equivalent to RMB36,142,000) in aggregate (2022: interim dividend of HKD0.02 per share, in an aggregate amount of HKD39,200,000 (equivalent to RMB35,550,000)) will be paid to the owners of the Company whose names appear in the register of members of the Company on 12 October 2023.

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of basic and diluted earnings per share for the period attributable to owners of the Company	<u>33,654</u>	<u>47,830</u>
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<u>1,928,164,000</u>	<u>1,935,484,000</u>

The weighted average number of ordinary shares for the six months ended 30 June 2023 for the purpose of basic and diluted earnings per share has been adjusted for the weighted average effect of 2,900,000 ordinary shares (2022: 1,269,000 shares) repurchased as restricted shares held for strategic incentive award scheme.

10. TRADE AND OTHER RECEIVABLES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Trade receivables		
– Third parties	109,724	113,054
Less: allowance for credit loss	(24,586)	(25,048)
	85,138	88,006
Other receivables		
– Advances to suppliers	34,512	34,010
– Deposits	4,122	3,231
– Deposit for resource tax	11,680	12,123
– Other tax recoverable	10,284	9,684
– Value-added tax recoverable	8,470	13,156
– Staff advance	6,191	6,396
– Prepaid expense	3,439	3,568
– Prepayment (<i>note i</i>)	–	7,384
– Amount due from an independent third party (<i>note ii</i>)	36,293	36,800
– Others	14,783	12,194
	129,774	138,546
Less: allowance for credit loss	(15,962)	(16,131)
Total other receivables	113,812	122,415
Total trade and other receivables	198,950	210,421

Notes:

- i Transferred to interest in associates upon completion of the investment during the current interim period.
- ii The amount represents a short term advance to a Group's major supplier, which will be matured on 31 December 2023 and bear fixed interest rate of 2% per annum.

During the current interim period, the Group allows an average credit period of 7 days (2022: 7 days) to customers of iron ore concentrates, 60 days (2022: 60 days) to customers of high-purity iron and 30 days (2022: 30 days) to customers of building materials. However, upon maturity of the credit period, the Group would further negotiate with its customers and may consider to extend the repayment date, based on customers' history of payment and credit quality, on a case-by-case basis.

As at 30 June 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB1,789,000 (2022: RMB41,702,000) which are past due.

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
– Within 7 days	63,839	37,501
– 8 days to 30 days	11,398	4,714
– 31 days to 60 days	8,112	11,291
– 61 days to 90 days	–	643
– 91 days to 1 year	523	33,537
– 1 year to 2 years	1,266	320
	<u>85,138</u>	<u>88,006</u>

11. RECEIVABLES AT FVTOCI

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Receivables at FVTOCI comprise:		
Bills receivables (<i>note</i>)	<u>257,634</u>	<u>114,399</u>

Note: Included in the Group's bills receivables are amounts of RMB35,404,000 (2022: nil) transferred to certain banks by discounting the bills on a full recourse basis and RMB122,347,000 (2022: RMB97,852,000) being endorsed to certain suppliers on a full recourse basis. If the bills are not paid on maturity, the banks and the suppliers have the right to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to the bills receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received as bank borrowings from the discounting of the bills and as payables from endorsement of the bills with full recourse. The financial asset is carried at fair value in the condensed consolidated statement of financial position.

Receivables at FVTOCI discounted to banks or endorsed to suppliers with full recourse:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Carrying amount of transferred assets	157,751	97,852
Carrying amount of associated liabilities	(157,751)	(97,852)
Net position	—	—

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
– Within 6 months	242,204	109,719
– 6 months to 1 year	15,430	4,680
	257,634	114,399

12. TRADE, BILLS AND OTHER PAYABLES

Payment terms with suppliers are mainly on credit within 90 days and 15 days from the time when the goods are received from suppliers of Iron Ore Business and High-purity Iron Business respectively.

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Trade payables (<i>note a</i>)		
– Within 15 days	55,467	75,709
– 15 days to 90 days	52,572	26,492
– 91 days to 1 year	59,536	56,851
– 1 year to 2 years	2,294	1,991
– 2 years to 3 years	2,069	1,191
– Over 3 years	4,200	3,799
	<u>176,138</u>	<u>166,033</u>
Bills payables	<u>1,050,000</u>	<u>770,000</u>
Other payables		
Advance receipt of value-added tax from customers	11,603	14,599
Other tax payable	32,574	25,614
Payable for acquisition of property, plant and equipment	31,589	26,054
Outsourced service payable	14,295	13,021
Transportation fee payable	18,398	26,294
Accrued expense	2,103	413
Salary and bonus payables	12,568	15,401
Interest payable	270	298
Dividend payable	5,476	5,476
Refundable deposits	6,717	6,676
Amount due to independent third parties (<i>note b</i>)	18,500	32,500
Consideration payable (<i>note c</i>)	2,000	35,200
Payable for mining rights	10,000	15,000
Others	5,916	5,381
	<u>172,009</u>	<u>221,927</u>
Total trade, bills and other payables	<u><u>1,398,147</u></u>	<u><u>1,157,960</u></u>

Notes:

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

- (b) The balances are unsecured, interest free and repayable on demand.
- (c) The balance represented the outstanding guarantee debt due to Beijing Zhuguan Technology Limited* (北京主冠科技有限公司), ex-equity owner of Benxi Yuqilin New Materials Company Limited* (本溪玉麒麟新材料有限公司) acquired in 2020. Details of the acquisition and guarantee debt were set out in 2021 annual report of the Company.

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 6 months	875,000	490,000
6 months to 1 year	175,000	280,000
	<u>1,050,000</u>	<u>770,000</u>

* English name is for identification purpose only.

13. BORROWINGS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Bank loans	771,054	598,400
Secured and guaranteed	534,750	408,500
Secured and unguaranteed	123,304	76,900
Unsecured and guaranteed	110,000	110,000
Unsecured and unguaranteed	3,000	3,000
	<u>771,054</u>	<u>598,400</u>
The above loans are carried at fixed-rate	<u>771,054</u>	<u>598,400</u>
Carrying amount repayable (<i>note</i>):		
Due within one year	595,054	541,400
More than one year, but not more than two years	176,000	2,000
More than two years, but not more than five years	–	55,000
	<u>771,054</u>	<u>598,400</u>

Note:

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

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

	30 June 2023	31 December 2022
	%	%
	(Unaudited)	(Audited)
Fixed-rate borrowings	<u>3.45 – 8.60</u>	<u>3.45 – 8.60</u>

The secured and guaranteed bank borrowings were guaranteed by Mr. Yang Jiye, who is also the chief executive officer, president and executive director of the Company, and Ms. Yang Min and the companies controlled by them. Among the secured and guaranteed bank borrowings, RMB122,000,000 (31 December 2022: RMB122,500,000) were secured by certain assets of the companies controlled by the Controlling Shareholders. The remaining secured and guaranteed bank borrowings are secured by certain property, plant and equipment, leasehold lands and shares of subsidiaries of the Group.

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

The unsecured bank borrowings of approximately RMB110,000,000 (31 December 2022: RMB110,000,000) at 30 June 2023 were guaranteed by the Controlling Shareholders and the companies controlled by them.

14. SHARE CAPITAL

The amount as at 30 June 2023 and 31 December 2022 represented the issued share capital of the Company. Details of movement of share capital of the Company are as follows:

	Number of shares	Share capital	RMB equivalent
		<i>HKD'000</i>	<i>RMB'000</i>
Ordinary shares of HKD0.1 each			
Authorised:			
At 1 January 2022, 30 June 2022, 31 December 2022 and 30 June 2023	<u>10,000,000,000</u>		
Issued and fully paid:			
At 1 January 2022, 30 June 2022, 31 December 2022 and 30 June 2023	<u>1,960,000,000</u>	<u>196,000</u>	<u>160,203</u>

DEFINITIONS

“Aoniu Mining”	Fushun Hanking Aoniu Mining Co., Ltd (撫順罕王傲牛礦業股份有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
“AUD”	the lawful currency of Australia
“Australia”	The Commonwealth of Australia
“Board”	the board of Directors of the Company
“China” or “PRC”	the People’s Republic of China. For the purpose of this announcement, references in this announcement to the PRC or China do not include Hong Kong, Macau Special Administrative Region and Taiwan
“the Company” or “our Company” or “we”	China Hanking Holdings Limited (中國罕王控股有限公司)
“Controlling Shareholder(s)”	has the meaning ascribed to it in the Listing Rules and unless the context requires otherwise, refers to Ms. Yang Min, Mr. Yang Jiye, China Hanking (BVI) Limited, Bisney Success Limited and Tuochuan Capital Limited
“Directors”	the directors of the Company
“the Group” or “Hanking”	China Hanking Holdings Limited and its subsidiaries
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) with a nominal value of HKD0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)

“United States” the United States of America

“US\$” or “USD” the lawful currency of the United States

By order of the Board
China Hanking Holdings Limited
Yang Jiye
Chairman and executive Director

Shenyang, the PRC, 23 August 2023

As at the date of this announcement, the executive Directors are Mr. Yang Jiye, Mr. Zheng Xuezhi and Dr. Qiu Yumin; the non-executive Directors are Mr. Kenneth Lee and Mr. Xia Zhuo; and the independent non-executive Directors are Mr. Wang Ping, Dr. Wang Anjian and Mr. Ma Qingshan.