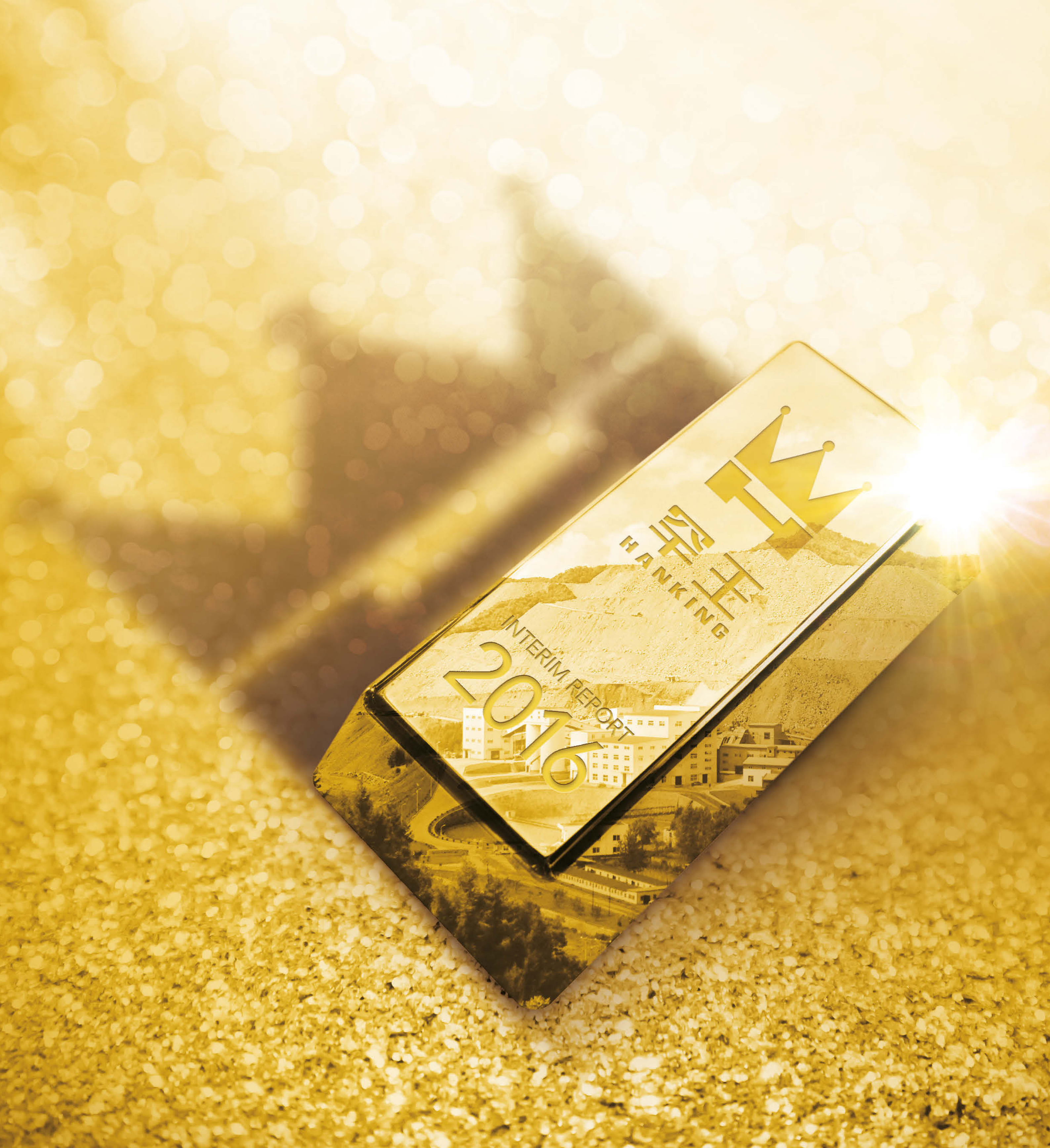
中國罕王控股有限公司

CHINA HANKING HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 03788



MISSION

As Emerging Key Player

VALUE

Always Beyond Expectations

CONTENTS

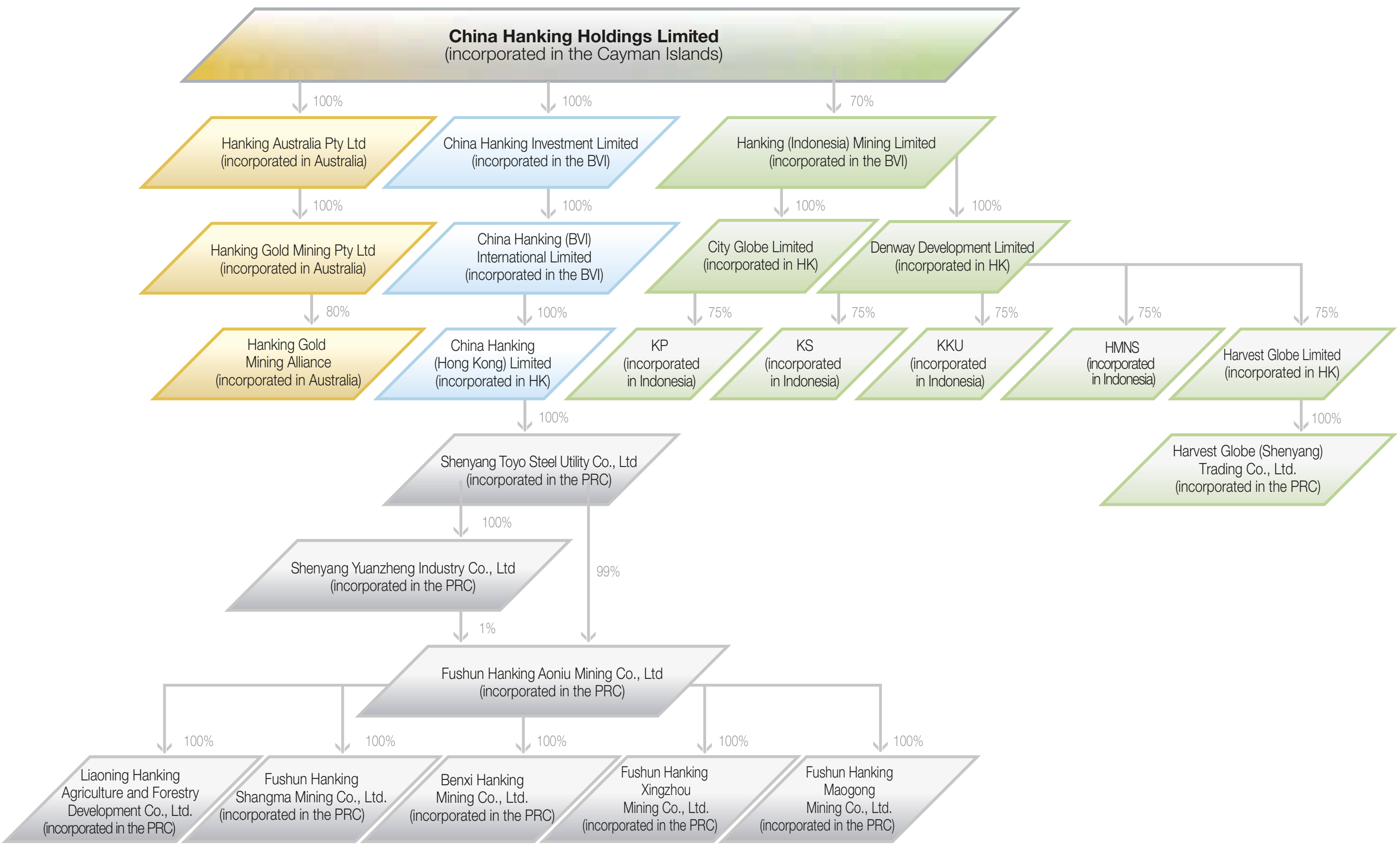
CORPORATE INFORMATION

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).

Hanking is a fast-growing international mining and metals group of companies, mainly engaging in exploitation, mining and processing of mineral resources and marketing of mineral products. With its principal operations of precious metals that supplemented by nickel and other strategic metals, Hanking has invested and developed mine operation projects with long life cycle, low operating costs and scalable operating scope in the most attractive regions around the world.

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

Shareholding Structure of the Group Note



Note This shareholding structure chart reflects the Group's shareholding structure as at 30 June 2016.

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
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Cayman Islands

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Liaoning Province
PRC

Principal Place of Business in Hong Kong
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Hong Kong

Authorized Representatives
Mr. Zheng Xuezhi
Ms. Mok Ming Wai

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

Auditor
Deloitte Touche Tohmatsu
Certified Public Accountants
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88 Queensway
Hong Kong

Hong Kong Legal Advisor
Locke Lord
21/F, Bank of China Tower
1 Garden Road
Central
Hong Kong

Principal Share Registrar in the Cayman Islands
Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Hong Kong Share Registrar
Computershare Hong Kong Investor Services Limited
Rooms 1712–1716, 17th Floor, Hopewell Centre
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Directors
Executive Directors
Mr. Yang Jiye *(Chairman)*
Dr. Pan Guocheng *(Chief Executive Officer and President)*
Mr. Zheng Xuezhi *(Chief Financial Officer)*
Dr. Qiu Yumin
Mr. Xia Zhuo

Non-executive Director
Mr. Kenneth Jue Lee

Independent Non-executive Directors
Mr. Wang Ping
Mr. Wang Anjian
Mr. Ma Qingshan

Audit Committee
Mr. Wang Ping *(Chairman)*
Mr. Wang Anjian
Mr. Kenneth Jue Lee

Remuneration Committee
Mr. Wang Ping *(Chairman)*
Mr. Kenneth Jue Lee
Mr. Ma Qingshan

Nomination Committee
Mr. Yang Jiye *(Chairman)*
Mr. Wang Anjian
Mr. Ma Qingshan

Health, Safety, Environmental Protection and Community Committee
Dr. Pan Guocheng *(Chairman)*
Mr. Yang Jiye
Mr. Wang Anjian

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2016	2015	Change (%)
Sales amount of iron ore concentrates (thousand metric tons)	**789.49**	964.40	(18.14%)
Sales amount of gold (ounces) (Note)	**64,232**	10,183	530.78%
Sales amount of nickel ores (thousand metric tons)	**–**	–	N/A
Income (RMB'000)	**819,985**	471,159	74.04%
Gross profit (RMB'000)	**110,543**	141,146	(21.68%)
Gross margin	**13.5%**	30.0%	(55.06%)
Loss for the period (RMB'000)	**108,882**	124,942	(12.85%)
Loss attributable to owners of the Company (RMB'000)	**105,661**	112,323	(5.93%)
EBITDA (RMB'000)	**179,112**	127,603	40.37%
Profit margin of EBITDA	**21.84%**	27.08%	(19.35%)
Loss (earnings) per share (RMB cent)	**5.80**	6.10	(4.92%)

Note: The sales amount of gold includes the sales volume of 1,959 ounces attributable to the partner in Hanking Gold Mining Alliance.

MANAGEMENT DISCUSSION AND ANALYSIS

Major Operational Achievements [Note]

1. **Substantial increase in gold output and sales volume**

   The SXO Gold Project of the Group in Western Australia achieved substantial increase in gold output and sales volume. For the first half of 2016, the amount of gold produced from the SXO Gold Project accumulated to 63,806 ounces, representing a year-on-year increase of 465.2%, while sales of gold amounted to 64,232 ounces (including the sales volume of 1,959 ounces attributable to the partner in Hanking Gold Mining Alliance), representing a year-on-year increase of 530.8%, with an average sales price of AUD1,647/ounce. Sales revenue amounted to RMB493,422,000, and net profit amounted to RMB40,242,000, representing a net profit margin of 8.2%.

2. **Significant increase in resources and reserves of the gold business**

   As of the end of May 2016, the JORC Code-compliant resources of the SXO Gold Project amounted to 26,350 thousand metric tons with an average grade of 3.6 g/t containing 3,067 thousand ounces of gold, representing an increase of 1.09% as compared with that at the end of 2015. Optimization on design and feasibility study has been conducted on open-pit mining based on the exploration results, and as of the end of May 2016, the JORC Code-compliant reserves amounted to 6,696 thousand metric tons with an average grade of 3.2 g/t, containing 682 thousand ounces of gold, representing an increase of 19.5% over the reserves after production depletion by the end of March 2016.

   The major increases in resources and reserves in SXO Gold Project were achieved in July 2016 through exploration activities, interpretation of the new and existing geological data and feasibility studies at the Yilgarn Star, Copperhead, Cornishman and Edwards Find North gold deposits over the first half of 2016. The total JORC Code-compliant resources of Hanking Gold has been increased to 35,417 thousand metric tons at an average grade of 4.1 g/t containing 4,630 thousand ounces of gold, representing an increase of 50.96% over that as recorded at the end of May 2016. The JORC Code-compliant reserves increased to 9,560 thousand metric tons at an average grade of 3.3 g/t containing 1,010 thousand ounces of gold (net of production depletion by 30 June 2016), an increase of 48.09% over that as recorded at the end of May 2016, which can effectively extend the mine life and facilitates future expansions of gold production.

Note In this report, cost data (being information which are not required to be disclosed under the International Accounting Standard) have not been reviewed by the auditor of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONTINUED)

3. **Expansion of production in Maogong Mine**

   Through continuous technology improvements, Maogong Mine of the Group has achieved steady growth in the output of iron ore concentrates, which amounted to 353.88 thousand metric tons for the first half of 2016 (the first half of 2015: 219.09 thousand metric tons), representing a year-on-year increase of 61.52%. With increase in production volume, iron ore concentrates output of Maogong Mine has accounted for 45.8% of the Company's total amount of iron ore concentrates. Increase in production share by Maogong Mine has positive implications in terms of further improvement in iron ore quality and reduction of production cost.

4. **Maintaining low-cost competitive edge in the iron ore business**

   Through adjustment of production outlay and continuous technology improvement, the cash operation cost of iron ore concentrates was RMB246.66 per metric ton as of 30 June 2016, representing a decrease of 15.24% from that of the corresponding period of last year.

As of 30 June 2016, the Group recorded a revenue of RMB819,985 thousand (as of 30 June 2015: RMB471,159 thousand), representing an increase of 74.04% as compared with that of the same period of last year. A loss recorded of RMB108,882 thousand was recorded for the period (as of 30 June 2015: RMB124,942 thousand), representing a decrease in loss of 12.85% as compared with the same period of last year. An EBITDA of RMB179,112 thousand was achieved (as of 30 June 2015: RMB127,603 thousand), representing an increase of 40.37% from that of the same period of last year. The profit margin of EBITDA was 21.84%, down by 5.24 percentage points as compared with that of last year. As at 30 June 2016, the total asset of the Group was RMB4,619,732 thousand, decreased by 6.16% as compared with that recorded on 31 December 2015.

Gold Business

In the first half of 2016, with the gold price on an upward track, the international gold spot market opened at USD1,061.6/ounce and closed at USD1,324.7/ounce, with a significant increase of 24.8%. The highest and lowest gold prices recorded during the period were USD1,362.6/ounce and USD1,061.0/ounce, respectively, fluctuating within a range of USD301.6. As the Company's gold business is located in Australia and most of the costs incurred were paid in Australian dollars, the Company's financial performance is highly correlated with the gold price denominated in AUD. In the first half of 2016, the international gold spot market opened at AUD1,453.25/ounce and closed at AUD1,787.55/ounce, with a significant increase of 23%. The highest and lowest gold prices recorded during the period were AUD1,803.95/ounce and AUD1,453.25/ounce, respectively, fluctuating within a range of AUD350.7.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONTINUED)

1. Production review

Since commencement of commercial production in August 2015, the SXO Gold Project has achieved a steady increase in gold output. The operating mines at SXO Gold Project included open-pit mines (Cornishman Gold Mine and Axhandle Gold Mine) and underground mine (Nevoria Gold Mine). All ore mined were transported to our own ore processing center – Marvel Loch Plant (the "**Processing Plant**") for further treatment.

During the first half of 2016, the direct cash costs (C1) were AUD836/ounce, and the all-in sustaining costs excluding the pre-stripping costs at Axehandle Mine were AUD1,041/ounce. The increase in production costs for the first half of the year was mainly attributable to the decrease in output of gold ore with higher grade due to the collapse at the Cornishman open pit mine, impelling Hanking Gold to lease mobile processing equipments from third parties to process gold ores with lower grade. The collapse also resulted in decrease in output of Cornishman Gold Mine in the second quarter.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONTINUED)

	For the six months ended 30 June	
	2016	2015
	(AUD/ounce)	(AUD/ounce)
Mining	**430**	N/A
Processing	**343**	N/A
Mine management costs	**53**	N/A
Inventory adjustments	**10**	N/A
Direct cash costs (C1)	**836**	N/A

As of 30 June 2016, the amount of gold sold was 64,232 ounces (including the sales volume of 1,959 ounces attributable to the partner in Hanking Gold Mining Alliance), with an average sales price of AUD1,647/ounce. Sales revenue was RMB493,422,000. The gold business commenced commercial production in August 2015, and recorded net profit of RMB40,242,000 for the six months ended 30 June 2016, representing a net profit margin of 8.2%. EBITDA was RMB103,839,000, with the EBITDA margin of 21.04%. The capital expenditure in the SXO Gold Project for the first half of 2016 was RMB56,775,000 (the first half of 2015: RMB132,186,000), representing a year-on-year decrease of 57.05%.

2. **Significant increase in resources and reserves**

In the first half of 2016, Hanking Gold carried out exploration drilling activities at the five gold mines, i.e. Yilgarn Star, Jaccoletti, Nevoria, Copperhead and Redwing, with 200 drill holes of 30,515.5 meters drilled. As of the end of June 2016, through exploration programs and acquisitions, the total resources of Hanking Gold increased to 26,350 thousand metric tons with an average grade of 3.6 g/t containing 3,067 thousand ounces of gold.

On the basis of the exploration results, the feasibility study in the first half of 2016 showed that Jaccoletti has an ore reserves of 988 thousand metric tons with an average grade of 3.5 g/t, containing 111 thousand ounces of gold. As of the end of May 2016, the total reserves of Hanking Gold have increased to 6,696 thousand metric tons with an average grade of 3.2 g/t for a total of 682 thousand ounces of gold, representing a year-on-year increase of 15.2%, which again demonstrated the huge development potential in the SXO Gold Project land packages.

In addition, the major increases in resource and reserve were achieved by Hanking Gold, together with its contractors and independent consultants, through successful exploration programs, interpretation of the new and existing geological data, and feasibility studies at the Yilgarn Star, Copperhead, Cornishman and Edwards Find North gold deposits in July 2016. The total JORC Code-compliant resources of Hanking Gold have increased to 35,417 thousand metric tons with an average grade of 4.1 g/t for a total of 4,630 thousand ounces of gold, representing an increase of 50.96% over the total resources as of 31 May 2016, while the JORC Code-compliant reserves have increased to 9,560 thousand metric tons with an average grade of 3.3 g/t for a total of 1,010 thousand ounces of gold (net of depletion due to production as of 30 June 2016), representing an increase of 48.09% over that as of 31 May 2016.

JORC Code-compliant gold resources of Hanking Gold as of July 2016

		Measured			Indicated			Inferred			Total		
Gold mine	**Deposit**	**Ore** (thousand tons)	**Grade** (g/t)	**Gold contained** (thousand ounces)	**Ore** (thousand tons)	**Grade** (g/t)	**Gold contained** (thousand ounces)	**Ore** (thousand tons)	**Grade** (g/t)	**Gold contained** (thousand ounces)	**Ore** (thousand tons)	**Grade** (g/t)	**Gold contained** (thousand ounces)
Axehandle-Cornishman	Axehandle	2,275	2.6	188	990	2.50	78	436	2.10	30	3,701	2.50	295
	Cornishman	620	5.1	101	535	5.10	88	434	5.50	77	1,589	5.21	266
	Sub-total	**2,895**	**3.1**	**289**	**1,525**	**3.39**	**166**	**870**	**3.82**	**107**	**5,290**	**3.30**	**561**
Nevoria		**-**	**-**	**-**	**3,482**	**3.37**	**377**	**323**	**3.90**	**41**	**3,805**	**3.42**	**418**
Yilgarn Star		**2,582**	**5.9**	**490**	**1,849**	**6.34**	**377**	**707**	**6.12**	**139**	**5,139**	**6.09**	**1,006**
Copperhead		**-**	**-**	**-**	**3,116**	**5.30**	**529**	**417**	**4.60**	**62**	**3,533**	**5.20**	**590**
Frasers-Transvaal	Transvaal	–	–	–	1,630	4.70	249	1,800	4.90	286	3,430	4.80	535
	Frasers	–	–	–	1,117	4.60	165	1,474	6.10	289	2,591	5.50	454
	New Zealand Gully	–	–	–	64	7.51	16	46	5.90	9	110	6.84	24
	Ruapehu	–	–	–	52	8.50	14	358	3.98	46	410	4.55	60
	Sub-total	**-**	**-**	**-**	**2,863**	**4.82**	**444**	**3,678**	**5.32**	**630**	**6,541**	**5.10**	**1,073**
Marvel Loch-Jaccoletti	Marvel Loch	287	3.1	29	2,930	3.20	299	1,400	2.50	112	4,617	3.00	440
	Jaccoletti	–	–	–	852	4.50	124	298	3.10	30	1,150	4.20	154
	Sub-total	**287**	**3.1**	**29**	**3,782**	**3.48**	**423**	**1,698**	**2.60**	**142**	**5,767**	**3.20**	**594**
Edwards Find	Edwards Find	–	–	–	364	3.10	37	261	2.30	19	625	2.80	56
	Edwards Find North	–	–	–	641	2.38	49	227	1.63	12	868	2.20	61
	Tamarin	–	–	–	117	1.80	7	361	1.30	15	478	1.40	22
	Sub-total	**-**	**-**	**-**	**1,122**	**2.57**	**93**	**849**	**1.69**	**46**	**1,971**	**2.19**	**139**
GVG	GVG	–	–	–	1,494	2.31	111	8	2.12	1	1,502	2.31	111
	Zeus	–	–	–	–	–	–	469	1.97	30	469	1.97	30
	Sub-total	**-**	**-**	**-**	**1,494**	**2.31**	**111**	**477**	**1.97**	**30**	**1,971**	**2.23**	**141**
Redwing		–	–	–	–	–	–	1,400	2.40	108	1,400	2.40	108
Total		**5,764**	**4.4**	**808**	**19,233**	**4.07**	**2,519**	**10,419**	**3.9**	**1,305**	**35,417**	**4.1**	**4,630**

MANAGEMENT DISCUSSION AND ANALYSIS
(CONTINUED)

JORC Code-compliant gold reserves of Hanking Gold as of July 2016

Deposit	Resources category	Ore (thousand tons)	Grade (g/t)	Gold contained (thousand ounces)
Open-pit mines				
Axehandle	Proved	2,168	2.5	174
	Probable	544	2.3	40
	Total	**2,712**	**2.5**	**214**
Cornishman	Proved	35	1.5	2
	Probable	–	–	–
	Total	**35**	**1.5**	**2**
Yilgarn Star Pit	Proved	1,547	2.9	144
	Probable	–	–	–
	Total	**1,547**	**2.9**	**144**
Aquarius	Proved	–	–	–
	Probable	616	3.3	65
	Total	**616**	**3.3**	**65**
Frasers	Proved	–	–	–
	Probable	340	3.4	37
	Total	**340**	**3.4**	**37**
Edwards Find North	Proved	–	–	–
	Probable	327	2.7	28
	Total	**327**	**2.7**	**28**

MANAGEMENT DISCUSSION AND ANALYSIS
(CONTINUED)

Deposit	Resources category	Ore (thousand tons)	Grade (g/t)	Gold contained (thousand ounces)
Underground Mines				
Nevoria Underground	Proved	–	–	–
	Probable	1,076	3.7	128
	Total	**1,076**	**4.0**	**128**
CNC Underground	Proved	–	–	–
	Probable	473	4.3	65
	Total	**473**	**4.3**	**65**
Frasers South Underground	Proved	–	–	–
	Probable	550	4.5	80
	Total	**550**	**4.5**	**80**
Jaccoletti Underground	Proved	–	–	–
	Probable	988	3.5	111
	Total	**988**	**3.5**	**111**
Yilgarn Star Underground	Proved	–	–	–
	Probable	896	4.7	134
	Total	**896**	**4.7**	**134**
Subtotal amount of open-pit mines	Proved	3,750	2.7	320
	Probable	1,827	2.9	171
	Total	**5,577**	**2.7**	**492**
Subtotal amount of underground mines	Proved	–	–	–
	Probable	3,983	4.0	518
	Total	**3,983**	**4.0**	**518**
Total	Proved	3,750	2.7	320
	Probable	5,810	3.7	689
	Total	**9,560**	**3.3**	**1,010**

MANAGEMENT DISCUSSION AND ANALYSIS
(CONTINUED)

3. **Sustainable development**

Hanking Gold acquired 100% equity interests in Redwing Gold Mine and Zeus Gold Mine at cash consideration in January and May 2016 respectively.

Redwing Gold Deposit, located at south of the SXO metallogenic belt, is approximately 50 km away from Hanking's Processing Plant and a feasible transportation distance. Redwing Gold Deposit, in approximately 5 km^2 exploration license, has JORC Code-compliant resources of 1.4 million metric tons of ores at an average grade of 2.4 g/t for 108,000 ounces of gold. The ore bodies are near surface and suitable for open-pit mining. After acquisition of this mine at a cash consideration of AUD700,000, Hanking Gold has applied for exploration right for the surrounding areas of 67 km^2, extending the metallogenic belt of Hanking Gold to 150 km.

The tenements, which host the Zeus Gold Deposit in the SXO region in Western Australia, are located in the south extension of the Great Victory Gold ("**GVG**")-Zeus gold mineralized corridor. The GVG gold deposit area, which is wholly-owned by Hanking Gold, had a historic gold production of about 280,000 ounces gold from shallow open-pit and underground mining, and has about 150,000 ounces of gold resources remaining. The Zeus Gold Deposit area has JORC Code-compliant resources of 468,583 metric tons ores at an average grade of 1.97 g/t for 29,634 ounces of gold. The area of these newly acquired mining tenements is 19.1 km^2 and was acquired by Hanking Gold at a cash consideration of AUD220,000.

Following the acquisitions of Redwing and Zeus gold deposits, Hanking Gold will step up exploration programs and seek for opportunity for new resource development. These acquisitions are part of Hanking Gold's strategy to consolidate near-mine and value-adding tenures in the region, so as to improve utilization of our established infrastructure and create overall synergy effect and scale economy of the SXO Gold project.

Moreover, in order to unlock the values of our gold businesses, the Company considers possibility of separate listing of the Group's certain gold assets on the Australian Securities Exchange (the "**Proposed Spin-Off**"). In addition to the Proposed Spin-Off, the Board is also exploring other feasible options, including but not limited to the disposal of part or entire gold businesses of the Group (the "**Proposed Disposal**"). Should the Proposed Disposal proceed, it would constitute a major transaction for the Company under Chapter 14 of the Listing Rules, and would be subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules. As at the date of this report, no final decision has been made by the Company regarding the assets to be disposed, the transaction structure and whether or not or when the Proposed Disposal will take place.

Iron Ore Business

In the first half of 2016, no fundamental changes occurred in either side of supply or demand in the iron ore industry. The price of iron ores showed a trend of wide fluctuations in line with performance of the steel marketplace, yet the prices were more flexible due to various factors such as government policies, seasonal fluctuation and capital market. Platts Fe 62% (CFR) rallied by 70.6% from USD38.6/ton on 11 December 2015 to the peak level of USD65.85/ton on 22 April 2016, which decreased to USD55/ton, representing a decline of 16.5%, as of 30 June 2016.

1. Continuous expansion in Maogong Mine production

Through efforts of technology improvement, the Maogong Mine achieved significant growth in output of iron ore concentrates. In the first half of 2016, output of Maogong Mine was 353.88 thousand metric tons (the first half of 2015: 219.09 thousand metric tons), representing a year-on-year growth of 61.52%. Due to adjustment of production outlay, increase in the Maogong Mine production will deliver higher percentage of low cost iron ore concentrates due to its superior iron ore qualities. Maogong Mine's share in iron ore concentrates production increased to 45.8% of the total output by the Company.

Output of the iron ore business as of 30 June 2016

		For the six months ended 30 June		
No.	**Mine**	**2016 (thousand metric tons)**	2015 (thousand metric tons)	Change (%)
1	Maogong Mine	**353.88**	219.09	61.52%
2	Aoniu Mine	**401.68**	593.29	-32.30%
3	Benxi Mine	**17.13**	115.42	-85.16%
4	Xingzhou Mine	**0.00**	0.00	N/A
5	Shangma Mine	**0.00**	36.72	-100.0%
	Total	**772.69**	964.52	-19.89%

Note: Production at Xingzhou Mine and Shangma Mine was suspended according to the plan of the Group with an aim to improve productivity.

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

Through adjustment of production outlay and constant technology improvement, as at 30 June 2016, the cash operation cost of iron ore concentrates was RMB246.66/metric ton, which represented a decrease of 15.24% as compared to the corresponding period of last year, maintaining the advantage of low-cost operations. Given the wide fluctuations in the price of iron ores, the average sales price of iron ore concentrates of the Group was RMB413/metric ton for the first half of 2016 (the first half of 2015: RMB488/metric ton), a decrease of 15.37% as compared to the corresponding period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONTINUED)

The breakdown of cash operation costs of the iron ore business

Item	Unit	For the six months ended 30 June 2016	2015	Change (%)
Comprehensive mining costs	RMB/metric ton of iron ore concentrates	**107.57**	117.25	-8.26%
Processing costs	RMB/metric ton of iron ore concentrates	**80.87**	95.93	-15.70%
Transportation expense	RMB/metric ton of iron ore concentrates	**17.77**	17.70	0.40%
Tax	RMB/metric ton of iron ore concentrates	**28.42**	38.62	-26.41%
Other costs	RMB/metric ton of iron ore concentrates	**12.03**	21.52	-44.10%
Total cash operation costs	RMB/metric ton of iron ore concentrates	**246.66**	291.02	-15.24%

For the six months ended 30 June 2016, the revenue of iron ore business of the Group was RMB326,563,000, representing a year-on-year decrease of 30.69%, mainly due to the declining average sales price and the decrease in the output of iron ore concentrates. EBITDA of iron ore business was RMB91,287,000, decreased by 41.05% from that of the corresponding period of last year. The profit margin of EBITDA was 27.95%, decreased by 4.91 percentage points as compared with that of the same period of last year. The total capital expenditure was RMB98,694,000, representing a year-on-year decrease of 51.54%.

3. Pushing forward the construction of key projects

Based on the adjusted production planning, strict project timelines of the Company for the major projects of the iron ore business have been followed, so as to ensure stable and smooth production of the core operating mines. In the first half of 2016, Maogong Mine completed construction of the main shaft headframe for the main shaft and ore bin of the underground mining works and auxiliary structure, and the development of the draft and shift for the installation works has been finished. The contract amount of such project is RMB18,600,000. During the six months ended 30 June 2016, RMB200,000 has been invested, with an accumulated investment of approximately RMB840,000 as of 30 June 2016.

4. Resources and reserves

During the first half of 2016, there was no material change in the resources and reserves of the iron ore business as compared to that at the end of 2015.

5. **Events after the end of the Reporting Period**

With an aim to focus on developing and operating the Group's quality resources, Aoniu Mining, a wholly-owned subsidiary of the Company, entered into an equity interest transfer agreement with a purchaser on 7 July 2016. Pursuant to the equity interest transfer agreement, Aoniu Mining agreed to transfer 100% equity interest in Benxi Mining to the purchaser at a cash consideration of RMB1, recording a loss on disposal of RMB47,477,000, which included loss on equity investments and waiver of debts.

Nickel Business

Following the dramatic decline in 2015, nickel price showed a trend of fluctuations and correction at the bottom level during the first half of 2016, which experienced moderate recovery since the second quarter. Due to the combined effect of reduced supply and increased demand, there was a shortage in nickel supply during the first half of 2016. The world consumption of primary nickel for the first half of 2016 was 1,960 thousand metric tons as opposed to an output of 1,910 thousand metric tons, leaving a shortfall in supply of 50 thousand metric tons[Note].

The nickel business focused on enhancement of its mining capability and construction of the infrastructure, with an annual mining capacity of 5 million metric tons. In 2016, in light of signs of improvement in the laterite nickel market in Indonesia with the commencement of new nickel smelting facilities, the Company refocused on preparation to resume mining production activities. Some preliminary preparation work for the resumption of production pursuant to the resolution of the Board was carried out during the first half of 2016, and the team conducted various business discussions with a number of potential partners to promptly explore the world-class nickel resources.

During the first half of 2016, there was no material change in the nickel resources and reserves of the Group as compared to the corresponding period last year.

Finance Review

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

For the first half of 2016, the Group's revenue was RMB819,985,000, representing an increase of RMB348,826,000 or 74.04% over the corresponding period of last year, mainly due to the commencement of commercial production of the gold business in August 2015.

For the first half of 2016, the Group's cost of sales was RMB709,442,000, representing an increase of RMB379,429,000 or 114.97% over the corresponding period of last year, mainly attributable to the commencement of commercial production of the gold business in August 2015.

Note Source: http://www.antaike.com

For the first half of 2016, the Group's gross profit was RMB110,543,000, representing a decrease of RMB30,603,000 or 21.68% over the corresponding period of last year. As compared to the corresponding period of last year, gross profit margin of the Group declined from 29.96% to 13.48% in the first half of 2016 which was mainly due to the change of product structure and the slipping of the average sales price of iron ore concentrates.

2. Other Income and Expenses

For the first half of 2016, the Group's other income was RMB19,098,000, representing an increase of RMB5,858,000 or 44.24% over the corresponding period of last year. Other income mainly included interest income.

For the first half of 2016, the Group's other expenses were RMB64,254,000, representing an increase of RMB5,456,000 or 9.28% over the corresponding period of last year. Other expenses consisted of long-term asset impairment losses amounting to RMB47,477,000, exchange losses amounting to RMB12,929,000, impairment loss on available-for-sale financial assets amounting to RMB1,314,000 and other overheads amounting to RMB2,534,000.

3. Selling and Distribution Expenses, Administrative Expenses

For the first half of 2016, the selling and distribution expenses of the Group were RMB15,745,000, representing a decrease of RMB2,719,000 or 14.73% as compared to the corresponding period of last year, which was mainly due to the decreasing transportation costs as a result of decrease in the sales volume of iron ore concentrates for the period as compared to that of corresponding period last year. Selling and distribution expenses consisted of transportation expenses, labour expenses and others.

For the first half of 2016, the administrative expenses of the Group were RMB85,128,000, representing a decrease of RMB27,466,000 or 24.39% 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.

4. Financing Costs and Income Tax Expense

For the first half of 2016, the financing costs of the Group were RMB72,063,000, which decreased by RMB8,273,000 or 10.30% as compared to the corresponding period of last year. The decrease was mainly due to the decrease of the Company's borrowings and the reduction of interest rate and discount expenses 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 2016, the income tax expenses of the Group were approximately RMB1,333,000, which decreased by RMB7,803,000 or 85.41% as compared to the corresponding period of last year.

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

For the first half of 2016, the changes in fair value of available-for-sale financial assets of the Group were RMB14,522,000, of which RMB1,314,000 was recognized under losses while RMB15,836,000 was recognized under comprehensive income. Such available-for-sale financial assets represented the shares of Australian listed companies held by the Group.

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

Based on the reasons mentioned above, the loss for the period of the Group for the first half of 2016 was RMB108,882,000, representing a decrease in loss of RMB16,060,000 or 12.85% as compared to the corresponding period of last year.

Based on the loss for the period, and affected by the gains on changes in fair values of available-for-sale financial assets of RMB15,836,000 and gains on foreign currency translation of RMB22,457,000, the total comprehensive loss for the first half of 2016 was approximately RMB70,589,000, representing a decrease in loss of RMB76,911,000 or 52.14% as compared to the corresponding period of the previous year.

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

As of 30 June 2016, the net properties, plants and equipment of the Group were RMB1,435,912,000, representing a decrease of approximately RMB74,183,000 or 4.91% as compared to the end of the previous year, which was mainly due to the provision for depreciation.

As of 30 June 2016, the inventories of the Group were RMB144,285,000, representing a decrease of approximately RMB3,321,000 or 2.25% as compared to the end of the previous year.

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

As of 30 June 2016, trade receivables of the Group were RMB402,077,000, representing a decrease of RMB26,672,000 over the end of the previous year. As of 30 June 2016, other receivables of the Group were RMB219,884,000, representing an increase of RMB1,276,000 as compared to the end of the previous year.

As of 30 June 2016, trade payables of the Group were RMB86,502,000, representing a decrease of RMB23,499,000 as compared to the end of the previous year. As of 30 June 2016, other payables of the Group were RMB431,283,000, representing an increase of RMB5,712,000 as compared to the end of the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONTINUED)

9. Cash Use Analysis

The summary of the Group's consolidated statement of cash flows for the first half of 2016 was set out below:

	For the six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Net cash flows from operating activities	**125,653**	(23,856)
Net cash flows from investing activities	**65,732**	(427,647)
Net cash flows from financing activities	**(255,397)**	198,831
Net increase in cash and cash equivalents	**(64,012)**	(252,672)
Cash and cash equivalents at the beginning of the period	**99,223**	299,587
Effect of changes in foreign exchange rate on cash and cash equivalents	**1,522**	382
Cash and cash equivalents at the end of the period	**36,733**	47,297

The net cash inflow from the operating activities during the first half of 2016 was RMB125,653,000, which was mainly attributed to the loss after tax of RMB108,882,000, together with depreciation and amortization of RMB170,515,000 and impairment loss on assets of RMB48,791,000 and was offset by the decrease of RMB4,708,000 in inventories.

For the first half of 2016, the net cash inflow from investing activities amounted to RMB65,732,000, which mainly reflected the amount of RMB35,681,000 used in acquisition of new plants and equipments to expand production and acquisition of properties, the amount of RMB20,733,000 used for payment of hedging guarantees, the amount of RMB107,000,000 of gains from disposal of available-for-sale investments and the amount of RMB18,684,000 of interest income.

For the first half of 2016, the net cash outflow from financing activities was RMB255,397,000, which was mainly from the newly added bank loans of RMB1,002,934,000 and release of bank loan deposit of RMB54,757,000, and was offset by the repayment of bank loans of RMB1,313,088,000.

10. Cash and Borrowings

As of 30 June 2016, cash balance of the Group amounted to RMB895,761,000 (including the pledged bank deposit of RMB859,028,000), representing a decrease of approximately RMB117,247,000 or 11.57% as compared to the end of last year.

As of 30 June 2016, the balance of bank borrowings of the Group was RMB2,746,877,000, representing a decrease of RMB226,475,000 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 as disclosed above, there was no material change in the debts and contingent liabilities of the Group since 31 December 2015.

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

The gearing ratio of the Group increased from 80.33% on 31 December 2015 to 80.57% on 30 June 2016, which is calculated by dividing the total liabilities by the total assets.

The interest rate risk in the fair value of the Group mainly relates to the bank borrowings. The 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 the date of this report, 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 2016, the aggregate net carrying value of the mining rights used as securities amounted to RMB380,250,000.

As of 30 June 2016, the Group had no material contingent liabilities.

13. Capital Commitment

As at 30 June 2016, the capital commitment of the Group was RMB118,912,000, representing a decrease of RMB40,989,000 or 25.63% over that at the end of last year. The capital commitment mainly consisted of the amount of RMB75,062,000 for the underground mining works of Maogong Mine, the amount of RMB32,363,000 for the underground mining works of Shangma Mine, the amount of RMB850,000 for the explosives magazines of Aoniu Mine and the amount of RMB10,637,000 for the government charge for gold deposit exploration.

14. Capital Expenditure

The Group's capital expenditure decreased from approximately RMB346,498,000 in the first half of 2015 to approximately RMB170,670,000 in the first half of 2016. Expenditure incurred in the first half of 2016 mainly included (i) expenditure for acquisition of plants, machine equipments and properties amounting to RMB108,205,000; (ii) expenditure for acquisition of intangible assets amounting to RMB60,620,000; and (iii) expenditure for acquisition of land amounting to RMB1,844,000.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONTINUED)

15. Significant Investment Held

Save as 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 2016.

16. Material Acquisitions and Disposals of Subsidiaries and Associated Companies

The Group had no material acquisitions or disposals of subsidiaries and associated companies as of 30 June 2016.

17. Events After the End of the Reporting Period

The Group sold its wholly-owned subsidiary, Benxi Mining, to an independent third party in July 2016, recording a loss on disposal of approximately RMB47,477,000, which included loss on equity investments and waiver of debts.

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 2016, to the best of the Directors' knowledge, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of 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 Appendix 10 to 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 Jiye[1]	Founder of discretionary trust	424,360,500 (long position)	23.19%
	Interests of controlled corporation	200,000,000 (long position)	10.93%
Xia Zhuo[2]	Interests of controlled corporation	19,130,589 (long position)	1.05%
	Beneficial owner	60,000 (long position)	0.00%
Pan Guocheng[3]	Beneficial owner	4,220,000 (long position)	0.23%
Zheng Xuezhi	Beneficial owner	179,000 (long position)	0.01%

Notes:

1. Mr. Yang Jiye is the founder of the management trust which holds all the issued share capital of Bisney Success Limited and holds 100% interest in Tuochuan Capital Limited. As a result, Mr. Yang Jiye is deemed to hold interest in 424,360,500 Shares held by Bisney Success Limited and 200,000,000 Shares held by Tuochuan Capital Limited.

2. Mr. Xia Zhuo holds 54.38% interest in Splendour Ventures Limited. As a result, Mr. Xia Zhuo is deemed to hold interest in 19,130,589 Shares held by Splendour Ventures Limited. The accurate percentage of the 60,000 Shares beneficially owned by Mr. Xia Zhuo is 0.00327869%.

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

Save as disclosed above, as at 30 June 2016, 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 or which are required, including pursuant to the SFO or Section 352 of the SFO, to be entered into 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 2016, 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 the 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 shareholding
Yang Min	Interest of controlled corporation	586,025,000[1] (long position)	32.02%
	Founder of discretionary trust	13,820,166[1] (long position)	0.76%
China Hanking (BVI) Limited	Beneficial owner	586,025,000[1] (long position)	32.02%
Tuochuan Capital Limited	Beneficial owner	200,000,000 (long position)	10.93%
UBS Trustees (BVI) Limited	Trustee	424,360,500[2] (long position)	23.19%
UBS Nominees Limited	Nominee for the Trustee	424,360,500[2] (long position)	23.19%
Le Fu Limited	Interest of controlled corporation	424,360,500[2] (long position)	23.19%
Bisney Success Limited	Beneficial owner	424,360,500[2] (long position)	23.19%
Industrial and Commercial Bank of China Limited	Person having a security interest in shares	208,000,000 (long position)	11.37%

Notes:

1. Ms. Yang Min 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. By virtue of the SFO, Ms. Yang Min is deemed to have an interest in 760,375,000 Shares held by China Hanking (BVI) Limited and 13,820,166 Shares held by Best Excellence Limited.

2. These 424,360,500 Shares belong to the same group of Shares.

Save as disclosed above, the Company had not been notified by any persons (other than Directors and 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

On 19 January 2016, Mr. Victor Yang resigned as independent non-executive Director, and member of the nomination committee (the "**Nomination Committee**") and the audit committee (the "**Audit Committee**") of the Company due to his intention to develop other business.

On 18 March 2016, (1) Ms. Yang Min resigned as executive Director, chairlady of the Board and chairlady of the Nomination Committee in order to pursue other personal commitments; (2) Mr. Liao Pin-tsung resigned as the executive Director and chief financial officer (the "**Chief Financial Officer**") of the Company in order to pursue other personal commitments; (3) Mr. Jiang Zhouhua resigned as independent non-executive Director and member of the Nomination Committee and the remuneration committee (the "**Remuneration Committee**") of the Company due to his personal commitments on other business; (4) Mr. Yang Jiye was re-designated as executive Director, appointed as chairman of the Board and chairman of the Nomination Committee, and also resigned as member of the Remuneration Committee and the Audit Committee, but remained a member of the health, safety, environmental protection and community committee (the "**HSEC Committee**") of the Company; (5) Mr. Zheng Xuezhi was appointed as executive Director and Chief Financial Officer; (6) Mr. Kenneth Jue Lee was appointed as member of the Remuneration Committee and the Audit Committee and remained as a non-executive Director; and (7) Mr. Wang Anjian was appointed as a member of the Nomination Committee and remained as an independent non-executive Director and member of the Audit Committee and the HSEC Committee.

On 30 March 2016, the Board appointed Mr. Ma Qingshan as an independent non-executive Director as well as member of the Nomination Committee and the Remuneration Committee. Since then, the number of independent non-executive Directors has increased to three, which has been in compliance with the requirements under Rules 3.10(1) and 3.10A of the Listing Rules. In addition, the number of members of the Nomination Committee and the Remuneration Committee also has met the requirements under Rule 3.25 of the Listing Rules and code provision A.5.1 of the Corporate Governance Code as set out in the Listing Rules.

At the annual general meeting (the "**AGM**") of the Company held on 27 May 2016, in accordance with Articles 84(1) and 83(3) of the Articles of Association, Mr. Yang Jiye, Mr. Zheng Xuezhi and Mr. Xia Zhuo (all being executive Directors) and Mr. Wang Ping and Mr. Ma Qingshan (both being independent non-executive Directors) retired by rotation at the AGM and, being eligible, offered themselves for re-election.

On 23 June 2016, the Company, Hanking Australia and Dr. Qiu Yumin entered into an agreement, pursuant to which Hanking Australia agreed to allot and issue to Dr. Qiu Yumin (or his nominee(s)) 6,185,567 new shares of Hanking Australia, of which (i) 4,123,711 new shares of Hanking Australia shall be issued at cash consideration of AUD610,825; and (ii) 2,061,856 new shares of Hanking Australia will be awarded to Dr. Qiu Yumin as a gift by Hanking Australia. The completion of the agreement took place on 4 August 2016 and Hanking Australia allotted and issued 6,185,567 new shares of Hanking Australia to Dr. Qiu Yumin resulting that the total number of shares of Hanking Australia is held by the Company and Dr. Qiu Yumin as to approximately 97% and 3%, respectively.

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

OTHER INFORMATION
(CONTINUED)

4. Directors' Service Contract

The Company has entered into a director's service contract and a letter of appointment with each of the Directors. The particulars of these service contracts include: (1) the term of their appointment as Directors is for three years commencing from 17 March 2015 (in the case of Mr. Yang Jiye, Dr. Pan Guocheng, Dr. Qiu Yumin, Mr. Xia Zhuo, Mr. Kenneth Jue Lee, Mr. Wang Ping and Mr. Wang Anjian), for three years commencing from 18 March 2016 (in the case of Mr. Zheng Xuezhi) and for three years commencing from 30 March 2016 (in the case of Mr. Ma Qingshan); and (2) are subject to termination in accordance with their respective terms.

The Company entered into a supplemental agreement to the director's service agreement with Mr. Yang Jiye on 30 March 2016 in respect of the remuneration adjustment.

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

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules, and also formulated the Written Guideline on Dealings in the Securities of the Company by Directors and the relevant employees (the "**Company Guideline**"), which adopted the standards equivalent to the provisions of Appendix 10 to the Listing Rules as the model code regarding dealings in the Company's securities by the Directors and the relevant employees. 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 ended 30 June 2016.

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

During the six months ended 30 June 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

7. Employee and Remuneration Policy

As at 30 June 2016, the Group had a total of 1,581 employees (as at 30 June 2015: a total of 2,155 employees).

For the six months ended 30 June 2016, the aggregate remuneration expenses and other employee benefits costs of the Group amounted to RMB41,923,000 (for the six months ended 30 June 2015: RMB70,907,000). The remuneration policy of the Group is formulated on the basis of performance of individual employees and the prevailing salaries' trends in the various regions, emphasizing on the direct relation between the employees' income and the operation performance of the Group. The remuneration policy is subject to review by the Group every year. The Group also provides its employees with training programmes, mandatory provident fund scheme, pension, medical insurance, occupational injury insurance, unemployment insurance, maternity insurance and other insurances required by the government as well as discretionary bonuses.

8. Corporate Governance

During the period from 1 January 2016 to 30 June 2016, the Company has fully complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. Meanwhile, the Company has complied with most of the best practices as recommended therein.

9. Audit Committee

During the period from 1 January 2016 to 18 January 2016, the Audit Committee comprised three independent non-executive Directors, namely Mr. Wang Ping (Chairman of the Audit Committee), Mr. Wang Anjian and Mr. Victor Yang, and a non-executive Director namely Mr. Yang Jiye. On 19 January 2016, Mr. Victor Yang resigned as an independent non-executive Director and ceased to act as member of the Nomination Committee and Audit Committee, and thus the Audit Committee comprised two independent non-executive Directors, namely Mr. Wang Ping (Chairman of the Audit Committee) and Mr. Wang Anjian, and a non-executive Director namely Mr. Yang Jiye during the period from 19 January 2016 to 17 March 2016. On 18 March 2016, Mr. Kenneth Jue Lee, a non-executive Director, was appointed as a member of the Audit Committee and meanwhile Mr. Yang Jiye ceased to act as a member of the Audit Committee, and thus the Audit Committee comprised two independent non-executive Directors, namely Mr. Wang Ping (Chairman of the Audit Committee) and Mr. Wang Anjian, and a non-executive Director namely Mr. Kenneth Jue Lee during the period from 18 March 2016 to 30 June 2016.

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

The Audit Committee, which has reviewed the 2016 interim results for the six months ended 30 June 2016 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 2016.

11. Major Legal Proceeding

During the six months ended 30 June 2016, the Group was not involved in any major legal proceedings or arbitrations. To the knowledge of the Directors, there is no other pending or potential major legal proceeding or claim.

OTHER INFORMATION
(CONTINUED)

12. Disclosures pursuant to Rules 13.17 and 13.21 of the Listing Rules

In accordance with the disclosure requirements of Rules 13.17 and 13.21 of the Listing Rules, the following disclosures are included in respect of certain loan agreements of the Company, which contain provisions requiring pledge of the Shares held by the Controlling Shareholder.

On 17 September 2015, China Hanking (BVI) Limited, a company wholly-owned by Ms. Yang Min who is a Controlling Shareholder, pledged 208,000,000 Shares (the "**Pledged Shares A**") in favour of Industrial and Commercial Bank of China Limited (the "**Lender A**") as security for a term loan facility up to a maximum aggregate amount of RMB160,000,000 provided by the Lender A to Aoniu Mining. The Pledged Shares A represented in aggregate approximately 11.37% of the issued share capital of the Company as at 17 September 2015. Details are set out in the announcement of the Company dated 17 September 2015.

On 11 August 2016, China Hanking (BVI) Limited and Tuochuan Capital Limited pledged 80,000,000 Shares and 200,000,000 Shares (collectively the "**Pledged Shares B**"), respectively, in favour of China Citic Bank Corporation Limited, Dalian Branch (the "**Lender B**") as security for a term loan facility up to a maximum aggregate amount of RMB180,000,000 provided by the Lender B to Aoniu Mining. The Pledged Shares B represented approximately 15.30% of the issued share capital of the Company as at 11 August 2016. Details are set out in the announcement of the Company dated 11 August 2016.

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 30 to 51, which comprise the condensed consolidated statement of financial position as of 30 June 2016 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company 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.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 1 to the condensed consolidated financial statements, which states that as at 30 June 2016, the Group's current liabilities exceeded its current assets by RMB1,395,392,000. In addition, as at 30 June 2016, the Group had capital commitments, contracted for but not provided in the condensed consolidated financial statements, amounting to RMB118,912,000 as disclosed in note 21 to the condensed consolidated financial statements.

After taking into account of the banking facilities available to the Group as disclosed in note 1 to the condensed consolidated financial statements, the directors of the Company consider that the Group will have sufficient working capital to finance its operations and to pay its financial obligations as and when they fall due in the foreseeable future. The condensed consolidated financial statements do not include any adjustments that would result from a failure to materialise the banking facilities as disclosed in note 1 to the condensed consolidated financial statements. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 August 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

		Six months ended 30 June	
	NOTES	**2016** **RMB'000** **(Unaudited)**	2015 RMB'000 (Unaudited)
Revenue	3	**819,985**	471,159
Cost of sales		**(709,442)**	(330,013)
Gross profit		**110,543**	141,146
Investment and other income		**19,098**	13,240
Distribution and selling expenses		**(15,745)**	(18,464)
Administrative expenses		**(85,128)**	(112,594)
Other expenses and losses	4	**(64,254)**	(58,798)
Finance costs		**(72,063)**	(80,336)
Loss before tax	5	**(107,549)**	(115,806)
Income tax expense	6	**(1,333)**	(9,136)
Loss for the period		**(108,882)**	(124,942)
Other comprehensive income (expense):			
Items that may be subsequently reclassified to profit or loss:			
Net fair value gain on available-for-sale investments		**15,836**	2,370
Exchange differences on translation of financial statements of foreign operations		**22,457**	(24,928)
Other comprehensive income (expense) for the period		**38,293**	(22,558)
Total comprehensive expense for the period		**(70,589)**	(147,500)
Loss for the period attributable to:			
Owners of the Company		**(105,661)**	(112,323)
Non-controlling interests		**(3,221)**	(12,619)
		(108,882)	(124,942)
Total comprehensive expense for the period attributable to:			
Owners of the Company		**(70,142)**	(132,407)
Non-controlling interests		**(447)**	(15,093)
		(70,589)	(147,500)
Loss per share (RMB cent per share)	8	**(5.8)**	(6.1)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	NOTES	**30 June 2016 RMB'000 (Unaudited)**	31 December 2015 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	9	**1,435,912**	1,510,095
Intangible assets	10	**1,081,680**	1,075,186
Prepaid lease payments	11	**271,195**	285,636
Available-for-sale investments	14	**29,059**	11,362
Deferred tax assets		**23,375**	22,694
Loan receivable from a third party		**11,300**	11,300
Deposit on acquisition of property, plant and equipment		**16,097**	17,486
Restricted deposits	12	**43,845**	23,112
		2,912,463	2,956,871
Current assets			
Inventories		**144,285**	147,606
Prepaid lease payments	11	**40,920**	42,873
Trade and other receivables	13	**621,961**	647,357
Tax recoverable		**4,342**	4,342
Available-for-sale investments	14	**–**	110,727
Pledged bank deposits	15	**859,028**	913,785
Bank balances and cash	15	**36,733**	99,223
		1,707,269	1,965,913
Current liabilities			
Trade and other payables	16	**517,785**	535,572
Borrowings	17	**2,457,811**	2,761,947
Consideration payable	18	**93,413**	69,608
Tax liabilities		**33,652**	32,131
		3,102,661	3,399,258
Net current liabilities		**(1,395,392)**	(1,433,345)
Total assets less current liabilities		**1,517,071**	1,523,526

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(CONTINUED)

At 30 June 2016

	NOTES	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Capital and reserves			
Share capital	19	**149,137**	149,137
Reserves		**544,884**	615,026
Total equity attributable to owners of the Company		**694,021**	764,163
Non-controlling interests		**203,725**	204,172
		897,746	968,335
Non-current liabilities			
Borrowings	17	**289,066**	211,405
Consideration payable	18	**202,468**	223,007
Rehabilitation provision		**124,311**	115,017
Retirement benefit obligations		**1,094**	1,023
Deferred tax liabilities		**2,386**	4,739
		619,325	555,191
		1,517,071	1,523,526

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	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	Actuarial reserve on retirement benefit plan 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 2015 (audited)	149,137	495,537	84,970	456,667	–	(56,830)	(557,161)	–	598,956	1,171,276	228,458	1,399,734
Profit for the period	–	–	–	–	–	–	–	–	(112,323)	(112,323)	(12,619)	(124,942)
Other comprehensive income for the period	–	–	–	–	2,370	(22,454)	–	–	–	(20,084)	(2,474)	(22,558)
Profit and total comprehensive income for the period	–	–	–	–	2,370	(22,454)	–	–	(112,323)	(132,407)	(15,093)	(147,500)
Transfer to future development funds reserve, net of utilisation	–	–	–	12,199	–	–	–	–	(12,199)	–	–	–
2014 final dividend	–	–	–	–	–	–	–	–	–	–	–	–
Disposal of Yingkou Xinwang Alloy Furnace Charge Co., Ltd. ("Yingkou Xinwang")	–	–	–	–	–	–	–	–	–	–	(1,855)	(1,855)
Profit appropriation to surplus reserve	–	–	–	–	–	–	–	–	–	–	–	–
Balance at 30 June 2015 (unaudited)	149,137	495,537	84,970	468,866	2,370	(79,284)	(557,161)	–	474,434	1,038,869	211,510	1,250,379
Balance at 1 January 2016 (audited)	**149,137**	**495,537**	**84,970**	**475,405**	**5,066**	**(87,641)**	**(557,161)**	**228**	**198,622**	**764,163**	**204,172**	**968,335**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(105,661)**	**(105,661)**	**(3,221)**	**(108,882)**
Other comprehensive income for the period	**-**	**-**	**-**	**-**	**15,836**	**19,683**	**-**	**-**	**-**	**35,519**	**2,774**	**38,293**
Profit and total comprehensive income for the period	**-**	**-**	**-**	**-**	**15,836**	**19,683**	**-**	**-**	**(105,661)**	**(70,142)**	**(447)**	**(70,589)**
Transfer to future development funds reserve, net of utilisation	**-**	**-**	**-**	**13,190**	**-**	**-**	**-**	**-**	**(13,190)**	**-**	**-**	**-**
2015 final dividend	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit appropriation to surplus reserve	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance at 30 June 2016 (unaudited)	**149,137**	**495,537**	**84,970**	**488,595**	**20,902**	**(67,958)**	**(557,161)**	**228**	**79,771**	**694,021**	**203,725**	**897,746**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(CONTINUED)

For the six months ended 30 June 2016

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, Fushun Hanking Aoniu Mining Co., Ltd ("Aoniu Mining"), Benxi Hanking Mining Co., Ltd ("Benxi Mining"), Fushun Hanking Maogong Mining Co., Ltd, Fushun Hanking Xingzhou Mining Co., Ltd, Fushun Hanking Shangma Mining Co., Ltd, subsidiaries of the Group, are required to transfer an amount to a future development fund at RMB5-10 (2015: RMB5-10) 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.

RMB19,112,000 and RMB20,175,000 of future development fund was provided during the six months ended 30 June 2016 and 2015, respectively. RMB5,922,000 and RMB7,976,000 of future development fund was utilised during the six months ended 30 June 2016 and 2015, respectively.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	30 June 2016 RMB'000 (Unaudited)	30 June 2015 RMB'000 (Unaudited)
Net cash from (used in) operating activities	**125,653**	(23,856)
Net cash from (used in) investing activities:		
Purchases and deposit paid for acquisition of property, plant and equipment	**(35,681)**	(92,700)
Payments for prepaid lease payments	**(1,844)**	(6,126)
Disposal of a subsidiary	**–**	(572)
Purchase of available-for-sale investments	**–**	(198,483)
Disposal of available-for-sale investments	**107,000**	–
Proceeds on disposal of property, plant and equipment	**3,002**	3,580
Interest received	**18,684**	10,584
Purchase of intangible assets	**(4,696)**	(144,175)
(Placement) withdrawal of restricted deposits	**(20,733)**	245
	65,732	(427,647)
Net cash (used in) generated from financing activities:		
Withdrawal (placement) of pledged bank deposits	**54,757**	(339,879)
New bank loans raised	**1,002,934**	1,159,941
Repayments of borrowings	**(1,313,088)**	(621,231)
	(255,397)	198,831
Net decrease in cash and equivalents	**(64,012)**	(252,672)
Cash and cash equivalents at 1 January	**99,223**	299,587
Effect of foreign exchange rate changes	**1,522**	382
Cash and cash equivalents at 30 June represented by bank balances and cash	**36,733**	47,297

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1. BASIS OF PREPARATION

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

The directors of the Company (the "Directors") have given careful consideration to the going concern of the Group in light of the fact that the current liabilities of the Group exceeded its current assets by RMB1,395,392,000 as at 30 June 2016. In addition, as at 30 June 2016, the Group had capital commitments, contracted for but not provided in the consolidated financial statements, amounting to RMB118,912,000 as disclosed in note 21.

As at 30 June 2016, the Group had available conditional banking facilities amounted to RMB1,200,000,000 ("Conditional Facilities"). The utilization 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. Accordingly, the Directors are of the opinion that, together with the internal financial resources of the Group and the successful in rolling over a short term loan of RMB180,000,000 in August 2016 for another twelve months, the Group has sufficient working capital for its present requirements, that is for at least the next twelve months commencing from the end of the reporting period. Hence, the 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, 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 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

In the current interim period, the Group has applied, for the first time, the following amendments to International Financial Standards ("IFRSs") that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 1	Disclosure Initiative
Amendments to IFRS 16 and IFRS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle

The application of the above amendments to IFRSs in the current interim period has no material effect on the amounts reported and/or disclosures set out in these condensed 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. Following the acquisitions of certain subsidiaries in 2014, where the principal activities of which are nickel ore and gold mining businesses in Indonesia and Australia respectively, the Group has been operating in three mining segments, being iron ore, nickel ore and gold ore. 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 chief executive directors, being the chief operating decision maker ("CODM"), to make decisions about resources allocation and performance assessment.

The Group did not generate revenue from the sales of nickel ore during the period, as the Group intends to undertake mineral processing and refining within the territory of Indonesia for exporting the refined products. As of 30 June 2016, the smelting project is still under construction.

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 2016

	Iron RMB'000	Nickel RMB'000	Gold RMB'000	Total RMB'000
SEGMENT REVENUE				
External sales	**326,563**	**–**	**493,422**	**819,985**
Inter-segment sales	**–**	**–**	**–**	**–**
	326,563	**–**	**493,422**	**819,985**
Segment (loss) profit	**(112,565)**	**(17,312)**	**40,242**	**(89,635)**
Central administration costs and directors' salaries				**(9,233)**
Finance costs				**(8,681)**
Group's loss before tax				**(107,549)**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2016

3. SEGMENT INFORMATION (continued)

Six months ended 30 June 2015

	Iron RMB'000	Nickel RMB'000	Gold RMB'000	Total RMB'000
SEGMENT REVENUE				
External sales	471,159	–	–	471,159
Inter-segment sales	–	–	–	–
	471,159	–	–	471,159
Segment loss	(59,213)	(21,545)	(11,395)	(92,153)
Central administration costs and directors' salaries				(13,873)
Finance costs				(9,780)
Group's loss before tax				(115,806)

4. OTHER EXPENSES AND LOSSES

	Six months ended 30 June	
	2016 **RMB'000** **(Unaudited)**	2015 RMB'000 (Unaudited)
Impairment loss of property, plant and equipment, intangible assets and prepaid lease payments	**47,477**	47,805
Impairment loss of available-for-sale investments	**1,314**	177
Loss on disposal of Yingkou Xingwang	**–**	2,266
Foreign exchange loss	**12,929**	4,065
Others	**2,534**	4,485
	64,254	58,798

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)
For the six months ended 30 June 2016

5. LOSS BEFORE TAX

Loss before taxation has been arrived at after charging:

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories recognised as an expense	**686,954**	292,333
Auditors' remuneration	**500**	500
Release of prepaid lease payments	**14,826**	20,828
Depreciation and amortisation:		
– Property, plant and equipment	**103,063**	86,837
– Intangible assets	**52,626**	7,426
	155,689	94,263
Staff costs (including directors):		
– Salary and other benefits	**41,923**	70,907
– Retirement benefits scheme contributions	**5,493**	9,812
	47,416	80,719

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Income tax expenses comprise:		
PRC enterprise income tax ("EIT") – current	**3,710**	4,775
(Over) under provision of EIT in prior years	**(655)**	1,007
Deferred tax (credit) charge	**(1,722)**	3,354
	1,333	9,136

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2016

6. INCOME TAX EXPENSE (continued)

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% (2015: 25%) of taxable income of the subsidiaries based on the relevant PRC tax rules and regulations.

China Hanking Investment Limited ("Hanking Investment"), China Hanking (BVI) International Limited ("Hanking International") and Hanking (Indonesia) Mining Limited ("Hanking Indonesia") were incorporated in the British Virgin Islands ("BVI") and are not subject to income tax of any jurisdiction during the period (2015: nil).

China Hanking (Hong Kong) Limited ("Hanking HK"), Denway Development Limited, City Globe Limited and Harvest Globe Limited were incorporated in Hong Kong and Hong Kong Profits Tax rate is 16.5% (2015: 16.5%).

Hanking Australia Pty Ltd ("Hanking Australia"), Hanking Gold Mining Pty Ltd ("Hanking Gold") and Hanking Gold Mining Alliance were incorporated in Australia and Australia profits tax rate is 30% (2015: 30%). No provision for profits tax is made during the period as Hanking Australia has sufficient tax losses brought forward to offset the taxable profit for the current period (2015: nil).

Subsidiaries of Hanking Indonesia were incorporated in Indonesia and Indonesia profits tax rate is 25% (2015: 25%). They have no assessable profits subject to Indonesia profits tax during the current period (2015: nil).

7. DIVIDENDS

During the current interim period, no dividend in respect of the year ended 31 December 2015 (2015: nil in respect of the year ended 31 December 2014) was declared and paid to the owners of the Company.

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

8. LOSS PER SHARE

The calculation of loss per share is based on the loss for the six months ended 30 June 2016 attributable to owners of the Company and the 1,830,000,000 shares in issue during the current period (2015: 1,830,000,000 shares).

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group had additions of property, plant and equipment (including capital expenditure for construction in progress) of RMB49,474,000 (six months ended 30 June 2015: RMB80,055,000) for business expansion in the Group.

An impairment loss amounting to RMB47,477,000 (six months ended 30 June 2015: RMB42,634,000) has been recognised during the period in respect of buildings, certain plant and machinery, mining structure and equipment to the extent that the carrying amount exceeded the recoverable amount based on the best estimate by the management as at 30 June 2016.

10. INTANGIBLE ASSETS

During the period, the Group had additions of mining rights amounting to RMB 44,922,000 (six months ended 30 June 2015: RMB133,928,000).

As at 30 June 2016, the Company has pledged mining rights with a net book value of approximately RMB380,250,000 (31 December 2015: RMB359,651,000) in PRC to secure the bank borrowings of RMB956,095,000 (31 December 2015: RMB912,455,000).

An impairment loss amounting to nil (six months ended 30 June 2015: RMB 3,288,000) has been recognised during the period in respect of certain mining rights and exploration and evaluation assets to the extent that the carrying amount exceeded the recoverable amount based on the best estimate by the management as at 30 June 2016.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2016

11. PREPAID LEASE PAYMENTS

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Analysed for the reporting purpose as:		
Current portion	**40,920**	42,873
Non-current portion	**271,195**	285,636
	312,115	328,509

Prepaid lease payments were amortised over the benefit periods from 5 to 50 years. As at 30 June 2016, prepaid lease payments with no land certificates being obtained amounted to RMB275,837,000 (31 December 2015: RMB287,316,000).

During the period ended 30 June 2015, an impairment loss amounting to RMB1,883,000 has been recognised in respect of certain prepaid lease payments to the extent that the carrying amount exceeded the recoverable amount based on the best estimate by the management as at 30 June 2015.

12. RESTRICTED DEPOSITS

Restricted deposits comprise deposit paid under unconditional performance bonds issued as security for mine operators, deposit for gold forward contracts and security deposits for banking facilities. These deposits are not expected to release within the next twelve months, accordingly, it has been classified under non-current assets.

13. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 7 days to its customers of iron ore concentrates and gold ore. 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 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Within 7 days	**18,603**	49,809
8 days to 90 days	**163,633**	96,328
91 days to 1 year	**88,106**	190,286
	270,342	336,423
Bills receivables	**131,735**	92,326
Total trade receivables	**402,077**	428,749
Other receivables, deposits and prepayments	**219,884**	218,608
	621,961	647,357

14. AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Listed investment at fair value (Note a)	**29,059**	11,362
Unlisted financial product investments at fair value (Note b)	**–**	110,727
	29,059	122,089

Notes:

(a) The listed equity investments represent the Group's equity interests in companies listed on Australian Securities Exchange. The investments are measured at fair value at the end of the reporting period.

(b) The unlisted managed investments represent funds advanced to a licensed financial institution in the PRC with fixed maturity of one year and a variable non-guaranteed return based on the financial institution's investments in bonds and notes. The investments have been matured and proceed of RMB111,300,000 (inclusive non-guaranteed return of RMB4,300,000) have been received by the Group during the current period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2016

15. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Bank balances and cash of the Group comprise cash and short term bank deposits with an original maturity of three months or less. The bank balances carry variable interest rates ranging from 0.15%-0.35% (2015: 0.15%-0.35%) per annum.

Pledged bank deposits represented security deposits for notes payable and bank borrowings, carried fixed interest rates ranging from 0.30%-2.70% (2015: 0.30%-3.30%) 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 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
0 to 90 days	**62,270**	95,787
91 days to 365 days	**18,913**	7,935
1 year to 2 years	**328**	346
2 years to 3 years	**5**	21
Over 3 years	**1,337**	1,362
	82,853	105,451
Bills payables	**3,649**	4,550
Total trade payables	**86,502**	110,001
Other payables, advances and accruals	**431,283**	425,571
	517,785	535,572

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

For the six months ended 30 June 2016

17. BORROWINGS

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Bank loans	**2,612,108**	2,894,509
Other loans (Note a)	**134,769**	78,843
	2,746,877	2,973,352
Secured	**2,566,877**	2,603,352
Unsecured	**180,000**	370,000
	2,746,877	2,973,352
Fixed-rate	**1,798,677**	1,562,455
Floating-rate	**948,200**	1,410,897
	2,746,877	2,973,352
Carrying amount repayable (Note b):		
Due within one year	**2,457,811**	2,761,947
More than one year, but not more than two years	**258,767**	146,504
More than two years, but not more than five years	**30,299**	64,901
	289,066	211,405
	2,746,877	2,973,352

Notes:

a) It represents loans advanced from a government authority for purchase of mining rights. The loan carries interest at the benchmark interest rate issued by the People's Bank of China ("PBOC") and is repayable within five years.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2016

17. BORROWINGS (continued)

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

	30 June 2016 % (Unaudited)	31 December 2015 % (Audited)
Fixed-rate borrowings	**4.80-8.00**	4.83-8.00
Variable-rate borrowings	**1.62-6.44**	1.32-5.00

At 30 June 2016 and 31 December 2015, the Group had variable rate borrowings which carried interest based on the benchmark interest rate issued by PBOC or London Interbank Offered Rate ("LIBOR"). Interest was reset every one month, three months, six months or one year.

The unsecured bank borrowings of approximately RMB180,000,000 (31 December 2015: RMB370,000,000) at 30 June 2016 were guaranteed by Ms. Yang Min, a controlling shareholder of the Company, Mr. Yang Jiye and the companies controlled by Ms. Yang Min.

Ms. Yang Min and Mr. Yang Jiye, son of Ms. Yang Min, together with the companies controlled by them, provided guarantee for secured bank borrowings of the Group of approximately RMB1,364,128,000 (2015: RMB1,345,403,000).

18. CONSIDERATION PAYABLE

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Analysed for the reporting purpose as:		
Current portion	**93,413**	69,608
Non-current portion	**202,468**	223,007
	295,881	292,615

18. CONSIDERATION PAYABLE (continued)

Denway Development Limited, a subsidiary of Hanking Indonesia, acquired 75% equity interest of PT Konutara Sejati ("KS") and PT Karyatama Kona Utara ("KKU") from the independent third parties during the year of 2011. City Globe Limited, which is also a subsidiary of Hanking Indonesia, acquired 75% equity interest of PT Konutara Prima ("KP") from the independent third parties during the year of 2012. KS, KKU and KP are established in Indonesia.

As at 30 June 2016, the consideration payable for acquisition of KS, KKU and KP of RMB295,881,000 (31 December 2015: RMB292,615,000) was recognised at amortised cost using the effective interest method at the date of acquisition. According to the acquisition agreements, it will be repaid on installment basis by reference to the progress of the mining development with the last payment fall due in the year of 2032. The amount of RMB93,413,000 (31 December 2015: RMB69,608,000) repayable within the next twelve months is classified under current portion which is calculated based on directors' estimation on the project development progress.

19. SHARE CAPITAL

The amount as at 30 June 2016 and 31 December 2015, represented the then issued share capital of the Company, details of movement of share capital of the Company are as follow:

	Number of shares	Share capital HK$'000	Shown in the consolidated financial statements RMB'000
Ordinary shares of HK$0.1 each			
Authorised:			
At 31 December 2015 and 30 June 2016	10,000,000,000		
Issued:			
At 31 December 2015 and 30 June 2016	1,830,000,000	182,900	149,137

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2016

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

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

The Group's listed equity investments are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at 30/06/2016	Fair value as at 31/12/2015	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Listed equity investments	**Listed equity securities in Australia: RMB29,059,000**	Listed equity securities in Australia: RMB11,362,000	Level 1	Quoted bid prices in an active market	N/A	N/A
Unlisted managed investment funds	**N/A**	Unlisted managed investment funds in PRC: RMB110,727,000	Level 3	Discounted cash flow was used to capture the present value of the expected future economic benefit that will flow to the Group	Actual yield from the investment	The higher the actual yield, the higher the fair value

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

21. CAPITAL COMMITMENTS

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

	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	**118,912**	159,901

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2016

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	
	2016	2015
	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 (Notes a & c)	**121,567**	111,627
Processing fee paid to:		
Benxi Hanking Iron Processing Co. Ltd. (Note a) 本溪罕王鐵選有限公司	**1,629**	11,047
Rental expense paid to:		
Shenyang Shengtai Property Management Co., Ltd. (Note a) 瀋陽盛泰物業管理有限公司	**1,169**	1,751
Transportation fee paid to:		
Fushun Mingyang Transport Co., Ltd. (Note b) 撫順名揚運輸有限公司	**–**	3,027
Exploration fee paid to:		
Liaoning Hanking Mining Development Co., Ltd. (Note a) 遼寧罕王礦業發展有限公司	**–**	883

Notes:

(a) These companies are the related parties which are controlled by Ms. Yang Min.

(b) Fushun Mingyang Transport Co., Ltd. was wholly owned by Mr. Yang Xinhuan, the nephew of Ms. Yang Min, till 28 January 2015. After then, the shareholder of Fushun Mingyang Transport Co., Ltd. has been changed to a third party.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

For the six months ended 30 June 2016

23. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 7 July 2016, Aoniu Mining, a wholly-owned subsidiary of the Company, entered into the Equity Interest Transfer Agreement with the Purchaser, pursuant to which Aoniu Mining agreed to transfer 100% equity interest in Benxi Mining to the Purchaser at a cash consideration of RMB1.

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 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
"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" or "Australian dollars"	the lawful currency of Australia
"Australia"	The Commonwealth of Australia
"Benxi Iron Processing"	Benxi Hanking Iron Processing Co., Ltd. (本溪罕王鐵選有限公司), a limited liability company established in the PRC
"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 during the Reporting Period
"Board"	the board of Directors of the Company
"BVI"	British Virgin Islands
"China" or "PRC"	the People's Republic of China. For the purpose of this report, references in this report to the PRC or China do not include Hong Kong, Macau Special Administrative Region and Taiwan
"City Globe"	City Globe Limited, a limited liability company incorporated in Hong Kong which holds 75% equity interest in KP
"Companies Ordinance"	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong (as amended from time to time)
"the Company" or "our Company" or "we"	China Hanking Holdings Limited（中國罕王控股有限公司）, a company incorporated in the Cayman Islands with limited liability on 2 August 2010 and whose shares are listed on the main board of the Hong Kong Stock Exchange

DEFINITIONS OF TERMS
(CONTINUED)

"Controlling Shareholders"	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, Tuochuan Capital Limited and Best Excellence Limited
"Dalian Huaren"	Dalian Huaren Trade Co., Ltd. (大連華仁貿易有限公司), a limited liability company established in the PRC
"Denway Development"	Denway Development Limited, a limited liability company incorporated in Hong Kong which holds 75% equity interest in KS and KKU
"Directors"	the directors of the Company
"EBITDA"	the abbreviation of earnings before interest, taxes, depreciation, amortization and provision for impairment
"Evergreen Mining"	Evergreen Mining Limited, a limited liability company incorporated in the BVI on 23 November 2012, an indirectly wholly-owned subsidiary of Hanking Group
"Fushun Hanking D.R.I."	Fushun Hanking D.R.I. Co., Ltd. (撫順罕王直接還原鐵有限公司), a limited liability company established in the PRC
"Fushun Shangma"	Fushun Hanking Shangma Mining Company Limited (撫順罕王上馬礦業有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
"the Group" or "Hanking"	China Hanking Holdings Limited and its subsidiaries
"Hanking Australia"	Hanking Australia Pty Ltd (罕王澳大利亞有限公司), a limited liability company established in Australia and a wholly-owned subsidiary of the Company during the Reporting Period
"Hanking Gold"	Hanking Gold Mining Pty Ltd (罕王黃金礦業有限公司), a limited liability company established in Australia and a wholly-owned subsidiary of the Company
"Hanking Group"	Hanking Group Co., Limited (罕王實業集團有限公司), a limited liability company established in the PRC on 4 April 1996, whose shares are held by Ms. Yang Min as to 88.96% and other individuals. Hanking Group is a holding company and is controlled by the Controlling Shareholders
"Hanking (Indonesia)"	Hanking (Indonesia) Mining Limited, a limited company established in the BVI and a non wholly-owned subsidiary of the Company

DEFINITIONS OF TERMS

(CONTINUED)

"Harvest Globe"	Harvest Globe Limited (合龍有限公司), a limited liability company established in Hong Kong and a non wholly-owned subsidiary of Denway Development
"HMNS"	PT Hanking Makmur Nickel Smelt (罕王富域鎳冶煉有限公司), a limited company established in Indonesia and a non wholly-owned subsidiary of the Company
"HK$" or "HK dollars"	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
"Indicated Resource"	an indicated resource is one which has been sampled by drill holes or other sampling procedures at locations too widely spaced to ensure continuity, but close enough to give a reasonable indication of continuity and where geoscientific data are known with a reasonable level of reliability
"Inferred Resource"	an inferred resource is one where geoscientific evidence from drill holes or other sampling procedures is such that continuity cannot be predicted with confidence and where geoscientific information may not be known with a reasonable level of reliability
"Indonesia"	The Republic of Indonesia
"Indonesia nickel ore project"	laterite nickel project operated by the Company through KKU, KP and KS in North Konawe, the South-East Sulawesi of Indonesia
"Indonesian Rupiah"	the lawful currency of Indonesia
"JORC Code"	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 edition), as published by the Joint Ore Reserves Committee
"KKU"	PT Karyatama Konawe Utara, a company established in Indonesia, an indirectly non wholly-owned subsidiary of the Company
"km"	kilometres
"km^2"	square kilometres
"KP"	PT Konutara Prima, a company established in Indonesia, an indirectly non wholly-owned subsidiary of the Company

DEFINITIONS OF TERMS

(CONTINUED)

"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 Hanking 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
"Measured Resource"	a measured resource is one which the geologic feature, shape of the ore, occurrence, scale, ore quality, grade, as well as the mining technology condition and the continuity of the ore body have been ascertained according to the accuracy of prospecting in the mining area, the data that mineral deposit depended on is elaborate enough; and the one has high reliability
"Reporting Period"	for the six months ended 30 June 2016
"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 Shangma Town, Fushun City, an iron mine operated through Fushun Shangma, a subsidiary of the Company
"Shares"	shares of the Company
"Shengtai Property"	Shenyang Shengtai Properties Management Co., Ltd (瀋陽盛泰物業管理有限公司), a limited liability company established in the PRC
"SXO"	located at the center of Yilgarn goldfield in Western Australia (Southern Cross Operation, abbreviated as SXO Gold Project)
"ton" or "metric ton"	a unit of weight equivalent to a thousand kilograms, both have the same meaning in this report
"United States"	the United States of America
"US$" or "USD" or "US dollars"	United States dollars, the lawful currency of the United States

DEFINITIONS OF TERMS
(CONTINUED)

"STSU"	Shenyang Toyo Steel Utility Co., Ltd (瀋陽東洋煉鋼公用設施有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
"Xingzhou Mine"	located at Dongzhou District, Fushun City, an iron mine operated through Xingzhou Mining, a subsidiary of the Company
"Xingzhou Mining"	Fushun Hanking Xingzhou Mining Limited (撫順罕王興洲礦業有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company