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 2021

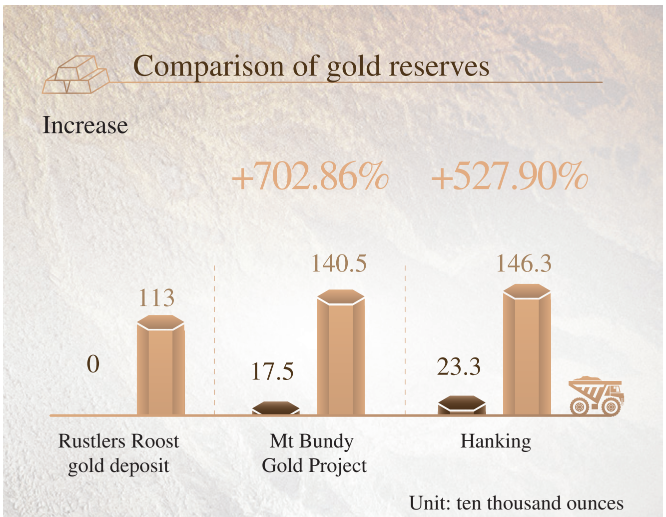
RESULTS HIGHLIGHT

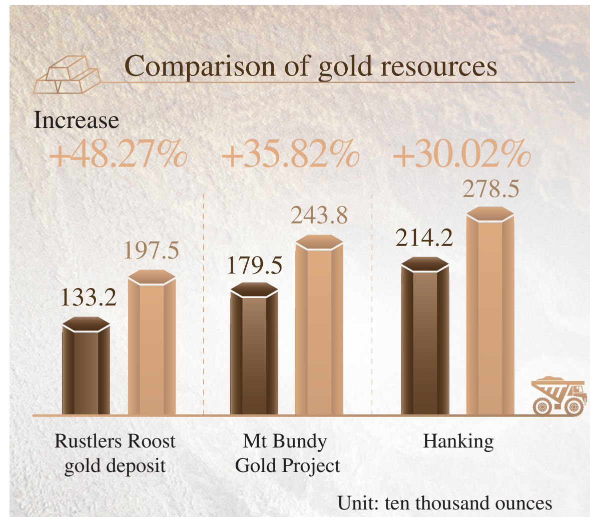
1. Significant increase in profit for the period, with a dividend of HKD0.06 per Share

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.





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.

MAJOR FINANCIAL DATA AND INDICATORS

	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

The Board of China Hanking Holdings Limited hereby announced the unaudited consolidated results of the Group for the six months ended 30 June 2021 (the "**2021 Interim Results**"). The 2021 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 20 August 2021.

OPERATION REVIEW

1. 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, 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.

2. 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.

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	
	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 Aoniu 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.

Operation breakdown of the iron ore business

	For the six months ended 30 June **2021**	2020	Change
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.

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].

3. 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 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》)".

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%
Gross margin	**16.68%**	17.38%	Down by 0.70 percentage 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.

4. 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	gram/ton	thousand ounces	thousand metric tons	gram/ton	thousand ounces	thousand metric tons	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.

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.

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; and 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.

For the first half of 2021, gross profit of the Group was RMB629,850,000, representing an increase of approximately 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					2020				
	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	**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.

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. Selling and distribution 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.

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.

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	2020
	RMB'000	*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.

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	31 December 2020	Changes Amount	Ratio
	RMB'000	*RMB'000*	*RMB'000*	
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	31 December 2020	Changes Amount	Ratio
	RMB'000	*RMB'000*	*RMB'000*	
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 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 2020.

10. 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 announcement, the reporting currency of the Group was RMB. Since RMB is not freely convertible, the risk that the Chinese government may take measures to interfere exchange rates may 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 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 approximately RMB101,694,000 in the first half of 2020 to approximately 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.

OTHERS

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 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. As required under the decision-making framework of the Company, all significant decisions shall be made by all Directors to ensure balance of power and authority. The Company will decide whether to appoint another person as the CEO based on the business operation when appropriate.

Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code 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 2021.

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.

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.

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 also 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.

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 2021 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 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		**908,495**	957,108
Goodwill		**209,132**	209,132
Intangible assets		**423,731**	400,206
Right-of-use assets		**192,017**	196,445
Interest in an associate		**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		**37,949**	38,049
Pledged bank deposits		**20,000**	50,000
		1,848,994	1,880,938
Current assets			
Inventories		**320,914**	322,973
Trade and other receivables	*10*	**221,165**	217,711
Receivables at fair value through other comprehensive income ("**FVTOCI**")	*11*	**148,562**	86,246
Pledged bank deposits		**747,645**	570,311
Bank balances and cash		**204,762**	181,244
		1,643,048	1,378,485
Current liabilities			
Trade, bills and other payables	*12*	**1,133,487**	996,631
Amount due to a related party		**22,295**	10,996
Borrowings	*13*	**440,263**	591,000
Lease liabilities		**3,368**	4,142
Contract liabilities		**77,649**	40,581
Tax liabilities		**129,231**	86,384
Provision		**22,556**	10,000
Deferred income		**2,513**	3,000
		1,831,362	1,742,734

	NOTES	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Net current liabilities		**(188,314)**	(364,249)
Total assets less current liabilities		**1,660,680**	1,516,689
Capital and reserves			
Share capital	*14*	**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	*13*	**123,000**	142,763
Lease liabilities		**4,289**	5,966
Provision		**53,012**	54,005
Other long-term liabilities		**35,000**	50,000
Amount due to a third party		**100,000**	100,000
		315,301	352,734
		1,660,680	1,516,689

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 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.

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.

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**

	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**").

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

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

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

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.

4. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(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	2020
	RMB'000	*RMB'000*
	(Unaudited)	(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.

6. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(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.

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(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) 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.

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 20 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.

10. 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.

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

11. RECEIVABLES AT FVTOCI

	30 June 2021 *RMB'000* **(Unaudited)**	31 December 2020 *RMB'000* (Audited)
Receivables at FVTOCI comprise:		
Bills receivables *(note)*	**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.

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

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

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 2021 *RMB'000* **(Unaudited)**	31 December 2020 *RMB'000* (Audited)
Trade payables *(note a)*		
– 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**") *(note b)*	**–**	16,697
Amount due to an independent third party *(note b)*	**33,782**	33,782
Payable for mining rights	**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

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.

* English name is for identification purpose only.

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

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

13. BORROWINGS

	30 June 2021 *RMB'000* **(Unaudited)**	31 December 2020 *RMB'000* (Audited)
Bank loans	**563,263**	708,763
Other loans *(note a)*	**–**	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 *(note b)*:		
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.

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

	30 June 2021	31 December 2020
	%	%
	(Unaudited)	(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.

14. 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	RMB equivalent
		HKD'000	*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 *(note)*	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.

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
"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 announcement, references in this announcement to the PRC or China do not include Hong Kong, Macau Special Administrative Region and Taiwan
"the Company" or "our Company" or "we"	China Hanking Holdings Limited (中國罕王控股有限公司)
"Controlling Shareholder(s)"	has the meaning ascribed to it in the Listing Rules and unless the context requires otherwise, refers to Ms. Yang Min, Mr. Yang Jiye, China Hanking (BVI) Limited, Bisney Success Limited and Tuochuan Capital Limited
"Directors"	the directors of the Company
"the Group" or "Hanking"	China Hanking Holdings Limited and its subsidiaries
"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
"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
"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

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

Shenyang, the PRC, 20 August 2021

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.