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 2014

MAJOR OPERATION RESULTS

1. Through capacity expansion and technology improvement , the Group has achieved a significant growth in the production of iron ore concentrates for the first half of 2014 hitting a record high of 921,500 tons (first half of 2013: 781,100 tons), which represents a year-on-year increase of 18% and exceeded the production target for the first half of the year.

2. With further improved and refined management and stricter control, the Group maintains the advantage of low-cost operation for the iron ore business. The cash operation cost amounted to RMB388 per ton, which helped to hedge the risk of price slump of iron ore concentrates.

3. The resources and reserves of the Southern Cross Operation Gold Project in Western Australia (the "SXO Gold Project") recorded significant increase. Within 15 months after acquisition of the SXO Gold Project, the gold resources recorded an increase of 99,000 ounces by new discoveries through exploration, adding the total amount of gold resources up to 2,504,000 ounces. Recently, Hanking Gold Mining Pty Ltd ("Hanking Gold") has completed its feasible study on the development plan of phase one of the SXO Gold Project, which is expected to commence production at the end of August 2014, and realize gold output of 60,000 ounces (approximately 2 tons) in 2015.

4. In 2014, due to the implementation of the Export Bans on nickel ore promulgated by the Indonesian government, the prices of nickel ore and nickel metal rocketed up. The Board believed that this would benefit the development of the nickel mines of the Company in the long run. To develop the abundant nickel resources of Indonesia nickel ore project, and make faster and more efficient use of the significant potential value of nickel ore resources, further capacity expansion plan of nickel mines base on the existing shaft furnace (under construction) smelting technique was planned,

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2014:

- The revenue of the Company amounted to RMB733,125,000, representing an increase of RMB56,553,000 or 8.36% as compared to the corresponding period of last year;

- The profit for the period attributable to owners of the Company was RMB50,875,000, representing a decrease of RMB49,098,000 or 49.11% as compared to the corresponding period of last year;

- Earnings before interest, taxes, depreciation and amortisation ("EBITDA") of the Company was RMB235,899,000, representing a decrease of RMB21,453,000 or 8.34% as compared to the corresponding period of last year; the profit margin of EBITDA was 32.18% (the corresponding period of last year: 38.04%); and

- The basic earnings per share was RMB0.028, representing a decrease of RMB0.027 or 49.09% as compared to the corresponding period of last year.

The board (the "Board") of directors (the "Directors") of China Hanking Holdings Limited (the "Company") hereby announced the unaudited consolidated results for the six months ended 30 June 2014 (the "2014 Interim Results") of the Company and its subsidiaries (the "Group"). The 2014 Interim Results has been reviewed by the audit committee of the Company (the "Audit Committee") and Deloitte Touche Tohmatsu, the auditor of the Company, and has been approved by the Board on 26 August 2014.

OPERATION REVIEW

Iron Ore Business

In the first half of 2014, affected by the international market conditions and the structural adjustment of the domestic economy, the growth in the gross domestic product and fixed asset investments gradually slowed down. The domestic output of raw iron for the first half of the year increased by 0.5% on a year-on-year basis to 362 million tons. Coupled with the increase in production of the major international iron ore manufacturers and the year-on-year increase of 19.1% in imported iron ore at domestic ports, the price of iron ore slumped further over the first half of 2014. In the first half of 2014, the average selling price of iron ore concentrates produced by the Group was RMB763/ton (first half of 2013: RMB858/ton), representing a year-on-year decrease of 11.1%.

For the six months ended 30 June 2014, the revenue of iron ore business of the Company was RMB716,812,000, representing a year-on-year increase of 7.47%, mainly attributable to the increase in sales amount of iron ore concentrates by 162,200 tons or 21%, which was partly offset by the decline of its average selling price by RMB95/ton or 11%. EBITDA was RMB290,051,000, decreased by 13.12% from that of the corresponding period of last year, mainly due to the decrease in revenue as a result of the aforesaid reasons and the increase in selling costs of iron ore concentrates by RMB11/ton or 2.89%. The profit margin of EBITDA was 40.46%, down by 9.6 percentage points as compared with that of the corresponding period of last year. The total capital expenditure amounted to RMB101,710,000, representing a year-on-year decrease of 34.22%.

Output and sales volume of iron ore concentrates hitting record highs

Through capacity expansion and technical innovations, the output of iron ore concentrates of the Group hit a record high. For the first half of 2014, the output of iron ore concentrates produced by the Group amounted to 921,500 tons (first half of 2013: 781,100 tons), representing a year-on-year increase of 18%. The sales volume of iron ore concentrates amounted to 939,300 tons (first half of 2013: 777,100 tons), increased by 21% on a year-on-year basis. In the first half of 2014, as the core business of the Company, the iron ore business developed at a steady pace, the mining capacity continued to grow and the mining amount maintained stable growth momentum, amounting to 3,686,900 tons, which laid a solid foundation for achievement of substantial increase in annual output.

Breakdown of output and sales volume of iron ore concentrates

	Output of iron ore concentrates (ton)			**Sales volume of iron ore concentrates (ton)**			**Average selling price (RMB)**		
Mines	**First half of 2014**	First half of 2013	Changes	**First half of 2014**	First half of 2013[Note]	Changes	**First half of 2014**	First half of 2013	Changes
Maogong Mine	**136,853**	191,291	-28.46%	**143,134**	193,486	-26.02%	**N/A**	N/A	N/A
Aoniu Mine	**482,316**	369,301	30.60%	**496,440**	362,684	36.88%	**N/A**	N/A	N/A
Benxi Mine	**135,809**	129,345	5.00%	**144,105**	127,847	12.72%	**N/A**	N/A	N/A
Xingzhou Mine	**72,464**	49,751	45.65%	**58,802**	51,520	14.13%	**N/A**	N/A	N/A
Shangma Mine	**94,075**	41,427	127.09%	**96,827**	41,538	133.10%	**N/A**	N/A	N/A
Total	**921,517**	781,115	17.97%	**939,308**	777,075	20.88%	**763**	858	-11.07%

Note: The figure of 774,990 tons for the total sales amount of iron ore concentrates stated in the announcement published on 22 July 2014 by the Company is not correct, please refer to the figure stated in the table above.

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

To keep the costs at the lower end of the cost curve of the industry, the Company continuously strived to reinforce control over costs and expenses and overall budget management.

As at 30 June 2014, the cash operation cost of iron ore concentrates was RMB388/ton, representing an increase of RMB25 or 6.89% as compared to the corresponding period of last year. The increase was mainly attributable to the increase in mining costs as Benxi Mine has entirely converted to the underground mining and a portion of ore production in the Aoniu Mine was also mined from underground.

The breakdown of costs is set out as below:

	For the six months ended 30 June		
	2014	2013	Change
Mining (RMB/ton)	**158.96**	98.91	60.71%
Processing (RMB/ton)	**116.40**	127.59	-8.77%
Freights (RMB/ton)	**21.3**	20.75	2.65%
Tax (RMB/ton)	**58.37**	70.21	-16.86%
Mine management fees (RMB/ton)	**32.97**	45.54	-27.60%
Total	**388**	363	6.89%

The production costs are expected to increase in the short term due to the transition to underground mining. However, the Company believes that underground mining will bring out more stable production to enhance the mining and processing capacity. These will effectively offset the adverse impact of higher underground mining costs, enabling the Company to maintain its advantage of low-cost operations and resist the risks associated with fluctuations on the iron ore price.

Promoting the major mine development projects as scheduled

The major mine development projects for mine sustainability and expansion have been moving forward according to the planned timelines. Here are the brief descriptions for progress in the major projects:

1. In respect of Maogong Mine, the Group intended to invest a total of RMB393,105,000 to construct the shaft and tunnel project with a mining capacity of 3 million tons per annum. During the six months ended 30 June 2014, RMB18,035,000 has been actually invested, and the cumulative investment is RMB32,519,000 as at 30 June 2014.

2. In respect of the underground mining project of the No. 3 mining area of Aoniu Mine, design capacity was achieved in March 2014, the estimated total investment is RMB95,378,000. During the six months ended 30 June 2014, RMB20,679,000 has been actually invested, and the cumulative investment is RMB100,236,000 as at 30 June 2014.

3. For the underground mining projects of Shangma Mine, Yanghu Beishan mining area, the estimated total investment is RMB20,000,000. During the six months ended 30 June 2014, RMB794,000 has been actually invested, and the cumulative investment is RMB794,000 as at 30 June 2014. It is expected that production will be commenced in July 2015.

4. Electricity transmitting and transforming engineering work was carried out in Shangma to support the underground operations of Shangma Mine, the estimated total investment is RMB7,820,000. During the six months ended 30 June 2014, the infrastructure construction of the transformer station was completed, RMB379,000 has been actually invested, and the cumulative investment is RMB379,000 as at 30 June 2014. It is expected that the engineering work will be completed in the fourth quarter of 2014.

Achieving progress in exploration

In the first half of 2014, the Company's exploration team has conducted an exploration program in the areas near and in depth of the existing mine sites. The exploration has successfully made new discoveries and delineated a new iron ore resource of 3,785 thousand tons (of which 595 thousand tons from Shangma Mine and 3,190 thousand tons from Aoniu Mine). For the six months ended 30 June 2014, the exploration costs amounted to RMB1,899,000 in total. Details on exploration works conducted at each mine were as follows:

Mines	**Number of drilling holes**	**Drilling footage** *(metre)*	**Drilling diameter** *(mm)*
Shangma Mine	11	3,240.79	75
Benxi Mine	0	0	0
Maogong Mine	0	0	0
Aoniu Mine	8	2,399.36	75
Xingzhou Mine	0	0	0
Total	19	5,640.15	N/A

As at 30 June 2014, there were no significant changes in the iron ore resources and reserves of the Group that complied with the JORC standards.

Nickel Ore Business

To implement the Law on Mineral and Coal Mining (No. 4 of 2009, Laws of the Republic of Indonesia ("Indonesia")), Indonesian government authorities promulgated a regulation on 13 January 2014, pursuant to which all holders of mining production operation licenses shall undertake mineral processing and refining within the territory of Indonesia in order to export a certain amount of products. In addition, the Ministry of Energy and Mineral Resources of the Republic of Indonesia formulated the Regulation of the Minister of Energy and Mineral Resources No. 1 of 2014 on the increase of added value of mineral through mineral processing and refining activities in Indonesia, which imposes timing and quantitative restrictions on export of extracted mineral products as well as the minimum standards on refining and purification in Indonesia. Upon the promulgation of the above regulations ("Export Bans"), the prices of nickel ore and nickel metal have rocketed up. As of 30 June 2014, the closing price of LME nickel was US$19,070/ton, representing an increase of 36.17% as compared to the beginning of 2014. Analysts of global major investment banks are optimistic about the future trend of nickel price, believing that as long as the Indonesian Export Bans are not revoked, and the political situation in Russia and Ukraine maintains the status quo, the rise of nickel price driven by supply contraction will be inevitable.

For the six months ended 30 June 2014, the Group produced 183.7 thousand tons of nickel ore (first half of 2013: 247.4 thousand tons), and realized sales of 60.5 thousand tons (first half of 2013: 0 thousand ton). The production cost of nickel ore was RMB39.31 per ton (first half of 2013: RMB55.36), representing a year-on-year decrease of 28.99%.

In order to develop the abundant nickel resources of Indonesia nickel ore project which is owned by the Indonesian project companies (i.e. PT Karyatama Konawe Utara, PT Konutara Prima and PT Konutara Sejati), the Company must, in accordance with Indonesian laws, construct smelting plant for producing ferronickel products in Indonesia. In order to make faster and more efficient use of nickel ore resources, the Company was making a further research of nickel mine development program base on the original plan of the shaft furnace smelting. In the first half of 2014, in respect of mining, smelting and development of nickel ore, following works were done by Indonesia nickel ore project companies:

1. Site preparation: 230,000 cubic meters were excavated, together with additional reclamation area of 4.6 hectares, a land of 1,000 acres is ready for construction;

2. Site geological exploration and preliminary exploration work: as at 30 June 2014, a total of 15 exploration holes were drilled with a total footage of 370.3 meters. All exploration holes and on-site tests have been completed at the end of July 2014;

3. A total of 4 accommodation quarters were constructed in the mine camps, with a total area of 1,070 square meters;

4. Equipment and materials warehouses with a total area of 1,120 square meters have been constructed and put into use; and

5 In mining stopes, transportation distance has been optimized, and standardized facilities have been constructed.

For the six months ended 30 June 2014, being affected by the Export Bans, the revenue of nickel ore business was RMB16,313,000, representing a year-on-year increase of 70.18%, with an EBITDA of RMB-23,007,000, increased by RMB11,732,000 from that of the corresponding period of last year. The capital expenditure amounted to RMB16,820,000 (first half of 2013: RMB78,031,000), and the capital commitment was RMB6,240,000 (first half of 2013: RMB16,102,000).

Nickel ore business: No exploration work was conducted by the Group in the first half of 2014; the resources of nickel ore had no significant change as compared with that as stated in the Company's annual report of 2013.

Gold Mining Business

In 2013, the Company completed the acquisition of 100% equity interest of the SXO Gold Project, and took necessary measures to conduct exploration work and implemented asset maintenance and team reorganization. After the successful drilling exploration in the second half of 2013, Hanking Gold engaged CSA Global Pty Ltd ("CSA") to estimate the gold resources within Frasers Gold Mine of the SXO Gold Project in accordance with the JORC standards, and signed on the relevant JORC resources report. Comparing with 2013, the resources of the gold mine increased by approximately 465,000 tons of gold ore, and the gold metal recorded an increase of 99,000 ounces. Meanwhile, an amount of 781,000 tons of inferred gold ore resources was upgraded to the indicated category. Currently, Hanking Gold owned 21,074,000 tons of gold ore resources complied with JORC standards at an average gold grade of 3.7g/t, and the gold metal amounted to 2,504,000 ounces. The newly increased resources was located at areas near the ground surface and suitable for open-pit mining.

To provide guidance for the next phase of exploration, Hanking Gold engaged CSA to conduct comprehensive analysis and research comprising geology, geophysics and geochemistry on the 239 exploration tenements of the SXO Gold Project covering an area of 930 square metres, 43 new target area for prospecting were located, 5 of which were identified as the first batch of targets for further exploration. For the six months ended 30 June 2014, effective exploration costs of RMB3,076,000 were incurred for gold mining business.

Driven by safe-haven buying, gold price rose for two consecutive quarters since the beginning of this year, representing a cumulative increase of 10%. In light of the market conditions and the Company's actual situation, the Company developed a gold mining business strategy with low investments and quick returns. Guided by this strategy, Hanking Gold cooperated with Entech Pty Limited and Como Engineering Pty Ltd respectively from early 2014 to conduct feasibility studies and issue reports in respect of gold mining design and optimized design of processing and smelting plants of the SXO Gold Project. According to the feasibility studies, the Company's phase I mining project included four open-pit gold mines, namely Cornishman, Nevoria, Frasers and Aquarius, with operating duration of four years. The Company entrusted Entech Pty Limited to issue the JORC reserves report based on the mining design. Phase I mining reserves included 2,755,000 tons of gold ore, at an average gold grade of 3.5 g/t, with gold metal of 308,000 ounces.

Hanking Gold engaged contractors for the Phase I mining work of the SXO Gold Project in respect of mining project, transportation of iron ore, technology improvement of processing plants and operation of staff canteen through open tender. Among which, there were ten bidders for the mining project, six bidders for transportation of iron ore, four bidder for the technology improvement of processing plants and three bidders for the operation of staff canteen. After cost audit and comparison among these bidders, the successful bidder were Watpac Pty Ltd (being the contractor of the mining project), Hamptons Transport Pty Ltd (being the contractor of the transportation of iron ore), Como Engineering Pty Ltd (being the contractor of the technology improvement of processing plants) and Catercare Services Pty Ltd (being the operator of the staff canteen) respectively, all being renowned professional companies of the mining industry in Australia.

According to the results of the above works, Hanking Gold formulated the mining proposal of the gold mine and submitted to the Australian government for approval. As at 30 June 2014, Hanking Gold has obtained all the necessary approvals for the Phase I mining work of the Cornishman Gold Mine.

For the six months ended 30 June 2014, the gold mining business of the Group did not realize sales, with an EBITDA of RMB-17,547,000, decreased by RMB1,660,000 from that of the corresponding period of last year. The capital expenditure amounted to RMB11,524,000 (first half of 2013: RMB106,655,000).

FINANCE REVIEW

1. Income, Cost of Sales, Gross Profit

For the first half of 2014, the Group's revenue was RMB733,125,000, representing an increase of RMB56,553,000 or 8.36% over the corresponding period of last year, mainly due to the increase of 162.2 thousand tons in the sales volume of iron ore concentrates as compared to the corresponding period of last year, while the impact of growth in sales volume on revenue also being partly offset by the decrease in selling price.

For the first half of 2014, the Group's cost of sales was RMB429,681,000, representing an increase of RMB120,408,000 or 38.93% over the corresponding period of last year, mainly attributable to the increase in the sales volume of iron ore concentrates and the rising production costs due to the transition to underground mining of the iron ore mines.

For the first half of 2014, the Group's gross profit was RMB303,444,000, representing a decrease of RMB63,855,000 or 17.39% over the corresponding period of last year. As compared to the corresponding period of last year, gross profit margin of the Group declined slightly from 54.29% to 41.39% in the first half of 2014 which was mainly due to the slipping of the average unit selling price of iron ore concentrates and the rising production costs due to the transition to underground mining of the iron ore mines.

2. Other Income and Expenses

For the first half of 2014, the Group's other income was RMB12,251,000, representing an increase of RMB6,953,000 or 131.24% over the corresponding period of last year. Other income mainly included interest income and investment income.

For the first half of 2014, the Group's other expenses were RMB35,213,000, representing an increase of RMB28,834,000 or 452.01% over the corresponding period of last year. For reasons of such increase, please refer to paragraph 5 "The Profit and Losses on Changes in Fair Values of Available-for-Sale Financial Assets" as set out in this section. Other expenses consisted of asset impairment losses, loss from disposal of properties, plants and equipment, charity donation and other overheads.

3. Selling and Distribution Expenses, Administrative Expenses

For the first half of 2014, the selling and distribution expenses of the Group were RMB23,559,000, representing an increase of RMB6,541,000 or 38.44% as compared to the corresponding period of last year, which was mainly due to the rising transportation costs as a result of increase in the sales volume for the period as compared to that of last year. Selling and distribution expenses consisted of transportation expenses, labour expenses and others.

For the first half of 2014, the administrative expenses of the Group were RMB132,058,000, representing a decrease of RMB7,153,000 or 5.14% as compared to the corresponding period of last year. Administrative expenses included remuneration paid to the Group's management and administrative staff, depreciation and amortization, leasing and office expenses, business development expenses, professional consultation and service expenses, taxation expenses, bank charges, inventory depreciation reserves, accrued doubt debt reserves and others.

4. Financing Cost and Income Tax Expense

For the first half of 2014, the financing costs of the Group were RMB53,880,000, which decreased by RMB9,361,000 or 14.8% as compared to the corresponding period of last year. The decrease was mainly due to the decrease of the Company's borrowings during the period. Financing costs included bank borrowing interest expenses, discount expenses and other financial expenses and the amortization of the long-term payable discount charges. For the first half of 2014, the income tax expenses of the Group were approximately RMB42,133,000, which decreased by RMB21,156,000 or 33.43% as compared to the corresponding period of last year. For the first half of 2014, according to the deducted tax in the consolidated statement of comprehensive income and profit before tax, the effective tax rate of the Group was 58.8%, while the effective tax rate for the corresponding period of last year was 45.41%. The reason for the increase in the effective tax rate was that the cost and loss generated from overseas business in the period was not deductible for the purpose of PRC income tax. Income tax expenses included the total amount of current tax payable and deferred tax.

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

For the first half of 2014, the aggregate fair value losses and impairment loss on available-for-sale financial assets of the Group were RMB42,194,000, of which RMB22,174,000 was incurred by offsetting the revenue recognized in profit of the period in the previous year and RMB18,751,000 was recognized in other expenses. Such losses were attributed to the impairment loss of the shares of the Australian listed company held by the Group.

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

Based on the reasons mentioned above, the profit of the Group for the period was RMB29,516,000, representing a decrease of RMB46,562,000 or 61.2% as compared to the corresponding period of last year. The net profit margin of the Group for the first half of 2014 was 4.03%, while that of the corresponding period of the previous year was 11.24%. The decrease was mainly due to the above combined factors.

Based on the profit for the period, and affected by the losses on changes in fair values of available-for-sale financial assets and foreign currency translation, the total comprehensive income for the first half of 2014 was approximately RMB11,479,000, representing a decrease of RMB47,242,000 or 80.45% as compared to the corresponding period of the previous year.

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

As of 30 June 2014, the net properties, plants and equipment of the Group were RMB1,374,595,000, representing a decrease of approximately RMB1,636,000 or 0.12% as compared to the end of the previous year.

As of 30 June 2014, the inventories of the Group were RMB176,691,000, representing an increase of approximately RMB6,383,000 or 3.75% as compared to the end of the previous year. The main reason for the increase was the increase in the inventory of iron ore and that the Group built up inventory of nickel ore as the Indonesia nickel ore project ceased to export nickel ores.

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

As of 30 June 2014, trade receivables of the Group was RMB128,461,000, representing a decrease of RMB66,429,000 over the end of the previous year, mainly due to the decrease of RMB52,260,000 in bills receivables. As of 30 June 2014, other receivables of the Group was RMB240,718,000, representing an increase of RMB13,468,000 as compared to the end of the previous year.

As of 30 June 2014, trade payables of the Group was RMB65,336,000, representing an increase of RMB5,554,000 as compared to the end of the previous year. As of 30 June 2014, other payables of the Group was RMB296,110,000, representing an increase of RMB3,197,000 as compared to the end of the previous year.

9. Cash Use Analysis

The summary of the Group's consolidated statement of cash flows for the first half of 2014 was set out below.

	For the six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Net cash flows from operating activities	**210,631**	131,234
Net cash flows from investing activities	**(125,556)**	(353,105)
Net cash flows from financing activities	**(162,903)**	51,803
Net increase in cash and cash equivalents	**(77,828)**	(170,068)
Cash and cash equivalents at the beginning of the period	**369,995**	581,960
Effect of changes in foreign exchange rate on cash and cash equivalents	**2,047**	(1,877)
Cash and cash equivalents at the end of the period	**294,214**	410,015

The net cash inflow from the operating activities during the first half of 2014 was RMB210,631,000, which was mainly attributed to the profit before tax of RMB71,649,000, together with depreciation and amortization of RMB124,905,000 as well as the decrease of RMB57,453,000 in receivables and was partially offset by income tax paid of RMB72,648,000.

For the first half of 2014, the net cash outflow from investing activities amounted to RMB125,556,000, which mainly reflected the amount of RMB101,322,000 used in acquisition of new plants and equipments to expand production and properties, the amount of RMB6,518,000 used as consideration for the acquisition of intangible assets and the amount of RMB15,193,000 used in the acquisition of lands.

For the first half of 2014, the net cash outflow from financing activities was RMB162,903,000, which was mainly from the newly added bank loans of RMB874,693,000. The net cash outflow was offset by the repayment of bank loans of RMB949,534,000, the repayment of bank loan deposit of RMB51,462,000 and the distribution of dividend to shareholders of RMB36,600,000.

10. Cash and Borrowings

As of 30 June 2014, cash balance of the Group amounted to RMB805,676,000, representing a decrease of approximately RMB24,319,000 or 2.93% compared to the end of last year.

As of 30 June 2014, the balance of bank borrowings of the Group was RMB1,793,254,000, representing a decrease of RMB74,841,000 as compared to the end of last year. In addition to 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, borrowing, liabilities under acceptance or other similar liabilities, hire purchase and finance lease commitments, or any guarantees or other material contingent liabilities. The Directors have confirmed that, save for the information disclosed above, there has been no material changes in the indebtedness and contingent liabilities of the Group since 31 December 2013.

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

The gearing ratio of the Group decreased from 65.23% in 31 December 2013 to 64.97% in 30 June 2014, which is calculated by dividing the total liabilities by the total assets.

The interest rate risk in the fair value of the Group mainly relates to the bank borrowings. In the first half of 2013, the Group improved its liability structure by increasing medium-and-long term bank borrowings, part of which was US Dollar loans with variable interest rate. Given the uncertainty in the interest rate of US Dollar in the future, the Group entered into a US Dollar interest rate swap transaction in November 2013, converting the variable interest rate into fixed interest rate. The management of the Group will continue to monitor the loan portfolio and interest rate risks of the Group, and may consider taking appropriate measures to hedge material interest rate risks when necessary.

Up to now, the major operating transactions of the Group are denominated in RMB, which is also the reporting currency of the Group. Since RMB is not freely convertible, the risk that the Chinese government may take measures to interfere the exchange rates may bring effects to the Group's net asset value, profit and the dividends declared to the extent that such dividends are subject to foreign exchange. Meanwhile, the Group acquired mining assets in Indonesia and Australia in 2013. Their assets and liabilities are denominated in Indonesian Rupiah and Australian dollar respectively, which are affected by the foreign exchange rate and accordingly affecting net assets and revenue of the Group. Given that fluctuation in the exchange rate has no material impact on the cashflow of the Group, we have no hedging measures against such exchange risks. The management of the Group will continue to monitor the currency matching between the revenue and costs of the Group and the exchange risks, and may consider taking appropriate measures to hedge material exchange risks when necessary.

12. Assets Securities and Contingent Liabilities

Some of the bank loans of the Group are secured by the mining rights certificates. As of 30 June 2014, the aggregate net carrying value of the mining rights used as securities amounted to RMB270,331,000.

As of 30 June 2014, the Group had no material contingent liabilities.

13. Capital Commitment

For the first half of 2014, the capital commitment of the Group was RMB102,529,000, representing a decrease of RMB31,538,000 or 23.52% over last year. The capital commitment mainly consisted of the amount of RMB81,556,000 for the underground mining works of Shangma Mine, the amount of RMB6,011,000 for the underground mining works of Aoniu Mine and the amount of RMB6,240,000 for the Indonesian smelting project.

14. Capital Expenditure

The Group's capital expenditure decreased from approximately RMB339,316,000 in the first half of 2013 to approximately RMB130,054,000 in the first half of 2014. Expenditure incurred in the first half of 2014 mainly included (i) expenditure for acquisition of plants, machine equipments and properties amounting to RMB101,322,000; (ii) expenditure for acquisition of intangible assets amounting to RMB6,518,000; and (iii) expenditure for acquisition of lands amounting to RMB15,193,000.

15. Significant Investment Held

Save for the equity interests in three companies listed on Australian Securities Exchange and held by the Company, the Group did not hold any significant investments as at 30 June 2014.

16. Material Acquisitions and Disposals of Subsidiaries

The Group had no material acquisitions or disposals of subsidiaries during the six months ended 30 June 2014.

OTHERS

Corporate Governance

During the period from 1 January 2014 to 30 June 2014, the Company has fully complied with the code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Meanwhile, the Company has complied with most of the best practice as recommended therein.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, and also formulated the Written Guideline on Dealings in the Securities of the Company by Directors and the Relevant Employees (the "Company Guideline"), which adopted the standards equivalent to the provisions of Appendix 10 to the Listing Rules as the model code regarding dealings in the Company's securities by the Directors and the relevant employees. Specific enquiry has been made to all the Directors and all Directors have confirmed that they have complied with the Model Code and the Company Guideline throughout the six months ended 30 June 2014. Specific enquiry has been made to the relevant employees and the Company confirmed that all the relevant employees have complied with the Company Guideline throughout the six months ended 30 June 2014.

Purchase, Sale or Redemption of Listed Securities of the Company

During the six months ended 30 June 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Audit Committee

During the six months ended 30 June 2014, the Audit Committee comprised three independent non-executive Directors, namely Mr. Wang Ping, Mr. Johnson Chi-King Fu and Mr. Wang Anjian, with Mr. Wang Ping as the chairman.

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 and Corporate Governance Report as set out in Appendix 14 of the Listing Rules, the terms of reference of the Audit Committee was approved and stated. The Audit Committee is primarily responsible for reviewing and monitoring the financial report and the internal control of the Group, and reviewing the accounting policies, accounting principles and methods adopted by the Company with the management of the Company.

The Audit Committee, which has reviewed the 2014 Interim Results which has not been audited by independent auditors, believes that the interim results were prepared in accordance with the accounting principles, rules and regulations adopted, and made appropriate disclosure.

Interim Dividend

The Board has proposed not to distribute any interim dividend for the six months ended 30 June 2014.

FINANCIAL STATEMENTS AND NOTES

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2014

		Six months ended 30 June	
		2014	2013
	NOTES	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*2*	**733,125**	676,572
Cost of sales		**(429,681)**	(309,273)
Gross profit		**303,444**	367,299
Other income		**12,251**	5,298
Selling and distribution expenses		**(23,559)**	(17,018)
Administrative expenses		**(132,058)**	(139,211)
Other expenses and losses		**(35,213)**	(6,379)
Net foreign exchange gain (loss)		**664**	(7,381)
Finance costs		**(53,880)**	(63,241)
Profit before tax	*3*	**71,649**	139,367
Income tax expense	*4*	**(42,133)**	(63,289)
Profit for the period		**29,516**	76,078
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
Net fair value (loss) gain on available-for-sale financial assets		**(22,174)**	2,181
Exchange differences on translation of financial statements of foreign operations		**4,137**	(19,538)
Other comprehensive income for the period		**(18,037)**	(17,357)
Total comprehensive income for the period		**11,479**	58,721
Profit for the period attributable to:			
Owners of the Company		**50,875**	99,973
Non-controlling interests		**(21,359)**	(23,895)
		29,516	76,078

	NOTES	Six months ended 30 June **2014** ***RMB'000*** **(Unaudited)**	 2013 *RMB'000* (Unaudited)
Total comprehensive income for the period attributable to:			
Owners of the Company		**33,696**	81,760
Non-controlling interests		**(22,217)**	(23,039)
		11,479	58,721
Earnings per share			
– Basic and diluted (RMB cent per share)	*6*	**2.8**	5.5

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2014

	NOTES	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		**1,374,595**	1,376,231
Intangible assets		**971,268**	964,605
Prepaid lease payments		**344,585**	357,533
Deferred tax assets		**6,240**	6,476
Loan receivable from a third party		**11,300**	11,300
Deposit on acquisition of property, plant and equipment		**32,868**	28,914
Restricted cash		**49,987**	47,103
		2,790,843	2,792,162
Current assets			
Inventories		**176,691**	170,308
Prepaid lease payments		**45,661**	45,123
Trade and other receivables	*7*	**369,179**	422,140
Tax recoverable		**9,712**	7,872
Available-for-sale financial assets		**13,271**	47,175
Pledged bank deposits	*8*	**511,462**	460,000
Bank balances and cash	*8*	**294,214**	369,995
		1,420,190	1,522,613
Current liabilities			
Trade and other payables	*9*	**361,446**	352,695
Bank borrowings	*10*	**1,308,134**	1,385,444
Consideration payable		**56,062**	86,943
Loans payable to non-controlling interest of a subsidiary		**3,873**	3,873
Tax liabilities		**45,585**	74,496
		1,775,100	1,903,451
Net current liabilities		**(354,910)**	(380,838)
Total assets less current liabilities		**2,435,933**	2,411,324

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2014

	NOTES	**30 June 2014** **RMB'000** **(Unaudited)**	31 December 2013 *RMB'000* (Audited)
Capital and reserves			
Share capital	*11*	**149,137**	149,137
Reserves		**1,088,902**	1,091,806
Total equity attributable to owners of the Company		**1,238,039**	1,240,943
Non-controlling interests		**237,057**	259,274
		1,475,096	1,500,217
Non-current liabilities			
Bank borrowings	*10*	**485,120**	482,651
Consideration payable		**396,150**	355,261
Rehabilitation provision		**77,538**	71,115
Retirement benefit obligations		**2,029**	2,080
		960,837	911,107
		2,435,933	2,411,324

1. BASIS OF PREPARATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 Listing Rules.

2. SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately according to the geographical information of the operations and products. The Group has been operating in three segments, being iron mine business (the business of Shenyang Toyo Steel Utility Co., Ltd and its subsidiaries, excluding Yingkou Xinwang Alloy Furnace Charge Co., Ltd.), nickel ore business (business of Hanking Indonesia and its subsidiaries, including Yingkou Xinwang Alloy Furnace Charge Co., Ltd.) and gold mine business (business of Hanking Australia Pty Ltd and its subsidiaries), respectively. The Group identified an operating segment which is a component of the Group (a) that engages in business activities from which it may earn revenues and incur expenses; and (b) whose operating results are reviewed regularly by the executive directors, the chief operating decision maker, to make decisions about resources allocation and assess its performance.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without central administration costs and directors' salaries, financial costs and other income and expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

The accounting policies of the operating segment are the same as those adopted by the Group in the preparation of condensed consolidated financial statements. Details of the reportable operating segments are as follows:

Six months ended 30 June 2014

	Iron *RMB'000*	**Nickel** *RMB'000*	**Gold** *RMB'000*	**Total** *RMB'000*
SEGMENT REVENUE				
External sales	**716,812**	**16,313**	**–**	**733,125**
Inter-segment sales	**–**	**–**	**–**	**–**
	716,812	**16,313**	**–**	**733,125**
Segment profit (loss)	**167,929**	**(44,145)**	**(38,537)**	**85,247**
Central administration costs and directors' salaries				**(5,032)**
Finance costs				**(8,684)**
Other income and expense				**118**
Group's profit before tax				**71,649**

Six months ended 30 June 2013

	Iron *RMB'000*	Nickel *RMB'000*	Gold *RMB'000*	Total *RMB'000*
SEGMENT REVENUE				
External sales	666,986	9,586	–	676,572
Inter-segment sales	–	–	–	–
	666,986	9,586	–	676,572
Segment profit (loss)	236,383	(53,544)	(15,966)	166,873
Central administration costs and directors' salaries				(25,896)
Finance costs				(1,614)
Other income and expense				4
Group's profit before tax				139,367

3. PROFIT BEFORE TAX

Profit before taxation has been arrived at after charging (crediting):

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Cost of inventories recognised as an expense	**374,977**	255,602
Auditors' remuneration	**500**	500
Release of prepaid lease payments	**27,626**	24,194
Depreciation and amortisation:		
– Property, plant and equipment	**90,507**	42,440
– Intangible assets	**6,772**	12,304
	97,279	54,744
Staff costs (including directors):		
– Salary and other benefits	**95,510**	93,235
– Retirement benefits scheme contributions	**9,432**	5,804
	104,942	99,039

4. INCOME TAX EXPENSE

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Income tax expenses comprise:		
PRC enterprise income tax ("EIT") – current	**42,334**	61,225
(Over) under provision of EIT in prior years	**(437)**	757
Deferred tax	**236**	1,307
	42,133	63,289

The Company was incorporated in the Cayman Islands and is not subject to any income tax.

PRC income tax is calculated based on the statutory income tax rate of 25% (2013: 25%) of taxable income of the subsidiaries based on the relevant PRC tax rules and regulations.

China Hanking Investment Limited, China Hanking (BVI) International Limited and Hanking (Indonesia) Mining Limited ("Hanking Indonesia") were incorporated in the British Virgin Islands and are not subject to income tax of any jurisdiction during the period (2013: nil).

China Hanking (Hong Kong) Limited, Denway Development Limited, City Globe Limited and Harvest Globe Limited were incorporated in Hong Kong and Hong Kong Profits Tax rate is 16.5% (2013: 16.5%).

Hanking Australia Pty Ltd. and Hanking Gold were incorporated in Australia and Australia profits tax rate is 30% (2013: 30%). They have no assessable profits subject to Australia profits tax during the current period.

Subsidiaries of Hanking Indonesia were incorporated in Indonesia and Indonesia profits tax rate is 25% (2013: 25%). They have no assessable profits subject to Indonesia profits tax during the current period (2013: nil).

5. DIVIDENDS

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Final dividend declared for 2013		
RMB2.0 cents (2012: 2.0 cents) per share	**36,600**	36,600

During the current interim period, a final dividend of RMB2.0 cents per share in respect of the year ended 31 December 2013 (2013: RMB2.0 cents per share in respect of the year ended 31 December 2012) was declared and paid to the owners of the Company.

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

6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the six months ended 30 June 2014 attributable to owners of the Company and the 1,830,000,000 shares in issue during the current period (2013: 1,830,000,000 shares).

Diluted earnings per share presented is same as basic earnings per share as the Company did not have dilutive potential ordinary shares in issue in the current and prior period.

7. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 7 days to its customers of iron ore concentrates and 15 days to its customers of nickel ore. The aging of bills receivables are within six months. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period.

	30 June 2014 *RMB'000* **(unaudited)**	31 December 2013 *RMB'000* (Audited)
Within 7 days	**49,345**	64,713
8 days to 3 months	**2,414**	1,329
3 months to 1 year	**114**	–
	51,873	66,042
Bills receivables	**76,588**	128,848
Total trade receivables	**128,461**	194,890
Other receivables, deposits and prepayments	**240,718**	227,250
	369,179	422,140

8. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

The pledged bank deposits at 30 June 2014 and 31 December 2013 were for the purpose of issuance of bank borrowings and notes payable and carried fixed interest rate of 2.03%-4.60% per annum.

Bank balances and cash of the Group comprise cash and short term bank deposits with an original maturity of three months or less. The bank balances carry variable interest rates of 0.35% (2013: 0.35%) per annum.

9. TRADE AND OTHER PAYABLES

Payment terms with suppliers are mainly on credit within 90 days from the time when the goods are received from suppliers. The following is an aged analysis of trade payables based on the date of the goods received at the end of the reporting period:

	30 June 2014 *RMB'000* **(unaudited)**	31 December 2013 *RMB'000* (Audited)
Within 3 months	**44,425**	44,739
3 months to 1 year	**6,318**	1,963
1 year to 2 years	**783**	4,843
2 years to 3 years	**866**	692
Over 3 years	**747**	200
	53,139	52,437
Bill payables	**12,197**	7,345
Total trade payables	**65,336**	59,782
Other payables, advances and accruals	**296,110**	292,913
	361,446	352,695

10. BANK BORROWINGS

	30 June 2014 *RMB'000* **(unaudited)**	31 December 2013 *RMB'000* (Audited)
Fixed-rate bank loans	**720,000**	1,020,000
Floating-rate bank loans *(note a)*	**1,073,254**	848,095
	1,793,254	1,868,095
Secured bank loans *(note b)*	**1,563,254**	1,798,095
Unsecured bank loans	**230,000**	70,000
	1,793,254	1,868,095
Amount repayable:		
Due within one year (amount shown under current liabilities)	**1,308,134**	1,385,444
More than two years, but not exceeding five years (amount shown under non-current liabilities)	**485,120**	482,651
	1,793,254	1,868,095
Effective interest rates of bank borrowings	**4.20%**	4.34%

Notes:

a) The floating-rate bank loans of RMB350,000,000 carry interest at 105% of the interest rate of RMB loan promulgated by the People's Bank of China. The USD loans of RMB723,254,000 carry 3-month LIBOR plus 100-270 base points of the interest rate.

b) The bank borrowings of RMB500,000,000 (31 December 2013: RMB500,000,000) were secured by various assets including the mining rights with carrying amounts of RMB270,331,000 (31 December 2013: RMB287,150,000).

The bank borrowings of RMB340,000,000 (31 December 2013: RMB170,000,000) were guaranteed by Hanking Industrial Group Co., Ltd. ("Hanking Industrial Group") and Ms. Yang Min. Hanking Industrial Group was ultimately controlled by Ms. Yang Min.

The bank borrowings of RMB723,254,000 (31 December 2013: 330,000,000) were secured by bank deposits of RMB511,462,000 (31 December 2013: RMB460,000,000). At 31 December 2013, bank borrowings of RMB798,095,000 were secured by the letter of credit of the Group.

11. SHARE CAPITAL

The amount as at 30 June 2014 and 31 December 2013, represented the then issued share capital of the Company, details of movements of share capital of the Company are as follow:

	Number of share	**Share capital**	**Shown in the consolidated financial statements**
		HK$'000	*RMB'000*
Ordinary shares of HK$0.1 each			
Authorised:			
At 31 December 2013 and 30 June 2014	10,000,000,000		
Issued:			
At 31 December 2013 and 30 June 2014	1,830,000,000	182,900	149,137

Publication of Interim Results and Report

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

The Company's 2014 interim report containing all the information required under the Listing Rules will be despatched to the shareholders and will be published on the websites of the Company and The Stock Exchange of Hong Kong Limited 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.

By order of the Board
China Hanking Holdings Limited
Chairman and Executive Director
Pan Guocheng

Shenyang, PRC, 26 August 2014

As at the date of this announcement, the executive Directors of the Company are Mr. Pan Guocheng, Mr. Yang Jiye, Mr. Zheng Xuezhi, Mr. Xia Zhuo and Mr. Qiu Yumin; the non-executive Directors of the Company are Ms. Yang Min, Mr. Lan Fusheng and Mr. Kenneth Jue Lee; and the independent non-executive Directors of the Company are Mr. Wang Ping, Mr. Johnson Chi-King Fu and Mr. Wang Anjian.