



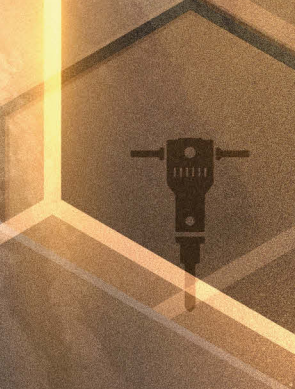
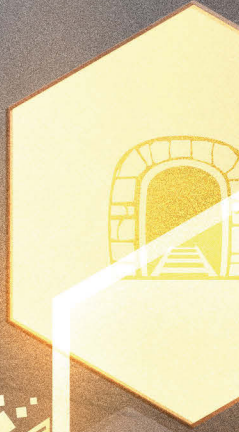
中國罕王控股有限公司

CHINA HANKING HOLDINGS LIMITED

罕王
HANKING

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 03788



INTERIM REPORT

MISSION

As Emerging Key Player

VALUE

Always Beyond Expectations



CONTENTS

Corporate Information	2
Financial Highlights	4
Management Discussion and Analysis	5
Other Information	22
Report on Review of Condensed Consolidated Financial Statements	30
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	31
Condensed Consolidated Statement of Financial Position	32
Condensed Consolidated Statement of Changes in Equity	34
Condensed Consolidated Statement of Cash Flows	36
Notes to the Condensed Consolidated Financial Statements	37
Definitions of Terms	69

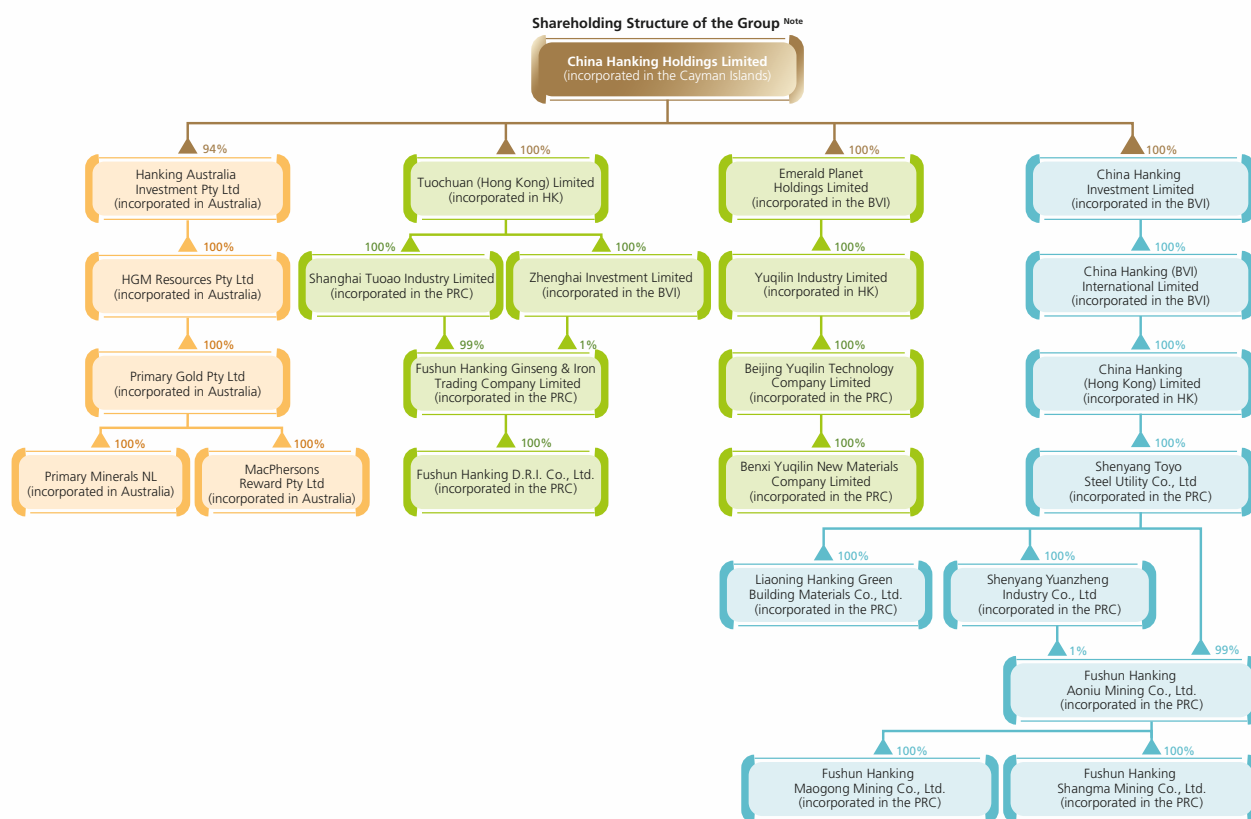


CORPORATE INFORMATION

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).

Being a fast-growing international mining and metals group of companies, China Hanking Holdings Limited is principally engaged in the exploration and development of iron ore, gold mining and precious metal mineral resources in China and Australia, and relies on its own high-quality iron ore resources to produce wind power ductile casting iron.

The Group has three business segments: iron ore, high-purity iron and gold mining. Upholding the core value of “people-first and business integrity” and adhering to the principles of “safety, community harmony and green mine”, the Group strives to perform the enterprises’ social responsibilities.



Note: This shareholding structure chart reflects the Group’s shareholding structure as at 30 June 2021.

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
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P.O. Box 2681
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KY1-1111
Cayman Islands

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Principal Place of Business in Hong Kong

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Authorized Representatives

Mr. Zheng Xuezhi
Ms. Wong Sau Ping

Joint Company Secretaries

Ms. Zhang Jing
Ms. Wong Sau Ping

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants
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Principal Share Registrar in the Cayman Islands

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KY1-1111
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Hong Kong Share Registrar

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Directors**Executive Directors**

Mr. Yang Jiye
(*Chairman, Chief Executive Officer and President*)
Mr. Zheng Xuezhi
Dr. Qiu Yumin

Non-executive Directors

Mr. Kenneth Lee
Mr. Xia Zhuo

Independent Non-executive Directors

Mr. Wang Ping
Dr. Wang Anjian
Mr. Ma Qingshan

Audit Committee

Mr. Wang Ping (*Chairman*)
Dr. Wang Anjian
Mr. Kenneth Lee

Remuneration Committee

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

Nomination Committee

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

Health, Safety, Environmental Protection and Community Committee

Dr. Qiu Yumin (*Chairman*)
Mr. Yang Jiye
Dr. Wang Anjian

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2021	2020	Change
Revenue (RMB thousand)	1,583,521	1,160,965	36.40%
Profit for the period attributable to owners of the Company (RMB thousand)	320,581	170,519	88.00%
Earnings per share (RMB cent)	16.5	9.4	75.53%
Interim dividend (HKD per share)	0.06	0.04	50.00%
Net margin	20.17%	14.67%	Up by 5.50 percentage points
Return on net assets	25.45%	20.68%	Up by 4.77 percentage points



MANAGEMENT DISCUSSION AND ANALYSIS

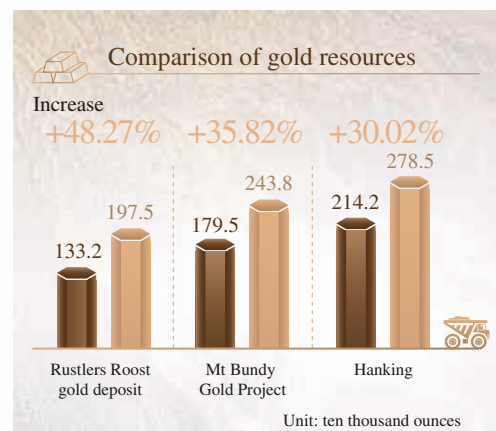
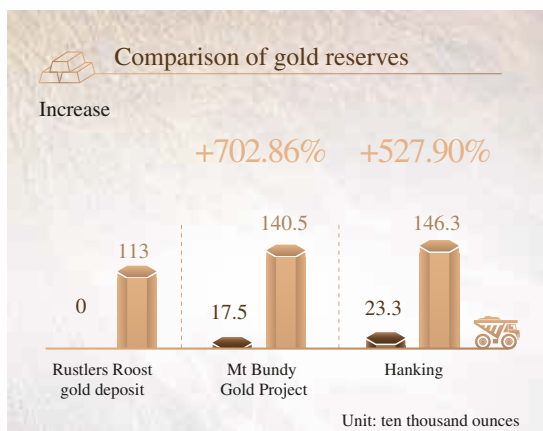
1. Operation Review

(1) Significant increase in profit for the period, with a dividend of HKD0.06 per Share

Benefitting from the substantial increase in the sales volume in the high-purity iron business after its completion of acquisition last year, the increase in the gross profit of high-purity iron per metric ton and the increase in the gross profit of iron ore concentrates per metric ton due to the rise in the average selling price, the profit for the period attributable to owners of the Company during the first half of 2021 increased significantly to RMB320,581,000, representing a year-on-year increase of RMB150,062,000 or 88.00%. According to the “Dividend Distribution Plan for Shareholders for the Next Three Years (2020-2022)” of the Company, the Board resolved the payment of an interim dividend of HKD0.06 per Share for the six months ended 30 June 2021 to Shareholders.

(2) The resources and reserves of gold mine have both increased significantly

Based on new achievements of prospecting projects of the Company and new interpretation of all previous drillings, the gold resource of the Company has reached 2,785,000 ounces, representing a year-on-year increase of 30.02%; reserve has reached 1,463,000 ounces, representing a year-on-year increase of 527.90%. Among which, the resource for the Rustlers Roost gold deposit has reached 1,975,000 ounces, representing a year-on-year increase of 48.27%, while the reserve has reached 1,130,000 ounces with a strip ratio of 1.55:1.



MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

(3) Significant growth of sales volume and gross profit of high-purity iron

In December 2020, the Company completed the acquisition of Benxi Yuqilin, which enhanced the annual production capacity of high-purity iron from 660 thousand metric tons to 930 thousand metric tons accordingly. The sales volume of high-purity iron in the first half of 2021 was 331 thousand metric tons, representing a year-on-year increase of 34.55%, while the gross profit increased by 60.66% year-on-year, further consolidating the Group's leading position in the market for wind power ductile casting iron. Due to the rapid development of the large-scale wind turbines and off-shore wind power, Hanking will continue to benefit as a supplier of raw materials for casting such as bases for wind turbine and wheel hub.

2. Macro and Industry Situation

Since the second half of last year, the profits of industrial enterprises have recovered at a quicker pace by continuing a rapid growth and representing a recovery in both domestic and overseas demand. According to the statistics of the National Bureau of Statistics, industrial enterprises above designated size in China achieved a total profit of RMB4,218.33 billion for the first six months of 2021, representing a year-on-year increase of 66.9% and an increase of 45.5% as compared to that for the first six months of 2019, with an average increase of 20.6% in two years. Due to the rising commodity prices, the upstream industries of mining and raw material manufacturing maintained a rapid growth in profitability. For the first six months of 2021, the profit of the mining industry rose by 1.33 times year-on-year, which was significantly higher than the average level of industries above designated size.

In this round of bull market of commodities, the iron ore is what has started to rise at the earliest. As early as in April 2020, the price of iron ores has stepped into an upward trend, increasing from US\$83 per metric ton to a high level of US\$230 per metric ton and fluctuating around this high level. The main momentum to drive up the price of iron ores was strong steel production in China and weak supply domestically and overseas. In the first half of 2021, the domestic supply and demand for iron ore were both strong and showed a tight balance.

In the first half of 2021, the installed capacity of wind power, being a renewable energy, steadily increased with 10.84GW of newly installed capacity of wind power nationwide, representing a year-on-year increase of 71.5%, which included 8.69GW of onshore wind power, representing a year-on-year increase of 65.3%, and 2.15GW of offshore wind power, representing a year-on-year increase of 102.5% ^{Note 1}. The industry has maintained a good development trend.

The price of gold was affected by various factors including monetary policy, supply and demand and hedging. With the recovery of the economy, the increase in the most part of the second quarter of 2021 was offset by a sharp fall in late June. As of 30 June 2021, the price of gold fell by 6.6% ^{Note 2}. As the U.S. economy is growing faster than expected, the Fed will have to shrink its balance sheet sooner, and the price of gold in US dollars will face downward pressure in the short run. However, gold will remain attractive as an effective risk-hedging asset in the future.

Note 1: Sourced from the National Energy Administration, as of 28 July 2021.

Note 2: Calculated based on the afternoon gold price of LBMA in US dollars.

MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

3. Iron Ore Business

(1) Operation status

In the first half of 2021, Hanking's iron ore business exceeded all operational targets in the annual budget in all respects by increasing production and efficiency, safety and environmental protection, energy saving and emission reduction, and improving quality and innovation, and maintained the competitive advantage of Hanking's iron ore with low cost and low impurities.

Benefiting from the rising price of iron ores, the average selling price of iron ore concentrates of the Group increased by 63.62% year-on-year to RMB1,237 per metric ton in the first half of 2021. On the other hand, the Group increased production and efficiency by strictly controlling the dilution rate, duly arranging mining projects, strengthening field supervision, adopting digital management and other methods, so that the output was higher than expected and the mining cost was effectively controlled in the event of a reduction in ore output. In the first half of 2021, the cash operation costs of iron ore concentrate per metric ton increased by 21.50% year-on-year to RMB373 per metric ton, which was mainly attributable to a year-on-year increase of 68.09% in taxation per metric ton resulted from the increased price of iron ores as ad valorem resource tax of iron ores was imposed.

Due to a reduction in ore supply as the ramp of Maogong Mine closed, the output and sales volume of the Group's iron ore concentrates decreased by 35.31% and 33.03% year-on-year to 557,000 metric tons and 590,000 metric tons in the first half of 2021, respectively. The Group's Shangma Mine has approximately 30 million metric tons of iron ore resources. The first phase of infrastructure construction and the renovation of the concentration plant are currently underway, and the production of iron ore concentrate is expected to be initiated in the second half of 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

Breakdown of cash operation costs of the iron ore business

Cash operation costs of iron ore concentrates (RMB/metric ton of iron ore concentrates)

For the six months ended 30 June

	For the six months ended 30 June		Changes	
	2021	2020	Amount	Percentage
Comprehensive mining cash costs	147	145	2	1.38%
Processing cash costs (Note 1)	83	59	24	40.68%
Transportation expenses (Note 2)	15	20	-5	-25.00%
Tax (Note 3)	79	47	32	68.09%
Mine management expenses (Note 4)	49	36	13	36.11%
Total	373	307	66	21.50%

- Notes: 1. The increase in the processing cash costs per metric ton was due to the year-on-year decrease in the output of iron ore concentrates and declined economies of scale.
2. The decrease in transportation expenses per metric ton was due to the change of customers with a shorter transportation distance.
3. The increase in tax per metric ton was due to the increase in the selling price of iron ore concentrates per metric ton, as an ad valorem tax of iron ore concentrates was imposed.
4. The increase in mine management expenses was due to the compensation for dismissal of employees of Aoni Mine.

Thanks to the increase in average selling price of iron ore concentrates and the Group's effective cost control, the iron ore business recorded a gross profit of RMB492,019,000, representing an increase of 39.79% as compared to the corresponding period of last year. The gross profit margin was 67.43%, representing a year-on-year increase of 14.59 percentage points.

MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

Operation breakdown of the iron ore business

	For the six months ended 30 June		Change
	2021	2020	
Output (thousand metric tons)	557	861	-35.31%
Sales volume (thousand metric tons)	590	881	-33.03%
Average selling price (RMB per metric ton)	1,237	756	63.62%
Average cost of sales (RMB per metric ton)	403	357	12.89%
Revenue (RMB thousand)	729,652	666,184	9.53%
Gross profit (RMB thousand)	492,019	351,980	39.79%
Gross margin	67.43%	52.84%	Up by 14.59 percentage points

- **Resources and reserves**

During the first half of 2021, the iron ore resources and reserves of the Group had no material change as compared to the data as at the end of 2020.

(2) **Safety, environmental protection, energy saving and emission reduction**

Hanking's iron mines have always been committed to building "smart, green and safe mines", by strictly implementing the requirements of relevant documents issued by the National Mine Safety Administration and the Ministry of Ecological Environment of the PRC, and fulfilling safety practices and environmental protection, in particular enhancing the management of external construction teams with regular inspection and rectifications. There were no cases reported by the National Environmental Inspectorate. Maogong Mine, being a benchmark enterprise of non-coal mines in Liaoning Province, was set as a model enterprise in terms of safe production jointly by the Emergency Department of Liaoning Province and Liaoning TV, by filming a public service video titled "Responsibility Builds up Safety (《責任鑄就安全鎧甲》)" which was aired repeatedly on Liaoning TV Channel. In the first half of 2021, there were no safety and environmental incidents in the mines of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

Focusing on energy saving and emission reduction, Hanking's iron mines regularly replace obsolete equipment with high energy consumption, upgrade technologies and carry out energy-saving management for all employees. At present, the comparable energy consumption per metric ton of the products of mining and processing systems both outperform the advanced value of national standard. For the first six months of 2021, the comparable energy consumption per metric ton of the products of processing plants was 2.15kgce/t, which was lower than the advanced value of national standard of 2.4kgce/t^{Note 1}. The comparable energy consumption per metric ton of the products of mining plants was 1.67kgce/t, which was lower than the advanced value of national standard of 2.05kgce/t^{Note 2}.

4. High-Purity Iron Business

(1) Operation status

Upon the completion of the acquisition of Benxi Yuqilin at the end of 2020, the annual production capacity of high-purity iron business increased from 660,000 metric tons to 930,000 metric tons. Due to the commencement of production in January 2021 immediately following the acquisition, in the first half of 2021, the output of the high-purity iron business further increased to 356,000 metric tons, representing a year-on-year increase of 10.56%; and sales volume was 331,000 metric tons, representing a year-on-year increase of 34.55%. In the second half of 2021, the planned output of high-purity iron is approximately 430,000 metric tons, with capacity being gradually released.

In the first half of 2021, wind power installed capacity maintained booming, and domestic and foreign demand for pig iron remained high, leading to a sharp rise in the selling price of high-purity iron and the price of raw materials. The Group controlled costs by means of large-scale production and technological upgrades, and increased the output of high-purity iron, thereby reducing the fixed cost per metric ton, as continuous technological upgrades reduced the energy consumption per metric ton. In addition, benefiting from the large-scale wind turbines and the rapid growth of offshore wind power, Hanking's high-purity iron business further consolidated the advantages of its products with low impurity, stretch resistance and corrosion resistance and increased products' added values, to improve market share and user dependence. As a result, the high-purity iron business achieved a gross profit of RMB214,657,000 in the first half of 2021, representing a year-on-year increase of 60.66%.

Note 1: See China National Standard GB 31337-2014 "The Norm of the Energy Consumption per Unit Ore of Iron Ore Dressing (《鐵礦選礦單位產品能源消耗限額》)".

Note 2: See China National Standard GB 31336-2014 "The Norm of Energy Consumption per Unit Product of Iron Ore Underground Mining (《鐵礦地下開採單位產品能源消耗限額》)".

MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

Hanking D.R.I. continued to put efforts on research and development. With its self-developed patented technologies and process control, Hanking D.R.I. was once again recognized as a “High Technology Enterprise” in September 2020, with a validity period of three years.

Operation breakdown of high-purity iron business

	For the six months ended		
	30 June		
	2021	2020	Change
Output (thousand metric tons)	356	322	10.56%
Sales volume (thousand metric tons)	331	246	34.55%
Average selling price (RMB per metric ton)	3,887	3,124	24.42%
Average cost of sales (RMB per metric ton)	3,239	2,583	25.40%
Revenue (RMB thousand)	1,286,599	768,599	67.40%
Gross profit (RMB thousand)	214,657	133,612	60.66%
			Down by 0.70 percentage points
Gross margin	16.68%	17.38%	points

(2) Safety, environmental protection, energy saving and emission reduction

By actively responding to the “carbon neutral” strategy of the state, Hanking has set up an energy management center for the high-purity iron business as a dedicated management agency in respect of energy conservation and emission reduction, which is directly under the management of the Company’s general manager. While using all new energy-saving and environmentally-friendly equipment for the high-purity iron business, it has also increased investment in scientific research to improve production indicators and work efficiency, reduce energy consumption per metric ton, and increase the utilization rate of fossil fuels consumed in production activities, thereby reducing direct greenhouse gas emissions.

MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

5. Gold Business in Australia

The new resource estimate update was based on new RC and diamond drilling in 108 holes for 16,558m by Hanking Australia since its take-over of PGO gold project in 2018, and new interpretation of existing drillings. The new resource estimate was made by an independent consulting firm in accordance with the JORC Code. This new resource estimate, together with the previously announced gold resources in other deposits of the Company, brings the Company's total gold resource to 2.785 Moz gold. Details are set out in the announcement of the Company dated 9 July 2021.

Gold mine resources as at 30 June 2021

	Measured		Indicated		Inferred		Total					
	thousand metric tons	gram/ton	thousand ounces	thousand metric tons	thousand gram/ton	thousand ounces	thousand metric tons	thousand gram/ton	thousand ounces			
Coolgardie project	431	1.3	18	5,957	1.0	193	3,500	1.2	136	9,889	1.1	347
Mt Bundy project												
Rustlers Roost	-	-	-	61,930	0.8	1,488	28,310	0.5	487	90,240	0.7	1,975
Tom's Gully	-	-	-	835	9.0	242	265	8.5	73	1,100	8.9	315
Quest 29	-	-	-	2,190	1.4	98	1,205	1.3	50	3,395	1.4	148
Sub-total	-	-	-	64,955	1.1	1,828	29,780	0.9	610	94,735	0.8	2,438
Total	431	1.3	18	70,912	0.9	2,021	33,280	0.7	746	104,624	0.8	2,785

Note: The figures do not imply precision and may not add up due to rounding.

Based on the update resources of Rustlers Roost gold deposit, the existing resources of satellite deposit Quest 29, and the pre-feasibility study ("PFS") of these two deposits, an ore reserve estimate was made for the Rustlers Roost and Quest 29 gold deposits of the Mt Bundy Gold Project. The PFS was performed by a number of independent consultants, and various PFS work was completed, including environmental assessment, waste rock geochemistry and environmental impact assessment, metallurgical tests, mine design and cost estimation, metallurgical design and operating cost estimation. The ore reserve estimate was made by an independent consultant in accordance with the JORC Code. This new ore reserve, together with previously announced ore reserves in other deposits, brings the Company's total gold ore reserve to 1.463 Moz gold, representing a year-on-year increase of 527.90%. Importantly, all the new reserves are open-cut reserve, 91.87% of which are in the Rustlers Roost open pit. Details are set out in the announcement of the Company dated 9 July 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

Gold mine reserves as at 30 June 2021

	Resource Category	thousand metric tons	gram/ton	thousand ounces
Coolgardie project	Proved	267	1.5	13
	Probable	802	1.8	45
	Sub-total	1,069	1.7	58
Mt Bundy project	Proved	–	–	–
	Probable	45,675	1.0	1,405
	Sub-total	45,675	1.0	1,405
Total	Proved	267	1.5	13
	Probable	46,477	1.0	1,450
Total		46,744	1.0	1,463

The Company passed the environmental impact assessment for Tom's Gully Gold Project in 2020. It has recently received the water discharge permit for dewatering of the largest open-pit reserve at Rustlers Roost and is on schedule to submit the environmental impact assessment report required for mine development for Rustlers Roost and Quest 29 as soon as possible. Their mine development PFS is near completion. Tom's Gully and Quest 29 gold deposits are about 10km away from Rustlers Roost with the largest reserve, which are suitable for unified operational management. With an ore reserve of 1.405 Moz gold, the Mt Bundy Gold Project has a clear pathway to produce an average of more than 100 Koz gold over more than 10 years life of mine. The Company is carrying out a new AUD6 million drilling program with 3 drilling rigs at the Quest 29 gold deposit of the Mt Bundy Gold Project, with a clear goal to further increase both the gold resource and ore reserve.

As the Group's gold business is still under pre-production preparation, no sales were recorded during the first half of 2021. For the six months ended 30 June 2021, the capital expenditure of the gold business was RMB40,001,000 (For the first half of 2020: RMB5,553,000), which was mainly used for the acquisition of mining rights, environmental impact assessment and exploration expenses of the gold deposits.

MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

Future Plans for Material Investment or Capital Assets

As of 30 June 2021, the Group did not have any specific plans to acquire any material investment or capital assets other than those carried out in its ordinary course of business. The Group will keep abreast of the changing market conditions and proactively identify investment opportunities in order to broaden the revenue base of the Group and enhance its future financial performance and profitability.

Financial Review

1. Revenue, Cost of Sales, Gross Profit

In the first half of 2021, revenue of the Group was RMB1,583,521,000, representing an increase of RMB422,556,000 or 36.40% as compared to the corresponding period of last year, mainly due to: 1) the increase of 85 thousand metric tons in sales volume of high-purity iron, resulting in an increase in revenue of RMB266,223,000 after the acquisition of the high-purity iron business at the end of 2020; 2) the increase of RMB763/metric ton in sales price of high-purity iron as compared to the corresponding period of last year, resulting in an increase in revenue of RMB251,777,000; 3) the increase of RMB63,468,000 in sales revenue from iron ore concentrates, mainly attributable to the fact that the sales volume of iron ore concentrates decreased by 291 thousand metric tons and the sales price increased by RMB481/metric ton as compared to the corresponding period of last year; and 4) the increase in sales price of iron ore concentrates, resulting in an increase in eliminated revenue of RMB165,699,000 under intersegment elimination in the first half of 2021 as compared to last year.

For the first half of 2021, cost of sales of the Group amounted to RMB953,671,000, representing an increase of RMB239,791,000 or 33.59% over the corresponding period of last year, among which, 1) cost of sales incurred by high-purity iron business increased by RMB436,955,000 over the corresponding period of last year, mainly attributable to the fact that the sales volume increased by 85 thousand metric tons as compared to the corresponding period of last year and the price of raw materials increased, resulting in an increase of RMB656/metric ton in the cost of sales per metric ton; 2) cost of sales incurred by iron ore concentrates decreased by RMB76,571,000, mainly attributable to the fact that sales volume decreased by 291 thousand metric tons as compared to the corresponding period of last year; and 3) the increase in sales price of iron ore concentrates resulted in an increase in eliminated cost of sales of RMB129,960,000 under intersegment elimination in the first half of 2021 as compared to last year.

MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

For the first half of 2021, gross profit of the Group was RMB629,850,000, representing an increase of RMB182,765,000 or 40.88% over the corresponding period of last year. As compared to the corresponding period of last year, gross profit margin of the Group increased from 38.51% to 39.78% during the first half of 2021.

Analysis on the revenue by major products

	For the six months ended 30 June									
	2021 RMB'000					2020 RMB'000				
	Iron ore concentrates	High-purity iron	Others	Internal elimination	Total	Iron ore concentrates	High-purity iron	Others	Internal elimination	Total
Revenue	729,652	1,286,599	12,380	-445,110	1,583,521	666,184	768,599	5,593	-279,411	1,160,965
Cost of sales	237,633	1,071,942	15,160	-371,064	953,671	314,204	634,987	5,793	-241,104	713,880
Gross profit	492,019	214,657	-2,780	-74,046	629,850	351,980	133,612	-200	-38,307	447,085
Gross profit margin	67.43%	16.68%	-22.46%	-	39.78%	52.84%	17.38%	-3.58%	-	38.51%

2. Other Income, Other Gains and Losses

In the first half of 2021, other income of the Group was RMB7,203,000, representing an increase of RMB3,715,000 or 106.51% as compared to the corresponding period of last year. Other income mainly represented interest income.

In the first half of 2021, other losses of the Group was RMB21,632,000, representing an increase of RMB14,770,000 or 215.24% as compared to the corresponding period of last year, which was mainly attributable to the increase in expected litigation loss of RMB12,556,000 for the period. Other losses mainly consisted of the impairment loss of assets, foreign exchange losses, net income or loss from disposal of properties, plants and equipment, and other overheads, etc.

MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

3. Distribution and Selling Expenses, Administrative Expenses

For the first half of 2021, the distribution and selling expenses of the Group were RMB54,743,000, representing an increase of RMB3,699,000 or 7.25% as compared to the corresponding period of last year, which was mainly due to 1) the increase of 85 thousand metric tons in the sales volume of high-purity iron business as compared to the corresponding period of last year, which in turn resulted in an increase of RMB11,139,000 in the distribution and selling expenses; and 2) the decrease in sales volume of iron ore concentrates of 291 thousand metric tons from the corresponding period of last year, which in turn resulted in a decrease of RMB8,185,000 in distribution and selling expenses as compared to the corresponding period of last year. Distribution and selling expenses consisted of transportation expenses, labour expenses and others.

In the first half of 2021, the administrative expenses of the Group was RMB102,150,000, representing a decrease of RMB9,611,000 or 8.60% as compared to the corresponding period of last year. Administrative expenses included remuneration paid to the management and administrative staff of the Group, depreciation and amortization, leasing and office expenses, business development expenses, professional consultation and service expenses, taxation expenses, bank charges and others.

4. Finance Costs and Income Tax Expense

In the first half of 2021, the finance cost of the Group was RMB47,397,000, representing a decrease of RMB428,000 or 0.89% as compared to the corresponding period of last year. Finance costs included interest expenses on bank borrowing, discount expenses and other finance expenses.

In the first half of 2021, the income tax expense of the Group was RMB93,185,000, representing an increase of RMB35,881,000 or 62.62% as compared to the corresponding period of last year. Income tax expense included the total amount of current tax payable and deferred tax.

5. Profit for the Period and Total Comprehensive Income

Based on the above, in the first half of 2021, the Group's profit for the period was RMB319,354,000, representing an increase of RMB149,051,000 or 87.52% as compared to the corresponding period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

Based on the profit for the period, and affected by exchange differences on translation of financial statements of foreign operations and so on, the total comprehensive income for the first half of 2021 was RMB309,741,000, representing an increase of RMB137,640,000 or 79.98% as compared to the corresponding period of last year.

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

As at 30 June 2021, the net value of property, plant and equipment of the Group was RMB908,495,000, representing a decrease of RMB48,613,000 or 5.08% as compared to that as at the end of the previous year.

As at 30 June 2021, the inventories of the Group were RMB320,914,000, representing a decrease of RMB2,059,000 or 0.64% as compared to that as at the end of the previous year.

As at 30 June 2021, the intangible assets of the Group were RMB423,731,000, representing an increase of RMB23,525,000 or 5.88% as compared to that as at the end of the previous year, mainly due to the acquisition of mining rights and exploration expense of the gold deposits during the period.

7. Trade and Other Receivables, Trade and Other Payables

As at 30 June 2021, trade receivables of the Group were RMB93,731,000, representing an increase of RMB2,648,000 over the end of last year.

As at 30 June 2021, other receivables of the Group were RMB127,434,000, representing an increase of RMB806,000 over the end of last year.

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

As at 30 June 2021, bills receivables of the Group (bank acceptance bills) were RMB148,562,000, representing an increase of RMB62,316,000 over the end of last year, of which undiscounted bank acceptance bills were RMB67,691,000. Such bills can be discounted at any time to satisfy the capital requirement.

As at 30 June 2021, trade payables of the Group were RMB98,182,000, representing an increase of RMB10,617,000 over the end of last year. As at 30 June 2021, other payables of the Group were RMB179,405,000, representing a decrease of RMB21,761,000 over the end of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

8. Cash Use Analysis

The summary of the Group's consolidated statement of cash flows for the first half of 2021 is set out below:

	For the six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Net cash flows from operating activities	659,912	451,842
Net cash flows from investing activities	(284,150)	(285,121)
Net cash flows from financing activities	(354,973)	(32,458)
Net increase in cash and cash equivalents	20,789	134,263
Cash and cash equivalents at the beginning of the period	181,244	38,146
Effect of foreign exchange rate changes	2,729	613
Cash and cash equivalents at the end of the period	204,762	173,022

For the first half of 2021, the net cash inflow from operating activities was RMB659,912,000. The amount was mainly attributed to the profit before tax of RMB412,539,000, together with depreciation and amortization of RMB95,181,000, finance costs of RMB47,397,000, and the net change in working capital of RMB138,066,000, which were offset by the payment of income tax of RMB41,838,000.

For the first half of 2021, the net cash outflow from investing activities was RMB284,150,000. The amount mainly included the amount of RMB44,256,000 used as payments for the acquisition of new plants and equipment, etc. and acquisition of properties in order to expand production capacity and technology upgrade, the amount of RMB55,001,000 as payment for the purchases of intangible assets, the amount of RMB11,399,000 as payment for the purchase of right-of-use assets, the amount of RMB30,000,000 as payment for the investment in an associate and the net placement of borrowings and bills deposits of RMB147,334,000.

For the first half of 2021, the net cash outflow from financing activities was RMB354,973,000, which was mainly attributable to the newly added bank borrowings of RMB234,500,000, the repayment of bank borrowings of RMB405,000,000, the payment of dividend of RMB127,979,000 and the settlement of interest on borrowings of RMB47,734,000.

MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

9. Cash and Borrowings

As at 30 June 2021, the available cash and cash equivalents of the Group amounted to RMB272,453,000, representing an increase of RMB58,543,000 or 27.37% as compared to the end of the previous year.

Breakdown of Available Cash and Cash Equivalents

	30 June 2021 RMB'000	31 December 2020 RMB'000	Changes Amount RMB'000	Ratio
Cash and bank deposits	204,762	181,244	23,518	12.98%
Bank acceptance bills (undiscounted)	67,691	32,666	35,025	107.22%
Available cash and cash equivalents	272,453	213,910	58,543	27.37%

As at 30 June 2021, bills payables and borrowings of the Group amounted to RMB855,900,000 and RMB563,263,000 respectively, and the amount net of borrowings and bills deposits was RMB651,518,000, representing a decrease of RMB169,834,000 or 20.68% as compared to the end of the previous year.

Breakdown of Borrowings and Bills Payables

	30 June 2021 RMB'000	31 December 2020 RMB'000	Changes Amount RMB'000	Ratio
Borrowings – due within one year	440,263	591,000	-150,737	-25.51%
Borrowings – due after one year	123,000	142,763	-19,763	-13.84%
Sub-total	563,263	733,763	-170,500	-23.24%
Bills payables	855,900	707,900	148,000	20.91%
Total	1,419,163	1,441,663	-22,500	-1.56%
Less: borrowings and bills deposits	767,645	620,311	147,334	23.75%
Net borrowings and bills payables	651,518	821,352	-169,834	-20.68%

Apart from 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, borrowings, 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 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

10. Gearing Ratio and Net Gearing Ratio

The gearing ratio, as calculated by dividing total liabilities by total assets, of the Group decreased from 64.29% on 31 December 2020 to 61.47% on 30 June 2021.

As at 30 June 2021, the net gearing ratio of the Group was 33.21%. The net gearing ratio is calculated by dividing net borrowings and bills payables net of borrowings and bills deposits as well as bank balance and cash by total equity.

11. Major Risks

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

12. Pledge of Assets and Contingent Liabilities

Some of the bank borrowings and bills payables of the Group are secured by bank deposits, property, plant and equipment as well as right-of-use assets. As at 30 June 2021, the net carrying value of the pledged bank deposits, property, plant and equipment and right-of-use assets amounted to RMB767,645,000, RMB47,206,000 and RMB5,603,000, respectively.

As at 30 June 2021, the Group had no material contingent liabilities.

13. Capital Commitments

As at 30 June 2021, the capital commitment of the Group was RMB19,123,000, representing an increase of RMB29,000 or 0.15% over that of the end of last year. The capital commitment mainly consisted of the amount of RMB1,840,000 for the underground mining works of Shangma Mine, the amount of RMB2,937,000 for the dry drainage project of Maogong Mine, the amount of RMB3,625,000 for the exploration expense of the gold deposits in Australia and the amount of RMB10,721,000 for the works in the high-purity iron business segment.

14. Capital Expenditure

The Group's capital expenditure decreased from RMB101,694,000 in the first half of 2020 to RMB80,964,000 in the first half of 2021, representing a decrease of 20.38% over that of the same period last year. Expenditure incurred in the first half of 2021 mainly included (i) expenditure for plants, machines and equipment and properties amounting to RMB29,564,000; (ii) expenditure for intangible assets amounting to RMB40,001,000; and (iii) increase of RMB11,399,000 in right-of-use assets.

15. Significant Investments Held

The Group did not hold any significant investments as at 30 June 2021.

16. Material Acquisitions and Disposals of Subsidiaries and Associated Companies

The Group had no material acquisitions or disposals of subsidiaries and associated companies during the first half of 2021.

OTHER INFORMATION

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

So far as the Company is aware, as at 30 June 2021, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (as defined in Part XV of the SFO) which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions taken or deemed to have under such provisions of the SFO), or which was required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO or which was required to be 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"), were as follows:

(1) Interests in the shares of the Company:

Name of Director and Chief Executive	Status/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding
Yang Jiye ¹	Interest in controlled corporation	1,314,061,666 (long positions)	67.04%
		7,500,000 (short positions)	0.38%
Xia Zhuo ²	Interest in controlled corporation	19,130,589 (long positions)	0.98%
		Beneficial owner	60,000 (long positions)
Zheng Xuezhi	Beneficial owner	4,741,000 (long positions)	0.24%

Notes:

- Mr. Yang Jiye holds 100% interest in each of Bisney Success Limited and Tuochuan Capital Limited. As a result, Mr. Yang Jiye is deemed to hold interest in 694,360,500 Shares held by Bisney Success Limited and 619,701,166 long position Shares and 7,500,000 short position Shares held by Tuochuan Capital Limited.
- 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 0.00306122%.

(2) Interests in the shares of associated corporations of the Company:

Name of Director and Chief Executive	Name of Associated Corporation	Status/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding
Qiu Yumin ¹	Hanking Australia Investment Pty Ltd	Interest in controlled corporation	6,300,000 (long positions)	3.00%
Yang Jiye ²	Hanking Australia Investment Pty Ltd	Interest in controlled corporation	6,300,000 ³ (long positions)	3.00%
Zheng Xuezhi ²	Hanking Australia Investment Pty Ltd	Interest in controlled corporation	6,300,000 ³ (long positions)	3.00%

OTHER INFORMATION

(CONTINUED)

Notes:

1. Dr. Qiu Yumin and his spouse jointly hold 100% equity interests in Golden Resource Pty Ltd. Hence, Dr. Qiu Yumin is deemed to be interested in 6,300,000 shares in Hanking Australia held by Golden Resource Pty Ltd.
2. Each of Mr. Yang Jiye and Mr. Zheng Xuezhi holds 33.33% equity interests in Best Fate Limited. Hence, each of Mr. Yang Jiye and Mr. Zheng Xuezhi is deemed to be interested in 6,300,000 shares in Hanking Australia held by Best Fate Limited.
3. These 6,300,000 shares are the same block of shares.

Save as disclosed above, as at 30 June 2021, none of the Directors and chief executives of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position taken or deemed to have under such provisions of the SFO), or which are required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO or which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

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

As at 30 June 2021, as far as the Directors of the Company, having made all reasonable enquires, are aware, the following persons (other than the Directors and chief executives of the Company) owned interests or short positions in the shares or underlying shares of the Company which were required to 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	Status/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding
Yang Min ¹	Interest in controlled corporation	6,025,000 (long positions)	0.31%
China Hanking (BVI) Limited	Beneficial owner	6,025,000 (long positions)	0.31%
Bisney Success Limited	Beneficial owner	694,360,500 (long positions)	35.43%
Tuochuan Capital Limited	Beneficial owner	619,701,166 (long positions)	31.62%
		7,500,000 (short positions)	0.38%
Fushun Branch, China Citic Bank Corporation Limited	Person having a security interest in Shares	280,000,000 (long positions)	14.29%
Xinfu Branch, Bank of Fushun Co., Ltd.	Person having a security interest in Shares	500,000,000 (long positions)	25.51%

OTHER INFORMATION (CONTINUED)

Note:

1. Ms. Yang Min holds 100% interest in China Hanking (BVI) Limited. Thus Ms. Yang Min is deemed to have an interest in 6,025,000 Shares held by China Hanking (BVI) Limited.

Save as disclosed above, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares, underlying shares or debentures of the Company which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

3. Changes of Directors and Directors' Information

At the annual general meeting (the “**AGM**”) of the Company held on 27 May 2021, in accordance with Article 84(1) of the Articles of Association, Mr. Yang Jiye (executive Director), Mr. Zheng Xuezhi (executive Director) and Mr. Ma Qingshan (independent non-executive Director) retired by rotation at the AGM, and being eligible, offered themselves for re-election.

On 27 May 2021, (1) Mr. Zheng Xuezhi no longer acted as the chief financial officer (the “**CFO**”) and vice president of the Company due to re-division of roles and functions of the Company. Mr. Zheng Xuezhi still retained the position of executive Director; and (2) Ms. Gao Yue has been appointed as the CFO.

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

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 2021 (in the case of Mr. Yang Jiye, Mr. Zheng Xuezhi, Dr. Qiu Yumin, Mr. Kenneth Lee, Mr. Xia Zhuo, Mr. Wang Ping, Dr. Wang Anjian and Mr. Ma Qingshan); and (2) are subject to early termination in accordance with their respective terms.

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 period ended 30 June 2021.

OTHER INFORMATION

(CONTINUED)

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

During the six months ended 30 June 2021, 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 2021, the Group had a total of 1,812 employees (as at 30 June 2020: a total of 1,605 employees). The increase in headcount was mainly due to the Company's acquisition of Benxi Yuqilin at the end of 2020.

For the six months ended 30 June 2021, the aggregate remuneration expenses and other employee benefits costs of the Group amounted to RMB97,089,000 (for the six months ended 30 June 2020: RMB69,774,000). The increase in such expenses was mainly due to the increase in the headcount of the Group after the acquisition of Benxi Yuqilin. The remuneration policy of the Group is formulated on the basis of performance of individual employees and the prevailing salaries' trends in various regions, emphasizing on the direct relation between the employees' income and the operation performance and revenue 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

Save as disclosed herein, during the period from 1 January 2021 to 30 June 2021, the Company has complied with the remaining 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.

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

OTHER INFORMATION (CONTINUED)

9. Audit Committee

During the period from 1 January 2021 to 30 June 2021, the Audit Committee comprised two independent non-executive Directors, namely Mr. Wang Ping (Chairman of the Audit Committee) and Dr. Wang Anjian, and one non-executive Director, namely Mr. Kenneth Lee.

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

The Audit Committee, which has reviewed the 2021 interim results for the six months ended 30 June 2021 of the Company which has not been audited by independent auditors, believes that the interim results have been prepared in accordance with the accounting standards, rules and regulations adopted, and made appropriate disclosure.

10. Interim Dividend

The Board recommended the payment of an interim dividend of HKD0.06 per Share for the six months ended 30 June 2021 to Shareholders. It is expected that the interim dividend will be paid to the Shareholders by 20 October 2021.

Closure of Register of Members

In order to determine the Shareholders who are entitled to receive the interim dividend, the register of members of the Company will be closed from Tuesday, 5 October 2021 to Friday, 8 October 2021, both days inclusive, during which period no transfer of Shares will be registered. For unregistered Shareholders who wish to be eligible to receive the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 4 October 2021. Shareholders whose names appear on the register of members of the Company on Friday, 8 October 2021 will be entitled to receive the interim dividend.

11. Major Legal Proceeding

During the six months ended 30 June 2021, 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. Continuing Disclosure under the Listing Rules

On 8 June 2020, Tuochuan Capital Limited pledged 300,000,000 Shares (representing approximately 16.48% of the issued share capital of the Company as at 8 June 2020) in favour of Bank of Fushun Co., Ltd., Xinfu Branch. Of the aforementioned pledged shares, 100,000,000 Shares (representing approximately 5.49% of the issued share capital of the Company as at 8 June 2020) were pledged as security for a loan in the amount of RMB125,000,000 for Hanking D.R.I., a subsidiary of the Company as general working capital under the loan agreement dated 8 June 2020. Details of which are set out in the announcement of the Company dated 10 June 2020.

On 23 June 2021, Tuochuan Capital Limited pledged 280,000,000 Shares (representing approximately 14.29% of the issued share capital of the Company as at 23 June 2021) in favour of China Citic Bank Corporation Limited, Fushun Branch (the “**Citic Bank**”) as security for a term loan facility up to a maximum aggregate amount of RMB190,000,000 provided by the Citic Bank to Aoni Mining, a subsidiary of the Company. Details of which are set out in the announcement of the Company dated 23 June 2021.

Saved as disclosed above, the Company had no other disclosure obligations under Rule 13.20, Rule 13.21 and Rule 13.22 of the Listing Rules as at 30 June 2021.

13. Share Option Scheme

In order to motivate the employees to participate in the development of the Company in concerted efforts, the Company adopted the share option scheme of Hanking Australia (the “**Scheme**”) on 25 January 2019. The Scheme will expire on 25 January 2023. The Scheme mandate limit is 10% of the shares of Hanking Australia in issue on the date on which the Scheme was adopted. The maximum number of shares of Hanking Australia to be issued upon the exercise of options that may be granted under the Scheme is 21,000,000 shares.

On 27 April and 10 December 2020, Hanking Australia granted 3,950,000 and 1,800,000 options (the “**Options**”), respectively, to subscribe for 5,750,000 shares in the share capital of Hanking Australia (each an “**HAI Share**”) to certain employees of Hanking Australia (the “**Grantees**”). Among the Options, the exercise price for 2,950,000 Options is AUD0.286 per HAI Share, the exercise price for 1,000,000 Options is AUD0.3 per HAI Share and the exercise price for 1,800,000 Options is AUD0.39 per HAI Share. The exercise price was determined and approved by the board of directors of Hanking Australia based on the recommendation of the independent tax adviser, the fair market price and the performance of the staff. The number of shares accounts for approximately 2.67% of the total share capital upon the exercise of the Options of Hanking Australia after the full exercise of the Options. The Options granted have an exercisable term of four years from the date of grant. As the shares of Hanking Australia are not publicly listed on any stock exchange as at the date of this report, no information with respect to the closing price of the shares of Hanking Australia is available. During the six months ended 30 June 2021, no Option granted had been exercised, cancelled or lapsed.

OTHER INFORMATION

(CONTINUED)

Subject to Shareholders' approval, no Option may be granted to any person if the total number of HAI Shares issued and to be issued upon the exercise of Options granted and to be granted under the Scheme and any other share option scheme of Hanking Australia to such grantee in any 12-month period exceeds 1% of the total issued HAI Shares from time to time.

Subject to any specification at the time of grant of the Options, the Scheme does not contain any minimum period(s) for which an Option must be held before it can be exercised.

No amount is required to be paid by the Grantee for acceptance of an offer for the grant of an Option.

None of the Grantees is a Director, chief executive or substantial Shareholders or any of their respective associates (as defined under the Listing Rules).

For further details with respect to the Options granted, please refer to note 23 to the condensed consolidated financial statements.

14. Restricted Share Award Scheme

The Company adopted a restricted share award scheme on 29 August 2019, which shall be valid and effective for a period of 10 years. The maximum number of award shares that may be granted under this scheme in aggregate shall be no more than 90,000,000 Shares.

The purpose and objective of this scheme is (i) to recognize and motivate the contribution of the key management personnel and core employees of the Group; (ii) to help the Group retain and attract the selected participants in attaining the long term business objectives of the Company; and (iii) to further align the interests of the selected participants directly to the Shareholders through ownership of Shares.

As of the date of this report, the trustee, as instructed by the Board, purchased a total of 16,277,000 Shares on the market at a total consideration of HKD27,252,800. The trustee holds these Shares pursuant to the rules of the scheme and the terms of the deed of trust.

As of the date of this report, no Shares have been granted to the selected participants under this scheme.

FINANCIAL REPORT

Report on Review of Condensed Consolidated Financial Statements	30
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	31
Condensed Consolidated Statement of Financial Position	32
Condensed Consolidated Statement of Changes in Equity	34
Condensed Consolidated Statement of Cash Flows	36
Notes to the Condensed Consolidated Financial Statements	37



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 31 to 68, which comprise the condensed consolidated statement of financial position as of 30 June 2021 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 (the “Directors”) are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

20 August 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	NOTES	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue	3A	1,583,521	1,160,965
Cost of sales		(953,671)	(713,880)
Gross profit		629,850	447,085
Other income		7,203	3,488
Other gains and losses	4	(21,632)	(6,862)
Impairment losses under expected credit loss ("ECL") model, net of reversal	5	2,835	552
Distribution and selling expenses		(54,743)	(51,044)
Administrative expenses		(102,150)	(111,761)
Research and development expenses		(3,317)	(6,026)
Share of results of an associate		1,890	–
Finance costs		(47,397)	(47,825)
Profit before tax		412,539	227,607
Income tax expense	7	(93,185)	(57,304)
Profit for the period	6	319,354	170,303
Other comprehensive (expense) income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		(9,613)	1,798
Other comprehensive (expense) income for the period		(9,613)	1,798
Total comprehensive income for the period		309,741	172,101
Profit (loss) for the period attributable to:			
Owners of the Company		320,581	170,519
Non-controlling interests		(1,227)	(216)
		319,354	170,303
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		311,306	171,462
Non-controlling interests		(1,565)	639
		309,741	172,101
Basic earnings per share (RMB cent per share)	9	16.5	9.4

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	NOTES	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	10	908,495	957,108
Goodwill		209,132	209,132
Intangible assets	11	423,731	400,206
Right-of-use assets	12	192,017	196,445
Interest in an associate	13	31,890	–
Financial assets at fair value through profit or loss (“FVTPL”)		2,178	3,221
Deferred tax assets		11,194	19,694
Deposits on acquisition of property plant and equipment		12,408	7,083
Restricted deposits	14	37,949	38,049
Pledged bank deposits	17	20,000	50,000
		1,848,994	1,880,938
Current assets			
Inventories		320,914	322,973
Trade and other receivables	15	221,165	217,711
Receivables at fair value through other comprehensive income (“FVTOCI”)	16	148,562	86,246
Pledged bank deposits	17	747,645	570,311
Bank balances and cash	17	204,762	181,244
		1,643,048	1,378,485
Current liabilities			
Trade, bills and other payables	18	1,133,487	996,631
Amount due to a related party	28	22,295	10,996
Borrowings	19	440,263	591,000
Lease liabilities		3,368	4,142
Contract liabilities		77,649	40,581
Tax liabilities		129,231	86,384
Provision	24	22,556	10,000
Deferred income		2,513	3,000
		1,831,362	1,742,734
Net current liabilities		(188,314)	(364,249)
Total assets less current liabilities		1,660,680	1,516,689

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(CONTINUED)

At 30 June 2021

	NOTES	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Capital and reserves			
Share capital	21	160,203	160,203
Reserves		1,177,902	994,913
Equity attributable to owners of the Company		1,338,105	1,155,116
Non-controlling interests		7,274	8,839
Total equity		1,345,379	1,163,955
Non-current liabilities			
Borrowings	19	123,000	142,763
Lease liabilities		4,289	5,966
Provision		53,012	54,005
Other long-term liabilities	20	35,000	50,000
Amount due to a third party		100,000	100,000
		315,301	352,734
		1,660,680	1,516,689

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the Company										Total RMB'000		
	Share capital RMB'000	Restricted shares held for incentive Award Scheme RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Future development funds reserve RMB'000 (note a)	Translation reserve RMB'000	Share- based payments reserve RMB'000	Special reserve RMB'000	Other reserves RMB'000	Retained earnings RMB'000		Attributable to owners of the Company RMB'000	Non- controlling interests RMB'000
At 1 January 2021 (audited)	160,203	(26,606)	342,188	232,245	668,948	5,071	614	(1,577,161)	(16,988)	1,363,332	1,155,116	8,839	1,163,955
Profit (loss) for the period	-	-	-	-	-	-	-	-	-	320,581	320,581	(1,227)	319,354
Other items of comprehensive expense for the period	-	-	-	-	-	(9,275)	-	-	-	-	(9,275)	(938)	(9,613)
Total comprehensive (expense) income for the period	-	-	-	-	-	(9,275)	-	-	-	320,581	311,306	(1,565)	309,741
Transfer to future development funds reserve, net of utilisation	-	-	-	-	944	-	-	-	(944)	-	-	-	-
Recognition of equity-settled share-based payments (note 23)	-	-	-	-	-	-	414	-	-	-	414	-	414
Dividend declared (note 6)	-	-	-	-	-	-	-	-	(127,979)	(127,979)	(127,979)	-	(127,979)
Profit appropriation to statutory surplus reserve	-	-	-	9,873	-	-	-	-	(9,873)	-	-	-	-
Purchase of ordinary shares pursuant to the Scheme (as defined in note 2)	-	(752)	-	-	-	-	-	-	-	-	(752)	-	(752)
At 30 June 2021 (unaudited)	160,203	(26,358)	342,188	242,118	668,892	(4,204)	1,028	(1,577,161)	(16,988)	1,546,417	1,338,105	7,274	1,346,379
At 1 January 2020 (audited)	146,321	(4,392)	167,532	220,464	659,426	(2,291)	-	(1,577,161)	(6,554)	1,193,312	804,677	10,984	815,661
Profit (loss) for the period	-	-	-	-	-	-	-	-	-	170,519	170,519	(216)	170,303
Other items of comprehensive income for the period	-	-	-	-	-	943	-	-	-	-	943	855	1,798
Total comprehensive income for the period	-	-	-	-	-	943	-	-	-	170,519	171,462	639	172,101
Transfer to future development funds reserve, net of utilisation	-	-	-	-	17,617	-	-	-	-	(17,617)	-	-	-
Recognition of equity-settled share-based payments (note 23)	-	-	-	-	-	-	389	-	-	-	389	-	389
Dividend declared (note 6)	-	-	-	-	-	-	-	-	(132,430)	(132,430)	(132,430)	-	(132,430)
Profit appropriation to statutory surplus reserve	-	-	-	4,464	-	-	-	-	(4,464)	-	-	-	-
Purchase of ordinary shares pursuant to the Scheme (as defined in note 2)	-	(12,539)	-	-	-	-	-	-	-	-	(12,539)	-	(12,539)
Acquisition of Zhengha Investment Limited (note 27)	-	-	-	-	-	-	-	-	(10,434)	-	(10,434)	(1,369)	(11,803)
At 30 June 2020 (unaudited)	146,321	(16,901)	167,532	224,978	676,943	(1,349)	389	(1,577,161)	(16,988)	1,215,930	821,125	10,257	831,382

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(CONTINUED)

For the six months ended 30 June 2021

Note:

Other than those additional disclosures relating to the current period movements in reserves as described below, the definition and nature of statutory reserve, future development funds reserve, special reserve and other reserves are the same as those presented in the Group's annual financial statements for the year ended 31 December 2020.

- (a) The future development fund can only be used for the future development of the iron ore mining business and production of high-purity iron and is not available for distribution to shareholders. RMB22,953,000 and RMB28,910,000 of future development fund was provided during the six months ended 30 June 2021 and 2020, respectively. RMB22,009,000 and RMB11,393,000 was utilised during the six months ended 30 June 2021 and 2020, respectively.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Net cash from operating activities	659,912	451,842
Investing activities		
Purchases of property, plant and equipment	(44,256)	(24,315)
Payments for intangible assets	(55,001)	(24,288)
Payments for right-of-use assets	(11,399)	(3,095)
Consideration received from disposal of Fushun Hanking Xingzhou Mining Co. Ltd	–	105,000
Proceeds on disposal of financial assets at FVTPL	–	935
Proceeds on disposal of property, plant and equipment	734	3,072
Interest received	6,635	3,488
Withdrawal of restricted cash	248	144
Placement of restricted cash	(647)	(272)
Settlement of consideration payable for acquisition of subsidiaries	–	(44,300)
Advance to a third party	(3,130)	–
Acquisition of investment in an associate (note 13)	(30,000)	–
Withdrawal of pledged bank deposits in relation to borrowings and bills payable	211,666	50,160
Placement of pledged bank deposits in relation to borrowings and bills payable	(359,000)	(351,650)
Net cash used in investing activities	(284,150)	(285,121)
Financing activities		
New borrowings raised	234,500	634,500
Repayment of borrowings	(405,000)	(505,000)
Payments of lease liabilities	(2,610)	(3,777)
Interest paid	(47,734)	(47,235)
Dividend paid to owners of the Company	(127,979)	(132,430)
Repayment of advance from Beijing Zhuguan (note 18)	(16,697)	–
Advance from a related party	105,715	135,323
Repayment of advance from a related party	(94,416)	(101,300)
Purchase of ordinary shares pursuant to the Scheme (as defined in note 22)	(752)	(12,539)
Net cash used in financing activities	(354,973)	(32,458)
Net increase in cash and equivalents	20,789	134,263
Cash and cash equivalents at 1 January	181,244	38,146
Effect of foreign exchange rate changes	2,729	613
Cash and cash equivalents at 30 June	204,762	173,022

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. BASIS OF PREPARATION

A. General Information

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

B. Going Concern Assumption

The Directors have given careful consideration to the going concern of the Group in light of the fact that as at 30 June 2021, the Group’s current liabilities exceeded its current assets by renminbi (“**RMB**”) 188,314,000. In addition, as at 30 June 2021, the Group had capital commitments contracted for but not provided in the condensed consolidated financial statements amounting to RMB19,123,000 as disclosed in note 26.

As at 30 June 2021, the Group had available conditional banking facilities of RMB192,737,000 (“**Conditional Facilities**”). The utilisation of these Conditional Facilities are subject to approval on a case-by-case basis. The Directors are confident that the Group would be successful in obtaining approval in respect of these Conditional Facilities according to its historical successful experience and the relevant terms and conditions to drawdown. The Directors are also confident that a significant portion of the Group’s bank borrowings can be successfully renewed upon maturity in view of the Group’s historical successful experiences in refinancing the expiring debts.

Subsequent to the end of the reporting period and up to the date of issuance of the condensed consolidated financial statements, the Group has renewed borrowings of RMB92,500,000.

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards (“**IFRSs**”) and application of certain accounting policies which became relevant to the Group as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2021

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board, for the first time, which are mandatory effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendment to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2021

3A. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of revenue from contracts with customers

	For the six months ended 30 June 2021			
	Iron Ore Business RMB'000 (Unaudited)	High-purity Iron Business RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Sales of goods (recognised at a point in time)				
Iron ore concentrates	287,029	–	–	287,029
High-purity iron	–	1,270,189	–	1,270,189
Building materials	–	–	11,574	11,574
Raw and leftover materials	8	13,915	806	14,729
Total	287,037	1,284,104	12,380	1,583,521
Geographical markets				
Mainland China	287,037	1,284,104	12,380	1,583,521

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2021

3A. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

	For the six months ended 30 June 2020			
	Iron Ore Business RMB'000 (Unaudited)	High-purity Iron Business RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Sales of goods (recognised at a point in time)				
Iron ore concentrates	388,663	–	–	388,663
High-purity iron	–	758,590	–	758,590
Building materials	–	–	5,586	5,586
Raw and leftover materials	466	7,653	7	8,126
Total	389,129	766,243	5,593	1,160,965
Geographical markets				
Mainland China	389,129	766,243	5,593	1,160,965

3B. SEGMENT INFORMATION

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

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

Other operating segment includes production and sales of building materials (i.e., foamed ceramics) which is a business since 2018 ("**Building Material Business**").

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2021

3B. SEGMENT INFORMATION (continued)**Segment revenue and results**

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

Six months ended 30 June 2021

	Iron Ore Business RMB'000 (Unaudited)	High-purity Iron Business RMB'000 (Unaudited)	Gold Business RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Adjustments and eliminations RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue						
External sales	287,037	1,284,104	-	12,380	-	1,583,521
Inter-segment sales	442,615	2,495	-	-	(445,110)	-
	729,652	1,286,599	-	12,380	(445,110)	1,583,521
Segment profit (loss)	384,217	135,091	(7,658)	(13,661)	(71,507)	426,482
Central administration costs and directors' salaries						(882)
Other income and other gains and losses						(13,061)
Group's profit before tax						412,539

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2021

3B. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

Six months ended 30 June 2020

	Iron Ore Business RMB'000 (Unaudited)	High-purity Iron Business RMB'000 (Unaudited)	Gold Business RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Adjustments and eliminations RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue						
External sales	389,129	766,243	-	5,593	-	1,160,965
Inter-segment sales	277,055	2,356	-	-	(279,411)	-
	666,184	768,599	-	5,593	(279,411)	1,160,965
Segment profit (loss)	217,985	70,236	(7,644)	(13,845)	(37,163)	229,569
Central administration costs and directors' salaries						(1,448)
Other income and other gains and losses						(514)
Group's profit before tax						227,607

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2021

3B. SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

Segment assets

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Iron Ore Business	1,153,785	1,185,859
High-purity Iron Business	1,801,872	1,633,574
Gold Business	305,522	275,616
Total reportable segment assets	3,261,179	3,095,049
Other reporting segment	89,038	98,010
Unallocated		
Property, plant and equipment	4	4
Financial assets at FVTPL	2,178	3,221
Other receivables	13,104	9,977
Interest in an associate	31,890	–
Bank balances and cash	94,649	53,162
Consolidated assets	3,492,042	3,259,423

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2021

3B. SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

Segment liabilities

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Iron Ore Business	572,822	691,369
High-purity Iron Business	1,503,414	1,351,228
Gold Business	30,720	30,336
Total reportable segment liabilities	2,106,956	2,072,933
Other reporting segment	12,151	12,535
Unallocated		
Provision	22,556	10,000
Tax liabilities	5,000	–
Consolidated liabilities	2,146,663	2,095,468

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2021

4. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Loss on disposal of property, plant and equipment	(110)	(1,407)
Fair value loss on financial assets at FVTPL	(953)	(1,586)
Net foreign exchange loss	(526)	(448)
Impairment loss on property, plant and equipment	(5,072)	–
Impairment loss on intangible assets	(296)	–
Provision for contingency	(12,556)	–
Donations	(1,032)	(7,085)
Others	(1,087)	3,664
	(21,632)	(6,862)

5. IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Impairment losses (reversed) recognised in respect of:		
– trade receivables	(2,847)	(401)
– other receivables	12	(151)
	(2,835)	(552)

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2021

6. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Depreciation and amortisation:		
– Depreciation of property, plant and equipment	72,221	78,135
– Depreciation of right-of-use assets	15,726	15,960
– Amortisation of intangible assets	7,234	15,293
Total depreciation and amortisation	95,181	109,388
Capitalised in inventories	(82,248)	(91,347)
	12,933	18,041
Staff costs (including directors):		
– Salary and other benefits (note a)	90,773	67,653
– Retirement benefits scheme contributions (note b)	5,902	1,732
– Share-based payment	414	389
Total staff costs	97,089	69,774
Capitalised in inventories	(37,139)	(28,386)
	59,950	41,388

Notes:

- a. In the current interim period, the increase in salary and other benefits was mainly attributable to the increase in headcount of the Group following completion of the acquisition Benxi Yuqilin New Materials Company Limited (本溪玉麒麟新材料有限公司) near the end of year 2020.
- b. According to the policy issued by Liaoning Province in March 2020, retirement benefits scheme contributions, work injury and unemployment insurance from February to June 2020 were exempted for small and medium enterprises. As certain subsidiaries of the Group are small and medium enterprises, the Group enjoyed such concession. This policy was expired in January 2021.

* English name is for identification purpose only.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2021

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Income tax expenses comprise:		
PRC enterprise income tax ("EIT") – current	82,659	54,763
Withholding tax	5,000	–
(Over) under provision of EIT in prior years	(2,974)	2,498
	84,685	57,261
Deferred tax expense	8,500	43
Income tax expense	93,185	57,304

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

On 22 July 2019, Fushun Hanking Aoniu Mining Co., Ltd.* (撫順罕王傲牛礦業有限公司) ("Aoniu Mining"), obtained "High Technology Enterprise" status for 3 years that entitled it a preferential tax rate of 15% for a period of three years from 2019 to 2021 which is renewable upon expiry according to EIT Law.

On 10 October 2017, Fushun Hanking Direct Reduced Iron Co., Ltd.* (撫順罕王直接還原鐵有限公司) ("Hanking D.R.I."), obtained "High Technology Enterprise" status for 3 years that entitled it a preferential tax rate of 15% for a period of three years from 2017 to 2019 according to EIT Law. On 15 September 2020, Hanking D.R.I. reapplied and successfully renewed for another three years from 2020 to 2022.

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

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

* English name is for identification purpose only.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2021

8. DIVIDENDS

During the current interim period, a dividend of Hong Kong Dollars (“HKD”) 0.08 per share amounting to HKD156,800,000 (equivalent to RMB127,979,000) in aggregate in respect of the year ended 31 December 2020 (2020: a final dividend of HKD0.08 per share amounting to HKD145,600,000 (equivalent to RMB132,430,000) in aggregate in respect of the year ended 31 December 2019) was declared and paid to the owners of the Company whose names appeared in the Register of Members of the Company on 27 May 2021.

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of HKD0.06 per share amounting to HKD117,600,000 (equivalent to RMB97,853,000) in aggregate (2020: interim dividend of HKD0.04, per ordinary share, in an aggregate amount of HKD72,800,000 (equivalent to RMB66,498,000)) will be paid to the owners of the Company whose names appear in the Register of Members on 8 October 2021.

9. EARNINGS PER SHARE

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

	For the six months ended	
	30 June 2021	30 June 2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of basic earnings per share for the period attributable to owners of the Company	320,581	170,519
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,944,229,000	1,811,921,000

The weighted average number of ordinary shares for the six months ended 30 June 2021 for the purpose of basic earnings per share has been adjusted for the weighted average effect of 681,000 ordinary shares (2020: 15,596,000) repurchased as restricted shares held for strategic incentive award scheme.

The Company did not have dilutive potential ordinary shares in issue in both six months ended 30 June 2021 and 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2021

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group had additions of property, plant and equipment (including capital expenditure for construction in progress) of RMB29,564,000 (six months ended 30 June 2020: RMB22,125,000) for expansion of business and production capacity of the Group.

During the current interim period, the management of the Group determined that the recoverable amount of the cash generating unit, in which the assets of Building Material Business belongs to, is lower than its carrying amount. The impairment amount has been allocated to property plant and equipment such that the carrying amount of property, plant and equipment is not reduced below the highest of its fair value less cost of disposal, its value in use and zero. Based on the value in use calculation and the allocation, an impairment loss of RMB5,072,000 has been recognised against the carrying amount of property, plant and equipment of Building Material Business (six months ended 30 June 2020: nil).

11. MOVEMENTS IN INTANGIBLE ASSETS

During the current interim period, the Group had additions of exploration and evaluation assets of RMB40,001,000 (six months ended 30 June 2020: RMB5,553,000). For the six months ended 30 June 2020, the Group had additions of mining rights of RMB68,735,000.

During the current interim period, an impairment loss of RMB 296,000 has been recognised in respect of certain exploration and evaluation assets related to the Gold Business being impaired in full because the management of the Group expect such amount cannot be recoverable. (six months ended 30 June 2020: nil).

12. MOVEMENTS IN RIGHT-OF-USE ASSETS

During the current interim period, the Group recognised right-of-use assets of 11,399,000 (six months ended 30 June 2020: RMB5,281,000) and lease liabilities of nil (six months ended 30 June 2020: RMB2,185,000).

13. INTEREST IN AN ASSOCIATE

	30 June 2021
	RMB'000
Cost of investment in an associate	30,000
Share of post-acquisition result	1,890
	31,890

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2021

13. INTEREST IN AN ASSOCIATE (continued)

Name of associate	Principal activity	Place of establishment and operation	Registered/ paid up capital	Proportion of ownership interest and voting power held by the Group 30 June 2021 %
Tibet Oudi Electronic Technology Co., Ltd* (西藏歐帝電子科技有限公司) ("Tibet Oudi")	Production and sales of LCD products	PRC	RMB12,000,000	8.33

Note: The investment in Tibet Oudi was made by Shanghai Tuoao Industry Limited ("Shanghai Tuoao"), a wholly owned subsidiary of the Group. Shanghai Tuoao entitled the right to appoint one director out of seven in the board of directors of Tibet Oudi, as such, the Group is able to exercise significant influence over Tibet Oudi and accounted for as investment in an associate.

* English name is for identification purpose only.

14. RESTRICTED DEPOSITS

As at 30 June 2021, restricted deposits comprised RMB37,949,000 (31 December 2020: RMB38,049,000) of deposits placed in banks as rehabilitation deposits for iron and gold mining operations. These deposits were not expected to release within the next twelve months, accordingly, they were classified as non-current assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2021

15. TRADE AND OTHER RECEIVABLES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade receivables		
– Third parties	102,078	102,277
Less: allowance for credit loss	(8,347)	(11,194)
	93,731	91,083
Other receivables		
– Advances to suppliers	26,981	15,574
– Deposits	2,810	5,560
– Deposit for resource tax	45,058	49,160
– Other tax recoverable	8,061	6,616
– Value-added tax recoverable	16,050	29,665
– Staff advance	14,197	10,824
– Consideration receivable	5,619	5,619
– Prepaid expense	1,029	1,095
– Prepayment	7,384	4,253
– Others	19,411	17,416
	146,600	145,782
Less: allowance for credit loss	(19,166)	(19,154)
Total other receivables	127,434	126,628
Total trade and other receivables	221,165	217,711

The Group allows an average credit period of 7 days (2020: 7 days) to customers of iron ore concentrates, 60 days (2020: 60 days) to customers of high-purity iron and 30 days (2020: 30 days) to customers of building materials. However, upon maturity of the credit period, the Group would further negotiate with its customers and may consider extending the repayment schedule, based on customers' historical payment records and credit quality, on a case-by-case basis.

As at 30 June 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB19,470,000 (2020: RMB25,661,000) which are past due.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2021

15. TRADE AND OTHER RECEIVABLES (continued)

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
– Within 7 days	72,992	52,780
– 8 days to 30 days	5,265	9,983
– 31 days to 60 days	4,774	15,863
– 61 days to 90 days	924	7,431
– 91 days to 1 year	9,776	5,026
	93,731	91,083

16. RECEIVABLES AT FVTOCI

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Receivables at FVTOCI comprise:		
– Bills receivables (<i>note</i>)	148,562	86,246

Note: Included in the Group's bills receivables are amount of RMB80,871,000 (2020: RMB53,580,000) being endorsed to certain suppliers on a full recourse basis. If the bills are not paid on maturity, the banks and the suppliers have the right to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to the bills receivables, it continues to recognise the full carrying amount of the receivables and has recognised as payables from the endorsement of the bills with full recourse. The financial asset is carried at fair value in the condensed consolidated statement of financial position.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2021

16. RECEIVABLES AT FVTOCI (continued)

Receivables at FVTOCI endorsed to suppliers with full recourse:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Carrying amount of transferred assets	80,871	53,580
Carrying amount of associated liabilities	(80,871)	(53,580)
Net position	–	–

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
– Within 6 months	128,298	500
– 6 months to 1 year	20,264	85,746
	148,562	86,246

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2021

16. RECEIVABLES AT FVTOCI (continued)

The Group's receivables at FVTOCI were bills receivables with the following ageing based on issue date of the bills.

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
– Within 6 months	141,992	71,450
– 6 months to 1 year	6,570	14,796
	148,562	86,246

17. 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 0.125% to 0.35% (31 December 2020: 0.125% to 0.35%) per annum.

Pledged bank deposits represented security deposits for notes payables and bank borrowings, carry fixed interest rates ranging from 0.35% to 4.10% (31 December 2020: 0.35% to 4.10%) per annum.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2021

18. TRADE, BILLS AND OTHER PAYABLES

Pursuant to the payment terms, suppliers of Iron Ore Business and High-purity Iron Business are mainly given the credit period of up to 90 days and 15 days respectively from the time when the goods are received from suppliers.

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade payables (<i>note a</i>)		
– Within 90 days	87,251	77,302
– 91 days to 1 year	4,149	3,700
– 1 year to 2 years	681	3,555
– 2 years to 3 years	3,517	526
– Over 3 years	2,584	2,482
	98,182	87,565
Bills payables	855,900	707,900
Other payables		
Advance receipt of value-added tax from customers	11,021	6,142
Other tax payable	33,495	33,585
Payable for acquisition of property, plant and equipment	26,282	35,649
Outsourced service payable	10,162	10,145
Transportation fee payable	24,124	24,422
Accrued expense	2,388	5,360
Salary and bonus payables	11,182	9,463
Interest payable	165	1,525
Refundable deposits	5,039	4,873
Amounts due to Beijing Zhuguan Technology Limited* (北京主冠科技有限公司) (“Beijing Zhuguan”) (<i>note b</i>)	–	16,697
Amount due to an independent third party (<i>note b</i>)	33,782	33,782
Payable for mining rights (<i>note 20</i>)	15,000	15,000
Others	6,765	4,523
	179,405	201,166
Total trade and other payables, and bills payables	1,133,487	996,631

* English name is for identification purpose only.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2021

18. TRADE, BILLS AND OTHER PAYABLES (continued)

Notes:

- (a) The aged analysis of trade payables was presented based on the date of acceptance of the goods at the end of the reporting period.
- (b) The balances are unsecured, interest free and repayable on demand. The balance represented the amount due to an ex-equity owner of the subsidiary acquired in 2020. Details of the acquisition was set out in 2020 annual report of the Company. The amount due to Beijing Zhuguan has been repaid in full during the current interim period.

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 6 months	337,000	337,000
6 months to 1 year	518,900	370,900
	855,900	707,900

At the end of both reporting periods, the Group's bills payables were issued by banks with the following ageing based on issue date.

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 6 months	518,900	370,900
6 months to 1 year	337,000	337,000
	855,900	707,900

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2021

19. BORROWINGS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Bank loans	563,263	708,763
Other loans (<i>note a</i>)	–	25,000
	563,263	733,763
Secured and guaranteed	329,763	475,263
Secured and unguaranteed	123,500	123,500
Unsecured and guaranteed	110,000	135,000
	563,263	733,763
The above loans are carried at fixed-rate	563,263	733,763
Carrying amount repayable (<i>note b</i>):		
Due within one year	440,263	591,000
More than one year, but not more than two years	123,000	20,263
More than two years, but not more than five years	–	122,500
	563,263	733,763

Notes:

- (a) It represents other loan received from local government of RMB25,000,000 in 2020. The loan carried interest at the benchmark interest rate issued by the People's Bank of China ("PBOC") and was settled during the current interim period.
- (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 2021

19. BORROWINGS (continued)

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

	30 June 2021 % (Unaudited)	31 December 2020 % (Audited)
Fixed-rate borrowings	4.35 – 8.60	3.85 – 8.60

The secured and guaranteed bank borrowings were guaranteed by Mr. Yang Jiye, who is also the chief executive officer, president and executive director of the Company, and Ms. Yang Min (collectively, the “**Controlling Shareholders**”) and the companies controlled by them. Among the secured and guaranteed bank borrowings, RMB134,000,000 (31 December 2020: RMB134,500,000) were secured by certain assets of the companies controlled by the Controlling Shareholders. The remaining secured and guaranteed bank borrowings are secured by certain property, plant and equipment, right-of-use assets and shares of subsidiaries of the Group.

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

The unsecured bank borrowings of approximately RMB110,000,000 (31 December 2020: RMB110,000,000) at 30 June 2021 were guaranteed by the Controlling Shareholders and the companies controlled by them. In addition, such balance was also guaranteed by an independent financial institution. The remaining borrowing as at 31 December 2020 of RMB25,000,000 was guaranteed by Aoniu Mining.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2021

20. OTHER LONG-TERM LIABILITIES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Payables for purchase of mining rights (note)	50,000	65,000
Less: current portion (note 18)	(15,000)	(15,000)
	35,000	50,000

Note:

It represents payable to a government authority for purchase of mining rights of RMB50,000,000 (2020: RMB65,000,000), which was repayable by four equal instalments per annum (2020: five equal instalments per annum).

The current portion of RMB15,000,000 (2020: RMB15,000,000) is included in other payables.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2021

21. SHARE CAPITAL

The amount as at 30 June 2021 and 31 December 2020 represented the issued share capital of the Company. Details of movement of share capital of the Company are as follows:

	Number of shares	Share capital HKD'000	RMB equivalent RMB'000
Ordinary shares of HKD0.1 each Authorised: At 1 January 2020, 30 June 2020, 31 December 2020 and 30 June 2021	10,000,000,000		
Issued and fully paid: At 1 January 2020 and 30 June 2020	1,820,000,000	182,000	148,321
Consideration shares issued for the acquisition of Emerald Planet Holdings Limited (" Emerald Planet ") and its subsidiaries (<i>note</i>)	140,000,000	14,000	11,882
At 31 December 2020 and 30 June 2021	1,960,000,000	196,000	160,203

Note:

An aggregate of 140,000,000 consideration shares are allotted and issued to the original shareholders of Emerald Planet by the Company on 15 December 2020 upon completion of the acquisition of Emerald Planet at fair value on 30 November 2020 per consideration share in accordance with their respective proportion held in the Emerald Planet.

Details of the acquisition has been disclosed in the Company's 2020 annual report.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2021

22. RESTRICTED SHARES HELD FOR STRATEGIC INCENTIVE AWARD SCHEME

On 29 August 2019, the board of directors of the Company (the “Board”) resolved to adopt a restricted share award scheme (the “Scheme”) whereby awards of ordinary shares (the “Award Shares”) of the Company may be made to eligible participants (the “Selected Participants”), pursuant to which existing ordinary shares of the Company will be purchased by a trustee from the market out of cash contributed by the Group and be held in trust until such Shares are vested with the relevant Selected Participants in accordance with the provisions of the Scheme.

The Scheme became effective on 29 August 2019 and shall continue to be effective for a term of 10 years or until such date of early termination as determined by the Board, whichever is earlier, after which no further Award Shares shall be granted or accepted, but the provisions of the Scheme shall remain effective in order to give effect to the vesting of Award Shares granted and accepted prior to the expiration or termination of the Scheme.

In January, March, April, May and June 2020, the trustee of the Company’s Scheme purchased a total of 8,052,000 ordinary shares from the secondary market at a total consideration of approximately RMB12,539,000 pursuant to the terms of the trust deed under the Scheme.

In April and June 2021, the trustee of the Company’s Scheme purchased a total of 681,000 ordinary shares from the secondary market at a total consideration of RMB752,000 pursuant to the terms of the trust deed under the Scheme.

As at 30 June 2021, no Award Shares have been granted to any Selected Participants pursuant to the Scheme.

23. SHARE-BASED PAYMENTS

The share option scheme of Hanking Australia Investment Pty Ltd. (“Hanking Australia”) was adopted on 25 January 2019. The scheme is designed to recognise the contributions of selected key persons (including the employees and directors of Hanking Australia and its related body corporates, and any person who was determined by the board of directors of Hanking Australia to be a key person when issuing or granting the options) to the Company, and provide an incentive for and to motivate them to remain in their employments with the Company.

The scheme mandate limit is 10% of the shares of Hanking Australia in issue on the date on which the scheme was adopted. The scheme shall be valid and effective for a period of 48 months from the date of adoption. The maximum number of shares of Hanking Australia to be issued upon the exercise of options that may be granted under the scheme is 21,000,000 shares. The scheme will expire on 25 January 2023.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2021

23. SHARE-BASED PAYMENTS (continued)

The table below discloses movement of the Hanking Australia's share options held by the Group's employees:

	Number of share options
Outstanding as at 1 January 2021	5,750,000
Granted during the period	–
Outstanding as at 30 June 2021	5,750,000

On 27 April 2020 and 10 December 2020, Hanking Australia granted 3,950,000 and 1,800,000 options (the "Options") to subscribe for 3,950,000 and 1,800,000 shares in the share capital of Hanking Australia to certain employees of Hanking Australia. The options have vesting period of 4 years and will vest and become exercisable on the occurrence of certain vesting events. The fair value of the options determined at the date of grant using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. During the six months ended 30 June 2021, the Group recognised a share-based payment expense of Australian Dollars ("AUD") 89,000 (equivalent to RMB414,000).

The following assumptions were used to calculate the fair value of the Options:

	27 April 2020	10 December 2020
Exercise price	AUD0.286-0.3	AUD0.39
Exercise life	4 years	4 years
Expected volatility	72.65%	156.37%
Risk-free interest rate	0.74%	0.29%

The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2021

24. CONTINGENCY

In February 2021, the Company submitted an application to revoke an arbitration award which is related to a dispute with a vendor for the provision of consultancy service to the Group. Pursuant to the arbitration award, the Company is required to pay a total amount of RMB20 million to the vendor. Based on management's estimation of possibility of losing and consequent economic benefits outflow in accordance with the information available and the professional advice of external legal experts, a provision of contingency of RMB10 million was made in the consolidated financial statements for the year ended 31 December 2020. In June 2021, the application was formally rejected by the court, as such, the Company has made the remaining provision amount of RMB12,556,000 during the current interim period. In July 2021, the Company has settled the total provision of RMB22,556,000 in full.

25. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

Some of the Group's financial assets 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), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2021

25. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	30/06/2021	31/12/2020			
Listed equity investments classified as financial assets at FVTPL	Listed equity securities in Australia: RMB2,178,000	Listed equity securities in Australia: RMB3,221,000	Level 1	Quoted bid prices in an active market.	N/A
Receivables at FVTOCI	Receivables at FVTOCI in the PRC: RMB148,562,000	Receivables at FVTOCI in the PRC: RMB86,246,000	Level 2	Income approach – in this approach, the discounted cash flow method was used to capture the present value of the cash flows to be derived from the receivables using the discount rate that reflected the credit risk of the corresponding banks which are observable.	N/A

There was no transfer between Level 1 and 2 during the current interim period.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2021

26. CAPITAL COMMITMENTS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 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	19,123	19,094

27. ACQUISITION OF SUBSIDIARIES

A. Acquisition of Zhenghai Investment Limited

On 2 January 2020, Tuochuan (Hong Kong) Limited ("Tuochuan (Hong Kong)"), a wholly owned subsidiary of the Company, entered into a share sale and purchase agreement with the sole shareholder of Zhenghai Investment Limited, an independent third party, pursuant to which the third party agreed to sell, and Tuochuan (Hong Kong) agreed to purchase, the entire 100% of equity interest of Zhenghai Investment Limited, which held 1% equity interests of Fushun Hanking Ginseng & Iron Trading Co., Ltd.* (撫順罕王人參鐵貿易有限公司) ("Ginseng & Iron"), for a total consideration of RMB11,800,000. The consideration payable was settled as at 31 December 2020. As Ginseng & Iron is a subsidiary of the Company since 2019, this transaction is accounted for as acquisition of non-controlling interests through the acquisition of a subsidiary in the condensed consolidated financial statements.

Assets acquired at the date of acquisition is as follows:

	RMB'000
Investment in Ginseng & Iron	11,800

Following the completion of the acquisition, Ginseng & Iron became a wholly owned subsidiary of Tuochuan (Hong Kong).

* English name is for identification purpose only.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2021

28. RELATED PARTY DISCLOSURES

(a) Related party transactions

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

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<i>Purchases of Goods from:</i>		
Fushun Hanking Casting and Forging Co., Ltd.* (撫順罕王重工鑄鍛有限公司) (note a)	1,796	–
<i>Interest expense on lease liabilities:</i>		
Shenyang Shengtai Property Management Co., Ltd.* (瀋陽盛泰物業管理有限公司) (“Shenyang Shengtai”) (note b)	69	87
<i>Interest expense on loan from related party:</i>		
Liaoning Hanking Investment Co., Ltd.* (遼寧罕王投資有限公司) (“Hanking Investment”) (note b)	–	4,964

(b) Lease liabilities

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
	Shenyang Shengtai (note b)	2,223

* English name is for identification purpose only.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

For the six months ended 30 June 2021

28. RELATED PARTY DISCLOSURES (continued)

(c) Amount due to a related party

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Hanking Investment (note b)	22,295	10,996

(d) Other receivable

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Best Fate Limited ("Best Fate") (note c)	5,619	5,619

(e) Compensation of key management personnel

The remuneration of Directors and other members of key management during the periods is as follows:

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Salaries and other benefits	4,116	4,078
Retirement benefits schemes contribution	285	194
	4,401	4,272

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

28. RELATED PARTY DISCLOSURES (continued)

Notes:

- (a) The company is a related party which is controlled by Ms. Yang Min, one of the Controlling Shareholders of the Company.
- (b) Shenyang Shengtai and Hanking Investment are controlled by Mr. Yang Jiye, one of the Controlling Shareholders of the Company. The amount due to Hanking Investment is unsecured, interest-free and payable on demand.
- (c) On 17 December 2018, the Company entered into an agreement with Best Fate, pursuant to which the Company agreed to transfer 3% shares of Hanking Australia to Best Fate at the consideration of AUD1,260,000 (equivalent to approximately RMB5,619,000). The beneficial owners of Best Fate are the executive directors of the Company and/or directors of Hanking Australia.

29. NON-CASH TRANSACTION

There were no other significant non-cash transactions carried out in the current interim period.

30. EVENT AFTER THE END OF THE REPORTING PERIOD

Save as disclosed in the report, there were no other significant events taken place subsequent to the end of the six months ended 30 June 2021.

DEFINITIONS OF TERMS

“Aoni Mining”	Fushun Hanking Aoni Mining Co., Ltd (撫順罕王傲牛礦業股份有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
“AUD”	the lawful currency of Australia
“Audit Committee”	the audit committee of the Board
“Australia”	The Commonwealth of Australia
“Benxi Yuqilin”	Benxi Yuqilin New Materials Company Limited (本溪玉麒麟新材料有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
“Board”	the board of Directors of the Company
“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
“the Company” or “our Company” or “we”	China Hanking Holdings Limited (中國罕王控股有限公司)
“Controlling Shareholder(s)”	has the meaning ascribed to it in the Listing Rules and unless the context requires otherwise, refers to Ms. Yang Min, Mr. Yang Jiye, China Hanking (BVI) Limited, Bisney Success Limited and Tuochuan Capital Limited
“Directors”	the directors of the Company
“the Group” or “Hanking”	China Hanking Holdings Limited and its subsidiaries
“Hanking Australia”	Hanking Australia Investment Pty Ltd, a limited liability company established in Australia and a non wholly-owned subsidiary of the Company
“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 and a wholly-owned subsidiary of the Company
“HKD”	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
“JORC”	Australasian Joint Ore Reserves Committee

DEFINITIONS OF TERMS

(CONTINUED)

“JORC Code”	JORC Code, 2012 Edition
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Maogong Mine”	located at Shiwen Town, Fushun City, an iron mine operated through Maogong Branch of Aoniu Mining
“RMB”	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 Shangma Branch of Aoniu Mining
“Share(s)”	ordinary share(s) with a nominal value of HKD0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“United States”	the United States of America
“US\$”	the lawful currency of the United States