罕王
HANKING

CHINA HANKING HOLDINGS LIMITED
中國罕王控股有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock code: 03788)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

RESULTS HIGHLIGHT[NOTES]

1. The Group's profit for the period increased significantly

The Group survived from the COVID-19 epidemic so far as a result of its execution of the highest level of prevention and control since it was first informed of the potential spread of the epidemic. The Group reported zero case of infection and maintained ongoing production and operation. In addition, benefiting from the substantial increase in sales volume of high-purity iron and the steady development of other segments as planned, in the first half of 2020, the Group's profit for the period increased significantly to RMB170,303,000, representing a year-on-year increase of RMB58,225,000 or 51.95%.

2. The environmental impact assessment of a high-grade gold deposit in the Northern Territory of Australia has been completed; and excellent exploration results have been achieved in the gold deposit in Western Australia

The Group's Tom's Gully gold deposit in the Northern Territory of Australia, with an average grade of 8.9 grams per ton, passed the stringent environmental impact assessment in March 2020. This marked the completion of a crucial step before commencement of mining and

Notes:

1. *In this announcement, cost data (being information which are not required to be disclosed under the International Accounting Standard) have not been reviewed by the auditor of the Company.*
2. *Due to rounding, numbers presented throughout this announcement may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.*

accelerated the finalisation of the "Mine Management Plan" which the Company is preparing to submit to the Northern Territory Ministry of Mines for approval. In addition, the Coolgardie gold deposit in Western Australia has drilled multiple holes and achieved remarkable drilling results, which confirmed the continuity of gold mineralisation, improved the reliability of gold resources, and discovered multiple gold ore bodies near the surface and low-grade thick gold ore bodies containing high-grade gold veins, making it an ideal choice for large-scale open-pit mining.

3. The output of high-purity iron doubled and net profit increased substantially

Thanks to the technological improvement completed in the second half of 2019, the output of high-purity iron in the first half of 2020 was 322 thousand metric tons, representing a year-on-year increase of 101.25%. Although affected by the epidemic, sales revenue and net profit of the high-purity iron business increased by 50.50% and 50.48% year-on-year, respectively, thus further consolidating Hanking's position as the largest supplier of wind power ductile casting iron in China.

MAJOR FINANCIAL DATA AND INDICATORS

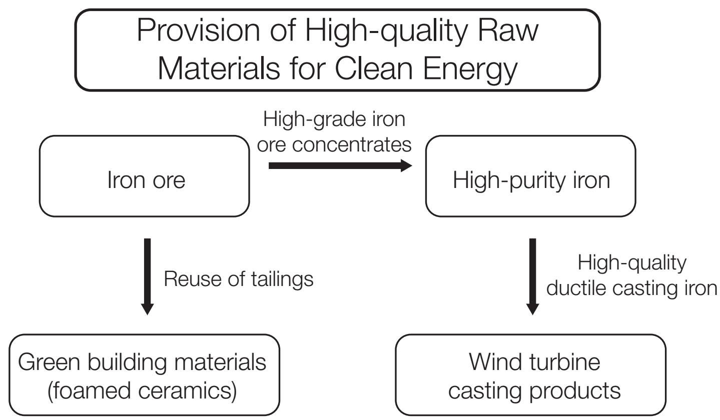
	For the six months ended 30 June		
	2020	2019	Change
Revenue (RMB thousand)	**1,160,965**	1,183,885	-1.94%
Profit for the period attributable to owners of the Company (RMB thousand)	**170,519**	109,724	55.41%
Earnings per share (RMB cent)	**9.4**	6.0	56.67%
Interim dividend (HKD per share)	**0.04**	0.00	N/A
Net margin	**14.67%**	9.47%	Up by approximately 5.20 percentage points
Return on net assets	**20.68%**	10.27%	Up by approximately 10.41 percentage points

The Board of China Hanking Holdings Limited hereby announced the unaudited consolidated results of the Group for the six months ended 30 June 2020 (the "**2020 Interim Results**"). The 2020 Interim Results have been reviewed by the audit committee of the Company (the "**Audit Committee**") and Deloitte Touche Tohmatsu, the auditor of the Company, and have been approved by the Board on 19 August 2020.

OPERATION REVIEW

1. Domestic Iron Business in China

Thanks to its own high-quality iron ore resources and unique technical process, the average grade of iron ore concentrate produced by Hanking is over 68%, and due to its low content of sulfur and phosphorus, Hanking's downstream high-purity iron products enjoy strong corrosion resistance. In addition, it well meets the casting requirements of major equipment in wind power and marine engineering sectors due to its features of low titanium content and high tensile strength. At present, Hanking remains the largest supplier in the wind power ductile casting iron market in China for its high-purity iron, which provides high-quality raw materials for clean energy and will continue to expand its application fields.



- ***Iron Ore Business***

  - ***Industry overview***

    In 2020, as a result of the spread of the COVID-19 epidemic, slowdown in production capacity at home and abroad led to shrinkage in supply of iron ores, while demand for iron ores experienced an explosive increase as driven by the construction of domestic end-infrastructure and expedited schedules in property development. From January to June, output of pig iron, crude steel and steel in China were 432,680 thousand metric tons, 499,010 thousand metric tons and 605,840 thousand metric tons, representing a year-on-year increase of 2.2%, 1.4% and 2.7%, respectively, which drove robust growth in the demand for iron ores, with port inventory level remaining low. The imbalance of supply and demand resulted in continuous price hikes of iron ores. According to Mysteel, the average price of Australian Iron Ore Index 62% Fe was US$102.61/metric ton as of 28 June 2020, representing an increase of approximately 12.0% as compared to that recorded at the end of 2019.

- ***Operation status***

As affected by insufficient mining and supply of iron ores during the most severe period of the epidemic in early 2020, the Group's output of iron ore concentrates in the first quarter was approximately 100 thousand metric tons less as planned. With effective control of the epidemic, the Group's output of iron ore concentrates has gradually resumed to normal level in the second quarter of 2020. During the first half of 2020, the output of iron ore concentrates and sales volume of the Group were 861 thousand metric tons and 881 thousand metric tons, respectively, representing a year-on-year decrease of 9.18% and 3.61%, respectively. Affected by the closure of ramp in Maogong Mine and the reduction in supply of iron ores, the planned annual output of iron ore concentrates was reduced from 1,850 thousand metric tons to 1,500 thousand metric tons.

Although the underground mining progress was behind schedule, the continuous improvement in processing has increased the production efficiency. For the six months ended 30 June 2020, the cash operation cost of iron ore concentrates was RMB307/metric ton, representing a decrease of 1.60% over the corresponding period of last year, and the cost of sales was RMB357/metric ton, representing an increase of 3.48% as compared to the corresponding period of last year. It remains as one of the mines with the lowest production cost throughout the country and continues to maintain its core competitiveness in low-cost operations.

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		Changes	
	2020	2019	Amount	Ratio
Comprehensive mining cash costs	**145**	150	-5	-3.33%
Processing cash costs *(Note 1)*	**59**	73	-14	-19.18%
Transportation expenses *(Note 2)*	**20**	26	-6	-23.08%
Tax *(Note 3)*	**47**	41	6	14.63%
Mine management expenses *(Note 4)*	**36**	22	14	63.64%
Total	**307**	312	-5	-1.60%

Notes: 1. Maogong Mine replaced large spare parts such as high-pressure rollers in the first half of last year, but no such replacement was recorded in the first half of this year.

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 sales price of iron ore concentrates per metric ton.

4. The increase in mine management expenses was due to the increase in safety, exploration, intermediary and greening costs.

Thanks to the increase in average selling price of iron ore concentrates and the Group's effective cost control measures, in the context of a year-on-year decrease in sales volume, the iron ore business recorded a net profit of RMB175,598,000, representing an increase of 26.74% as compared to the corresponding period of last year.

Operation breakdown of the iron ore business

	For the six months ended 30 June		
	2020	2019	Change
Output (thousand metric tons)	**861**	948	-9.18%
Sales volume (thousand metric tons)	**881**	914	-3.61%
Average selling price (RMB per metric ton)	**756**	729	3.70%
Average cost of sales (RMB per metric ton)	**357**	345	3.48%
Revenue (RMB thousand)	**666,184**	666,159	0.00%
Gross profit (RMB thousand)	**351,980**	350,305	0.48%
Gross margin	**52.84%**	52.59%	Up by approximately 0.25 percentage point
Net profit (RMB thousand)	**175,598**	138,546	26.74%
Net margin	**26.36%**	20.80%	Up by approximately 5.56 percentage points
Capital expenditure (RMB thousand) *Note 1*	**88,745**	38,060	133.17%

Note 1: Capital expenditure in the first half of 2020 is mainly used for the intangible assets obtained during the period.

- ***Resources and reserves***

  During the first half of 2020, the iron ore resources and reserves of the Group had no material change as compared to the data at the end of 2019.

- ***High-Purity Iron Business***

  - ***Industry overview***

    Against the backdrop of accelerating development trend of large-scale wind turbines and the confirmed logic of expedited installation of onshore wind turbines in China, the "Thirteenth Five-Year Plan for the Development of National Marine Economy" clearly requires the strengthened development of high-power offshore wind power equipment of 5MW, 6MW and above, which indicates that the wind power equipment industry will usher in good structural opportunities. At present, Hanking remains the largest supplier in the wind power ductile casting iron market in China for its high-purity iron, which is especially suitable for large-scale wind power and offshore wind power equipment, and thus will directly benefit from the structural adjustment of the wind power industry.

  - ***Operation status***

    Leveraging the advantage of its own high-quality mineral resources, the Group's high-purity iron business has established a product mix that mainly comprised of wind power ductile casting iron products, supplemented by other ductile casting iron products. Following the completion of the technological improvement of the high-purity iron business last year, its annual production capacity has increased from 560 thousand metric tons to 660 thousand metric tons. Thanks to the technological improvement, the output of high-purity iron in the first half of 2020 was 322 thousand metric tons, representing a year-on-year increase of 101.25%. However, as logistics transportation has been hampered by the epidemic in stages, in the first half of 2020, sales volume of high-purity iron recorded 246 thousand metric tons, representing a year-on-year increase of 65.10%; and the average selling price recorded RMB3,117/metric ton, representing a year-on-year decrease of 8.97%. As a result, revenue and net profit from the high-purity iron business has increased significantly, but the profit margin remained unchanged.

Operation breakdown of the high-purity iron business

	For the six months ended 30 June		
	2020	2019	Change
Output (thousand metric tons)	**322**	160	101.25%
Sales volume (thousand metric tons)	**246**	149	65.10%
Average selling price (RMB per metric ton)	**3,117**	3,424	-8.97%
Average cost of sales (RMB per metric ton)	**2,583**	2,583	0.00%
Revenue (RMB thousand)	**766,243**	509,138	50.50%
Gross profit (RMB thousand)	**131,256**	125,055	4.96%
Gross margin	**17.13%**	24.56%	Down by approximately 7.43 percentage points
Net profit (RMB thousand)	**55,319**	36,762	50.48%
Net margin	**7.22%**	7.22%	Unchanged
Capital expenditure (RMB thousand)	**2,943**	89,132	-96.70%

- ***Green Building Materials Project***

The production of the green building materials project has been suspended since January 2020, and technological improvement for the production line is planned to be completed in August 2020. At present, the products of Hanking Green Building Materials mainly comprise foamed ceramic composite panels, which enjoys the features of waterproof, fireproof, anti-cracking, anti-leakage and good durability. It is known as a novel wall product that can be used to replace the existing wall materials in the domestic market.

Due to the epidemic and technological transformation, the construction of the customer's project was postponed, which affected the individual performance of contracts. In the first half of 2020, Hanking Green Building Materials achieved a sales revenue of approximately RMB5,593,000.

2. Overseas Gold Mining Business

- ***Industry overview***

In 2020, driven by the economic stimulus of central banks around the world, the escalated trade friction between China and the United States, and inflation and other concerns about the economic impact of the pandemic, including inflation, the gold price exceeded US$1,800/ounce for the first time since 2011. As of the end of June, the COMEX New York gold futures price has increased by 18% as compared to the beginning of the year, and hit a record high of more than US$2,000 in August. The loose monetary policies of central banks, the sluggish effective interest rate and the record-high increase in gold ETF holdings have all driven and will continue to drive the continuous increase of gold price.

- ***Operation status***

  The Group's Tom's Gully gold deposit in the Northern Territory has 315 thousand ounces of gold resources with an average grade of 8.9 grams per metric ton. As both the strike direction and deep extension of the ore body are not closed, there is a potential to have expanded resources. Tom's Gully gold deposit was approved by the environmental review in March 2020, which marked a crucial step for the project to commence the mining process. The project is currently in the process of obtaining mining approval. The Rustlers Roost project has a single ore body resource of 1.3 million ounces, 77% of which are JORC resources of the control level. Currently, exploration works are continued in a bid to further expand the resources and reserves. In addition, the environmental assessment on mine development and construction has also been initiated.

  Coolgardie gold deposit in Western Australia has obtained all approvals for mine production. As part of the mining preparation and production plan, the project has drilled more than 30 air reverse circulation (RC) boreholes in total of approximately 4,000 metres since April 2020, and has achieved remarkable drilling results. The new round of drilling extended the existing gold mineralisation belt by 200 meters in the strike direction, discovered multiple new ore bodies, and improved the continuity of mineralisation and the reliability of gold resources. As a result of these outstanding results, the Company will design and drill more holes to raise the control level of the gold ore body with a view to increasing gold resources and reserves.

  As the Group's gold business is still under preparation for production, no sales were recorded during the first half of 2020. For the six months ended 30 June 2020, the capital expenditure of the gold business was RMB5,553,000 (first half of 2019: RMB3,977,000), which was mainly for the environmental impact assessment and exploration expenses of the gold deposits.

- ***Resources and reserves***

  During the first half of 2020, the gold resources and reserves of the Group had no material change as compared to the data at the end of 2019.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

As of 30 June 2020, the Group was considering acquiring suitable assets, but it had neither signed any binding agreement, nor had any concrete plans to acquire any material investment or capital assets other than those carried out in the Group's ordinary course of business. The Group will keep abreast of the changing market conditions, proactively identify investment opportunities in order to broaden the revenue base of the Group, enhance its future financial performance and profitability.

FINANCIAL REVIEW

1. Revenue, Cost of Sales, Gross Profit

In the first half of 2020, revenue from the Group's continuing operations was RMB1,160,965,000, representing a decrease of RMB22,920,000, or 1.94% as compared to the corresponding period of last year, mainly due to: 1) the increase of approximately 97 thousand metric tons in sales volume of high-purity iron and the increase in revenue of approximately RMB332,420,000 as a result of the increase in output following the completion of the technological improvement of the high-purity iron business but the decrease of approximately RMB307/metric ton in average sales price of high-purity iron as compared to the corresponding period of last year; and 2) the fact that following the Group's successful acquisition of high-purity iron business in the corresponding period of last year, revenue from iron ore concentrates sold to the high-purity iron business has become the Group's internal revenue and is required to be eliminated at the group consolidation level, resulting in a decrease of RMB277,055,000 in revenue.

For the first half of 2020, cost of sales incurred by the Group's continuing operations amounted to RMB713,880,000, representing an increase of RMB3,608,000 or 0.51% over the corresponding period of last year, among which, cost of sales incurred by high-purity iron business increased by approximately RMB250,904,000 over the corresponding period of last year, mainly attributable to the fact that sales volume of high-purity iron increased by approximately 97 thousand metric tons as compared to the corresponding period of last year, and following the Group's successful acquisition of high-purity iron business in the corresponding period of last year, revenue from iron ore concentrates sold to the high-purity iron business has become the Group's internal revenue and is required to be eliminated at the group consolidation level, resulting in a decrease of RMB241,104,000 in cost of sales.

For the first half of 2020, gross profit of the Group's continuing operations was approximately RMB447,085,000, representing a decrease of approximately RMB26,528,000 or 5.60% over the corresponding period of last year. As compared to the corresponding period of last year, gross profit margin of the Group's continuing operations decreased from 40.00% to 38.51% during the first half of 2020.

Analysis on the revenue by major products

	For the six months ended 30 June									
	2020					2019				
	RMB'000					RMB'000				
	Iron ore concentrates	High-purity iron	Others	Internal elimination	Total	Iron ore concentrates	High-purity iron	Others	Internal elimination	Total
Revenue	666,184	766,243	5,593	-277,055	1,160,965	666,159	509,138	8,588	–	1,183,885
Cost of sales	314,204	634,987	5,793	-241,104	713,880	315,854	384,083	10,335	–	710,272
Gross profit	351,980	131,256	-200	-35,951	447,085	350,305	125,055	-1,747	–	473,613
Gross profit margin	52.84%	17.13%	-3.58%	-	38.51%	52.59%	24.56%	-20.34%	–	40.00%

2. Other Income, Other Gains and Losses

In the first half of 2020, other income from the Group's continuing operations was RMB3,488,000, representing a decrease of RMB319,000, or 8.38% as compared to the corresponding period of last year. Other income mainly represented interest income.

In the first half of 2020, other losses from the Group's continuing operations was RMB6,862,000, representing a decrease of RMB19,126,000, or 73.60% as compared to the corresponding period of last year, which was mainly attributable to the decrease in impairment loss of long-term assets of RMB25,923,000 as provision were made for impairment loss of RMB25,096,000 on certain long-term assets which will be no longer in use due to high-purity iron business's suspension of production for technological improvement in the corresponding period of last year. Other losses mainly consisted of the impairment loss of assets, foreign exchange losses, disposal gains of available-for-sale financial assets, net income or loss from disposal of properties, plants and equipment, and other overheads, etc.

3. Distribution and Selling Expenses, Administrative Expenses

For the first half of 2020, the distribution and selling expenses of the Group's continuing operations were RMB51,044,000, representing an increase of RMB2,076,000 or 4.24% as compared to the corresponding period of last year, which was mainly due to 1) the increase of 97 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 RMB7,487,000 in the distribution and selling expenses; and 2) the decrease in sales volume of iron ore concentrates of 33 thousand metric tons from the corresponding period of last year, which in turn resulted in a decrease of RMB5,768,000 in distribution and selling expenses as compared to the corresponding period of last year. Selling and distribution expenses consisted of transportation expenses, labour expenses and others.

In the first half of 2020, the administrative expenses of the Group's continuing operations was RMB111,761,000, representing an increase of RMB16,284,000, or 17.06% as compared to the corresponding period of last year, which was mainly due to the taxes in relation to the acquisition of high-purity iron business as well as research and development expenses. 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 2020, the finance costs of the Group's continuing operations was RMB47,825,000, representing a decrease of RMB11,356,000, or 19.19% as compared to the corresponding period of last year. Finance costs included interest expenses on bank borrowing, discount expenses and other finance expenses. The decrease in finance costs was mainly due to the decrease in interest expenses as a result of a decrease in bank borrowings.

In the first half of 2020, the income tax expense of the Group's continuing operations was RMB57,304,000, representing a decrease of RMB39,013,000, or 40.50% as compared to the income tax expense of the corresponding period of last year. Income tax expense included the total amount of current tax payable and deferred tax. The decrease in income tax expense for the current period was mainly due to the make-up payment of RMB44,558,000 made in the corresponding period of last year in respect of under provision in prior years.

5. Profit for the Period and Total Comprehensive Income

Based on the above, in the first half of 2020, the Group's profit for the period was RMB170,303,000, representing an increase of 51.95% or RMB58,225,000 as compared to the corresponding period of last year.

Loss for the period from discontinued operations for the corresponding period of last year was RMB35,218,000, which mainly represented the operating loss made before the completion of disposal of the nickel mine project and the nickel mine project's cumulative translation reserve reclassified to profit or loss upon disposal.

Based on the profit for the period, and affected by the changes in fair values of financial assets measured at fair value through other comprehensive income, foreign currency translation and so on, the total comprehensive income for the first half of 2020 was RMB172,101,000, representing an increase of RMB12,106,000 or 7.57% as compared to the corresponding period of last year.

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

As at 30 June 2020, the net value of property, plant and equipment of the Group was RMB898,134,000, representing a decrease of RMB59,874,000 or 6.25% as compared to that as at the end of the previous year.

As at 30 June 2020, the inventories of the Group were RMB292,534,000, representing an increase of RMB56,354,000 or 23.86% as compared to that as at the end of the previous year. During the epidemic, the transportation of products of the high-purity iron business was restricted, resulting in increased inventory.

As at 30 June 2020, the intangible assets of the Group were RMB373,846,000, representing an increase of RMB56,734,000 or 17.89% as compared to that as at the end of the previous year, mainly due to the mining rights of the iron ore concentrates obtained during the period and the exploration expense of the gold deposits.

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

As at 30 June 2020, trade receivables of the Group were RMB90,653,000, representing a decrease of RMB8,809,000 over the end of last year.

As at 30 June 2020, other receivables of the Group were RMB138,513,000, representing a decrease of RMB97,052,000 over the end of last year, mainly due to the recovered amount of RMB105,000,000 from the remaining sales of Xingzhou Mining during the period.

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, net of reversal.

As at 30 June 2020, bills receivables of the Group (bank acceptance bills) were RMB96,503,000, representing an increase of RMB67,843,000 over the end of last year, of which undiscounted bank acceptance bills were RMB46,873,000. Such bills can be discounted at any time to satisfy the capital requirement.

As at 30 June 2020, trade payables of the Group were RMB104,022,000, representing an increase of RMB8,077,000 over the end of last year. As at 30 June 2020, other payables of the Group were RMB156,985,000, representing an increase of RMB8,670,000 over the end of last year.

8. Cash Use Analysis

The summary of the Group's consolidated statement of cash flows for the first half of 2020 is set out below:

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Net cash flows from operating activities	**451,842**	362,925
Net cash flows from investing activities	**(285,121)**	(514,113)
Net cash flows from financing activities	**(32,458)**	(117,287)
Net increase/(decrease) in cash and cash equivalents	**134,263**	(268,475)
Cash and cash equivalents at the beginning of the period	**38,146**	381,256
Effect of changes in foreign exchange rate on cash and cash equivalents	**613**	897
Cash and cash equivalents at the end of the period	**173,022**	113,678

For the first half of 2020, the net cash inflow from operating activities was RMB451,842,000. The amount was mainly attributed to the profit before tax of RMB227,607,000, together with depreciation and amortization of RMB109,388,000, finance costs of RMB47,825,000, and the increase of RMB215,107,000 in trade and other payables, which were offset by the increase of RMB56,354,000 in inventory, the increase of RMB67,843,000 in receivables at FVTOCI and payment of income tax of RMB32,451,000.

For the first half of 2020, the net cash outflow from investing activities was RMB285,121,000. The amount mainly included the amount of RMB24,315,000 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 RMB44,300,000 as payment for acquisitions, the amount of RMB24,288,000 as payment for the purchases of intangible assets, the net placement of borrowings and bills deposits of RMB301,490,000 and the recovered amount of RMB105,000,000 from the remaining sales of Xingzhou Mining.

For the first half of 2020, the net cash outflow from financing activities was RMB32,458,000, which was mainly attributable to the newly added bank borrowings of RMB634,500,000, the repayment of bank borrowings of RMB505,000,000, the payment of dividend of RMB132,430,000 and the settlement of interest on borrowings of RMB47,235,000.

9. Cash and Borrowings

As at 30 June 2020, the available cash and cash equivalents of the Group amounted to RMB219,895,000, representing an increase of RMB164,239,000 or 295.10% as compared to the end of the previous year.

Breakdown of Available Cash and Cash Equivalents

	30 June 2020	31 December 2019	Changes Amount	Ratio
	RMB'000	*RMB'000*	*RMB'000*	
Cash and bank deposits	**173,022**	38,146	134,876	353.58%
Bank acceptance bills (undiscounted)	**46,873**	17,510	29,363	167.69%
Available cash and cash equivalents	**219,895**	55,656	164,239	295.10%

As at 30 June 2020, bills payables and borrowings of the Group amounted to RMB551,900,000 and RMB830,763,000, respectively, and the amount net of borrowings and bills deposits was RMB892,029,000, representing an increase of RMB52,910,000 or 6.31% as compared to the end of the previous year.

Breakdown of Borrowings and Bills Payables

	30 June 2020	31 December 2019	Changes Amount	Ratio
	RMB'000	*RMB'000*	*RMB'000*	
Borrowings – due within one year	**687,500**	662,500	25,000	3.77%
Borrowings – due after one year	**143,263**	38,763	104,500	269.59%
Sub-total	**830,763**	701,263	129,500	18.47%
Bills payables	**551,900**	327,000	224,900	68.78%
Total	**1,382,663**	1,028,263	354,400	34.47%
Less: borrowings and bills deposits	**490,634**	189,144	301,490	159.40%
Net borrowings and bills payables	**892,029**	839,119	52,910	6.31%

Apart from the information disclosed above or otherwise in this announcement, the Group has no outstanding mortgage, pledge, debentures or other loan capital issued or agreed to be issued, bank overdrafts, 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 2019.

10. Gearing Ratio

The gearing ratio, as calculated by dividing total liabilities by total assets, of the Group increased from 65.08% on 31 December 2019 to 70.04% on 30 June 2020.

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 hereof, 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.

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 2020, the net carrying value of the pledged bank deposits, property, plant and equipment, mining rights assets and right-of-use assets amounted to RMB490,634,000, RMB53,153,000, RMB96,316,000 and RMB5,733,000, respectively.

As at 30 June 2020, the Group had no material contingent liabilities.

13. Capital Commitments

As at 30 June 2020, the capital commitment of the Group was RMB25,228,000, representing a decrease of RMB1,221,000 or 4.62% over that of the end of last year. The capital commitment mainly consisted of the amount of RMB13,589,000 for the underground mining works of Shangma Mine, the amount of RMB5,719,000 for the exploration expense of the gold deposits in Australia and the amount of RMB4,000,000 for the minor works in the high-purity iron business segment.

14. Capital Expenditure

The Group's capital expenditure decreased from approximately RMB140,766,000 in the first half of 2019 to approximately RMB101,694,000 in the first half of 2020, representing a decrease of 27.76% over that of the same period last year, which was mainly due to the technological improvement of the high-purity iron business in the first half of 2019. Expenditure incurred in the first half of 2020 mainly included (i) expenditure for plants, machines and equipment and properties amounting to RMB22,125,000; (ii) expenditure for intangible assets amounting to RMB74,288,000; and (iii) increase of RMB5,281,000 in right-of-use assets.

15. Significant Foreign Investments Held

Save for the equity interests in a company listed on the Australian Securities Exchange held by the Group, the Group did not hold any other significant investments as at 30 June 2020.

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 2020.

OTHERS

Corporate Governance

Save as disclosed herein, during the period from 1 January 2020 to 30 June 2020, 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 of the Company, 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. The Company will decide whether to appoint another person as the CEO based on the business operation when appropriate.

Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules, and also formulated the Written Guideline on Dealings in the Securities of the Company by Directors and the Relevant Employees (the "**Company Guideline**"), which adopted the standards equivalent to the provisions of Appendix 10 to the Listing Rules as the model code regarding dealings in the Company's securities by the Directors. Specific enquiries have been made to all Directors and the relevant employees of the Company, who have confirmed that they have complied with the Model Code and the Company Guideline throughout the six months period ended 30 June 2020.

Purchase, Sale or Redemption of Listed Securities of the Company

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Audit Committee

During the period from 1 January 2020 to 30 June 2020, 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 2020 interim results for the six months ended 30 June 2020 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.

Interim Dividend

The Board recommended the payment of an interim dividend of HK$0.04 per Share for the six months ended 30 June 2020 to Shareholders. It is expected that the interim dividend will be paid to the Shareholders by 10 November 2020.

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 also be closed from Thursday, 29 October 2020 to Tuesday, 3 November 2020, 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 Wednesday, 28 October 2020. Shareholders whose names appear on the register of members of the Company on Tuesday, 3 November 2020 will be entitled to receive the interim dividend.

Publication of Interim Results and Report

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

The Company's 2020 interim report containing all the information required under the Listing Rules will be dispatched to the Shareholders and will be published on the websites of the Company and Hong Kong Stock Exchange in due course.

Acknowledgement

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

FINANCIAL STATEMENTS AND NOTES

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
	NOTES	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Continuing operations			
Revenue	*3A*	**1,160,965**	1,183,885
Cost of sales		**(713,880)**	(710,272)
Gross profit		**447,085**	473,613
Other income		**3,488**	3,807
Other gains and losses	*4*	**(6,862)**	(25,988)
Impairment losses under expected credit loss ("**ECL**") model, net of reversal	*5*	**552**	(4,193)
Distribution and selling expenses		**(51,044)**	(48,968)
Administrative expenses		**(111,761)**	(95,477)
Research and development expenses		**(6,026)**	–
Finance costs		**(47,825)**	(59,181)
Profit before tax	*6*	**227,607**	243,613
Income tax expense	*7*	**(57,304)**	(96,317)
Profit for the period from continuing operations		**170,303**	147,296
Discontinued operation			
Loss for the period from discontinued operation		**–**	(35,218)
Profit for the period		**170,303**	112,078

	NOTE	Six months ended 30 June 2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**1,798**	6,157
Fair value gain on:			
– receivables measured at fair value through other comprehensive income ("**FVTOCI**")		**–**	9,849
Reclassification of cumulative translation reserve upon disposal of a foreign operation to profit or loss		**–**	31,911
Other comprehensive income for the period (net of tax)		**1,798**	47,917
Total comprehensive income for the period		**172,101**	159,995
Profit (loss) for the period attributable to owners of the Company:			
– Continuing operations		**170,519**	147,321
– Discontinued operation		**–**	(37,597)
		170,519	109,724
(Loss) profit for the period attributable to non-controlling interests			
– Continuing operations		**(216)**	(25)
– Discontinued operation		**–**	2,379
		(216)	2,354
		170,303	112,078

	NOTES	Six months ended 30 June **2020** *RMB'000* **(Unaudited)**	2019 *RMB'000* (Unaudited)
Total comprehensive income for the period attributable to:			
Owners of the Company		**171,462**	155,684
Non-controlling interests		**639**	4,311
		172,101	159,995
Basic earnings per share (RMB cent per share)	*9*		
From continuing and discontinued operations		**9.4**	6.0
From continuing operations		**9.4**	8.1

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	NOTES	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		**898,134**	958,008
Intangible assets		**373,846**	317,112
Right-of-use assets		**169,575**	180,229
Financial assets at fair value through profit or loss ("**FVTPL**")		**1,583**	3,179
Deferred tax assets		**11,144**	11,188
Deposits on acquisition of property, plant and equipment		**1,983**	1,244
Restricted deposits		**36,825**	36,752
Pledged bank deposits		**10,000**	20,000
		1,503,090	1,527,712
Current assets			
Inventories		**292,534**	236,180
Trade and other receivables	*10*	**229,166**	335,027
Receivables at FVTOCI	*11*	**96,503**	28,660
Financial assets at FVTPL		**65**	1,000
Pledged bank deposits		**480,634**	169,144
Bank balances and cash		**173,022**	38,146
		1,271,924	808,157
Current liabilities			
Trade, bills and other payables	*12*	**812,907**	571,260
Amount due to a related party		**34,023**	44,300
Borrowings	*13*	**687,500**	662,500
Lease liabilities		**2,886**	5,174
Contract liabilities		**52,720**	46,560
Tax liabilities		**102,035**	77,226
		1,692,071	1,407,020
Net current liabilities		**(420,147)**	(598,863)
Total assets less current liabilities		**1,082,943**	928,849

	NOTES	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Capital and reserves			
Share capital	*14*	**148,321**	148,321
Reserves		**672,804**	656,356
Equity attributable to owners of the Company		**821,125**	804,677
Non-controlling interests		**10,257**	10,984
Total equity		**831,382**	815,661
Non-current liabilities			
Borrowings	*13*	**143,263**	38,763
Lease liabilities		**5,075**	4,158
Rehabilitation provision		**55,424**	55,267
Other long-term liabilities		**47,799**	15,000
		251,561	113,188
		1,082,943	928,849

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 of the Company (the "**Directors**") have given careful consideration to the going concern of the Group in light of the fact that as at 30 June 2020, the Group's current liabilities exceeded its current assets by renminbi ("**RMB**")420,147,000. In addition, as at 30 June 2020, the Group had capital commitments contracted for but not provided in the condensed consolidated financial statements amounting to RMB25,228,000.

Mr. Yang Jiye, one of the Controlling Shareholders, who also 99% owned and controlled Liaoning Hanking Investment Co., Ltd.* (遼寧罕王投資有限公司) ("**Hanking Investment**"), has agreed not to demand for repayment of the Group's amount due to Hanking Investment of which amounted to RMB34,023,000 as at 30 June 2020 until the Group has sufficient financial ability to repay.

As at 30 June 2020, the Group had available conditional banking facilities of RMB306,740,000 ("**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 management of the Group are 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.

In addition, Mr. Yang Jiye, one of the Controlling Shareholders has agreed to provide sufficient funds to the Group so that the Group will be able to meet all current obligations as they fall due in the next twelve months after the six months ended 30 June 2020.

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.

* *English name is for identification purpose only.*

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 policy 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 2020 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2019.

Application of amendments to IFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in IFRSs Standards and 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 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in IFRSs Standards and 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.

In addition, the Group has applied the following accounting policy which became relevant to the Group in the current interim period.

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually be vested, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to be vested based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve.

When share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to retained earnings. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will be transferred to retained earnings.

When shares granted are vested, the amount previously recognised in share-based payments reserve will be transferred to other reserve.

3A. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of revenue from continuing operations

	For the six months ended 30 June 2020			
	Iron Ore Business	**High-purity Iron Business**	**Others**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(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**

	For the six months ended 30 June 2019			
	Iron Ore Business	High-purity Iron Business	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Sales of goods (recognised at a point in time)				
Iron ore concentrates	665,441	–	–	665,441
High-purity iron	–	502,695	–	502,695
Building materials	–	–	8,373	8,373
Raw and leftover materials	718	6,443	215	7,376
Total	666,159	509,138	8,588	1,183,885
Geographical markets				
Mainland China	666,159	509,138	8,588	1,183,885

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). This segment does not meet the quantitative thresholds for the reportable segments in the current period, accordingly, it was grouped in "others" for segment reporting purpose.

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 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 (note)	**277,055**	**–**	**–**	**–**	**(277,055)**	**–**
	666,184	**766,243**	**–**	**5,593**	**(277,055)**	**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 from continuing operations						**227,607**

Note: Dalian Huaren Trade Co., Ltd.* (大連華仁貿易有限公司) ("**Dalian Huaren**") and Fushun Deshan Trade Co., Ltd.* (撫順德山貿易有限公司) ("**Fushun Deshan**"), which are related parties controlled by Ms. Yang Min, one of a Controlling Shareholders of the Company, acted as the agents of Fushun Hanking Direct Reduced Iron Co., Ltd.* (撫順罕王直接還原鐵有限公司) ("**Hanking D.R.I.**") to purchase the iron ore concentrates from the Group's Iron Ore Business segment prior to the completion of acquisition of Tuochuan (Hong Kong) Limited. Upon completion of the Acquisition on 30 June 2019, the Group's Iron Ore Business directly supplied iron ore concentrates to Hanking D.R.I, which is now a subsidiary of the Group's High-Purity Iron Business, instead of through any intermediary agencies.

* English name is for identification purpose only.

Six months ended 30 June 2019

Continuing operations

	Iron Ore Business *RMB'000* (Unaudited)	High-purity Iron Business *RMB'000* (Unaudited)	Gold Business *RMB'000* (Unaudited)	Others *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Segment revenue (all from external sales)	666,159	509,138	–	8,588	1,183,885
Segment profit (loss)	229,177	42,448	(14,052)	(11,476)	246,097
Central administration costs and directors' salaries					(1,655)
Other income and other gains and losses					(829)
Group's profit before tax from continuing operations					243,613

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 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Continuing operations		
Iron Ore Business	**1,320,139**	1,161,740
High-purity Iron Business	**1,072,017**	823,534
Gold Business	**244,713**	240,458
Total reportable segment assets	**2,636,869**	2,225,732
Other reporting segment	**95,498**	99,315
Unallocated		
Property, plant and equipment	**6**	8
Financial assets at FVTPL	**1,583**	3,179
Other receivables	**5,812**	5,735
Bank balances and cash	**35,246**	1,900
Consolidated assets	**2,775,014**	2,335,869

Segment liabilities

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Continuing operations		
Iron Ore Business	**730,304**	503,709
High-purity Iron Business	**1,136,483**	934,931
Gold Business	**28,253**	61,072
Total reportable segment liabilities	**1,895,040**	1,499,712
Other reporting segment	**11,151**	10,309
Unallocated		
Other payables	**37,441**	10,187
Consolidated liabilities	**1,943,632**	1,520,208

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

- all assets are allocated to operating segments other than property, plant and equipment, financial assets at FVTPL, other receivables and bank balances and cash used and held by the headquarter; and

- all liabilities are allocated to operating segments other than other payables of the headquarter.

4. OTHER GAINS AND LOSSES

Continuing operations

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss on disposal of property, plant and equipment	**(1,407)**	(242)
Fair value loss on financial assets at FVTPL	**(1,586)**	(1,237)
Net foreign exchange loss	**(448)**	(1,491)
Impairment loss on property, plant and equipment	**–**	(25,096)
Impairment loss on intangible assets	**–**	(827)
Donations	**(7,085)**	–
Others	**3,664**	2,905
	(6,862)	(25,988)

5. IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Impairment losses (reversed) recognised in respect of:		
– trade receivables	**(401)**	2,041
– other receivables	**(151)**	2,152
	(552)	4,193

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 2020 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

6. PROFIT FOR THE PERIOD – CONTINUING OPERATIONS

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

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Auditors' remuneration	**1,308**	1,475
Write-down of inventories	**–**	3,398
Depreciation and amortisation:		
– Depreciation of property, plant and equipment	**78,135**	64,594
– Depreciation of right-of-use assets	**15,960**	13,774
– Amortisation of intangible assets	**15,293**	17,828
Total depreciation and amortisation	**109,388**	96,196
Capitalised in inventories	**(91,347)**	(83,341)
	18,041	12,855
Staff costs (including directors):		
– Salary and other benefits	**67,653**	66,530
– Retirement benefits scheme contributions *(note)*	**1,732**	6,506
– Share-based payment	**389**	–
Total staff costs	**69,774**	73,036
Capitalised in inventories	**(28,386)**	(34,859)
	41,388	38,177

Note: 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. In July 2020, Liaoning Province announced that the above policy will be extended to 31 December 2020. As certain subsidiaries of the Group are small and medium enterprises, the Group enjoyed such concession.

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Continuing operations		
Income tax expenses comprise:		
PRC enterprise income tax ("**EIT**") – current	**54,763**	55,473
Under provision of EIT in prior years (note)	**2,498**	44,558
	57,261	100,031
Deferred tax expense (credit)	**43**	(3,714)
Income tax expense relating to continuing operations	**57,304**	96,317

Note: During the year ended 31 December 2018, the Group disposed of Fushun Hanking Shangma Mining Co., Ltd.* (撫順罕王上馬礦業有限公司) ("**Shangma Mining**") to an independent third party and utilised the related deductible temporary differences previously not recognised for the calculation of the Group's income tax expenses for the year ended 31 December 2018.

However, in April 2019, the Group acquired back Shangma Mining due to certain regulatory reasons at the original disposal price.

Therefore, the deduction made in 2018 had been reversed in the six months ended 30 June 2019, resulting in an under provision of EIT in prior years of RMB44,558,000 and charged to profit or loss, accordingly.

PRC income tax is calculated based on the statutory income tax rate of 25% (2019: 25%) of taxable income of the subsidiaries in accordance with the relevant PRC tax rules and regulations.

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

On 10 October 2017, 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 starting from 2017 to 2019 according to EIT Law. Hanking D.R.I. is currently reapplying the qualification of "High Technology Enterprise" status upon expiry during the current interim period. The tax rate of Hanking D.R.I. is 25% for the six months ended 30 June 2020 (2019: 15%).

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

* English name is for identification purpose only.

8. DIVIDENDS

During the current interim period, a dividend of Hong Kong Dollars ("**HKD**") 0.08 per share amounting to HKD145,600,000 (equivalent to RMB132,430,000) in aggregate in respect of the year ended 31 December 2019 (2019: a final dividend of HKD0.02 per share amounting to HKD36,557,000 (equivalent to RMB32,159,000) in aggregate in respect of the year ended 31 December 2018) was declared and paid to the owners of the Company whose names appeared in the register of members of the Company on 8 June 2020.

Subsequent to the end of the current interim period, the Directors have determined that an interim dividend of HKD0.04 per share amounting to HKD72,800,000 (equivalent to RMB66,498,000) in aggregate (2019: nil) will be paid to the owners of the Company whose names appear in the Register of Members on 3 November 2020.

* *English name is for identification purpose only.*

9. EARNINGS PER SHARE

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

From continuing and discontinued operations

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	30 June
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period from continuing and discontinued operations attributable to owners of the Company	**170,519**	109,724
Less: loss for the period from discontinued operation attributable to owners of the Company	**–**	37,597
Profit for the period from continuing operations attributable to owners of the Company, for the purposes of basic earnings per share	**170,519**	147,321
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**1,811,921,000**	1,827,829,000

The weighted average number of ordinary shares for the six months ended 30 June 2020 for the purpose of basic earnings per share has been adjusted for the weighted average effect of 10,945,000 ordinary shares (2019: nil) repurchased as restricted shares held for strategic incentive award scheme.

From discontinued operation

Basic loss per share for the discontinued operation is nil per share for the six months ended 30 June 2020 (2019: basic loss per share of RMB2.1 cents for the discontinued operation), based on the loss for the period from the discontinued operation of nil (2019: loss for the period from the discontinued operation of RMB37,597,000) and the denominators detailed above for basic earnings per share.

Diluted earnings per share presented is the same as basic earnings per share as the Company did not have dilutive potential ordinary shares in issue in both six months ended 30 June 2020 and 2019.

10. TRADE AND OTHER RECEIVABLES

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables		
– Third parties	**98,831**	108,041
Less: allowance for credit loss	**(8,178)**	(8,579)
	90,653	99,462
Other receivables		
– Advances to suppliers	**12,752**	8,271
– Deposits *(note a)*	**5,372**	5,933
– Deposit for resource tax	**49,873**	64,544
– Other tax recoverable	**10,077**	4,006
– Value-added tax recoverable	**29,791**	27,742
– Staff advance	**19,841**	14,268
– Consideration receivable *(note b)*	**5,619**	110,619
– Prepaid expense	**4,716**	1,336
– Amount due from third parties	**1,135**	2,767
– Others	**15,876**	12,769
	155,052	252,255
Less: allowance for credit loss	**(16,539)**	(16,690)
Total other receivables	**138,513**	235,565
Total trade and other receivables	**229,166**	335,027

Notes:

(a) The amount mainly represented various deposits under the sales contracts between the Group and its customers and other deposits related to the mining environment protection requirements under the relevant PRC regulation.

(b) The amount mainly included the consideration receivable as a result of the Group's disposal of Fushun Hanking Xingzhou Mining Co., Ltd* (撫順罕王興洲礦業有限公司) ("**Xingzhou Mining**") in the previous years.

* *English name is for identification purpose only.*

The disposal was completed during the year ended 31 December 2018. Up to 31 December 2019, among the total consideration of RMB360,000,000, RMB105,000,000 was not yet settled by the buyer. The consideration receivable has been settled in full by cash during the six months ended 30 June 2020. The consideration receivable was unsecured, interest-free, and repayable on demand.

The Group allows an average credit period of 7 days to customers of iron ore concentrates, 60 days to customers of high-purity iron and 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 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB5,172,000 (2019: RMB19,023,000) which are past due as at the reporting date.

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 2020 *RMB'000* **(Unaudited)**	31 December 2019 *RMB'000* (Audited)
– Within 7 days	**55,349**	69,793
– 8 days to 30 days	**28,837**	29,015
– 31 days to 60 days	**3,710**	654
– 61 days to 90 days	**2,757**	–
	90,653	99,462

11. RECEIVABLES AT FVTOCI

	30 June 2020 *RMB'000* **(Unaudited)**	31 December 2019 *RMB'000* (Audited)
Receivables at FVTOCI comprise:		
Bills receivables *(note)*	**96,503**	28,660

Note: Included in the Group's bills receivables are amounts of RMB49,630,000 (2019: RMB11,150,000) 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.

Receivables at FVTOCI endorsed to suppliers with full recourse:

	30 June 2020 *RMB'000* **(Unaudited)**	31 December 2019 *RMB'000* (Audited)
Carrying amount of transferred assets	**49,630**	11,150
Carrying amount of associated liabilities	**(49,630)**	(11,150)
Net position	**–**	–

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

	30 June 2020 *RMB'000* **(Unaudited)**	31 December 2019 *RMB'000* (Audited)
– Within 6 months	**58,504**	1,000
– 6 months to 1 year	**37,999**	27,660
	96,503	28,660

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

	30 June 2020 *RMB'000* **(Unaudited)**	31 December 2019 *RMB'000* (Audited)
– Within 6 months	**96,503**	28,660

12. 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 2020 *RMB'000* **(Unaudited)**	31 December 2019 *RMB'000* (Audited)
Trade payables *(note)*		
– Within 90 days	**75,882**	73,814
– 91 days to 1 year	**18,616**	9,396
– 1 year to 2 years	**6,116**	3,874
– 2 years to 3 years	**2,622**	8,366
– Over 3 years	**786**	495
	104,022	95,945
Bills payables	**551,900**	327,000
Other payables		
Advance from customers	**14,260**	7,440
Other tax payable	**32,576**	19,392
Payable for acquisition of property, plant and equipment	**23,202**	26,056
Outsourced service payable	**9,961**	32,045
Transportation fee payable	**24,058**	16,062
Accrued expense	**5,506**	7,066
Salary and bonus payables	**8,033**	8,057
Interest payable	**877**	1,371
Refundable deposits	**977**	987
Amount due to an independent third party	**–**	12,000
Consideration Payable	**11,800**	–
Payable for mining rights	**18,088**	–
Others	**7,647**	17,839
	156,985	148,315
Total trade and other payables, and bills payables	**812,907**	571,260

Note: The ageing analysis of trade payables was presented based on the date of acceptance of the goods at the end of the reporting period.

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

	30 June 2020 *RMB'000* **(Unaudited)**	31 December 2019 *RMB'000* (Audited)
Within 6 months	**181,000**	17,000
6 months to 1 year	**370,900**	310,000
	551,900	327,000

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 2020 *RMB'000* **(Unaudited)**	31 December 2019 *RMB'000* (Audited)
Within 6 months	**465,900**	310,000
6 months to 1 year	**86,000**	17,000
	551,900	327,000

13. BORROWINGS

	30 June 2020 *RMB'000* **(Unaudited)**	31 December 2019 *RMB'000* (Audited)
Bank loans	**800,763**	701,263
Other loans *(note a)*	**30,000**	–
	830,763	701,263
Secured and guaranteed	**535,763**	543,763
Secured and unguaranteed	**155,000**	47,500
Unsecured and guaranteed	**140,000**	110,000
	830,763	701,263
Fixed-rate	**830,763**	701,263
Carrying amount repayable *(note b)*:		
Due within one year	**687,500**	662,500
More than one year, but not more than two years	**18,263**	20,000
More than two years, but not more than five years	**125,000**	18,763
	830,763	701,263

Notes:

a. It represents other loan received from local government of RMB30,000,000 (2019: nil). The loan carried interest at the benchmark interest rate issued by the People's Bank of China ("**PBOC**") and was repayable within six months.

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

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

	30 June 2020	31 December 2019
	%	%
	(Unaudited)	(Audited)
Fixed-rate borrowings	**3.85 – 8.60**	4.35 – 9.60

The secured and guaranteed bank borrowings were guaranteed by the Controlling Shareholders and the companies controlled by them. Among the secured and guaranteed bank borrowings, RMB125,000,000 (31 December 2019: RMB148,000,000) 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 RMB140,000,000 (31 December 2019: RMB110,000,000) at 30 June 2020 were guaranteed by the Controlling Shareholders and the companies controlled by them.

14. SHARE CAPITAL

The amount as at 30 June 2020 and 31 December 2019 represented the issued share capital of the Company. Details of movement of share capital of the Company are as follows:

	Number of shares	**Share capital**	**RMB equivalent**
		HKD'000	*RMB'000*
Ordinary shares of HKD0.1 each			
Authorised:			
At 1 January 2019, 30 June 2019, 31 December 2019 and 30 June 2020	10,000,000,000		
Issued and fully paid:			
At 1 January 2019 and 30 June 2019	1,827,829,000	182,783	148,960
Shares repurchased and cancelled	(7,829,000)	(783)	(639)
At 31 December 2019 and 30 June 2020	1,820,000,000	182,000	148,321

DEFINITIONS

"Aoniu Mining"	Fushun Hanking Aoniu Mining Co., Ltd (撫順罕王傲牛礦業股份有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
"AUD"	the lawful currency of Australia
"Australia"	The Commonwealth of Australia
"Board"	the board of Directors of the Company
"China" or "PRC"	the People's Republic of China. For the purpose of this announcement, references in this announcement to the PRC or China do not include Hong Kong, Macau Special Administrative Region and Taiwan
"the Company" or "our Company" or "we"	China Hanking Holdings Limited (中國罕王控股有限公司)
"Controlling Shareholder(s)"	has the meaning ascribed to it in the Listing Rules and unless the context requires otherwise, refers to Ms. Yang Min, Mr. Yang Jiye, China Hanking (BVI) Limited, Bisney Success Limited and Tuochuan Capital Limited
"Directors"	the directors of the Company
"EBITDA"	the abbreviation of earnings before interest, taxes, depreciation and amortization
"Ginseng & Iron"	Fushun Hanking Ginseng & Iron Trading Company Limited (撫順罕王人參鐵貿易有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
"the Group" or "Hanking"	China Hanking Holdings Limited and its subsidiaries
"Hanking Australia Investment"	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

"Hanking Green Building Materials"	Liaoning Hanking Green Building Materials Co., Ltd. (遼寧罕王綠色建材有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
"Hanking Group"	Hanking Group Co., Limited (罕王實業集團有限公司), a limited liability company established in the PRC on 4 April 1996, whose shares are held by Ms. Yang Min (88.96%) and other individuals. Hanking Group is a holding company controlled by a Controlling Shareholder
"HK$"	the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"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
"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 HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of Share(s)
"United States"	the United States of America
"US$"	the lawful currency of the United States

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

Shenyang, the PRC, 19 August 2020

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