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20 September 2011

The Directors
China Hanking Holdings Limited

BNP Paribas Capital (Asia Pacific) Limited
Credit Suisse (Hong Kong) Limited
Deutsche Bank AG, Hong Kong Branch

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") related to China Hanking Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2010 and the six months ended 30 June 2011 (the "Track Record Period"), for inclusion in the prospectus of the Company dated 20 September 2011 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2007 Revision) Chapter 22 of the Cayman Islands on 2 August 2010. Pursuant to a group reorganisation (the "Group Reorganisation"), as more fully explained in the paragraph headed "Reorganization" in the Section "History, Development and Reorganization" to the Prospectus, the Company became the holding company of the Group on 18 January 2011.

Particulars of the Company's subsidiaries at the end of each respective reporting period and the date of this report are as follows:

Name of subsidiary	Place and date of incorporation/ establishment and operation	Issued and fully paid up share capital/registered capital	Attributable equity interest held by the Company as at 31 December 2008	2009	2010	30 June 2011	the date of this report	Principal activities
			%	%	%	%	%	
Directly held:								
China Hanking Investment Limited ("Hanking Investment")	The British Virgin Island ("BVI") 21 July 2010	Ordinary shares USD1.00	N/A	N/A	100.00	100.00	100.00	Investment holding
Indirectly held:								
China Hanking (BVI) International Limited ("Hanking International") *(note e)*	BVI 25 April 2008	Ordinary shares USD1.00	N/A	N/A	100.00	100.00	100.00	Investment holding
China Hanking Hong Kong Limited ("Hanking HK") *(note d)*	Hong Kong ("HK") 23 December 2008	Ordinary shares HK$1.00	N/A	N/A	100.00	100.00	100.00	Investment holding
瀋陽東洋煉鋼公用設施有限公司 Shenyang Toyo Steel Utility Co., Ltd ("STSU"#) *(note a)*	The People's Republic of China (the "PRC") 10 March 1995	Registered and paid-in capital JPY1,507,010,000	67.40	67.40	92.40	100.00	100.00	Investment holding
撫順罕王傲牛礦業股份有限公司 Fushun Hanking Aoniu Mining, Limited. ("Aoniu Mining"#) *(note b)*	PRC 19 March 1998	Registered and contributed capital RMB100,000,000	88.00	88.00	89.07	100.00	100.00	Sales of iron ore mining products
撫順興洲礦業有限公司 Fushun Xingzhou Mining Co., Ltd. ("Xingzhou Mining"#) *(note b)*	PRC 22 September 2003	Registered and contributed capital RMB2,000,000	61.60	61.60	89.07	100.00	100.00	Sales of iron ore mining products
本溪罕王礦業有限公司 Benxi Hanking Mining Co., Ltd. ("Benxi Mining"#) *(note b)*	PRC 15 March 2004	Registered and contributed capital RMB20,000,000	92.70	92.70	89.07	100.00	100.00	Sales of iron ore mining products
瀋陽元正實業有限公司 Shenyang Yuanzheng Industry Limited ("Shenyang Yuanzheng"#) *(note b)*	PRC 7 August 2010	Registered and contributed capital RMB5,000,000	N/A	N/A	92.40	100.00	100.00	Sales of iron ore mining products
撫順罕王毛公鐵礦有限公司 Fushun Maogong Mining Co., Ltd. ("Maogong Mining"#) *(note b)*	PRC 31 March 1997	Registered and contributed capital RMB5,000,000	89.86	89.86	89.07	100.00	100.00	Sales of iron ore mining products
撫順景佳鐵礦 Fushun Jing Jia Iron Mine ("Jingjia Mining"#) *(note c)*	PRC 01 August 1994	Registered and contributed capital RMB5,000,000	100.00	100.00	N/A	N/A	N/A	Sales of iron ore mining products

The English names are for identification purpose only

Notes:

(a) It was established as a foreign owned enterprise with limited liability and became a wholly-owned foreign enterprise since 31 December 2010.

(b) Private owned enterprise with limited liability.

(c) Individual owned enterprise with limited liability. It was disposed on 30 April 2010.

(d) It was formerly known as Ascent Power Investments Limited, which was acquired by Ms. Yang Min ("楊敏") on 26 August 2010.

(e) It was formerly known as Favor Hero International Limited, which was acquired by Ms. Yang Min ("楊敏") on 17 August 2010.

The financial year-end date of the Company and its subsidiaries is 31 December.

The statutory financial statements of the following PRC subsidiaries were prepared in accordance with relevant accounting principles and financial regulations in the PRC and were audited by the following certified public accountants registered in the PRC:

Name of Company	Financial year	Name of auditors
STSU	Each of the three years ended 31 December 2010	遼寧盛達會計師事務所有限公司 Liaoning Shengda Certified Public Accountants
Aoniu Mining	The year ended 31 December 2009	中喜會計師事務所有限責任公司 Zhongxi Certified Public Accountants Co., Ltd.
Shenyang Yuanzheng	The period from 7 August 2010 to 31 December 2010	遼寧盛達會計師事務所有限公司 Liaoning Shengda Certified Public Accountants

The statutory financial statements of Hanking HK for the year ended 31 December 2010 still not yet issued.

No audited financial statements have been prepared for the Company, Hanking International, Hanking Investment, Aoniu Mining, Xingzhou Mining, Benxi Mining, Maogong Mining and Jingjia Mining since their dates of incorporation or establishment as there is no such statutory requirement. However, there was PRC audited financial statements of Aoniu Mining for the year ended 31 December 2009 being issued and submitted to the relevant government authorities on a voluntary basis.

For the purpose of the report, the directors of the Company have prepared the consolidated financial statements of the Group for the Track Record Period (the "Underlying Financial Statements") in accordance with accounting policies which conform with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standard Board ("IASB"). We have carried out an independent audit on the Underlying Financial Statements in accordance with International Standards on Auditing.

We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information of the Group for the Track Record Period sets out in this report has been prepared from the Underlying Financial Statements and is presented, on the basis set out in note 2 of Section I below. No adjustments are considered necessary to the Underlying Financial Statements in preparing our report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of preparation set out in note 2 of Section I below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as of 31 December 2008, 2009 and 2010 and 30 June 2011, and of the Company as of 31 December 2010 and 30 June 2011, and of the consolidated results and consolidated cash flows of the Group for the Track Record Period.

The comparative consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the six months ended 30 June 2010 together with the notes thereon have been extracted from the Group's unaudited consolidated financial statements for the same period (the "30 June 2010 Financial Information") which were prepared by the directors of Company solely for the purpose of this report. We have reviewed the 30 June 2010 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of the 30 June 2010 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion on the 30 June 2010 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 30 June 2010 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with IFRSs.

I. FINANCIAL INFORMATION

Consolidated Statements of Comprehensive Income

	Notes	Year ended 31 December			Six months ended 30 June	
		2008	2009	2010	2010	2011
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	8	941,789	847,800	1,297,498	644,261	752,638
Cost of sales		(292,773)	(499,619)	(465,973)	(273,378)	(201,752)
Gross profit		649,016	348,181	831,525	370,883	550,886
Other income	9	497	3,068	1,546	1,316	516
Other expenses	10	(8,736)	(9,034)	(12,425)	(1,626)	(21,927)
Selling and distribution expenses		(206)	(16,120)	(23,208)	(13,219)	(12,503)
Administrative expenses		(53,301)	(91,407)	(94,650)	(41,477)	(66,027)
Net foreign exchange gain		—	—	—	—	4,131
Finance costs	11	(168)	(22,431)	(35,598)	(18,127)	(211,591)
Profit before tax		587,102	212,257	667,190	297,750	243,485
Income tax expense	12	(163,251)	(58,512)	(170,889)	(78,552)	(103,901)
Profit and total comprehensive income for the year/period	13	423,851	153,745	496,301	219,198	139,584
Attributable to:						
Owners of the Company		394,952	140,147	444,007	197,478	136,325
Non-controlling interests		28,899	13,598	52,294	21,720	3,259
		423,851	153,745	496,301	219,198	139,584
EARNINGS PER SHARE						
— Basic						
(RMB cent per share)	16	27	9	30	13	9

Consolidated Statements of Financial Position

	Notes	As at 31 December 2008	As at 31 December 2009	As at 31 December 2010	As at 30 June 2011	The Company as at 31 December 2010	The Company as at 30 June 2011
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current Assets							
Property, plant and equipment	18	160,282	165,186	209,803	305,147	—	—
Prepaid lease payments	19	28,354	32,392	107,073	204,730	—	—
Intangible assets	20	300,703	291,612	294,179	287,010	—	—
Deferred tax assets	21	3,275	4,861	2,670	12,129	—	—
Investment in a subsidiary	22	—	—	—	—	—	—
Deposits on acquisition of property, plant and equipments		11,705	11,648	16,606	6,961	—	—
Amounts due from subsidiaries	23	—	—	—	—	—	685,412
		504,319	505,699	630,331	815,977	—	685,412
Current Assets							
Inventories	24	37,696	51,463	62,551	37,604	—	—
Prepaid lease payments	19	11,665	11,778	15,944	15,918	—	—
Trade and other receivables	25	169,647	23,377	164,107	332,282	—	—
Tax recoverable		395	1,458	—	323	—	—
Loans to related parties	26	163,763	848,123	342,898	—	—	—
Pledged bank deposits	27	—	10,000	—	—	—	—
Bank balances and cash	27	10,630	22,903	53,305	264,926	—	69,583
		393,796	969,102	638,805	651,053	—	69,583
Current Liabilities							
Trade and other payables	28	142,120	223,627	166,532	199,066	—	26,553
Borrowings	29	—	415,000	295,000	797,021	—	747,021
Loans from related parties	30	66,264	72,238	10,578	—	—	—
Consideration payable	31	52,000	—	31,000	2,350	—	—
Tax liabilities		31,241	39,838	122,039	151,062	—	—
		291,625	750,703	625,149	1,149,499	—	773,574
Net current assets (liabilities)		102,171	218,399	13,656	(498,446)	—	(703,991)
Total assets less current liabilities		606,490	724,098	643,987	317,531	—	(18,579)
Capital and reserve							
Paid-in capital/Share capital	32	182,529	188,102	162,042	—	—	—
Reserves		297,037	395,077	232,119	217,531	—	(18,579)
Equity attributable to owners of the Company		479,566	583,179	394,161	217,531	—	(18,579)
Non-controlling interests		126,924	140,919	69,826	—	—	—
Total equity		606,490	724,098	463,987	217,531	—	(18,579)
Non-current liabilities							
Borrowings	29	—	—	180,000	100,000	—	—
		606,490	724,098	643,987	317,531	—	(18,579)

Consolidated Statements of Changes in Equity

	Paid-in capital/ share capital	Special reserve	Statutory surplus reserve	Future development funds reserve	Retained earnings	Attributable to owners of the Company	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000 *(note a)*	RMB'000 *(note h)*	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2008	101,569	19,858	39,188	61,706	189,558	411,879	30,617	442,496
Profit and total comprehensive income for the year	—	—	—	—	394,952	394,952	28,899	423,851
Capitalization *(note c)*	80,960	—	—	—	(80,960)	—	—	—
Acquisition of a subsidiary *(Note 33)*	—	—	—	—	—	—	77,143	77,143
Disposal of equity interest to non-controlling shareholders *(note b)*	—	(25,905)	—	—	—	(25,905)	25,905	—
Transfer to future development funds reserve	—	—	—	52,396	(52,396)	—	—	—
Transfer *(note a)*	—	—	20,914	—	(20,914)	—	—	—
Dividends	—	—	—	—	(301,360)	(301,360)	(35,640)	(337,000)
Balance at 31 December 2008	182,529	(6,047)	60,102	114,102	128,880	479,566	126,924	606,490
Capital contribution	3,613	—	—	—	—	3,613	407	4,020
Capitalization *(note d)*	1,960	—	—	—	(1,960)	—	—	—
Profit and total comprehensive income for the year	—	—	—	—	140,147	140,147	13,598	153,745
Transfer to future development funds reserve	—	—	—	71,056	(71,056)	—	—	—
Dividends	—	—	—	—	(40,147)	(40,147)	(10)	(40,157)
Balance at 31 December 2009	188,102	(6,047)	60,102	185,158	155,864	583,179	140,919	724,098
Acquisition of non-controlling interest *(note e)*	—	14,934	—	—	—	14,934	(74,934)	(60,000)
Exchange of share upon Group Reorganisations *(note f)*	(26,060)	(96,329)	(3,657)	(29,225)	—	(155,271)	12,859	(142,412)
Profit and total comprehensive income for the year	—	—	—	—	444,007	444,007	52,294	496,301
Transfer *(note a)*	—	—	16,824	—	(16,824)	—	—	—
Transfer to future development funds reserve	—	—	—	42,875	(42,875)	—	—	—
Acquisition of equity interest from non-controlling shareholders *(note g)*	—	5,195	—	—	—	5,195	(9,195)	(4,000)
Dividends	—	—	—	—	(497,883)	(497,883)	(52,117)	(550,000)

	Paid-in capital/ share capital	Special reserve	Statutory surplus reserve	Future development funds reserve	Retained earnings	Attributable to owners of the Company	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000 *(note a)*	RMB'000 *(note h)*	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 31 December 2010	162,042	(82,247)	73,269	198,808	42,289	394,161	69,826	463,987
Acquisition of equity interest from non-controlling shareholders *(note i)*	—	61,085	—	—	—	61,085	(73,085)	(12,000)
Distribution to the then equity shareholders upon Group Reorganisations *(note j)*	(162,042)	(387,958)	—	—	—	(550,000)	—	(550,000)
Shareholder's contribution *(note 29(b))*	—	175,960	—	—	—	175,960	—	175,960
Profit and total comprehensive income for the period	—	—	—	—	136,325	136,325	3,259	139,584
Transfer to future development funds reserve	—	—	—	30,783	(30,783)	—	—	—
Balance at 30 June 2011	—	(233,160)	73,269	229,591	147,831	217,531	—	217,531
UNAUDITED								
Balance at 1 January 2010	188,102	(6,047)	60,102	185,158	155,864	583,179	140,919	724,098
Group reorganisations *(note f)*	(5,000)	(2,530)	(3,657)	(29,225)	—	(40,412)	—	(40,412)
Acquisition of non-controlling interest *(note e)*	—	14,934	—	—	—	14,934	(74,934)	(60,000)
Dividends	—	—	—	—	(25,000)	(25,000)	—	(25,000)
Profit and total comprehensive income for the period	—	—	—	—	197,478	197,478	21,720	219,198
Transfer to future development funds reserve	—	—	—	28,745	(28,745)	—	—	—
Balance at 30 June 2010	183,102	6,357	56,445	184,678	299,597	730,179	87,705	817,884

Notes:

(a) In accordance with the relevant PRC Company laws and regulations and the Articles of Association of the PRC subsidiaries, the PRC subsidiaries are required to appropriate 10% of their profit after taxation reported in their financial statements prepared in accordance with relevant accounting principles and financial regulations applicable to enterprises established in the PRC (the "PRC GAAP") to the statutory surplus reserve. The appropriation to statutory surplus reserve may cease if the balance of the statutory surplus reserve has reached 50% of the registered capital of the relevant PRC subsidiaries.

The statutory surplus reserves can be used to make up prior year losses, if any, and can be applied in conversion into capital by means of capitalization issue. However, when converting the statutory surplus reserve of the PRC subsidiaries into capital, the balance of such reserve remaining unconverted must not be less than 25% of the registered capital of the relevant PRC subsidiaries.

(b) Special reserve arising from the disposal of 5.59% equity interest in Aoniu Mining, 1.23% equity interest in Maogong Mining, 0.92% equity interest in STSU and 0.89% equity interest in Benxi Mining by the ultimate controlling parties (Ms. Yang Min ("楊敏") and Mr. Yang Jiye ("楊繼野")) ("Controlling Parties") represents the net carrying amount of the respective equity interests in these subsidiaries at the date of disposal through the intermediate holding company. The intermediate holding company is controlled by the Controlling Parties.

(c) The amounts represented the transfer of retained earnings to paid-in capital of Aoniu Mining as approved by board of directors and relevant government authority.

(d) The amounts represented the transfer of retained earnings to paid-in capital of Jingjia Mining as approved by board of directors and relevant government authority.

(e) On 9 June 2010, Aoniu Mining acquired the remaining 30% equity interest in Xingzhou Mining with a consideration of RMB60,000,000 and since then Xingzhou Mining became a wholly owned subsidiary of Aoniu Mining. The Group paid RMB33,000,000 and RMB24,650,000 during the year ended 31 December 2010 and six months ended 30 June 2011, respectively. Then the remaining consideration of RMB27,000,000 and RMB2,350,000 was recorded as current liabilities as at 31 December 2010 and 30 June 2011 respectively.

(f) The amount recorded in the special reserve, resulting from the Group Reorganisation involving share exchange transactions as detailed in note 2 below, includes:

- On 30 April 2010, the mining operations of Jingjia Mining and its related assets and liabilities had been transferred to Maogong Mining. The remaining retained net assets of RMB40,412,000 was treated as distribution as species to the then equity owners.
- On 4 August 2010, Aoniu Mining acquired 100% equity interests in Maogong Mining from Hanking Industrial Group Co., Ltd. ("罕王實業集團有限公司"), with a consideration of RMB30,000,000.
- On 20 August 2010, Aoniu Mining acquired 10% and 90% equity interests in Benxi Mining from Yang Min and Liaoning Hanking Mining Development Co. Ltd. ("遼寧罕王礦業發展有限公司"), respectively, with a consideration of RMB72,000,000.

(g) The amounts recorded in special reserve during the year ended 31 December 2010 are resulted from the following transactions:

- Special reserve with credit amount of RMB5,177,000 arising from the acquisition of additional 1.07% effective equity interest in Aoniu Mining by the Controlling Parties represents the net carrying amount of the respective equity interests in these subsidiaries at the date of acquisition through the intermediate holding company.
- Special reserve with debit amount of RMB3,593,000 arising from the acquisition of additional 2.53% effective equity interest in STSU resulting from the acquisition of 25% equity interest in STSU from Hanking Industrial Group Co., Ltd. by Hanking HK on 31 December 2010 with a consideration of RMB4,000,000.
- Special reserve with credit amount of RMB3,611,000 arising from the acquisition of additional 22.47% effective equity interest in STSU by the Controlling Parties represented the net carrying amount of the respective equity interests in STSU at the date of acquisition through the intermediate holding company.

(h) Pursuant to regulation in the PRC, Aoniu Mining, Benxi Mining, Maogong Mining, Xingzhou Mining and Jinjia Mining are required to transfer an amount to a future development fund at RMB18 per ton of iron ore mined annually. The fund can only be used for the future development of the iron ore mining business and is not available for distribution to shareholders.

RMB59,725,000, RMB74,677,000, RMB55,635,000, RMB35,608,000 (unaudited) and RMB40,179,000 of future development fund was provided during the years ended 31 December 2008, 2009 and 2010 and six months ended 30 June 2010 and 2011, respectively. RMB7,329,000, RMB3,621,000, RMB12,760,000, RMB6,863,000 (unaudited) and RMB9,396,000 of future development fund was utilised during the years ended 31 December 2008, 2009 and 2010 and six months ended 30 June 2010 and 2011, respectively.

(i) Special reserve arising from the acquisition of additional 7.60% effective equity interest in STSU resulting from the acquisition of 75% equity interest in STSU from Hanking Industrial Group Co., Ltd. by Hanking HK on 18 January 2011 with a consideration of RMB12,000,000.

(j) On 18 January 2011 STSU and Shenyang Yuanzheng acquired 99% and 1% equity interests in Aoniu Mining from Hanking Industrial Group Co., Ltd. and Ms. Yang Min for a cash consideration of RMB544,500,000 and RMB5,500,000, respectively. It is accounted for distribution to the then equity shareholders.

Consolidate Statements of Cash Flow

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
OPERATING ACTIVITIES					
Profit before tax	587,102	212,257	667,190	297,750	243,485
Adjustments for:					
Finance costs	168	22,431	35,598	18,127	211,591
Interest income	(66)	(113)	(336)	(226)	(516)
Allowance for (reversal of) doubtful debt	125	215	(1,066)	(1,066)	—
Loss on disposal of property, plant and equipment	12	2,602	2,558	1,038	21
Depreciation of property, plant and equipment	27,717	32,549	34,585	16,174	20,761
Release of prepaid lease payments	9,720	11,665	12,551	3,396	9,469
Amortisation of intangible assets	7,291	11,529	34,405	14,950	9,160
Foreign exchange gain	—	—	—	—	(4,299)
Operating cash flows before movements in working capital	632,069	293,135	785,485	350,143	489,672
(Increase) decrease in inventories	(13,846)	(13,767)	(11,109)	4,948	24,947
(Increase) decrease in trade and other receivables	(10,863)	146,055	(172,311)	(120,851)	(193,014)
(Decrease) increase in trade and other payables	(45,909)	111,160	(57,686)	38,046	1,441
Cash generated from operations	561,451	536,583	544,379	272,286	323,046
Interest paid	(168)	(22,431)	(35,598)	(18,127)	(17,399)
Income taxes paid	(177,789)	(52,564)	(69,441)	(19,972)	(84,660)
NET CASH FROM OPERATING ACTIVITIES	383,494	461,588	439,340	234,187	220,987
INVESTING ACTIVITIES					
(Increase) decrease in pledged bank deposits	—	(10,000)	10,000	10,000	—
Acquisition of a subsidiary *(Note 33)*	(126,508)	—	—	—	—
Payment of consideration payable for acquisition of a subsidiary	—	(52,000)	—	—	—
Interest received	66	113	336	226	516
Purchases of property, plant and equipment	(86,911)	(43,975)	(103,015)	(29,297)	(102,628)
Repayments of loans to related parties	11,986	432,699	330,861	38,815	376,481
Advanced to related parties	(147,673)	(224,720)	(447,336)	(43,777)	(33,583)
Purchase of intangible assets	(27,185)	(2,438)	(36,991)	(26,714)	(1,991)
Payments for prepaid lease payments	(19,879)	(15,816)	(97,136)	(32,349)	(107,100)
Proceeds on disposal of property, plant and equipment	58	4,024	655	449	25,526
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(396,046)	87,887	(342,626)	(82,647)	157,221

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
FINANCING ACTIVITIES					
Loans from related parties	26,416	122,134	15,859	15,859	20
Repayments of loans from related parties	(997)	(1,072,259)	(77,519)	(1,016)	(10,598)
Capital contribution	—	4,020	—	—	—
Proceeds from borrowings	—	515,000	475,000	220,000	780,723
Repayment of borrowings	(7,000)	(100,000)	(415,000)	(320,000)	(325,000)
Expenses in connection with the issuance of other borrowing	—	—	—	—	(21,082)
Distribution to the then equity shareholders	—	—	—	—	(550,000)
Acquisition of non-controlling interests	—	—	(33,000)	(30,000)	(40,650)
Net cash outflow on deemed distribution *(Note 34)*	—	—	(303)	(303)	—
Dividends paid to:					
— owners of the Company	—	(6,087)	(29,809)	(25,000)	—
— non-controlling interests	—	(10)	(1,540)	(1,049)	—
NET CASH FROM (USED IN) FINANCING ACTIVITIES	18,419	(537,202)	(66,312)	(141,509)	(166,587)
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,867	12,273	30,402	10,031	211,621
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD	4,763	10,630	22,903	22,903	53,305
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD, Represented by bank balances and cash	10,630	22,903	53,305	32,934	264,926

Notes to Financial Information

1. GENERAL INFORMATION

The Company is a limited company incorporated in the Cayman Islands on 2 August 2010 and acts as an investment holding company.

The addresses of the registered office and the principal place of business of the Company are disclosed in Section "Corporation Information" to the Prospectus.

The Financial Information of the Group is presented in Renminbi ("RMB"), which is also the functional currency of the Company and the principal subsidiaries, which is the currency of the primary economic environment where the Company and the principal subsidiaries of the Company operate.

The Group is engaged in iron ore mining and processing.

2. BASIS OF PREPARATION OF FINANCIAL INFORMATION

Prior to the group reorganisation completed on 18 January 2011 (the "Group Reorganisation"), Ms. Yang Min and Mr. Yang Jiye, through their direct equity interest and ownership in certain related companies which had equity interest in, effectively controlled the companies comprising the Group as follows:

	1 January 2008 to 29 February 2008	1 March 2008 to 1 July 2008	2 July 2008 to 31 July 2008	1 August 2008 to 8 June 2010	9 June 2010 to 25 July 2010	26 July 2010 to 4 August 2010	5 August 2010 to 6 August 2010	7 August 2010 to 20 August 2010	21 August 2010 to 30 December 2010	31 December 2010 to 17 January 2011	18 January 2011 to 30 June 2011 (Note)
STSU	68.32%	67.40%	67.40%	67.40%	67.40%	67.40%	67.40%	67.40%	67.40%	92.40%	100.00%
Aoniu Mining	93.59%	92.70%	92.70%	88.00%	88.00%	89.07%	89.07%	89.07%	89.07%	89.07%	100.00%
Xingzhou Mining	N/A	N/A	64.89%	61.60%	88.00%	89.07%	89.07%	89.07%	89.07%	89.07%	100.00%
Jingjia Mining	100.00%	100.00%	100.00%	100.00%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benxi Mining	93.59%	92.70%	92.70%	92.70%	92.70%	92.70%	92.70%	92.70%	89.07%	89.07%	100.00%
Shenyang Yuanzheng	N/A	N/A	N/A	N/A	N/A	N/A	N/A	67.40%	67.40%	92.40%	100.00%
Maogong Mining	91.09%	89.86%	89.86%	89.86%	89.86%	89.86%	89.07%	89.07%	89.07%	89.07%	100.00%

Note: Since completion of the Group Reorganisation, the Company has direct or indirect equity interest in the companies comprising the Group.

The major steps of the Group Reorganisation were as follows:

(i) On 30 April 2010, the mining operations of Jinjia Mining, a company wholly owned by Ms. Yang Min, and its related assets and liabilities were transferred to Maogong Mining.

(ii) On 25 July 2010, Ms. Yang Min, Mr. Yang Jiye and other seven PRC individual shareholders of Aoniu Mining entered into equity transfer agreements with Hanking Industrial Group Co., Ltd. ("撫順罕王實業集團有限公司") to exchange a 99% equity interest in Aoniu Mining. After the equity transfer, Hanking Industrial Group Co., Ltd. and Ms. Yang Min held 99% and 1% equity interest in Aoniu Mining, respectively. Hanking Industrial Group Co., Ltd. was also controlled by the Controlling Parties.

(iii) On 2 August 2010, the Company was incorporated under the law of the Cayman Islands as an exempted company. Ms. Yang Min became the sole shareholder on the same day.

(iv) On 4 August 2010, Aoniu Mining acquired 100% equity interests in Maogong Mining from Hanking Industrial Group Co., Ltd., with a consideration of RMB30,000,000.

(v) On 12 August 2010, one share of Hanking Investment was alloted and issued to the Company.

(vi) On 17 August 2010, Ms. Yang Min acquired Favor Hero International Limited, which was incorporated under the laws of British Virgin Islands on 25 April 2008 and changed the name to China Hanking (BVI) International Limited on 16 September 2010.

(vii) On 20 August 2010, Aoniu Mining acquired 10% and 90% equity interests in Benxi Mining from Yang Min and Liaoning Hanking Mining Development Co. Ltd. ("遼寧罕王礦業發展有限公司"), respectively, with a consideration of RMB72,000,000. Hanking Industrial Group Co., Ltd. and Ms. Yang Min held 80% and 20% equity interests in Liaoning Hanking Mining Development Co., Ltd.

(viii) On 26 August 2010, Hanking International acquired 100% equity interest in Ascent Power Investments Limited, which was incorporated in Hong Kong on 23 December 2008 and changed its name to China Hanking (Hong Kong) Limited on 1 September 2010.

(ix) On 3 December 2010, Ms. Yang Min transferred her share in Hanking International to Hanking Investment at par value.

(x) On 30 December 2010, Hanking HK acquired the 25% equity interest in STSU from Hanking Industrial Group Co., Ltd. On the same day, Hanking Industrial Group Co. Ltd. acquired another 25% equity interest in STSU from a third party. These share transfer became effective on 31 December 2010.

(xi) On 29 October 2010, Hanking Industrial Group Co. Ltd. entered into an equity transfer agreement with Hanking HK whereby Hanking Industrial Group Co. Ltd. agreed to sell its 75% equity interest in STSU to Hanking HK. This share transfer became effective on 18 January 2011.

(xii) On 5 October 2010, Hanking Industrial Group Co. Ltd. and Ms. Yang entered into an equity transfer agreement with STSU and Shenyang Yuanzheng whereby Hanking Industrial Group Co. Ltd. agreed to sell its 99% equity interest in Aoniu Mining to STSU for a cash consideration of RMB544,500,000 and Ms. Yang Min agreed to sell her 1% equity interest in Aoniu Mining for a cash consideration of RMB5,500,000 to Shenyang Yuanzheng. These share transfer became effective on 18 January 2011.

The Company became the holding company of the Group on 18 January 2011. The Financial Information of the Group throughout the Track Record Period has been prepared using the principles of merger accounting, and includes the results and cash flows of the companies comprising the Group pursuant to the Group Reorganisation as if the business combination had occurred from the date when the combining entities or business first came under the control of the Controlling Parties, Ms. Yang Min and Mr. Yang Jiye, except that the results attributable to the owners of the group companies other than Ms. Yang Min and Mr. Yang Jiye prior to the Group Reorganisation were treated as non-controlling interests. The consolidated statements of financial position of the Group as at 31 December 2008, 2009 and 2010 have been prepared in accordance with the principles of merger accounting to present the assets and liabilities of the companies comprising the Group as if the group structure had been in existence as at those dates and in accordance with the respective equity interests in the individual companies attributable to Ms. Yang Min and Mr. Yang Jiye as at those dates.

3. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information, the Group has applied a number of new and revised International Accounting Standards ("IASs"), International Financial Reporting Standards ("IFRSs"), amendments and the related Interpretations ("IFRICs") ("hereinafter collectively referred to as new IFRSs") which are effective for accounting period beginning on 1 January 2011 throughout the Track Record Period.

At the date of this report, the IASB has issued the following new and revised standards and amendments which are not yet effective. The Group has not early adopted these new and revised standards or amendments in the preparation of Financial Information.

IFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
IFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[1]
IFRS 9	Financial Instruments[2]
IFRS 10	Consolidated Financial Statements[2]
IFRS 11	Joint Arrangements[2]
IFRS 12	Disclosure of Interests in Other Entities[2]
IFRS 13	Fair Value Measurement[2]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[4]
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[3]
IAS 19 (Revised 2011)	Employee Benefits[2]
IAS 27 (Revised 2011)	Separate Financial Statements[2]
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[2]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2012
4 Effective for annual periods beginning on or after 1 July 2012

IFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 Financial Instruments (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under IFRS 9, all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors of the Company anticipate that the application of these new and revised standards or amendments will have no material impact on the Financial Information.

The directors of the Company anticipate that the application of the new and revised standards or amendments will have no material impact on the Financial Information.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis and in accordance with the accounting policies set out below which conform with IFRS. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and by the Hong Kong Companies Ordinance.

Basis of consolidation

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year (other than business combinations involving entities under common control) are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are presented separately from the equity of the owners of the Company.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interest in a subsidiary that do not result in the Group losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Merger accounting for business combination involving entities under common control

The Financial Information incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Investment in a subsidiary

Investment in a subsidiary is included in the Company's statements of financial position at cost less any identified impairment loss.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of goods is recognised when the goods are delivered and title has passed.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss.

Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Prepaid lease payments

The payments made on the rental of land are accounted for as an operating lease which is released to the profit or loss on a straight-line basis over their relevant lease terms.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses.

Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Exploration and evaluation right

Exploration and evaluation expenditure acquired in a business combination is recognised as intangible asset at its fair value at the acquisition date. Exploration and evaluation right is amortised over the life of the area according to the rate of depletion of the economically probable reserves. The carrying amount of exploration and evaluation right is assessed for impairment when facts or circumstances suggest the carrying amount of the asset may exceed its recoverable amount.

Mining rights

Mining rights are stated at cost less amortisation and any recognised impairment loss. The mining rights are amortised over the shorter of the unexpired period of the rights or the estimated useful lives of the mines, in accordance with the production plans of the entities concerned and the proved and probable reserves of the mines using the units of production method.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit as reported in the consolidated statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Retirement benefit costs

Payments to state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including trade and other receivables, loans to related parties, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis.

Impairment of financial assets

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been impacted. The objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit terms of the customers, observable changes in national or local economic conditions that correlate with default on receivables.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivables is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including trade and other payables, borrowings, consideration payable and loans from related parties) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by a group entity are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

5. KEY SOURCE OF ESTIMATION UNCERTAINTY

The following are key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives of mining rights and exploration and evaluation right

As at 31 December 2008, 2009 and 2010 and 30 June 2011, mining rights of RMB47,314,000, RMB290,523,000, RMB292,986,000 and RMB285,473,000 has been recognised in the Group's consolidated statements of financial position. As at 31 December 2008, exploration and evaluation right of RMB252,805,000 has been recognised in the Group's consolidated statement of financial position. Mining rights are amortised over the shorter of the unexpired period of the rights or the estimated useful lives of the mines using the units of production method. Exploration and evaluation right is amortised over the estimated useful life of the area according to the rate of depletion of the economically probable reserves using the units of production method. The useful lives are estimated based on the total proven and probable reserves of iron mine. Changes in the estimate of mine reserve will affect the future amortisation of the cost incurred.

Engineering estimates of the Group's mine reserves are inherently imprecise and represent only approximate amounts because of the significant judgments involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mine reserves can be designated as "proved" and "probable". Proved and probable mine reserve estimates are updated on regular intervals taking into account recent production and technical information about each mine. This change is considered as a change in estimate for accounting purposes and is reflected on a prospective basis in amortisation rates. Changes in the estimate of mine reserves are also taken into account in impairment assessment of non-current assets.

Useful lives of property, plant and equipment

The Group estimates useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and actions of its competitors. Management will increase the depreciation charge where useful lives are less than previously estimated, or it will record reserve for technically obsolete assets. The carrying amounts of property, plant and equipment at 31 December 2008, 2009 and 2010 and 30 June 2011 were RMB160,282,000, RMB165,186,000, RMB209,803,000 and RMB305,147,000, respectively.

Effective interest expense of other borrowings

As described in note 29, the warrants represented direct and incremental costs associated with obtaining the other borrowings, the value of the warrants of RMB175,960,000 on the loan drawdown date together with the transaction costs of approximately RMB21,082,000 were netted off against the original loan principal for initial recognition under IAS 39. After the initial recognition at the original principal amount less the warrant cost and other transaction costs, the other borrowing is measured at amortised cost using the effective interest method. The management continuously assess the expected life of the other borrowings from time to time to adjust the effective interest expense as the Company is required to repay the outstanding other borrowings in full immediately if an initial public offering (the "IPO") (including a listing of the Company's shares on the Stock Exchange) occurs. The Company must apply any IPO proceeds the Company received towards the repayment in full of the outstanding other borrowings. The expected life of other borrowings could change significantly as a result of likelihood of IPO. Management will adjust the effective interest expenses of the other borrowings where expected life of the other borrowings changed from previously estimated.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the Track Record Period.

The capital structure of the Group consists of debts, which includes the borrowings disclosed in note 29, and equity attributable to owners of the Company, comprising capital and reserves.

The management of the Group reviews the capital structure on an annual basis. As part of this review, the management considers the cost of capital and the risks associates with each class of capital. Based on recommendations of the management, the Group will balance its overall structure through the payment of dividends, capital injection as well as the issue of new debt or the redemption of existing debt.

7. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	The Group			
	At 31 December			At 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	340,834	896,725	515,196	467,401
Financial liabilities				
Amortised cost	189,958	609,057	598,635	991,224

	The Company	
	At 31 December 2010	At 30 June 2011
	RMB'000	RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	—	754,995
Financial liabilities		
Amortised cost	—	773,574

(b) Financial risk management objectives and policies

The Group's major financial assets and liabilities include trade and other receivables, loans to related parties, pledged bank deposits, cash and bank balances, trade and other payables, loans from related parties, consideration payable and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's activities expose it primarily to the market risk including interest risk, credit risk and liquidity risk. There has been no change to the Group's exposure to these risks or the manner in which it manages and measures the risks for the Track Record Period.

Interest risk

The Group is exposed to fair value interest rate risk mainly from its fixed-rate bank borrowings and other borrowings. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group is also exposed to cash flow interest rate risk in relation to floating-rate bank borrowings (see note 29 for details of these borrowings) and floating-rate bank balances. The Group arranged borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for its floating rate bank borrowing. The analysis is prepared assuming the floating rate bank borrowing outstanding at the end of each reporting period were outstanding for the whole year/period. 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the three years ended 31 December 2010 and six months ended 30 June 2011 would decrease/increase by nil, nil, RMB1,050,000 and RMB580,000, respectively. This is mainly attributable to the Group's exposure to interest rates on its floating-rate bank borrowings. The management considers the impact of floating-rate bank balance is minimal.

(ii) *Currency risk*

The Group and the Company has bank balance, other borrowings and other payable denominated in United States Dollars ("USD") and Hong Kong Dollars ("HKD"), which expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of each reporting period are as follows:

	USD	
	Assets	**Liabilities**
	RMB'000	**RMB'000**
As at 31 December 2008	—	—
As at 31 December 2009	—	—
As at 31 December 2010	—	—
As at 30 June 2011	211,560	773,574

	HKD	
	Assets	**Liabilities**
	RMB'000	**RMB'000**
As at 31 December 2008	—	—
As at 31 December 2009	—	—
As at 31 December 2010	—	—
As at 30 June 2011	3,651	—

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of each reporting period are as follows:

	USD	
	Assets	Liabilities
	RMB'000	RMB'000
As at 31 December 2010	—	—
As at 30 June 2011	751,344	773,574

	HKD	
	Assets	Liabilities
	RMB'000	RMB'000
As at 31 December 2010	—	—
As at 30 June 2011	3,651	—

Sensitivity analysis

The following table details the Group and Company's sensitivity to a 5% increase and decrease in RMB against USD and HKD, 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax profit where RMB strengthen 5% against USD and HKD. For a 5% weakening of RMB against USD and HKD, there would be an equal and opposite impact on the profit and the balances below would be negative.

The Group	Year ended 31 December			Six months ended 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Profit or loss	—	—	—	29,739

The Company	Year ended 31 December			Six months ended 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Profit or loss	—	—	—	929

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the Track Record Period.

Credit risk

As at 31 December 2008, 2009 and 2010 and 30 June 2011, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties and financial guarantee provided by the Group is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and
- the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 38.

In order to minimize the credit risk, the directors of the Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the directors of the Company review the recoverability of each trade debt and loans to the related parties at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The directors also review the financial position of the counterparty of the financial guarantee at the end of each reporting period to ensure no financial loss will be incurred. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk as 100% of the Group's trade and bill receivables as at 31 December 2008, 2009 and 2010 and 30 June 2011 of approximately RMB164,167,000, RMB11,744,000, RMB77,751,000 and RMB187,823,000, respectively, were derived from two, five, ten and five customers, respectively. In addition, the Group has concentration of credit risk on loans to related parties of approximately RMB163,763,000, RMB848,123,000 and RMB342,898,000 as at 31 December 2008, 2009 and 2010, respectively. In order to minimise the credit risk, the directors of the Company continuously monitor the level of exposure to ensure that follow-up actions and/or corrective actions are taken promptly to lower exposure or even to recover the overdue debts.

The Group and the Company has concentration of credit risk on liquid funds which are deposited with several banks. However, the credit risk on bank balances is limited because the majority of the counterparties are banks with good reputation or banks with good credit rating and with good reputation.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with the terms of borrowings.

At 30 June 2011, the Group has net current liability of RMB498,446,000. As at 30 June 2011, Aoniu Mining had an unutilised banking facility of RMB500,000,000 which will be expired on 30 April 2013.

The director of the Company are satisfied that the Group will have sufficient financial resource to meet its financial obligation as they fall due for the foreseeable future after taking into amount of the available banking facilities and internally generated funds. Accordingly, the Financial Information has been prepared on a going concern basis.

The following table details the Group and the Company's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The table includes both interest and principal cash flows.

The Group	Weighted average interest rate	Less than 3 months	4 months to 1 year	1 year to 2 years	Total undiscounted cash flows	Total Carrying amounts
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2008						
Trade and other payables	—	71,694	—	—	71,694	71,694
Consideration payable	—	52,000	—	—	52,000	52,000
Loans from related parties	—	66,264	—	—	66,264	66,264
		189,958	—	—	189,958	189,958
As at 31 December 2009						
Trade and other payables	—	121,819	—	—	121,819	121,819
Bank borrowings						
— fixed rate	6.96	—	434,276	—	434,276	415,000
Loans from related parties	—	72,238	—	—	72,238	72,238
		194,057	434,276	—	628,333	609,057
As at 31 December 2010						
Trade and other payables	—	82,057	—	—	82,057	82,057
Consideration payable	—	31,000	—	—	31,000	31,000
Bank borrowings						
— fixed rate	6.07	—	203,421	—	203,421	195,000
— floating rate	5.81	—	114,678	180,482	295,160	280,000
Loans from related parties	—	10,578	—	—	10,578	10,578
Financial guarantee	—	150,000	—	—	150,000	—
		273,635	318,099	180,482	772,216	598,635
As at 30 June 2011						
Trade and other payables	—	91,853	—	—	91,853	91,853
Consideration payable	—	2,350	—	—	2,350	2,350
Bank borrowings						
— floating rate	6.72	2,435	55,973	101,661	160,069	150,000
Other borrowings *(Note)*	36.02	792,252	—	—	792,252	747,021
		888,890	55,973	101,661	1,046,524	991,224

The Company	Weighted average interest rate	Less than 3 months	4 months to 1 year	1 year to 2 years	Total undiscounted cash flows	Total Carrying amounts
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 30 June 2011						
Trade and other payables	—	26,553	—	—	26,553	26,553
Other borrowings *(Note)*	36.02	792,252	—	—	792,252	747,021
		818,805	—	—	818,805	773,574

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at 31 December 2010, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

Note: The contractual maturity for the other borrowings included in above table represents the undiscounted cashflow which the earliest date the Group can be required to pay. According to the facility agreement, the Company should repay an amount equal to one-third of the then outstanding loan on the first anniversary of the drawdown date and all remaining amounts outstanding under the loan on the date falling 18 months from the drawdown date. The Company is required to repay the outstanding loan in full immediately if the IPO occurs, in which case the Company must apply any IPO proceeds the Company received towards the repayment in full of the outstanding loan. Interest of RMB30,979,000 will be repaid in July 2011 in accordance with the facility agreement. The remaining of undiscounted principal and interest of RMB787,826,000 will be repaid in September 2011 as the management of the Company expects that an IPO will be occurred in September 2011.

(c) Fair value

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

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

8. REVENUE AND SEGMENT INFORMATION

(a) Revenue

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (unaudited)**	**RMB'000**
Sales of goods	941,789	847,800	1,297,498	644,261	752,638

(b) Segment information

The Group has been operating in one segment, being the iron ore mining and processing.

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 board of directors, the chief operating decision maker, to make decisions about resources allocation and assess its performance.

The accounting policies of the operating segment are the same as those described in the summary of significant accounting policies except that the financial impact of deferred taxation, effective interest on other borrowings and listing expenses had not been considered by the Group's chief operating decision maker to make decisions about resources to be allocated and assess performance. Reconciliation from the operating segment to the Financial Information is as following:

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Segment Revenue	941,789	847,800	1,297,498	644,261	752,638
Segment Result	422,599	152,159	505,336	221,541	343,485
Less: listing expenses	—	—	6,844	—	19,168
Deferred taxation	(1,252)	(1,586)	2,191	2,343	(9,459)
Effective interest on other borrowings	—	—	—	—	194,192
Profit for the year/ period	423,851	153,745	496,301	219,198	139,584

All of the Group's revenue are derived from and non-current assets are located in the PRC and therefore, no geographical information is presented.

The following illustrates the revenue from customers which contributing over 10% of the total revenue of the Group during the Track Record Period and the six months ended 30 June 2010.

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (unaudited)**	**RMB'000**
Customer A	—	149,921	547,909	245,580	380,633
Customer B	—	145,855	308,403	135,318	165,435
Customer C	190,297	139,825	*Note*	*Note*	—
Customer D	—	102,101	—	—	—
Customer E	—	99,223	—	—	—
Customer F	589,249	*Note*	—	—	—
Customer G	152,319	—	—	—	—
Customer H	—	—	157,044	*Note*	136,468
Customer I	—	—	*Note*	81,709	*Note*

Note: The revenue from these customers is less than 10% of total revenue for the relevant year/period.

9. OTHER INCOME

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (unaudited)**	**RMB'000**
Interest income	66	113	336	226	516
Government grants *(note)*	431	2,955	1,210	1,090	—
	497	3,068	1,546	1,316	516

Note: It mainly represented cash received of unconditional government grant from the local government on the refund of other tax paid and interest expenses subsidy. Government grants are recognised in the consolidated statements of comprehensive income when received and when all conditions have been met as specified in the grants.

10. OTHER EXPENSES

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Tax late payment surcharge	5,773	3,581	174	22	—
Donations	1,320	1,896	2,340	500	2,134
Loss on disposal of property, plant and equipment	12	2,602	2,558	1,038	21
Listing expenses	—	—	6,844	—	19,168
Others	1,631	955	509	66	604
	8,736	9,034	12,425	1,626	21,927

11. FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest on bank borrowings wholly repayable within five years	134	16,598	27,595	15,661	12,723
Interests on bills discounted with non-recourse	34	5,833	8,003	2,466	4,676
Effective interest on other borrowings wholly repayable within five years	—	—	—	—	194,192
	168	22,431	35,598	18,127	211,591

12. INCOME TAX EXPENSE

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
PRC enterprise income tax:					
Current tax:					
Current year/period	161,637	59,019	166,265	73,776	112,964
Under provision in prior years	2,866	1,079	2,433	2,433	396
Deferred tax:					
— Current year	(1,252)	(1,586)	2,191	2,343	(9,459)
	163,251	58,512	170,889	78,552	103,901

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

Hanking Investment and Hanking International were incorporated in the BVI and are not subject to income tax of any jurisdiction since their incorporation.

Hanking HK was incorporated in Hong Kong and has had no assessable profits subject to Hong Kong profits tax since its incorporation.

The subsidiaries established in the PRC are subject to enterprise income tax ("EIT") at a statutory tax rate of 25%.

The tax rates of the major group entities for the Track Record Period and the six months ended 30 June 2010 are as follows:

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
				(unaudited)	
STSU	25%	25%	25%	25%	25%
Aoniu Mining	25%	25%	25%	25%	25%
Xingzhou Mining	25%	25%	25%	25%	25%
Maogong Mining	25%	25%	25%	25%	25%
Benxi Mining	25%	25%	25%	25%	25%
Jingjia Mining	*Note*	*Note*	*Note*	*Note*	*N/A*
Shenyang Yuanzheng	N/A	N/A	25%	25%	25%

Note: Jingjia Mining was an enterprise owned by individual before it was disposed in 2010. The income taxation was calculated on the basis of profit before taxation less a pre-determined amount and applying an income tax rate of 35%.

The tax charge for the Track Record Period and the six months ended 30 June 2010 can be reconciled to the profit per the consolidated statements of comprehensive income as follows:

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (unaudited)**	**RMB'000**
Profit before tax	587,102	212,257	667,190	297,750	243,485
Tax at the PRC tax rate of 25%	146,776	53,064	166,798	74,438	60,871
Tax effect of expenses not deductible for tax purpose *(note a)*	3,105	1,337	446	469	44,489
Effect of different tax rate of a subsidiary	9,276	3,653	2,050	2,050	—
Tax effect of deductible temporary differences not recognised	1,228	574	—	—	16
Utilization of deductible temporary differences not recognised in prior years	—	(1,195)	(838)	(838)	—
Under provision in prior years	2,866	1,079	2,433	2,433	396
Others	—	—	—	—	(1,871)
	163,251	58,512	170,889	78,552	103,901

Note:

(a) The amounts mainly represented tax late payment surcharge and other non-deductible expenses.

Details of deferred taxation for the Track Record Period are set out in note 21.

13. PROFIT FOR THE YEAR/PERIOD

Profit for the year/period has been arrived at after charging (crediting):

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cost of inventories recognised as an expense	257,087	462,313	419,048	247,309	185,010
Auditors' remuneration	107	407	19	9	94
Allowance for (reversal of) doubtful debt	125	215	(1,066)	(1,066)	—
Depreciation and amortisation:					
Depreciation of property, plant and equipment	27,717	32,549	34,585	16,174	20,761
Amortisation of intangible assets	7,291	11,529	34,405	14,950	9,160
	35,008	44,078	68,990	31,124	29,921
Release of prepaid lease payments	9,720	11,665	12,551	3,396	9,469
Net foreign exchange gain	—	—	—	—	(4,131)
Employee benefits expenses (including directors):					
Staff costs other than retirement benefits	26,433	52,568	68,670	33,325	35,296
Retirement benefits scheme contributions	1,787	3,775	3,718	2,062	2,070
	28,220	56,343	72,388	35,387	37,366

14. DIRECTORS' EMOLUMENTS

Details of the emoluments paid and payable to directors of the Company for the Track Record Period and the six months ended 30 June 2010 are as follows:

	For the year ended 31 December 2008				
	Directors' fees	Retirement benefit scheme contributions	Salary and wages	Performance incentive payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
— Pan Guocheng	550	—	—	—	550
— Zheng Xuezhi	—	19	275	—	294
— Lu Zengxiang	—	—	53	—	53
— Xia Zhuo	—	18	275	—	293
— Huang Jinfu	—	—	167	—	167
Non-executive directors:					
— Yang Min	550	—	—	—	550
— Yang Jiye	550	—	—	—	550
— Mao Guosheng	—	—	425	—	425
Independent non-executive directors:					
— Chen Yuchuan	—	—	—	—	—
— Wang Ping	—	—	—	—	—
— Johnson Fu	—	—	—	—	—
	1,650	37	1,195	—	2,882

	For the year ended 31 December 2009				
	Directors' fees	Retirement benefit scheme contributions	Salary and wages	Performance incentive payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
— Pan Guocheng	—	—	600	546	1,146
— Zheng Xuezhi	—	23	345	700	1,068
— Lu Zengxiang	—	19	228	34	281
— Xia Zhuo	—	23	345	700	1,068
— Huang Jinfu	—	23	516	1,210	1,749
Non-executive directors:					
— Yang Min	600	—	—	—	600
— Yang Jiye	600	—	—	—	600
— Mao Guosheng	—	—	322	575	897
Independent non-executive directors:					
— Chen Yuchuan	—	—	—	—	—
— Wang Ping	—	—	—	—	—
— Johnson Fu	—	—	—	—	—
	1,200	88	2,356	3,765	7,409

	For the year ended 31 December 2010				
	Directors' fees	Retirement benefit scheme contributions	Salary and wages	Performance incentive payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
— Pan Guocheng	—	—	2,100	2,094	4,194
— Zheng Xuezhi	—	24	276	514	814
— Lu Zengxiang	—	24	196	239	459
— Xia Zhuo	—	23	276	501	800
— Huang Jinfu	—	48	415	764	1,227
Non-executive directors:					
— Yang Min	1,234	—	—	—	1,234
— Yang Jiye	611	—	—	—	611
— Mao Guosheng	—	17	159	314	490
Independent non-executive directors:					
— Chen Yuchuan	—	—	—	—	—
— Wang Ping	—	—	—	—	—
— Johnson Fu	—	—	—	—	—
	1,845	136	3,422	4,426	9,829

	For the six months ended 30 June 2011				
	Directors' fees	Retirement benefit scheme contributions	Salary and wages	Performance incentive payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
— Pan Guocheng	—	—	1,500	450	1,950
— Zheng Xuezhi	—	14	242	114	370
— Lu Zengxiang	—	14	155	85	254
— Xia Zhuo	—	14	317	109	440
— Huang Jinfu	—	14	124	167	305
Non-executive directors:					
— Yang Min	900	—	—	—	900
— Yang Jiye	300	—	—	—	300
— Mao Guosheng	—	—	—	—	—
Independent non-executive directors:					
— Chen Yuchuan	—	—	—	—	—
— Wang Ping	—	—	—	—	—
— Johnson Fu	—	—	—	—	—
	1,200	56	2,338	925	4,519

	For the six months ended 30 June 2010 (unaudited)				
	Directors' fees	Retirement benefit scheme contributions	Salary and wages	Performance incentive payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
— Pan Guocheng	—	—	600	595	1,195
— Zheng Xuezhi	—	12	138	145	295
— Lu Zengxiang	—	13	98	43	154
— Xia Zhuo	—	12	138	138	288
— Huang Jinfu	—	12	208	216	436
Non-executive directors:					
— Yang Min	300	—	—	—	300
— Yang Jiye	300	—	—	—	300
— Mao Guosheng	—	12	159	132	303
Independent non-executive directors:					
— Chen Yuchuan	—	—	—	—	—
— Wang Ping	—	—	—	—	—
— Johnson Fu	—	—	—	—	—
	600	61	1,341	1,269	3,271

Note: The performance related incentive payment is determined as a percentage of the turnover of the Group for the Track Record Period and the six months ended 30 June 2010.

During the Track Record Period and the six months ended 30 June 2010, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any remuneration during the Track Record Period.

15. EMPLOYEES' EMOLUMENTS

The five highest paid individuals during the Track Record Period were all directors of the Company and details of their emoluments are included in note 14 above.

16. EARNINGS PER SHARE

The calculation of basic earnings per share for the Track Record Period and six months ended 30 June 2010 is based on the profit for the year/period attributable to owners of the Company for the Track Record Period and six months ended 30 June 2010 and the weighted average number of approximately 1,471 million, 1,477 million, 1,500 million shares, 1,500 million and 1,500 million shares for the years ended 31 December 2008, 2009 and 2010 and six months ended 30 June 2010 and 2011, respectively, which has been adjusted to reflect the 1,500,000,000 shares comprising 1,000,000 shares in issue as at the date of the Prospectus and 1,499,000,000 shares to be issued pursuant to the capitalization issue (the "**Capitalization Issue**") as if the shares had been in issue throughout the Track Record Period and six months ended 30 June 2010.

No diluted earnings per share is presented for the years ended 31 December 2008, 2009 and 2010 and six months ended 30 June 2010 and 2011 as the Company did not have dilutive potential ordinary shares in issue.

17. DIVIDENDS

No dividend has been paid/declared by the Company since incorporation.

However, prior to the Group Reorganisation, Aoniu Mining and Jingjia Mining had declared dividends in aggregate of RMB337,000,000 to their then equity owners during the year ended 31 December 2008. Jingjia Mining and Maogong Mining had declared dividends in aggregate of RMB40,157,000 to their then equity owners during the year ended 31 December 2009. Aoniu Mining, Maogong Mining, Benxi Mining and Jingjia Mining had declared dividends in aggregate of RMB550,000,000 to their then equity owners during the year ended 31 December 2010.

Jingjia Mining declared dividends of RMB25,000,000 (unaudited) to its then equity owners during the six months ended 30 June 2010.

The rate of dividend and the numbers of shares ranking for dividend are not presented as such information is meaningful having regard to the purpose of this report.

18. PROPERTY, PLANT AND EQUIPMENT

The Group	**Buildings**	**Plant and machinery**	**Other equipment**	**Motor vehicles**	**Construction in progress**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
COST						
At 1 January 2008	46,703	87,565	507	46,419	—	181,194
Addition	12,033	7,279	1,949	43,828	9,933	75,022
Acquisition of a subsidiary *(note 33)*	839	1,398	5	1,130	—	3,372
Transfer	204	2,675	—	—	(2,879)	—
Disposal	—	—	—	(848)	—	(848)
At 31 December 2008	59,779	98,917	2,461	90,529	7,054	258,740
Additions	4,998	17,428	1,046	13,673	6,934	44,079
Transfer	—	4,729	—	—	(4,729)	—
Disposal	(3,606)	(426)	(244)	(5,759)	—	(10,035)
At 31 December 2009	61,171	120,648	3,263	98,443	9,259	292,784
Addition	9,234	23,984	1,616	25,578	48,531	108,943
Transfer	7,018	1,686	—	—	(8,704)	—
Distribution of assets/liabilities of Jingjia Mining *(note 34)*	—	(1,437)	—	(1,072)	—	(2,509)
Disposal	(16,028)	(34,822)	(396)	(17,939)	—	(69,185)
At 31 December 2010	61,395	110,059	4,483	105,010	49,086	330,033
Addition	2,188	7,022	1,663	7,565	98,375	116,813
Disposal	—	(887)	(11)	(644)	—	(1,542)
At 30 June 2011	63,583	116,194	6,135	111,931	147,461	445,304
ACCUMULATED DEPRECIATION						
At 1 January 2008	13,268	31,341	182	26,728	—	71,519
Charge for the year	2,594	12,051	192	12,880	—	27,717
Eliminated on disposal	—	—	—	(778)	—	(778)
At 31 December 2008	15,862	43,392	374	38,830	—	98,458
Charge for the year	2,702	13,450	913	15,484	—	32,549
Eliminated on disposal	—	(404)	(80)	(2,925)	—	(3,409)
At 31 December 2009	18,564	56,438	1,207	51,389	—	127,598
Charge for the year	3,069	13,441	1,010	17,065	—	34,585
Distribution of assets/liabilities of Jingjia Mining *(note 34)*	—	(197)	—	(623)	—	(820)
Eliminated on disposal	(5,147)	(19,618)	(176)	(16,192)	—	(41,133)
At 31 December 2010	16,486	50,064	2,041	51,639	—	120,230
Charge for the period	1,740	5,890	588	12,543	—	20,761
Eliminated on disposal	—	(748)	(7)	(79)	—	(834)
At 30 June 2011	18,226	55,206	2,622	64,103	—	140,157

	Buildings	Plant and machinery	Other equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
CARRYING VALUES						
At 31 December 2008	43,917	55,525	2,087	51,699	7,054	160,282
At 31 December 2009	42,607	64,210	2,056	47,054	9,259	165,186
At 31 December 2010	44,909	59,995	2,442	53,371	49,086	209,803
At 30 June 2011	45,357	60,988	3,513	47,828	147,461	305,147

The Group is in the process of applying for the title certificates for certain properties with carrying amount of RMB43,917,000, RMB42,607,000, RMB13,014,000 and RMB10,555,000 at 31 December 2008, 2009 and 2010 and 30 June 2011, respectively.

The above items of property, plant and equipment, after taking into account their estimated residual value, are depreciated on a straight-line basis within the following period:

Buildings	3 to 20 years
Plant and machinery	3 to 10 years
Other equipment	3 to 5 years
Motor vehicles	3 to 6 years

19. PREPAID LEASE PAYMENTS

The Group	At 31 December 2008	2009	2010	At 30 June 2011
	RMB'000	RMB'000	RMB'000	RMB'000
Analysed for the reporting purpose as:				
Current portion	11,665	11,778	15,944	15,918
Non-current portion	28,354	32,392	107,073	204,730
	40,019	44,170	123,017	220,648

The prepaid lease payments were amortised within the benefit periods from 5 to 50 years. Amount of RMB40,019,000, RMB44,170,000, RMB87,587,000 and RMB186,226,000 as at 31 December 2008, 2009, 2010 and 30 June 2011, respectively, represented the pre-paid rental to various farmers and no land certificates for these pre-paid rental have been obtained.

20. INTANGIBLE ASSETS

The Group	Software	Exploration and evaluation right	Mining rights	Total
	RMB'000	RMB'000	RMB'000	RMB'000
COST				
At 1 January 2008	—	—	45,101	45,101
Addition	598	—	26,587	27,185
Acquisition of a subsidiary *(note 33)*	—	252,958	—	252,958
At 31 December 2008	598	252,958	71,688	325,244
Transfer	—	(252,958)	252,958	—
Addition	675	—	1,763	2,438
At 31 December 2009	1,273	—	326,409	327,682
Addition	365	—	36,626	36,991
Distribution as of assets/liabilities of Jingjia Mining *(note 34)*	—	—	(253)	(253)
At 31 December 2010	1,638	—	362,782	364,420
Addition	526	—	1,465	1,991
At 30 June 2011	2,164	—	364,247	366,411
AMORTISATION				
At 1 January 2008	—	—	17,250	17,250
Amortisation for the year	14	153	7,124	7,291
At 31 December 2008	14	153	24,374	24,541
Amortisation for the year	170	159	11,200	11,529
Transfer	—	(312)	312	—
At 31 December 2009	184	—	35,886	36,070
Amortisation for the year	261	—	34,144	34,405
Distribution of assets/liabilities of Jingjia Mining *(note 34)*	—	—	(234)	(234)
At 31 December 2010	445	—	69,796	70,241
Amortisation for the period	182	—	8,978	9,160
At 30 June 2011	627	—	78,774	79,401
CARRYING VALUES				
At 31 December 2008	584	252,805	47,314	300,703
At 31 December 2009	1,089	—	290,523	291,612
At 31 December 2010	1,193	—	292,986	294,179
At 30 June 2011	1,537	—	285,473	287,010

The above intangible assets have definite useful lives. Software is amortised on a straight-line basis over five years; mining rights, exploration and evaluation right are amortised over the estimated useful lives of the mines in accordance with the production plans of the entities concerned and the proved and probable reserves of the mines using the units of production method.

As at 31 December 2010 and 30 June 2011, the Group has pledged mining rights with net book value of approximately RMB252,238,000 and RMB251,773,000 to secure bank borrowings of RMB280,000,000 and RMB150,000,000, respectively.

21. DEFERRED TAXATION

The following are the major deferred tax assets recognised and movements thereon during the Track Record Period:

	Allowance for bad debt	Accelerated tax depreciation	Pre-operating expenses	Accrued expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2008	411	—	281	1,331	2,023
Credit (charge) to profit or loss	33	2,040	(145)	(676)	1,252
At 31 December 2008	444	2,040	136	655	3,275
Credit (charge) to profit or loss	—	85	(136)	1,637	1,586
At 31 December 2009	444	2,125	—	2,292	4,861
Credit (charge) to profit or loss	4	(1,066)	—	(1,129)	(2,191)
At 31 December 2010	448	1,059	—	1,163	2,670
(Charge) credit to profit or loss	—	(245)	—	9,704	9,459
At 30 June 2011	448	814	—	10,867	12,129

Under EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the Financial Information in respect of temporary difference attributable to accumulated profit of the PRC subsidiaries amounting to RMB50 million and RMB83 million as at 31 December 2010 and 30 June 2011, respectively, as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

22. INVESTMENT IN A SUBSIDIARY

The Company	At 31 December 2010	At 30 June 2011
	RMB'000	RMB'000
Unlisted investment, at cost	—	—

As of 30 June 2011, the Company had investment of one ordinary share of USD$1 each in Hanking Investment.

23. AMOUNTS DUE FROM SUBSIDIARIES

The amounts represented loans of US$67,400,000 (equivalent to RMB436,186,000) to STSU and of US$38,511,000 (equivalent to RMB249,226,000) to Hanking HK, which carried interest at 8% per annum. The loans are unsecured and the management of the Company expects to receive the loans after one year.

24. INVENTORIES

	At 31 December			At 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Auxiliary materials	13,928	16,104	11,801	13,243
Work-in-progress	12,680	29,365	28,554	20,067
Finished goods	11,088	5,994	22,196	4,294
	37,696	51,463	62,551	37,604

25. TRADE AND OTHER RECEIVABLES

	At 31 December			At 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bill receivables				
— related parties *(note)*	164,167	11,744	29,998	9,969
— third parties	—	—	6,097	37,434
— bill receivables	—	—	41,656	140,420
	164,167	11,744	77,751	187,823
Other receivables				
— advances to suppliers	346	2,966	7,643	6,575
— prepaid listing expense	—	—	2,394	7,482
— deposits	2,221	3,453	13,151	12,103
— other tax recoverable	1,233	1,663	33,408	112,796
— staff advance	1,627	3,049	1,669	2,954
— consideration receivable for disposal of property, plant and equipment due from a related party *(note)*	—	—	24,839	—
— others	53	502	3,252	2,549
	5,480	11,633	86,356	144,459
Total trade and other receivables	169,647	23,377	164,107	332,282

Note: These related party represented the entities which are controlled by Ms. Yang Min, an ultimate controlling shareholder of the Company.

The Group allows an average credit period of 7 days to its third party customers. The Group did not have a credit period policy to its related party customers and the related party customers normally settled trade receivables within three 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 each reporting period.

	At 31 December			At 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Within 7 days	71,721	2,029	20,295	46,301
8 days to 3 months	33,083	2,731	6,472	1,102
3 months to 1 year	59,363	6,984	9,266	—
1 year to 2 years	—	—	62	—
	164,167	11,744	36,095	47,403

In determining the recoverability of the trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The credit quality of the trade receivables that are neither past due nor impaired had not been changed during the Track Record Period.

Movement of allowance for doubtful debts on trade receivable:

	Year ended 31 December			Six months ended
	2008	2009	2010	30 June 2011
	RMB'000	RMB'000	RMB'000	RMB'000
Opening balance	—	182	182	182
Provided	182	—	—	—
Closing balance	182	182	182	182

According to the credit period policy of the Group, the trade receivables due from third parties which has an ageing over 7 days and the trade receivables due from related parties which has an ageing over three months were regarded as past due. Ageing of trade receivables which are past due but not impaired is analysed as following:

	At 31 December			At 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
8 days to 3 months	—	—	64	1,102
3 months to 1 year	59,363	6,984	9,266	—
1 year to 2 years	—	—	62	—
	59,363	6,984	9,392	1,102

The Group did not provide an allowance on the remaining past due receivables as there has not been a significant change in credit quality and the amounts are still considered recoverable based on the historical experience and subsequent settlement. The Group does not hold any collateral over these balances.

Movement of allowance for doubtful debts on other receivables:

	Year ended 31 December			Six months ended
	2008	2009	2010	30 June 2011
	RMB'000	RMB'000	RMB'000	RMB'000
Opening balance	4,486	4,429	4,644	1,604
Provided	—	215	—	—
Reversed	(57)	—	(1,066)	—
Distribution of assets/liabilities of Jingjia Mining	—	—	(1,974)	—
Closing balance	4,429	4,644	1,604	1,604

26. LOANS TO RELATED PARTIES

	At 1 January	At 31 December			At 30 June
	2008	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Hanking Industrial Group Co., Ltd. 撫順罕王實業集團有限公司 *(note a)*	28,076	16,090	828,113	294,951	—
Fushun Hanking Bangze Mining Co., Ltd. 撫順罕王邦澤礦業有限公司 *(note a)*	—	—	380	—	—
Fushun Hanking Mining Co., Ltd. 撫順罕王礦業有限公司 *(note a)*	—	147,673	447	17,884	—
Baishan Hanking Xiaoshiren Mining Co., Ltd. 白山市罕王小石人礦業有限公司 *(note a)*	—	—	3,575	—	—
Fushun Hanking Department Store 撫順罕王商場有限公司 *(note a)*	—	—	210	210	—
Fushun Majuncheng Iron Co., Ltd. 撫順市馬郡城鐵礦有限責任公司 *(note a)*	—	—	15,248	—	—
Fushun County Dawei Foundry 撫順縣大維鑄造廠 *(note a)*	—	—	51	51	—
PT. Hanking Aoniu Mining Indonesia 罕王傲牛礦業(印尼)有限公司 *(note a)*	—	—	—	27,649	—
Fushun Hanking Mining Metallurgy Co., Ltd. 撫順罕王冶金礦山有限公司 *(note a)*	—	—	—	1,250	—
Fushun County Hailang Concentration 撫順縣海浪選礦廠 *(note a)*	—	—	—	353	—
Fushun Fusen Mining Machinery Parts Sales Co., Ltd. 撫順富森礦山機械配件銷售有限公司 *(note a)*	—	—	—	550	—
Other individuals *(note b)*	—	—	99	—	—
	28,076	163,763	848,123	342,898	—

	Maximum amount outstanding for the			
	year ended 31 December			Six months ended 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Hanking Industrial Group Co., Ltd. 撫順罕王實業集團有限公司	28,076	1,219,403	1,064,116	310,689
Fushun Hanking Bangze Mining Co., Ltd. 撫順罕王邦澤礦業有限公司	—	380	380	—
Fushun Hanking Mining Co., Ltd. 撫順罕王礦業有限公司	147,673	149,032	156,317	35,723
Baishan Hanking Xiaoshiren Mining Co., Ltd. 白山市罕王小石人礦業有限公司	—	3,575	3,575	—
Fushun Hanking Department Store 撫順罕王商場有限公司	—	210	210	210
Fushun Majuncheng Iron Co., Ltd. 撫順市馬郡城鐵礦有限責任有限公司	—	56,494	15,248	—
Fushun County Dawei Foundry 撫順縣大維鑄造廠	—	51	6,341	51
PT. Hanking Aoniu Mining Indonesia 罕王傲牛礦業(印尼)有限公司	—	—	28,649	27,649
Fushun Hanking Mining Metallurgy Co., Ltd. 撫順罕王冶金礦山有限公司	—	—	74,925	1,250
Fushun County Hailang Concentration 撫順縣海浪選礦廠	—	—	353	359
Fushun Fusen Mining Machinery Parts Sales Co., Ltd. 撫順富森礦山機械配件銷售有限公司	—	—	13,021	550

Notes:

(a) These companies are the related parties which are controlled by Ms. Yang Min, the ultimate shareholder of the Company. The loans are interest-free, unsecured and repayable on demand. The management expected these loans to be collected within one year. These amounts were settled during the six months ended 30 June 2011.

(b) These individuals are the relatives of Ms. Yang Min or the key management members of the Group. The loans are interest-free, unsecured and repayable on demand. The management expected these loans to be collected within one year. These amounts were settled during the six months ended 30 June 2011.

27. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

The Group

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 0.36%, 0.36%, 0.36% and 0.36% to 0.40% per annum as 31 December 2008, 2009 and 2010 and 30 June 2010, respectively. The pledged bank deposits carried fixed interest rate of 2.03% per annum as at 31 December 2009.

The bank balances which are denominated in the USD and HKD, foreign currency of the respective group entities, are as follows:

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
USD	—	—	—	211,560
HKD	—	—	—	3,651

The Company

The bank balances carry variable interest rates of 0.50% per annum as at 30 June 2011.

The bank balances which are denominated in the USD and HKD, the foreign currency of the Company, of the respective group entities are as follows:

	As at 31 December 2010	As at 30 June 2011
	RMB'000	RMB'000
USD	—	65,932
HKD	—	3,651

28. TRADE AND OTHER PAYABLES

The Group

	At 31 December			At 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables:				
— related parties	13,994	46,023	9,963	4,620
— third parties	8,191	5,644	21,257	8,600
— bills payable	—	20,000	—	—
	22,185	71,667	31,220	13,220
Other payables:				
Advance from customers	118	74,952	60,000	63,940
Other tax payable	68,202	24,369	18,285	24,072
Payable for acquisition of property, plant and equipment	1,361	1,408	12,294	16,834
Dividends payable	30,749	1,049	—	—
Outsourced service payable	7,819	22,281	10,380	6,747
Transportation fee payable *(note)*	4,278	18,560	19,470	15,530
Other accrued expenses	2,106	2,487	6,190	19,201
Salary and bonus payables	2,280	1,335	2,466	7,254
Interest payable	—	—	—	26,553
Others	3,022	5,519	6,227	5,715
	142,120	223,627	166,532	199,066

Note: Amounts of RMB10,347,000, RMB15,138,000 and RMB12,797,000 as at 31 December 2009 and 2010 and 30 June 2011 respectively, was due to Fushun Mingcheng Transportation Co., Ltd. (撫順名城運輸有限公司), an entity in which Ms. Yang Min has significant influence.

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 presented based on the invoice date as at the end of each reporting period:

	At 31 December			At 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	5,631	34,829	26,680	8,539
3 months to 1 year	11,272	1,940	410	395
1 year to 2 years	4,850	11,341	324	687
Over 2 years	432	3,557	3,806	3,599
	22,185	51,667	31,220	13,220

The Company

	At 31 December 2010	At 30 June 2011
	RMB'000	RMB'000
Other payable:		
Interest payable	—	26,553

The Group and Company's interest payable are denominated in USD.

29. BORROWINGS

The Group

	At 31 December			At 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings: *(note a)*				
Fixed-rate — secured	—	415,000	195,000	—
Floating-rate — secured	—	—	280,000	150,000
Other borrowings: *(note b)*	—	—	—	747,021
	—	415,000	475,000	897,021
Amount repayable:				
Within one year (Amount shown under current liabilities)	—	415,000	295,000	797,021
More than one year, but not exceeding two years (Amount shown under non-current liabilities)	—	—	180,000	100,000
	—	415,000	475,000	897,021
Effective interest rates of bank borrowings	N/A	6.96%	6.07%	6.63%
Effective interest rate of other borrowings	N/A	N/A	N/A	36.02%

The Company

	At 31 December 2010	At 30 June 2011
	RMB'000	RMB'000
Other borrowings — repayable within one year *(note b)*	—	747,021
Effective interest rate	N/A	36.02%

The Group and Company's other borrowings are denominated in USD.

Notes:

a: The floating-rate bank loans carry interest at 105% to 110% of the interest rate of RMB loan promulgated by the People's Bank of China.

As at 31 December 2009 and 2010 and 30 June 2011, all the bank loans were guaranteed by related parties, Hanking Industrial Group Co., Ltd. and its subsidiaries. In addition, as at 31 December 2010 and 30 June 2011 bank borrowings of RMB280,000,000 and RMB150,000,000 were also secured by the mining rights with the carrying amounts of RMB252,238,000 and RMB251,773,000, respectively.

b: On 24 December 2010, the Company entered into a facility agreement (the "Facility Agreement", which was amended and restated on 21 January 2011 and further amended on 2 February 2011, 25 March 2011 and 24 June 2011) with certain lenders (the "Facility Lenders"). Pursuant to the Facility Agreement, the Facility Lenders made available to the Company a US$120 million term loan facility with an annual interest rate of 8%. On 25 January 2011 (the "Drawdown Date"), the Company drew down the full amount of US$120 million (equivalent to RMB790,572,000) under the Facility Agreement. The Company should repay an amount equal to one-third of the then outstanding loan on the first anniversary of the Drawdown Date and all remaining amounts outstanding under the loan on the date falling 18 months from the Drawdown Date. The Company is required to repay the outstanding loan in full immediately if an initial public offering (the "**IPO**") (including a listing of the Company's shares on the Stock Exchange) occurs, in which case the Company must apply any IPO proceeds the Company received towards the repayment in full of the outstanding loan. As at 30 June 2011, the management of the Company estimated that the IPO will be happened in September 2011, accordingly, the loan was classified as current liability as of 30 June 2011. As one of the conditions precedent to the provision of the loan under the Facility Agreement, and pursuant to warrant instrument A and warrant instrument B, China Hanking (BVI) Limited issued warrant A and warrant B exercisable into 12.6667% and 0.6667% of the Company's fully diluted post-listing shares on the Stock Exchange respectively to the Facility Lenders with exercise price of US$90 million. China Hanking (BVI) Limited is the entity through which Ms. Yang Min indirectly holds approximately a 58.67% equity interest in the Company. In relation to the Facility Agreement, (i) the shares of China Hanking (BVI) Limited and Bisney Success Limited, a shareholder of the Company, (ii) the shares of the Company held by China Hanking (BVI) Limited and Bisney Success Limited and (iii) all the shares of Hanking Investment, Hanking International and Hanking HK and all the equity interest of STSU had been pledged to the Facility Lenders. Details of these arrangements are set out in the paragraph headed "Facility Loan Provided to Our Company" in the section headed "History, Development and Reorganization" to the Prospectus.

The Company considered the warrants granted by China Hanking (BVI) Limited to the Facility Lenders as a capital contribution made by the controlling shareholder and recorded the fair value of those warrants of RMB175,960,000 as a deemed contribution in the consolidated statement of changes in equity. The fair value of the warrants as at 25 January 2011 was based on an external valuation analysis carried out by Jones Lang LaSalle Sallmanns Limited, a qualified valuer whose address is 6th Floor, Three Pacific Place, 1 Queen's Road East, Hong Kong. The valuation analysis utilizes generally accepted valuation methodologies such as the income approach. The income approach measures the current value of the net assets of the Group by calculating the present value of its future economic benefits by discounting expected cash flows at a rate of return that compensates for the risks associated with the particular investment. As the warrants represented direct and incremental costs associated with obtaining the loan, the value of the warrants of RMB175,960,000 on the Drawdown Date together with the transaction costs of approximately RMB21,082,000 were netted off against the original loan principal. Effective interest expense of RMB194,192,000 (including the interest expense of US$4,103,000 (equivalent to RMB26,721,000) accrued on the basis of interest rate of 8% per annum and US$120 million of the loan principal) was recognised as finance costs during the six months ended 30 June 2011.

30. LOANS FROM RELATED PARTIES

	At 31 December			At 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Hanking Industrial Group Co., Ltd. 撫順罕王實業集團有限公司 *(note a)*	9,057	—	5,000	—
Fushun Hanking Mining Co., Ltd. 撫順罕王礦業有限公司 *(note a)*	23,920	429	—	—
Fushun Houde Transportation Co., Ltd. 撫順厚德運輸有限公司 *(note a)*	—	11,319	—	—
Fushun Fusen Mining Machinery Parts Sales Co., Ltd. 撫順富森礦山機械配件銷售有限公司 *(note a)*	—	5,799	312	—
Fushun Hanking D.R.I. Co., Ltd. 撫順罕王直接還原鐵有限公司 *(note a)*	—	35,255	—	—
Fushun Hanking Department Store 撫順罕王商場有限公司 *(note a)*	—	3	—	—
Shenyang Toyo Steel Co., Ltd. 瀋陽東洋制鋼有限公司 *(note a)*	—	—	30	—
Fushun Jingjia Iron Mine 撫順景佳鐵礦 *(note a)*	—	—	2,899	—
Ms. Yang Min *(note b)*	1,468	18,045	618	—
Other individuals *(note b)*	31,819	1,388	1,719	—
	66,264	72,238	10,578	—

Notes:

(a) These companies are the related parties which are controlled by Ms. Yang Min, an ultimate shareholder of the Company. The loans are interest-free, unsecured and repayable on demand.

(b) These individuals are the relative of Ms. Yang Min or the key management members of the Group. The loans are interest-free, unsecured and repayable on demand.

31. CONSIDERATION PAYABLE

Amounts of RMB52,000,000 as at 31 December 2008 represented the consideration payable arising from the acquisition of 70% equity interests in Xingzhou Mining from third parties (note 33).

As at 31 December 2010, included in total consideration payable is RMB27,000,000 which represented the consideration payable arising from the acquisition of 30% non-controlling interests in Xingzhou Mining from third parties. The remaining RMB4,000,000 as at 31 December 2010 represented the consideration payable arising from the acquisition of 25% equity interests in STSU from Hanking Industrial Group Co., Ltd.

As at 30 June 2011, consideration payable of RMB2,350,000, represented the consideration payable arising from the acquisition of 30% non-controlling interests in Xingzhou Mining from third parties.

32. PAID-IN CAPITAL/SHARE CAPITAL

Paid-in capital of the Group at 1 January 2008, 31 December 2008 and 2009 represented the combined paid-in capital of Aoniu Mining, STSU, Benxi Mining, Maogong Mining and Jingia Mining attributable to the ultimate controlling parties (Ms. Yang Min and Mr. Yang Jiye), as of the respective dates. Paid-in capital of the Group at 31 December 2010 represented the combined paid-in capital of Aoniu Mining and STSU attributable to the ultimate controlling parties (Ms. Yang Min and Mr. Yang Jiye). On 20 July 2008, RMB80,960,000 of retained earnings were capitalised to paid-in capital of

Aoniu Mining as approved by board of directors and relevant government authority. On 25 August 2009, RMB1,960,000 of retained earnings were capitalised to paid-in capital of Jingjia Mining as approved by board of directors and relevant government authority. On 21 October 2009, additional paid-in capital of RMB4,020,000 was contributed by the equity holders of Maogong Mining. The amount at 30 June 2011, represented the then issued share capital of the Company, details of movements of share capital of the Company are as follow:

	Number of Shares	Share Capital	Shown in the Financial Information
		HK$'000	RMB'000
Ordinary shares of HK$0.1 each			
Authorised:			
On date of incorporation and at 31 December 2010	3,900,000		
Increased on 16 June 2011	9,996,100,000		
At 30 June 2011	10,000,000,000		
Issued and paid with nil consideration:			
On Incorporation	1	—	—
Issued on 6 December 2010	999,999	—	—
At 31 December 2010 and 30 June 2011	1,000,000	—	—

On 16 June 2011, pursuant to the resolutions in writing passed by the shareholders of the Company, the increase of the authorized share capital of the Company from HK$390,000 divided into 3,900,000 shares of a nominal or par value of HK$0.10 each to HK$1,000,000,000 divided into 10,000,000,000 Shares of a nominal or par value of HK$0.10 each by the creation of 9,996,100,000 shares, which shall rank *pari passu* in all respects with the shares in issue as at the date of this resolution, was approved.

33. ACQUISITION OF A SUBSIDIARY

On 2 July 2008, Aoniu Mining acquired 70% equity interest in Xingzhou Mining from two PRC individuals at a consideration of RMB180,000,000. The acquisition has been accounted for as acquisition of assets as the major assets of Xingzhou Mining are exploration and evaluation rights. The details of assets and liabilities of Xingzhou Mining on acquisition date are as following:

	RMB'000
Property, plant and equipment	3,372
Intangible assets — exploration and evaluation rights	252,958
Inventories	505
Trade and other receivables	2,008
Bank balances and cash	1,492
Trade and other payables	(2,470)
Tax liabilities	(722)
Net assets acquired	257,143
Less: Non-controlling interests	(77,143)
	180,000
Total consideration:	
Cash	128,000
Cash consideration included in current liabilities as at 31 December 2008	52,000
	180,000
Net cash outflow arising on acquisition:	
Cash consideration paid during the year ended 31 December 2008	(128,000)
Bank balances and cash acquired	1,492
	(126,508)
Cash consideration paid during the year ended 31 December 2009	52,000

34. DISTRIBUTION OF ASSETS/LIABILITIES OF JINGJIA MINING

On 9 June 2010, the mining operations of Jingjia Mining, a company wholly owned by Ms. Yang Min and had not been transferred to the Group as part of the Group Reorganisation, and its related assets and liabilities were transferred to Maogong Mining. Other assets and liabilities of Jingjia Mining had been retained by Jingjia Mining which is held by Ms. Yang and were treated as a distribution as species to the equity owners. The details of these assets and liabilities as at 9 June 2010 are as following:

	RMB'000
Property, plant and equipment	1,689
Prepaid lease payments	5,738
Intangible assets — mining rights	19
Inventories	21
Trade and other receivables	57,486
Bank balances and cash	303
Trade and other payables	(9,246)
Tax liabilities	(15,598)
Net assets retained by Jingjia Mining	40,412
Net cash outflow on deemed distribution	303

35. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2008, Aoniu Mining and Jingjia Mining declared dividends of RMB297,000,000 and RMB40,000,000 to the then equity owners, respectively. The dividend payment to Liaoning Hanking Mining Development Co. Ltd. of RMB267,300,000 was offset with trade receivable of RMB267,300,000 due from Fushun Hanking Mining Co., Ltd. pursuant the agreement entered into among Aoniu Mining, Liaoning Hanking Mining Development Co. Ltd. and Fushun Hanking Mining Co., Ltd.. The dividend payment to Ms. Yang Min of RMB40,000,000 was offset with trade receivable of RMB40,000,000 due from Fushun Hanking Mining Co., Ltd. pursuant to the agreement entered into among Jingjia Mining, Ms. Yang Min and Fushun Hanking Mining Co., Ltd..

During the year ended 31 December 2009, the dividend payable of RMB23,760,000 due to Ms. Yang Min was offset with a loan due from Hanking Industrial Group Co., Ltd. of RMB23,760,000 pursuant to the agreement entered into among Aoniu Mining, Ms. Yang Min and Hanking Industrial Group Co., Ltd..

During the year ended 31 December 2009, Jingjia Mining declared dividends of RMB40,057,000 to Ms. Yang Min. The dividend payment to Ms. Yang Min of RMB40,000,000 was offset with a loan advanced by Aoniu Mining to Hanking Industrial Group Co. Ltd. of RMB40,000,000 pursuant to the agreement entered into among Jingjia Mining, Ms. Yang Min, Aoniu Mining and Hanking Industrial Group Co. Ltd..

During the year ended 31 December 2009, Aoniu Mining acquired the loan receivable due from related parties of RMB956,099,000 from Fushun Hanking Mining Co., Ltd., with a consideration of payable of RMB956,099,000. The loan receivable and the consideration payable were recorded in loans to related parties and loans from related parties as at 31 December 2009, respectively.

During year ended 31 December 2010, Maogong Mining, Benxi Mining and Aoniu Mining declared dividends of RMB115,000,000, RMB120,000,000 and RMB290,000,000 to the then equity owners. The payment was partly off set with loans due from Hanking Industrial Group Co., Ltd. of RMB519,700,000 pursuant to the agreements entered into among Liaoning Hanking Mining Development Co. Ltd., Maogong Mining, Benxi Mining, Aoniu Mining, Ms. Yang Min and Hanking Industrial Group Co., Ltd..

On 20 August 2010, Aoniu Mining acquired 10% and 90% equity interests in Benxi Mining from Ms.Yang Min and Liaoning Hanking Mining Development Co. Ltd., respectively, with a consideration of RMB72,000,000. The payment was off set with loan due from Hanking Industrial Group Co., Ltd. of RMB72,000,000 pursuant to the agreements entered into among Liaoning Hanking Mining Development Co. Ltd., Ms. Yang Min, Aoniu Mining and Hanking Industrial Group Co., Ltd..

On 4 August 2010, Aoniu Mining acquired 100% equity interests in Maogong Mining from Hanking Industrial Group Co., Ltd. with a consideration of RMB30,000,000. The payment was off set with loan due from Hanking Industrial Group Co., Ltd. of RMB30,000,000.

36. CAPITAL COMMITMENTS

	At 31 December			At 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the Financial Information	—	350	64,125	60,370

37. RETIREMENT BENEFIT PLANS

The employees of the Group in the PRC are members of a state-managed retirement benefits scheme operated by the PRC government. The Group is required to contribute a specified percentage of its payroll costs to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions under the scheme.

The amounts of contributions made by the Group in respect of the retirement benefit scheme during Track Record Period and the six months ended 30 June 2010 are disclosed in Note 13.

38. RELATED PARTY TRANSACTIONS

Saved as otherwise disclosed in the Financial Information, the Group has the following significant transactions with related parties during the Track Record Period:

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Sales of goods to:					
Fushun Hanking Mining Co., Ltd. 撫順罕王礦業有限公司 *(notes a & b)*	589,249	361	—	—	—
Hanking Industrial Group Co., Ltd. 撫順罕王實業集團有限公司 *(notes a & b)*	152,319	—	—	—	—
Fushun Hanking Mining Metallurgy Co., Ltd. 撫順罕王冶金礦山有限責任公司 *(notes a & b)*	190,297	139,825	61,156	61,156	—
Fushun Hanking D.R.I. Co., Ltd. 撫順罕王直接還原鐵有限公司 *(notes b & c)*	—	145,855	308,403	135,318	165,435
Fushun Majuncheng Iron Co., Ltd. 撫順市馬郡城鐵礦有限責任有限公司 *(note b & d)*	—	2,770	5,045	2,955	N/A
Fushun Hanking Shangma Iron Mine 撫順罕王上馬鐵礦 *(note b)*	—	4,436	5,082	3,007	333
Benxi Hanking Iron Processing Co. Ltd. 本溪罕王鐵選有限公司 *(note b)*	—	—	9,107	—	6,429
Fushun Hanking New Building Materials. Co., Ltd. 撫順罕王新型建材有限公司 *(note b)*	—	—	647	—	10
Dengta Hanking Liuhe Iron Co., Ltd. 燈塔市罕王柳河鐵礦有限責任公司 *(note b)*	—	2,122	66	66	—
Fushun County Dawei Foundry 撫順縣大維鑄造廠 *(note b)*	—	—	61	61	65
Fushun Hanking Bangze Mining Co., Ltd. 撫順罕王邦澤礦業有限公司 *(note b)*	—	324	—	—	—
Shenyang Toyo Steel Co., Ltd. 瀋陽東洋制鋼有限公司 *(note b)*	—	1,532	1,097	1,097	—
Fushun Houde Transportation Co., Ltd. 撫順厚德運輸有限公司 *(note b)*	—	1,060	—	—	—
Liaoning Hanking Mining Development Co., Ltd. 遼寧罕王礦業發展有限公司 *(note b)*	—	—	64	—	—
	931,865	298,285	390,728	203,660	172,272

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Materials purchased from:					
Fushun Fusen Mining Machinery Parts Sales Co., Ltd. 撫順富森礦山機械配件銷售有限公司 *(note b)*	8,678	52,154	28,523	28,488	—
Fushun Hanking D.R.I. Co., Ltd. 撫順罕王直接還原鐵有限公司	2,443	—	—	—	—
Fushun County Dawei Foundry 撫順縣大維鑄造廠 *(note c)*	27,862	1,826	3,337	463	2,335
Fushun Hanking Mining Co., Ltd. 撫順罕王礦業有限公司	10,765	107	—	—	—
Fushun Hanking Department Store 撫順罕王商場有限公司 *(note b)*	—	—	70	68	—
	49,748	54,087	31,930	29,019	2,335
Goods purchased from:					
Fushun Hanking Shangma Iron Mine 撫順罕王上馬鐵礦	—	119,592	66,684	56,887	—
Fushun Hanking Mining Metallurgy Co., Ltd. 撫順罕王冶金礦山有限責任公司	—	38,107	—	—	—
Fushun Majuncheng Iron Co., Ltd. 撫順市馬郡城鐵礦有限責任公司	—	25,675	45,935	37,887	N/A
	—	183,374	112,619	94,774	—
Sales of property, plant and equipment to:					
Fushun Hanking Mining Co., Ltd. 撫順罕王礦業有限公司	—	3,606	—	—	—
Hanking Industrial Group Co., Ltd. 撫順罕王實業集團有限公司	41	137	—	—	—
Benxi Hanking Iron Processing Co. Ltd. 本溪罕王鐵選有限公司	—	—	24,839	—	—
PT. Hanking Aoniu Mining Indonesia 罕王傲牛礦業(印尼)有限公司 *(note b)*	—	—	100	—	—
	41	3,743	24,939	—	—

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Property, plant and equipment purchased from:					
Fushun Fusen Mining Machinery Parts Sales Co., Ltd. 撫順富森礦山機械配件銷售有限公司	—	4,215	995	919	—
Fushun Hanking Mining Co., Ltd. 撫順罕王礦業有限公司	23,757	—	—	—	—
Fushun Hanking Bangze Mining Co., Ltd. 撫順罕王邦澤礦業有限公司	—	11,752	—	—	—
Fushun Houde Transportation Co., Ltd. 撫順厚德運輸有限公司	—	531	—	—	—
	23,757	16,498	995	919	—
Processing fee paid to:					
Benxi Hanking Iron Processing Co. Ltd. 本溪罕王鐵選有限公司 *(note c)*	—	—	12,703	—	19,108
Management fee:					
Hanking Industrial Group Co., Ltd. 撫順罕王實業集團有限公司	14,000	14,400	—	—	—
Rental expense:					
Shenyang Shengtai Property Management Co., Ltd. 瀋陽盛泰物業管理有限公司 *(notes b & c)*	—	4,299	4,825	1,967	2,416
Transportation fee paid to:					
Fushun Mingcheng Transport Co., Ltd. 撫順名城運輸有限公司 *(note c)*	—	12,265	18,549	9,311	—
Fushun Mingyang Transport Co.,Ltd. 撫順名揚運輸有限公司 *(note c)*	—	—	—	—	11,459
	—	12,265	18,549	9,311	11,459

Notes:

(a) These are the related parties of the Group, they acted as sales agents of the Group and were not the ultimate customers of the Group.

(b) The above related parties were controlled by Ms. Yang Min during the Track Record Period.

(c) Except for these transactions, the directors of the Company represented that the other transactions would be discontinued after the listing of the Company's shares on the Stock Exchange.

(d) On 15 October 2010, Fushun Majuncheng Iron Co., Ltd. ceased to be related party of the Group, as Ms. Yang Min no longer has control over this company.

As at 31 December 2010, the Group had provided guarantee to Fushun Hanking D.R.I. Co., Ltd. (撫順罕王直接還原鐵有限公司) in relation to bank borrowings of RMB150,000,000. The guarantee has been released during the six months ended 30 June 2011.

Except those disclosed in note 14 for directors' emoluments, no compensation was made to other key management personnel of the Group during the Track Record Period.

II. DIRECTORS' EMOLUMENTS

Saved as disclosed in this report, no other remuneration has been paid or is payable by the Company or any of its subsidiaries to the Company's directors in respect of the Track Record Period.

Under the arrangement currently in force, the aggregate amount of the directors' fees and emoluments for the year ending 31 December 2011 is estimated to be approximately RMB10.1 million.

III. SUBSEQUENT EVENT

Subsequent to 30 June 2011, the following significant event took place:

Capitalization issue

Pursuant to the resolutions in writing of the shareholders of the Company passed on 16 September 2011, conditional on the share premium account of the Company being credited as a result of the issue of the offer shares by the Company pursuant to the initial public offering of shares of the Company ("IPO") and subject to the IPO price, the sum of HK$149,900,000 be capitalised and be applied in paying up in full at par 1,499,000,000 shares, each of which will be allotted and issued to the shareholders of the Company.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company or any of companies now comprising the Group have been prepared in respect of any period subsequent to 30 June 2011.

Yours faithfully,
DELOITTE TOUCHE TOHMATSU
Certified Public Accountants
Hong Kong