恒實礦業
HENGSHI MINING

HENGSHI MINING INVESTMENTS LIMITED
恒實礦業投資有限公司

(incorporated in the British Virgin Islands and continued in the Caymans Islands with limited liability)
(Stock Code: 1370)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2014:

- The revenue of the Group amounted to RMB1,108.1 million, representing a decrease of 13.8% as compared with last year.
- The net profit attributable to equity shareholders of the Company amounted to RMB263.0 million, representing a decrease of 33.8% as compared with last year.
- The basic and diluted earnings per share was RMB0.17 per share, representing a decrease of RMB0.17 per share as compared with last year.

The board of directors (the "**Board**") of Hengshi Mining Investments Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2014 (the "**Annual Results for 2014**"), along with the relevant comparable figures for the year ended 31 December 2013, which are extracted from the audited consolidated financial statements of the Group prepared in accordance with the International Financial Reporting Standards as set out in the Company's 2014 annual report (the "2014 Annual Report").

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2014
(Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Turnover	4	**1,108,143**	1,286,078
Cost of sales		**(553,055)**	(575,255)
Gross profit		**555,088**	710,823
Distribution costs		**(16,575)**	(4,739)
Administrative expenses		**(142,313)**	(107,519)
Profit from operations		**396,200**	598,565
Finance income	5(a)	**10,594**	280
Finance costs	5(a)	**(40,026)**	(26,574)
Net finance costs		**(29,432)**	(26,294)
Profit before taxation	5	**366,768**	572,271
Income tax	6	**(96,206)**	(146,659)
Profit for the year		**270,562**	425,612
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of group of companies outside of Mainland China		**3,644**	(5,597)
Total comprehensive income for the year		**274,206**	420,015
Profit attributable to:			
Equity shareholders of the Company		**263,000**	397,513
Non-controlling interests		**7,562**	28,099
Profit for the year		**270,562**	425,612
Total comprehensive income attributable to:			
Equity shareholders of the Company		**266,644**	391,916
Non-controlling interests		**7,562**	28,099
Total comprehensive income for the year		**274,206**	420,015
Earnings per share			
Basic and diluted (RMB)	7	**0.17**	0.34

CONSOLIDATED BALANCE SHEET
at 31 December 2014
(Expressed in Renminbi)

	Note	**31 December 2014** *RMB'000*	31 December 2013 *RMB'000*
Non-current assets			
Property, plant and equipment, net	*9*	**637,522**	450,729
Construction in progress		**225,711**	166,992
Lease prepayments		**153,931**	157,495
Intangible assets	*10*	**819,302**	420,045
Long-term receivables		**33,960**	33,960
Prepayments		**23,105**	3,257
Deferred tax assets		**11,415**	8,641
Total non-current assets		**1,904,946**	1,241,119
Current assets			
Inventories	*11*	**137,482**	41,235
Trade and other receivables	*12*	**152,137**	83,649
Cash and cash equivalents		**167,431**	987,562
Total current assets		**457,050**	1,112,446
Current liabilities			
Current portion of long-term borrowings	*13*	**100,000**	40,000
Trade and other payables	*14*	**194,421**	201,562
Current taxation		**18,839**	11,918
Current portion of long-term payables	*15*	**54,766**	51,740
Current portion of accrued reclamation obligations		**5,469**	4,434
Total current liabilities		**373,495**	309,654
Net current assets		**83,555**	802,792
Total assets less current liabilities		**1,988,501**	2,043,911

	Note	31 December 2014 RMB'000	31 December 2013 RMB'000
Non-current liabilities			
Interest-bearing borrowings, less current portion	*13*	**100,000**	270,000
Long-term payables, less current portion	*15*	**177,133**	218,779
Accrued reclamation obligations, less current portion		**42,389**	42,359
Deferred tax liabilities		**11,718**	–
Total non-current liabilities		**331,240**	531,138
NET ASSETS		**1,657,261**	1,512,773
CAPITAL AND RESERVES			
Share capital		**120**	120
Reserves		**1,657,141**	1,458,959
Total equity attributable to equity shareholders of the Company		**1,657,261**	1,459,079
Non-controlling interests		**–**	53,694
TOTAL EQUITY		**1,657,261**	1,512,773

NOTES

(Expressed in Renminbi unless otherwise stated)

1 CORPORATE INFORMATION

Hengshi Mining Investments Limited (the "Company") was incorporated in the British Virgin Islands ("BVI") on 14 January 2011 and redomiciled to the Cayman Islands on 23 May 2013 as an exempted company with limited liability under the Companies Law, Chapter 22 (2012 Revision, as consolidated and revised) of the Cayman Islands. The Company and its subsidiaries (together the "Group") are principally engaged in the mining, processing and sale of iron ore products.

Pursuant to a group reorganisation (the "Reorganisation"), the Company became the holding company of the companies now comprising the Group for the public listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Details of the Reorganisation are set out in the prospectus of the Company dated 18 November 2013. The Company's shares were listed on the Stock Exchange on 28 November 2013.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2014 have been compared by the Company's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditor on this announcement.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB"). These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. The Group has adopted all applicable new and revised IFRSs to the current and prior accounting periods reflected in these financial statements, except for any new standards or interpretations that are not yet effective for the accounting period ended 31 December 2014.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2014 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis.

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

In determining the carrying amounts of certain assets and liabilities, the Group makes assumptions of the effects of uncertain future events on those assets and liabilities at the balance sheet date. These estimates involve assumptions about such items as risk adjustment to cash flows or discount rates used, future changes in salaries and future changes in prices affecting other costs. The Group's estimates and assumptions are based on the expectations of future events and are reviewed periodically. In addition to assumptions and estimations of future events, judgements are also made during the process of applying the Group's accounting policies.

(a) Critical accounting judgements in applying the Group's accounting policies

(i) Reserves

Engineering estimates of the Group's iron ore reserves are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information. Reserve estimates are updated at regular basis and have taken into account recent production and technical information about the relevant iron ore deposit. In addition, as prices and cost levels change from year to year, the estimate of iron ore reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in related depreciation and amortisation rates.

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining depreciation and amortisation expenses and impairment loss. Depreciation and amortisation rates are determined based on estimated iron ore reserve quantity (the denominator) and capitalised costs of mining structures and mining rights (the numerator). The capitalised cost of mining structures and mining rights are depreciated and amortised based on the units produced.

(ii) Useful lives of property, plant and equipment

Management determines the estimated useful lives of and related depreciation charges for its property, plant and equipment. This estimate is based on the actual useful lives of assets of similar nature and functions. It could change significantly as a result of significant technical innovations and competitor actions in response to industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(iii) Impairment of assets

The Group reviews the carrying amounts of the assets at each balance sheet date to determine whether there is objective evidence of impairment. When indication of impairment is identified, management prepares discounted future cash flow to assess the differences between the carrying amount and value in use and provided for impairment loss. Any change in the assumptions adopted in the cash flow forecasts would increase or decrease in the provision of the impairment loss and affect the Group's net asset value.

In relation to trade and other receivables (including the value added tax recoverables), a provision for impairment is made and an impairment loss is recognised in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. Management uses judgement in determining the probability of insolvency or significant financial difficulties of the debtor.

An increase or decrease in the above impairment loss would affect the net profit in future years.

(iv) Obligations for reclamation

The estimation of the liabilities for final reclamation and mine closure involves the estimates of the amount and timing for the future cash spending as well as the discount rate used for reflecting current market assessments of the time value of money and the risks specific to the liability. The Group considers the factors including future production volume and development plan, the geological structure of the mining regions and reserve volume to determine the scope, amount and timing of reclamation and mine closure works to be performed. Determination of the effect of these factors involves judgements from the Group and the estimated liabilities may turn out to be different from the actual expenditure to be incurred. The discount rate used by the Group may also be altered to reflect the changes in the market assessments of the time value of money and the risks specific to the liability, such as change of the borrowing rate and inflation rate in the market. As changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities), the revisions to the obligation will be recognised at the appropriate discount rate.

(v) Recognition of deferred tax assets

Deferred tax assets in respect of unused tax losses and tax credit carried forward and deductible temporary differences are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the balance sheet date. In determining the carrying amounts of deferred assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in the future years.

(vi) Capitalised stripping costs

Production stripping costs can be incurred both in relation to the production of inventory in that period and the creation of improved access and mining flexibility in relation to ore to be mined in the future. The former are included as part of the costs of inventory, while the latter are capitalised as mine properties, where certain criteria are met. Significant judgement is required to distinguish between the production stripping that related to the extraction of inventory and what relates to the creation of mine properties.

Once the Group has identified its production stripping for each surface mining operation, it identifies the separate components of the ore bodies for each of its mining operations. An identifiable component is a specific volume of the ore body that is made more accessible by the stripping activity. Significant judgement is required to identify and define these components, and also to determine the expected volumes of waste to be stripped and ore to be mined in each of these components. These assessments are undertaken for each individual mining operation based on the information available in the mine plan. The mine plan and, therefore, the identification of components, will vary between mines for a number of reasons. These include, but are not limited to, the type of commodity, the geological characteristics of the ore body, the geographical location and/or financial considerations.

Judgement is also required to identify a suitable production measure to be used to allocation production stripping costs between inventory and any stripping activity asset for each component. The Group considers that the ratio of the expected volume of waste to be stripped for an expected volume of ore to be mined for a specific component of the ore body being the most suitable production measure.

(vii) Exploration and evaluation expenditure

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits will flow to the Group. It requires management to make certain estimates and assumptions about future events or circumstances, in particular, whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalised is written off in profit or loss in the period when the new information becomes available.

(b) Sources of estimation uncertainty

Other than requiring critical accounting judgements, assumptions concerning the future and other major sources of estimation uncertainty at the end of the reporting period are required in relation to the Group's accounting policies on "obligations for reclamation" and "recognition of deferred tax assets". Information about the assumptions and their risk factors are set out in notes 3(a)(iv) and (v).

4 TURNOVER

The Group is principally engaged in the mining, processing and sale of iron ore, preliminary concentrates and iron ore concentrates. Revenue represents the sales value of goods sold to customers exclusive of value added tax. The amount of each significant category of revenue recognised is as follows:

	2014	2013
	RMB'000	*RMB'000*
Iron ore concentrates	**817,803**	702,093
Preliminary concentrates	**34,696**	116,029
Iron ore	**255,366**	467,503
Others	**278**	453
	1,108,143	1,286,078

During the year ended 31 December 2014, there were two customers with whom transactions have exceeded 10% of the Group's revenues (2013: one customer) and revenues from sales of iron ore concentrates to these customers amounted to RMB527,597,000 (2013: RMB320,726,000).

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Net finance costs:

	2014	2013
	RMB'000	*RMB'000*
Interest income	**(10,594)**	(280)
Finance income	**(10,594)**	(280)
Interest on interest-bearing borrowings	**14,065**	9,954
Unwinding of interest on		
– long-term payables	**14,956**	13,562
– accrued reclamation obligations	**3,065**	3,058
Foreign exchange loss, net	**7,940**	–
Finance costs	**40,026**	26,574
Net finance costs	**29,432**	26,294

(b) Staff costs:

	2014	2013
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**103,553**	61,975
Retirement scheme contributions	**10,366**	7,365
	113,919	69,340

Employees of the Group are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group contributes funds at a rate of 12% of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group has no other obligations for payment of retirement and other post-retirement benefits of employees other than the contribution described above.

(c) **Other items:**

	2014	2013
	RMB'000	*RMB'000*
Cost of inventories[#]	**553,055**	575,255
Depreciation and amortisation	**95,994**	70,502
Auditor's remuneration		
– audit services	**3,180**	1,800
Net losses on disposal of property, plant and equipment	**11,450**	440
Operating lease charges	**2,647**	573
Listing expenses	**–**	30,477

[#] During the year ended 31 December 2014, cost of inventories includes RMB120,739,000 (2013: RMB108,506,000) relating to staff costs, depreciation and amortisation expenses and operating lease charges which are also included in the respective amounts disclosed separately above for each of these types of expenses.

During the year ended 31 December 2014, production stripping costs recognised in profit and loss as part of cost of inventories amounted to RMB255,188,000 (2013: RMB266,722,000).

6 INCOME TAX

(a) **Income tax in the consolidated statement of comprehensive income represents:**

	2014	2013
	RMB'000	*RMB'000*
Current tax		
Provision for PRC enterprise income tax	**98,980**	154,131
Deferred tax		
Origination and reversal of temporary differences	**(2,774)**	(7,472)
	96,206	146,659

(b) **Reconciliation between tax expense and accounting profit at applicable tax rate:**

	2014	2013
	RMB'000	*RMB'000*
Profit before taxation	**366,768**	572,271
Notional tax on profit before taxation, calculated at tax rate of 25% *(note (i))*	**91,692**	143,068
Tax effect of non-deductible expenses	**1,211**	64
Tax effect of non-taxable items	**(3,080)**	–
Tax effect of unused tax losses not recognised	**6,383**	3,527
Actual tax expense	**96,206**	146,659

Notes:

(i) The PRC Enterprise Income Tax rate is adopted as the Group's operations are mainly conducted in the PRC. Pursuant to the prevailing income tax rules and regulations of PRC, the PRC Enterprise Income Tax is at a rate of 25%.

(ii) Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands. The Group is not subject to Hong Kong profits tax as it has no assessable income arising in or derived from Hong Kong during the years presented.

(iii) According to the PRC Enterprise Income Tax Law and its implementation rules, dividends receivable by non-PRC-resident corporate investors from PRC-resident enterprises for profits earned since 1 January 2008 are subject to withholding income tax at a rate of 10%, unless reduced by tax treaties or arrangements. Undistributed profits earned prior to 1 January 2008 are exempted from such withholding tax.

7 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company for the year ended 31 December 2014 of RMB263,000,000 (2013: RMB397,513,000) and the weighted average number of shares in issue during the year ended 31 December 2014 of 1,507,843,000 shares (2013: 1,160,189,359 shares, on the assumption that a total of 1,125,000,000 shares of the Company are in issue pursuant to the capitalisation issue on 3 November 2013, the initial public offering of 375,000,000 shares on 28 November 2013 and the partial exercise of over-allotment option of 7,843,000 shares on 20 December 2013, respectively).

The Company did not have any potential dilutive shares for the years presented. Accordingly, diluted earnings per share is the same as basic earnings per share.

8 SEGMENT REPORTING

The Group has one business segment, the mining, processing and sale of iron ore products. All of its customers are located in the PRC. Based on information reported to the chief operating decision maker for the purpose of resource allocation and performance assessment, the Group's only operating segment is the mining, processing and sale of iron ore products. Accordingly, no additional business and geographical segment information are presented.

9 PROPERTY, PLANT AND EQUIPMENT, NET

The Group's property, plant and equipment are substantially located in the PRC. Up to the issue of the these financial statements, the Group is still in the process of applying for the title certificates of certain of its buildings and plants with a carrying amount of approximately RMB88,965,000 (31 December 2013: RMB55,625,000). The directors are of the opinion that the Group is entitled to lawfully and validly occupy or use of the above-mentioned properties.

As at 31 December 2014, mine properties include capitalised stripping activity asset with a carrying amount of RMB48,288,000 (31 December 2013: RMB nil).

Pursuant to the asset acquisition agreement dated 15 June 2014, Laiyuan County Jiheng Mining Co., Ltd. completed the acquisition on 18 June 2014 of a wet processing plant and associated assets and leasehold land from Laiyuan County Xiongxin Mining Co., Ltd. for a total consideration of RMB114,110,000. Consideration in relation to the above-mentioned acquisition was settled by offsetting accounts receivable (excluding relevant taxes) due from Laiyuan County Xiongxin Mining Co., Ltd., which constituted a major non-cash transaction.

10 INTANGIBLE ASSETS

As at 31 December 2013, intangible assets represented the mining rights acquired by the Group and the premium paid in relation to obtaining the mining rights by Laiyuan County Jingyuancheng Mining Co., Ltd. from nearby iron ore mines in 2010 and 2011, respectively.

Pursuant to the asset acquisition agreement dated 19 August 2014, Laiyuan County Jiheng Mining Co., Ltd. completed the acquisition on 24 August 2014 of the ownership and related rights of an iron ore mine for a total consideration of RMB217,000,000.

Pursuant to the asset acquisition agreement dated 14 December 2014, Laiyuan County Jingyuancheng Mining Co., Ltd. completed the acquisition on 17 December 2014 of the ownership and related rights of an iron ore mine and leasehold land for a total consideration of RMB109,000,000.

Pursuant to the asset acquisition agreement dated 18 December 2014, Laiyuan County Jiheng Mining Co., Ltd. completed the acquisition on 18 December 2014 of the ownership and related rights of an iron ore mine for a total consideration of RMB104,000,000.

As at 31 December 2014, the Group's borrowings were secured by the mining right of Laiyuan County Jiheng Mining Co., Ltd. with a carrying amount of approximately RMB105,362,000 (31 December 2013: RMB123,297,000).

11 INVENTORIES

(a) Inventories in the consolidated balance sheet comprise:

	2014	2013
	RMB'000	*RMB'000*
Weakly mineralised wall rock#	**53,979**	10,977
Iron ore	**17,299**	1,826
Preliminary concentrates	**16,106**	7,342
Iron ore concentrates	**29,573**	3,302
	116,957	23,447
Consumables and supplies	**20,525**	17,788
	137,482	41,235

Weakly mineralised wall rock represents sub-graded mineral materials.

(b) The analysis of the amount of inventories recognised as an expense and included in the consolidated statement of comprehensive income is as follows:

	2014	2013
	RMB'000	*RMB'000*
Carrying amount of inventories sold	**553,055**	575,255

12 TRADE AND OTHER RECEIVABLES

	2014	2013
	RMB'000	*RMB'000*
Accounts receivable	**110,589**	25,273
Bills receivable	**15,700**	29,710
Trade receivables *(note (i))*	**126,289**	54,983
Other receivables *(note (iv))*	**25,848**	28,666
	152,137	83,649

Notes:

(i) Ageing analysis

The ageing analysis of trade receivables is as follows:

	2014	2013
	RMB'000	*RMB'000*
Current	**126,289**	54,983

(ii) Impairment of trade receivables

Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and other receivables directly.

(iii) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	2014	2013
	RMB'000	*RMB'000*
Neither past due nor impaired	**126,289**	54,983

Receivables that were neither past due nor impaired relate to certain independent parties that have a good track record with the Group and in good credit condition. Based on past experience, management believes that no impairment allowances are necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group seeks to maintain tight control over its outstanding trade receivables in order to manage credit risk. Management monitors the balances on a regular basis and takes appropriate actions against overdue balances, if any.

(iv) Other receivables

	2014	2013
	RMB'000	*RMB'000*
Prepayments and deposits *(note (a))*	**21,440**	24,057
Income tax recoverable	**–**	3,191
Value added tax recoverable	**3,682**	–
Others	**726**	1,418
	25,848	28,666

Note:

(a) Prepayments and deposits mainly represent advance payments made to the Group's suppliers.

As at 31 December 2014, other than deposits amounted to RMB2,384,000 (31 December 2013: RMB1,935,000), which are included in prepayments and deposits, all other receivables were aged within one year and were expected to be recovered or expensed off within one year.

13 BORROWINGS

(a) The Group's short-term interest-bearing borrowings comprise:

	2014		2013	
	Interest rate per annum %	***RMB'000***	*Interest rate per annum %*	*RMB'000*
Renminbi denominated				
Current portion of long-term borrowings:				
– secured bank loans *(note (i))*	**6.15~6.95**	**100,000**	6.15	40,000

(b) The Group's long-term interest-bearing borrowings comprise:

	2014		2013	
	Interest rate per annum %	***RMB'000***	*Interest rate per annum %*	*RMB'000*
Renminbi denominated				
Secured bank loans *(note (i))*	**6.95**	**100,000**	6.15	160,000
Entrusted bank loans *(note (ii))*	**–**	**–**	6.15	110,000
		100,000		270,000

Notes:

(i) As at 31 December 2014, the Group's bank loans were secured by the mining right of Laiyuan County Jiheng Mining Co., Ltd. with a carrying amount of approximately RMB105,362,000 (31 December 2013: RMB123,297,000). During the year ended 31 December 2014, the Group repaid bank loans with a carrying amount of RMB110,000,000.

(ii) During the year ended 31 December 2014, the entrusted bank loans of the Group were repaid in full.

(c) The Group's borrowings were repayable as follows:

	2014	2013
	RMB'000	*RMB'000*
Within 1 year	**100,000**	40,000
After 1 year but within 2 years	**100,000**	270,000
	200,000	310,000

As at 31 December 2014, the Group had banking facilities secured by the mining right of Laiyuan County Jiheng Mining Co., Ltd. with a carrying amount of approximately RMB105,362,000 (31 December 2013: RMB123,297,000). Such banking facilities amounted to RMB220,000,000 (31 December 2013: RMB220,000,000). The facilities were utilised to the extent of RMB200,000,000 (31 December 2013: RMB200,000,000).

As at 31 December 2014, no borrowing was subject to financial covenants.

14 TRADE AND OTHER PAYABLES

	2014	2013
	RMB'000	*RMB'000*
Trade payables *(note (i))*	**74,388**	53,026
Receipts in advance *(note (ii))*	**18,753**	15,774
Payables for construction work, equipment purchase and others	**50,588**	67,247
Other taxes payable	**25,665**	13,153
Others *(note (iii))*	**25,027**	52,362
	194,421	201,562

Notes:

(i) All trade payables are due and payable on presentation or within one year.

(ii) Receipts in advance represent advance payments made by the Group's customers in accordance with the terms set out in respective sales agreements.

(iii) Others mainly represent accrued expenses, payables for staff related costs and other deposits.

As at 31 December 2014, all of the other trade and other payables were expected to be settled within one year or are repayable on demand.

15 LONG-TERM PAYABLES

	2014	2013
	RMB'000	*RMB'000*
Payables for acquiring mining rights *(note (i))*	**231,899**	270,519
Less: Current portion of long-term payables	**54,766**	51,740
	177,133	218,779

Note:

(i) In March 2012, the Group acquired a mining right from Hebei Provincial Department of Land and Resources for a consideration of RMB142,330,000 that are repayable over five years from 2012.

In January 2013, the Group acquired three mining rights from Hebei Provincial Department of Land and Resources for an aggregate consideration of RMB223,247,000 that are repayable over five to seven years from 2013.

The carrying amounts of the mining right payables have been determined using a discount rate of 5.98% per annum.

The Group's long-term payables were repayable as follows:

	2014	2013
	RMB'000	*RMB'000*
Within 1 year	**54,766**	51,740
After 1 year but within 2 years	**54,561**	51,703
After 2 years but within 5 years	**112,763**	137,323
After 5 years	**9,809**	29,753
	231,899	270,519

16 COMMITMENTS AND CONTINGENCIES

(a) Capital commitments

Capital commitments outstanding at 31 December 2014 not provided for in the financial statements were as follows:

	2014	2013
	RMB'000	*RMB'000*
Authorised but not contracted for		
– property, plant and equipment	**33,428**	302,287
– stripping activity asset	**88,917**	180,631
– exploration and evaluation asset	**–**	–
	122,345	482,918

(b) Operating lease commitments

(i) As at 31 December 2014, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	2014	2013
	RMB'000	*RMB'000*
Within 1 year	**3,990**	2,460
After 1 year but within 5 years	**3,789**	4,692
	7,779	7,152

(ii) The Group leases certain buildings through operating leases. These operating leases do not contain provisions for contingent lease rentals. None of the agreements contain escalation provisions that may require higher future rental payments.

(c) Environmental contingencies

To date, the Group has not incurred any significant expenditure for environment remediation and has not accrued any amounts for environmental remediation relating to its operations. Under existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. Laws and regulations protecting the environment have generally become more stringent in recent years and could become more stringent in the future. Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include:

(i) the exact nature and extent of the contamination at the mines and processing plants;

(ii) the extent of required cleanup efforts;

(iii) varying costs of alternative remediation strategies;

(iv) changes in environmental remediation requirements; and

(v) the identification of new remediation sites.

The amount of such future cost is indeterminable due to such factors as the unknown magnitude of possible contamination and the unknown timing and extent of the corrective actions that may be required. Accordingly, the outcome of environmental liabilities under proposed for future environmental legislation cannot be reasonably estimated at present and could be material.

(d) Governmental and regulatory levies

The Group is subject to certain levies (mineral resources compensation, water and soil loss compensation, pollutant discharge fee and etc.) imposed by relevant government authorities in accordance with the relevant PRC laws and regulations. Under such laws and regulations, the Group has fully fulfilled their responsibilities in paying the respective levies during the years presented. The directors are of the opinion that the Group had no other material obligations or liabilities of such levies as at 31 December 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

In 2014, affected by various factors such as international market condition, adjustment of the domestic economic structure and slow down in the growth of fixed asset investment, the GDP annual growth of the PRC dropped to approximately 7.4%, reflecting the further slowdown in the economic growth of the Mainland China. Annual production of crude steel slightly increased by approximately 1.2% to 822.7 million tonnes. However, due to the substantial increase in the production by the major international iron ore production companies in 2014, domestic imports of iron ore increased by approximately 13.8% to approximately 932.5 million tonnes, resulting in a decline in the price of iron ore. At the end of 2014, the price drops by approximately 50% comparing to the beginning of the year.

Hebei Province is the most important production base of iron and steel in mainland China, it is also the province with the largest iron ore consumption volume. In the year of 2014, the production of crude steel in Hebei Province was approximately 185.3 million tones, representing a year-on-year decrease of approximately 0.6%, which was mainly attributable to the unprecedented strong efforts in environmental management of Hebei Province, the strict control on steel production activities through government policies to alleviate air pollution, and weak downstream demand for steel resulting from production cuts.

Throughout the year of 2014, the average sales price of iron ore concentrates of the Group was RMB607 per tonne (corresponding period in 2013: RMB794 per tonne), representing a year-on-year decrease of approximately 23.6%.

Business Highlights

Record high production and sales of iron ore concentrates

In 2014, in order to further enhance the mining capacity of ores and production capacity of iron ore concentrates, the Group upgraded and reconstructed the existing mines through a series of construction as well as invested in construction of new mineral processing equipment.

With mine infrastructure projects, enhanced production capacity as a result of the dry processing technique and commencement of operation of the new wet processing plant of Jiheng Mining, the production of iron ore concentrates of the Group reached a record high. For the whole year in 2014, the production of iron ore concentrates of the Group reached 1,459.6 thousand tonnes (corresponding period in 2013: 851.9 thousand tons), representing a year-on-year growth of approximately 71.3%. Sales volume of iron ore concentrates reached 1,347.0 thousand tons (corresponding period in 2013: 884.0 thousand tons), representing a year-on-year growth of approximately 52.4%.

Below table set out the breakdown of output and sales volume for each operating subsidiary of the Group:

The Group	Output (Kt) 2014	Output (Kt) 2013	Output (Kt) % of change	Sales volume (Kt) 2014	Sales volume (Kt) 2013	Sales volume (Kt) % of change	Average sales price (RMB) 2014	Average sales price (RMB) 2013	Average sales price (RMB) % of change
Jiheng Mining									
Iron ores	**2,811.9**	2,180.2	29.0%	**1,245.8**	2,100.9	-40.7%	**205.0**	222.5	-7.9%
Preliminary concentrates	**1,627.1**	1,124.7	44.7%	**258.9**	553.4	-53.2%	**134.0**	209.8	-36.1%
Iron ore concentrates	**547.1**	204.4	167.7%	**476.6**	201.8	136.2%	**569.9**(1)	723.5	-21.2%
Jingyuancheng Mining									
Iron ores	**8,472.2**	5,640.2	50.2%	**n/a**	n/a	n/a	**n/a**	n/a	n/a
Preliminary concentrates	**2,730.7**	2,131.4	28.1%	**n/a**	n/a	n/a	**n/a**	n/a	n/a
Iron ore concentrates	**623.4**	455.0	37.0%	**619.0**	479.7	29.0%	**632.9**(2)	817.8	-22.6%
Xinxin Mining									
Iron ores	**3,310.4**	2,201.8	50.3%	**n/a**	n/a	n/a	**n/a**	n/a	n/a
Preliminary concentrates	**1,174.6**	825.0	42.4%	**n/a**	n/a	n/a	**n/a**	n/a	n/a
Iron ore concentrates	**289.1**	192.5	50.2%	**251.4**	202.5	24.1%	**614.2**(2)	808.8	-24.1%
Total									
Iron ore concentrates	**1,459.6**	851.9	71.3%	**1,347.0**	884.0	52.4%	**607.1**	794.2	-23.6%

Notes:

(1) The TFe grade of iron ore concentrates sold by Jiheng Mining was 63%;

(2) The TFe grade of iron ore concentrates sold by Jingyuancheng and Xinxin Mining was 66%.

Continued to maintain low cost operation advantage

Our favorable ores quality and geological conditions, well-designed mining plan and well-equipped processing facilities enabled us to continue to maintain our low cost production which led the market.

As at 31 December 2014, the cash operating costs of iron ore concentrates were approximately RMB362.5 per tonne, representing a decrease of approximately RMB68.3 or approximately 15.9% as compared to the corresponding period last year, mainly due to an increase in the share of low cost iron ore concentrates of Jiheng Mining as a result of the commencement of operation of the new wet processing plant of Jiheng Mining at the end of June 2014, and fine management and stringent control by the Company. The Group will continue to maintain its low cost operation advantage in the future to deal with the risks arising from price fluctuation of iron ore concentrates.

Operation Review

Major Milestones

Development Projects

For the purposes of sustainability and expansion, the Group strictly implemented the major projects according to the planned work schedule. The progress of each of the development projects is as follows:

1. For Jingyuancheng Mining, the Group planned to invest approximately RMB166.8 million in aggregate from 2013 to 2015 for building infrastructure and stripping project with mining capacity of 14.0 Mtpa. As at 31 December 2014, the actual investment was approximately RMB57.4 million, and accumulative investment was approximately RMB115.8 million. The project is expected to be completed by the end of 2015.

2. A new dry processing plant with a processing capacity of 8.0 Mtpa was constructed in 2014 to support the mining capacity expansion of Jingyuancheng Mining. The project accumulative investment was approximately RMB79.9 million and, has been completed and put into operation in the third quarter of 2014.

3. For Xinxin Mining, the Group planned to invest approximately RMB140.8 million in aggregate during the period from 2013 to 2015 for building infrastructure and stripping project with mining capacity of 5.0 Mtpa. As at 31 December 2014, the actual investment was approximately RMB49.5 million, and the accumulative investment was approximately RMB102.9 million. The project is expected to be completed by the end of 2015.

Acquisitions

1. In March 2014, Aowei Mining, a wholly-owned subsidiary of the Group, acquired 10% non-controlling interests in Jiheng Mining held by Laiyuan Jiantou at a consideration of RMB118.0 million, and Jiheng Mining thereby became a wholly-owned subsidiary of the Company. This would enhance the efficiency of Jiheng Mining in business decisions and development strategies, and streamline administrative procedures of Jiheng Mining, while laying a solid foundation for Jiheng Mining to further consolidate its surrounding resources.

2. In June 2014, Jiheng Mining acquired the relevant assets of a wet processing plant with a processing capacity of 1.8 Mtpa at a consideration of approximately RMB114.1 million and commenced its production. The operation of Jiheng Mining's own processing plants would increase the added value of Jiheng Mining's products and significantly reduce the Group's cash operation cost of iron ore concentrates, which would further strengthen the Group's core competitiveness of low-cost operation.

3. In August and December 2014, Jiheng Mining acquired the mining rights assets of Yaobeigou Iron Ore Mine from Yucheng Processing Plant and 萬興實業 at a consideration of RMB217.0 million and RMB104.0 million, respectively, Yucheng Processing Plant, 萬興實業 and the Group are independent third parties, and each of them owned the mining permit of Yaobeigou Iron Ore Mine. Jiheng Mining had paid all amounts to Yucheng Processing Plant from its own source of fund and bank borrowings; and RMB84.0 million has been prepaid to 萬興實業 by Jiheng Mining (its funds was from own funds), and remaining RMB20.0 million will be paid upon the completion of such acquisition. Through such acquisition, Jiheng Mining would facilitate the consolidation works in its surrounding mines.

4. In December 2014, Jingyuancheng Mining acquired the mining rights and relevant assets from 興城礦業 at a consideration of RMB109.0 million, and among which, approximately RMB68.3 million was from the change of the utilization of the funds raised, and approximately RMB40.7 million was from the existing funds, both have been paid. Jingyuancheng Mining would further expand the coverage of its mining licenses to implement the plan of mining in scale.

In 2014, the relevant capital expenditure on the development and mining of iron ore of the Company was approximately RMB516.9 million. The capital expenditure was primarily for such as the infrastructural stripping projects of approximately RMB106.9 million of Jingyuancheng Mining and Xinxin Mining, and the acquisition of mine and the related assets by Jiheng Mining and Jingyuancheng Mining at a total of approximately RMB410.0 million.

Resources and Reserves

No new exploration work was carried out by the Group in 2014, and no new exploration expense had been incurred as at 31 December 2014. The Group is progressively carrying out the consolidation works in the surrounding mines of Jiheng Mining and expanding the coverage of the mining licence of Jingyuancheng Mining. New exploration plan is expected to be implemented after the completion of the consolidation works in the surrounding mines of Jiheng Mining in 2015.

Based on the most recent estimation results on the reserves less the consumption for the current period, the iron ore reserves complied with JORC Code in respect of each mine of the Group as at 31 December 2014 are shown in the following table:

Company	**Mine**	**Exploration approach**	**Reserve category**	**Depleted reserve for the year** [1]			**Ore reserves** [2]		
				(Kt)	*TFe (%)*	*mFe (%)*	*(Kt)*	*TFe (%)*	*mFe (%)*
Jiheng Mining	Zhijiazhuang	Open-pit	Probable	2,812	25.37	24.03	16,394	27.28	26.08
	Subtotal			2,812	25.37	24.03	16,394	27.28	26.08
Jingyuancheng Mining	Wang'ergou	Open-pit	Probable	6,266	13.97	6.02	37,391	13.28	6.28
		Underground	Probable (Graded 12% or above)	–	–	–	18,077	15.87	8.50
	Subtotal			6,266	13.97	6.02	55,468	14.12	7.00
	Shuanmazhuang	Open-pit	Probable	2,206	14.06	5.95	89,413	13.54	5.54
		Underground	Probable (Graded 12% or above)	–	–	–	35,723	16.00	7.11
	Subtotal			2,206	14.06	5.95	125,136	14.24	5.99
Xinxin Mining	Gufen	Open-pit	Probable	3,310	13.66	7.26	52,080	12.75	6.24
		Underground	Probable (Graded 12% or above)	–	–	–	58,750	15.35	8.50
	Subtotal			3,310	13.66	7.26	110,830	14.13	7.44
Total		Open-pit	Probable	14,594	16.11	9.76	195,278	14.44	7.59
		Underground	Probable (Graded 12% or above)	–	–	–	112,550	15.64	8.06
		Total	Probable	14,594	16.11	9.76	307,828	14.88	7.76

Notes:

(1) Consumption of reserves represents the production statistical results of the mines for the current period, which are reviewed by the internal experts of the respective mining companies and internal experts of the Group.

(2) The outcome of the ore reserves in this report was based on the estimated results of the ore reserves stated in the Competent Person's Report by SRK in November 2013 less the consumption from 1 July 2013 to 31 December 2014, the estimated assumptions in the report published in 2013 has not been changed.

Based on the most recent estimation results on resources less the consumption for the year, as at 31 December 2014, the iron ore resources complied with JORC Code in respect of each mine of the Group are as follows:

Company	Mine	Resource class	Depleted resource for the year [1]			Resource at the end of the year [2]		
			(Kt)	*TFe (%)*	*mFe (%)*	*(Kt)*	*TFe (%)*	*mFe (%)*
Jiheng Mining	Zhijiazhuang	Indicated resource	2,783	26.15	24.77	19,698	25.25	24.04
		Inferred resource	–	–	–	9,426	27.58	25.82
Jingyuancheng Mining	Wang'ergou	Indicated resource	6,201	14.40	6.21	68,758	13.76	6.41
		Inferred resource	–	–	–	39,250	13.03	5.85
	Shuanmazhuang	Indicated resource	2,184	14.49	6.13	151,550	13.97	5.73
		Inferred resource	–	–	–	73,935	12.81	4.92
Xinxin Mining	Gufen	Indicated resource	3,276	14.08	7.48	154,806	13.21	6.50
		Inferred resource	–	–	–	101,100	12.44	6.03
Total		Indicated resource	14,444	16.61	10.06	394,812	14.52	7.27
		Inferred resource	–	–	–	223,711	13.30	6.46
		Total resources	14,444	16.61	10.06	618,523	14.08	6.98

Notes:

(1) Consumption of resources is based on the production statistical results of the mines for the current period, which are reviewed by the internal experts of the respective mining companies and the internal experts of the Company.

(2) The resources at the end of the year include a proportion of resources which are not covered by the mining licence. There is no estimation on new resources during the year ended 31 December 2014, which does not give rise to any changes on the estimation and assumption of the resources completed by SRK in 2013.

Mines in Operation

Zhijiazhuang mine

Zhijiazhuang Mine, which is wholly owned and operated by Jiheng Mining, is located in Yangjiazhuang Village, Laiyuan County. It has an area of 0.3337 sq.km covered by its mining permit and has comprehensive basic infrastructures such as water, electricity, highway and railway. The annual mining capacity of Zhijiazhuang Mine was 2.40 Mtpa, and the dry processing capacity and the wet processing capacity were 4.20 Mtpa and 1.80 Mtpa, respectively, as at 31 December 2014 (note: weakly mineralized wall rocks with the grade below 8% were continuously yielded in Zhijiazhuang Mine in the course of mining, which were also recycled by Jiheng Mining). The recycled weakly mineralized wall rocks were 5,072.7 kt in 2014.

The following tables set forth a breakdown of cash operating costs of Zhijiazhuang Mine:

Iron ores

Unit: RMB per tonne of iron ores

	2014	2013	% of change
Mining costs	**16.5**	16.1	2.5%
Administration expenses	**6.8**	2.9	134.5%
Selling expenses	**3.3**	1.1	200.0%
Taxation expenses	**11.1**	11.3	-1.8%
Total	**37.7**	31.4	20.1%

An increase in the unit cash operating cost of iron ores was primarily due to the rise in remuneration and administrative expenses, as well as the commencement of product delivery for certain customers by Jiheng Mining to lower its comprehensive costs in 2014.

Preliminary concentrates

Unit: RMB per tonne of preliminary concentrates

	2014	2013	% of change
Mining costs	**45.0**	57.4	-21.6%
Dry processing costs	**13.7**	18.1	-24.3%
Administration expenses	**18.5**	10.2	81.4%
Selling expenses	**3.3**	4.0	-17.5%
Taxation expenses	**13.7**	15.6	-12.2%
Total	**94.2**	105.3	-10.5%

A decrease in the unit cash operating cost of preliminary concentrates was primarily due to an increase in output resulting from decreased processing ratio and enhanced dry processing efficiency owing to an increase in the ratio of iron ores as raw materials (the preliminary concentrates were mainly produced from weakly mineralized wall rocks in 2013) in the preliminary concentrates sold by Jiheng Mining for the year.

Iron ore concentrates

Unit: RMB per tonne of iron ore concentrates

	2014	2013	% of change
Mining costs	**94.2**	158.0	-40.4%
Dry processing costs	**28.7**	49.8	-42.4%
Wet processing costs	**77.1**	185.3	-58.4%
Administration expenses	**31.6**	28.0	12.9%
Selling expenses	**3.3**	n/a	n/a
Taxation expenses	**32.4**	40.6	-20.2%
Total	**267.3**	461.7	-42.1%

A decrease in the unit cash operating cost of iron ore concentrates was primarily due to lower transportation cost of preliminary concentrates resulting from termination of consigned processing after the operation of new wet processing plant by Jiheng Mining, and an increase in output as a result of lower comprehensive processing ratio and enhanced processing efficiency due to more iron ores being ground (iron ore concentrates were commissioned to be produced by preliminary concentrates mainly made from weakly mineralised wall rocks in 2013).

The capital expenditure of Zhijiazhuang Mine in 2014 was approximately RMB416.5 million, of which RMB217.0 million and RMB84.0 million for the expenditure on acquisition of the mining right assets of Yaobeigou Iron Ore Mine owned by Yucheng Processing Plant and 萬興實業 respectively, and RMB105.5 million for the expenditure of property, plant and equipment and RMB10.0 million for land expenditure. The capital commitment was RMB3.6 million, the main part of which was certain payments of technology upgrade project of dry processing plant.

Wang'ergou mine and shuanmazhuang mine

Wang'ergou Mine and Shuanmazhuang Mine, which are both wholly owned and operated by our wholly owned subsidiary, Jingyuancheng Mining, are located in Zoumayi Village, Laiyuan County. The areas covered by the mining licences for Wang'ergou Mine and Shuanmazhuang Mine are 1.5287 sq.km and 2.1871 sq.km, respectively. Wang'ergou and Shuanmazhuang have comprehensive basic infrastructures such as water, electricity, highway, etc. As at 31 December 2014, the aggregate annual mining capacity of Wang'ergou Mine and Shuanmazhuang Mine was 11.0 Mtpa, and the dry processing capacity and wet processing capacity were 17.6 Mtpa and 3.5 Mtpa, respectively.

The following table sets forth a breakdown of cash operating costs of Wang'ergou Mine and Shuanmazhuang Mine:

Iron ore concentrates

Unit: RMB per tonne of iron ore concentrates

	2014	2013	% of change
Mining costs	**140.2**	138.8	1.0%
Dry processing costs	**65.7**	84.5	-22.2%
Wet Processing costs	**121.2**	103.2	17.4%
Administration expenses	**42.9**	41.3	3.9%
Selling expenses	**16.2**	n/a	n/a
Taxation expenses	**32.8**	37.4	-12.3%
Total	**419.0**	405.2	3.4%

A change in the iron ore concentrate cash operating cost was primarily due to the commencement of product delivery for part of customers by Jingyuancheng Mining for lowering its comprehensive costs. The change in taxation expenses was primarily due to a change in urban construction tax and education surcharge in 2014 as compared with 2013 resulting from the change in purchase amount for production and transportation and the base number for provision in 2014 as compared with 2013.

In 2014, Wang'ergou Mine and Shuanmazhuang Mine continued their respective infrastructure and stripping projects, and completed the construction of a new dry processing plant with the processing capacity of 8.0 Mtpa, which commenced operation in the third quarter. The capital expenditure of Wang'ergou Mine and Shuanmazhuang Mine in 2014 was approximately RMB246.3 million, of which approximately RMB57.4 million for the expenditure of infrastructure and stripping rocks, approximately RMB79.9 million for expenditure of property, plant and equipment and approximately RMB109.0 million for expenditure of the acquisition of mine and relevant assets from 興城礦業. Capital commitment was approximately RMB80.6 million, of which approximately RMB51.0 million for the expenditure of infrastructure and stripping, approximately RMB25.0 million for dry processing technology upgrade and approximately RMB4.6 million for original construction expenditure of Dabugou Tailings Dam in 2015.

Gufen mine

Gufen Mine, which is owned and operated by our wholly owned subsidiary, Xinxin Mining, is located in Shuibao Village, Laiyuan County and the area covered by the mining right for Gufen Mine is 1.3821 sq.km. Gufen Mine has comprehensive basic infrastructures such as water, electricity and highway. As at 31 December 2014, Gufen Mine's mining capacity was 3.90 Mtpa, and the dry processing capacity and the wet processing capacity was 5.75 Mtpa and 1.60 Mtpa, respectively.

The following table sets out the cash operating cost breakdown of Gufen Mine:

Unit: RMB per tonne of iron ore concentrates

	2014	2013	Change ratio
Mining costs	**150.9**	142.5	5.9%
Dry processing costs	**62.2**	69.5	-10.5%
Wet processing costs	**116.6**	112.6	3.6%
Management expenses	**58.4**	63.1	-7.4%
Sales expenses	**n/a**	n/a	n/a
Taxation	**32.6**	37.6	-13.3%
Total	**420.7**	425.3	-1.11%

The unit cash operating cost of the iron ore concentrates decreased, which was mainly due to the technical renovation of dry processing and the effective management expenses control, and the change of the taxation was mainly resulted from the changes of the city construction tax and education surcharge which mainly due to the changes of the purchase amount and the base of provision for the production and transportation in 2014 as compared to 2013.

In 2014, Gufen Mine continued to conduct the infrastructure and stripping projects. Its capital expenditure was approximately RMB59.0 million, of which infrastructure and stripping rocks expenditure was approximately RMB49.5 million, property, plant and equipment expenditure was approximately RMB9.2 million, and the land expenditure was approximately RMB0.3 million. Capital commitments was RMB38.1 million, of which infrastructure and stripping rocks expenditure will amount to approximately RMB37.9 million and land lease expenditure will amount to approximately RMB0.2 million in 2015.

Safety and Environmental Protection

The Group established a competent department responsible for production safety and management. This department had been consistently promoting safety standards and strengthening environmental protection policies so as to develop the Group itself into a socially responsible enterprise with high awareness of safety concerns. During 2014, the Group recorded no significant safety accident. Owing to the deteriorating air quality in Mainland China, especially in Hebei Province, it is anticipated that the government will inevitably tighten the relevant environmental policies over steelmaking, cement production and other high-pollution industries. To mitigate the potential policy impact to our business, the Group will keep abreast of the latest regulatory requirements and introduce appropriate environmental measures to our operation and production from time to time.

Employees and Remuneration Policy

As at 31 December 2014, the Group had 1,447 employees in total (1,259 employees in total as at 31 December 2013). The total remuneration expenses and the amounts of other employees' benefit were RMB113.9 million (the corresponding period in 2013: RMB69.3 million). Employee costs include basic remuneration, incentive salary, social pension insurance, medical insurance, work-related injury insurance and other insurances required by the government. According to the Group's remuneration policy, the employees' income is linked to the performance of individual employee and the operation performance of the Group. The Group carried out performance assessment to stimulate employee initiatives, so as to enhance the operation efficiency of the Company.

Financial Review

Revenue

The revenue of our Group in 2014 was approximately RMB1,108.1 million, representing a decrease of approximately RMB177.9 million or 13.8% as compared to the corresponding period last year, which is mainly due to the decline of the average selling price in the global and domestic iron ore market, and the effect had been partly offset by the increase of the production volume and sales volume of the Group's products.

Cost of sales

The Group's cost of sales in 2014 was approximately RMB553.1 million, representing a decrease of approximately RMB22.2 million or 3.9% as compared to the corresponding period last year, which was mainly due to the decline of Jiheng Mining's iron ore concentrates cost and the increase of its proportion attributed.

Gross profit and gross profit margin

The Group's gross profit was approximately RMB555.1 million in 2014, representing a decrease of approximately RMB155.7 million or 21.9% as compared to the corresponding period last year; the Group's gross profit margin in 2014 slightly decreased to 50.1% from 55.3% as compared to the corresponding period last year, which was mainly due to the decline of the average unit selling price of iron ore concentrates, and the effect had been partly offset by the decline of the cost.

Sales and distribution expenses

Our Group's sales and distribution expenses in 2014 were approximately RMB16.6 million, representing an increase of approximately RMB11.8 million or 249.8% as compared to the corresponding period last year, which was mainly due to the Group's starting to take charge of part of the customers' products transportation so as to reduce the costs in total. Jiheng Mining started to deliver part of the products by railway and was in charge of the freight charge and Jingyuancheng Mining started to take charge of part of the customers' products transportation and the freight charge. Sales and distribution expenses included transportation expenses, personnel cost and other expenses.

Administrative expenses

The Group's administrative expenses were approximately RMB142.3 million in 2014, representing an increase of approximately RMB34.8 million or 32.4%. Administrative expenses included salaries paid to the management and administrative staff of the Group, depreciation and amortization, rental and office expenses, business development expenses, professional consulting and services expenses, taxation expenses, the bank commissions, provision for impairment of inventories, the provision for bad debts and other expenses.

Finance costs

The Group's finance costs in 2014 were approximately RMB40.0 million, representing an increase of approximately RMB13.5 million or 50.6%. Finance costs included interest expenses of bank borrowings, discounted expenses, other finance expenses and amortization of discounted expenses of long-term payables.

Income tax expenses

The Group's income tax expenses in 2014 amounted to approximately RMB96.2 million, decreased by approximately RMB50.5 million or 34.4% as compared to the corresponding period last year. The Group's effective tax rate calculated according to taxes charged to the consolidated statement of comprehensive income and profit before taxation for the year 2014 was approximately 26.2%, as compared to approximately 25.6% in the corresponding period last year. The reason for the increase was the expenses and loss incurred in the overseas business in the period were non-deductible for tax purposes. Income tax expenses included sum of current tax payable and deferred tax.

Profit for the year, total comprehensive income for the year and the profit attributable to owners of the Company

Based on the above reasons, the Group's profit for the year amounted to approximately RMB270.6 million, a decrease of approximately RMB155.1 million or 36.4% over the same period last year. The Group's net profit ratio was 24.4% for the year 2014, while that of the corresponding period last year was 33.1%. The decrease was mainly due to the comprehensive influence from the above factors.

For the year of 2014, total comprehensive income was approximately RMB274.2 million, representing a decrease of RMB145.8 million or 34.7% as compared to the corresponding period of last year.

The profit attributable to owners of the Company amounted to approximately RMB263.0 million, representing a decrease of approximately RMB134.5 million or 33.8% as compared to the corresponding period of last year.

Properties, plants and equipment

The net value of the Group's property, plant and equipment amounted to approximately RMB637.5 million as at 31 December 2014, representing an increase of RMB186.8 million or 41.4% as compared to the corresponding period of last year. Such increase was primarily due to the Jiheng Mining's acquisition of the wet processing plant and related assets in the period, the construction and the inauguration of Jingyuancheng Mining's dry processing plant with a processing capacity of 8.0 Mtpa as well as other sporadic construction.

Inventories

Inventories of the Group amounted to approximately RMB137.5 million as at 31 December 2014, representing an increase of approximately RMB96.2 million or 233.4% as compared to the corresponding period of last year. The increase was mainly due to the expansion of the production capacity of the Group and the inventory increase of iron ores, preliminary concentrates and ore concentrates caused by the sales strategy changes.

Trade and other receivables

The Group's trade receivables amounted to approximately RMB126.3 million as at 31 December 2014, representing an increase of approximately RMB71.3 million as compared to the corresponding period of last year, which was mainly due to the further development of new customers and grant of credit period of not more than six months by the Group to certain customers in good credit position and without inferior repayment history in the reporting period. The Group's other receivables amounted to approximately RMB25.8 million as at 31 December 2014, representing a decrease of approximately RMB2.8 million as compared to the corresponding period of last year.

Trade and other payables

The Group's trade payables amounted to approximately RMB74.4 million as at 31 December 2014, representing an increase of approximately RMB21.4 million as compared to the corresponding period of last year. Our Group's other payables amounted to approximately RMB120.0 million as at 31 December 2014, representing a decrease of approximately RMB28.5 million as compared to the corresponding period of last year.

Cash usage analysis

Summary of our Group's consolidated cash flow statement in 2014 is set out as follows.

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Net cash flow generated from operating activities	**137,478**	109,549
Net cash flow used in investing activities	**(716,028)**	(337,036)
Net cash flow (used in)/generated from financing activities	**(242,065)**	1,197,997
Net (decrease)/increase in cash and cash equivalents	**(820,615)**	970,510
Cash and cash equivalents at the beginning of year	**987,562**	22,668
Effect of foreign exchange rate changes on cash and cash equivalents	**484**	(5,616)
Cash and cash equivalents at the end of year	**167,431**	987,562

The net cash inflow from operating activities in 2014 was approximately to RMB137.5 million, which was mainly attributable to profit before taxation of RMB366.8 million and depreciation and amortisation of RMB96.0 million, and was partially offset by the increase of approximately RMB182.6 million in receivables and the payment of income tax of approximately RMB88.9 million. The acquisition of a wet processing plant by Jiheng Mingning during the reporting period with a total consideration of approximately RMB114.1 million, of which approximately RMB107.7 million were used to offset the sales debt owed by that company to the Group (without involving cash income and expenses), which resulted in the decrease in cash inflow of operating activities of the Group. Provided that such factors were considered, the Group's net cash flow of operating activities in 2014 shall be a net inflow of approximately RMB245.2 million.

The net cash outflow from investing activities in 2014 was approximately RMB716.0 million, which primarily reflected in the payment of approximately RMB264.5 million in the addition of new plants, machines and equipment and the acquisition of property for the production capacity expansion and the payment of approximately RMB462.7 million in the acquisition of intangible assets.

The net cash outflow from financing activities was approximately RMB242.1 million in 2014, which was mainly due to the new bank loans of approximately RMB110.0 million, the repayment of bank loans of approximately RMB220.0 million, the payment of approximately RMB118.0 million for the acquisition of 10% equity interest in Jiheng Mining.

Cash and borrowings

As at 31 December 2014, cash balance of the Group amounted to approximately RMB167.4 million, representing a decrease of approximately RMB820.1 million or 83.0% as compared to the corresponding period of last year.

As at 31 December 2014, bank borrowings balance of the Group was approximately RMB200.0 million, representing a decrease of RMB110.0 million as compared to the corresponding period of last year. The main reason for that was that Jiheng Mining utilized operating capital for repayment of two entrusted loans a total of RMB110.0 million in January 2014, RMB11.6 million of the proceeds raised from the listing was used for repayment of maturing bank loans in June 2014 and RMB98.4 million of the proceeds raised from the listing was used for early repayment of bank loans in July 2014.

Jiheng Mining borrowed a loan of RMB110.0 million on 15 July 2014 for the acquisition of underlying assets of Yaobeigou Iron Ore Mine.

Other than as disclosed above, the Group has no outstanding mortgages, pledges, bonds or other loan capital (whether issued or agreed to be issued), bank overdrafts, borrowings, acceptance liabilities or other similar liabilities, hire purchase and finance lease commitments, or any guarantees or other material contingent liabilities. The Directors have confirmed that, save as disclosed above, there is no material changes in the liabilities or contingent liabilities of the Group since 31 December 2014.

Gearing ratio

The gearing ratio of the Group decrease from approximately 35.7% on 31 December 2013 to approximately 29.8% on 31 December 2014, which is calculated by dividing the total debts by total assets.

Interest rate risk and foreign currency risk

The fair value interest rate risk of our Group is primarily related to the bank borrowings. The bank borrowings of the Group mostly expire within one year, therefor the fair value interest rate risk was low. The Company currently does not have an interest rate hedging policy. However, the management of the Group monitors interest rate risk and will consider to hedge significant interest rate risk when necessary.

The principal business of the Group is located in China and the principal operation and transactions are carried out in RMB. Substantially all of the assets and liabilities of the Group are denominated in RMB. Since RMB is not freely convertible, there is a risk that Chinese government may take actions to affect the exchange rate exposure, which may affect the Group's net assets, earnings and any dividends it declares if such dividends are translated into foreign currency. The Group had no hedging in respect of the exchange rate risk.

Significant acquisitions and disposals of subsidiaries and affiliated companies

The Group hasn't carried out any significant acquisition or disposal of subsidiaries and affiliated companies as at 31 December 2014.

Pledge of assets, contingent liabilities

The Group's bank borrowings are secured by the mining permit of Jiheng, and the aggregate net book value of the pledged mining rights accounts to approximately RMB105.4 million as at 31 December 2014.

The Group has no material contingent liabilities as at 31 December 2014.

Use of proceeds from the funds raised

A total of HKD1,225.1 million (equivalent to approximately RMB969.1 million) was raised from the listing of the Company. Expenses including commissions paid to the sponsor, underwriting fees and related professional fees amounted to approximately RMB71.1 million. As at 31 December 2014, the remaining fund raised from the listing of the Company amounted to approximately RMB141.7 million. The use of the fund utilized is mainly as follows: (i) approximately RMB488.2 million was used as the fund for the Company's expansion plan; (ii) RMB110.0 million was used for the repayment of the bank loan due to the China Construction Bank Corporation (Rongcheng Sub-branch); (iii) approximately RMB89.8 million was used as the replenishment of the working capital of the Company; and (iv) approximately RMB68.3 million was used for acquiring mine assets.

Future plan and outlook

Looking forward, the Group will continue to focus on raising the productivity and maintain our low-cost competitive advantage, increase resources and reserves through new exploration plan and expansion on coverage of mining licence.

The Company will actively explore and apply new technology and continue to maintain its core market competitiveness by way of increasing added value through adjustments of product structure.

While maintaining stable income from existing mines, the Group will leverage on the occasion when the industry is in its seasonal low to acquire mineral resources of high quality with prudent merger strategies and more attractive valuation, and continuously enlarge the resources reserve and the operational scale of the Group.

DIVIDEND

The Board of the Company does not recommend the payment of a final dividend for the year ended 31 December 2014.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2014.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding the Directors' dealings in the Company's securities. Specific enquiry has been made to all Directors of the Company and all Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2014.

COMPLIANCE OF THE CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions in the Corporate Governance Code (the "Corporate Governance Code") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. The Directors considered that the Company has complied with all the relevant code provisions of the Corporate Governance Code throughout the year ended 31 December 2014.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the annual results for the year ended 31 December 2014 and the financial statements for the year ended 31 December 2014.

COMPLIANCE OF THE DEED NON-COMPETITION

The Company has signed a deed of non-competition ("**Deed of Non-Competition**") with the controlling shareholders. In accordance with the Deed of Non-Competition, the independent non-executive Directors of the Company are responsible for reviewing and considering whether exercising the option for new business opportunities, preemptive right and the option for acquisitions as well as entitled to conduct annual review of implementation of the deed on behalf of the Company. During the year of 2014, each controlling shareholder of the Company has made its annual confirmation of compliance of the Deed of the Non-Competition respectively, and the independent non-executive Directors of the Company have also reviewed the implementation of the Deed of the Non-Competition, and confirmed that the controlling shareholders have fully abided by the Deed of Non-Competition without any breach.

SUBSEQUENT EVENTS

From 1 January 2015 to the latest practicable date before publication of this announcement, there are no major subsequent events occurring to the Group.

PUBLICATION OF 2014 ANNUAL REPORT

The 2014 Annual Report containing all relevant information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hengshimining.com) in due course.

By order of the Board
Hengshi Mining Investments Limited
Mr. Li Yanjun
Chairman

Beijing, 18 March 2015

As at the date of this announcement, the executive directors of the Company are Mr. Li Yanjun, Mr. Leung Hongying Li Ziwei (also known as Li Ziwei), Mr. Xia Guoan, Mr. Sun Jianhua, Mr. Huang Kai and Mr. Tu Quanping and the independent non-executive directors of the Company are Mr. Ge Xinjian, Mr. Meng Likun and Mr. Kong Chi Mo.