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 Cayman Islands with limited liability)

(Stock Code: 1370)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2015

FINANCIAL HIGHLIGHTS

The revenue of our Group in the first half of 2015 was approximately RMB455.9 million, representing a decrease of approximately RMB58.7 million or 11.4% as compared with the corresponding period last year.

The Group's gross profit was approximately RMB185.2 million in the first half of 2015, representing a decrease of approximately RMB118.7 million or 39.1% as compared with the corresponding period last year; the Group's gross profit margin in the first half of 2015 decreased to 40.6% from 59.0% as compared with the corresponding period last year.

The Group's profit for the period amounted to approximately RMB81.3 million, a decrease of approximately RMB100.5 million or 55.3% as compared with the corresponding period last year.

The basic earnings per share attributable to equity holders of the Company's ordinary shares was RMB0.05 per share, representing a decrease of RMB0.07 per share as compared with the same period last year.

The Board did not propose to distribute any interim dividend for the reporting period.

The board of directors (the "**Board**") of Hengshi Mining Investments Limited (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2015 (the "**Interim Results for 2015**"), together with the comparative figures for the corresponding period in 2014.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015 – unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2015	2014
	Note	***RMB'000***	*RMB'000*
Revenue	*5*	**455,926**	514,665
Cost of sales		**(270,773)**	(210,767)
Gross profit		**185,153**	303,898
Distribution costs		**(14,895)**	(2,593)
Administrative expenses		**(50,537)**	(49,231)
Profit from operations		**119,721**	252,074
Finance income	*6(a)*	**3,179**	7,016
Finance costs	*6(a)*	**(15,037)**	(15,953)
Net finance costs	*6(a)*	**(11,858)**	(8,937)
Profit before taxation	*6*	**107,863**	243,137
Income tax	*7*	**(26,541)**	(61,300)
Profit for the period		**81,322**	181,837
Other comprehensive income for the period			
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		**(76)**	(4,179)
Total comprehensive income for the period		**81,246**	177,658
Profit attributable to:			
Equity shareholders of the Company		**81,322**	174,275
Non-controlling interests		**–**	7,562
Profit for the period		**81,322**	181,837
Total comprehensive income attributable to:			
Equity shareholders of the Company		**81,246**	170,096
Non-controlling interests		**–**	7,562
Total comprehensive income for the period		**81,246**	177,658
Earnings per share			
Basic and diluted (RMB)	*8*	**0.05**	0.12

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2015 – unaudited
(Expressed in Renminbi)

	Note	**30 June 2015** *RMB'000*	31 December 2014 *RMB'000*
Non-current assets			
Property, plant and equipment, net	*9*	**631,613**	637,522
Construction in progress	*10*	**287,587**	225,711
Lease prepayments		**146,692**	153,931
Intangible assets	*11*	**801,634**	819,302
Long-term receivables		**40,960**	33,960
Prepayments		**50,898**	23,105
Deferred tax assets		**17,314**	11,415
Total non-current assets		**1,976,698**	1,904,946
Current assets			
Inventories	*12*	**119,206**	137,482
Trade and other receivables	*13*	**123,693**	152,137
Cash and cash equivalents		**190,490**	167,431
Total current assets		**433,389**	457,050
Current liabilities			
Short-term borrowings and current portion of long-term borrowings	*14*	**200,000**	100,000
Trade and other payables	*15*	**159,098**	194,421
Current taxation		**9,880**	18,839
Current portion of long-term payables	*16*	**56,365**	54,766
Current portion of accrued reclamation obligations		**5,935**	5,469
Total current liabilities		**431,278**	373,495
Net current assets		**2,111**	83,555
Total assets less current liabilities		**1,978,809**	1,988,501
Non-current liabilities			
Long-term borrowings, less current portion	*14*	**–**	100,000
Long-term payables, less current portion	*16*	**182,286**	177,133
Accrued reclamation obligations, less current portion		**46,298**	42,389
Deferred tax liabilities		**15,661**	11,718
Total non-current liabilities		**244,245**	331,240
NET ASSETS		**1,734,564**	1,657,261
CAPITAL AND RESERVES			
Share capital		**120**	120
Reserves		**1,734,444**	1,657,141
TOTAL EQUITY		**1,734,564**	1,657,261

NOTES

(Expressed in Renminbi unless otherwise indicated)

1 CORPORATE INFORMATION

Hengshi Mining Investments Limited (the "Company") was incorporated in the British Virgin Islands 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 in the People's Republic of China ("PRC").

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.

2 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), including compliance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("IASB").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. Details of these changes in accounting policies are set out in note 3.

The interim financial report is unaudited, but has been reviewed by KPMG 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 Hong Kong Institute of Certified Public Accountants.

The financial information for the year ended 31 December 2014 is extracted from the audited financial statements as set out in the Company's 2014 Annual Report. The unaudited condensed consolidated interim financial information should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2014.

3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued the following amendments to International Financial Reporting Standards ("IFRSs") that are first effective for the current accounting period of the Group and the Company.

- *Annual improvements to IFRSs 2010-2012 Cycle*
- *Annual improvements to IFRSs 2011-2013 Cycle*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 SEGMENT REPORTING

The Group has one business segment, the mining, processing and sale of iron ore products. All of the Group's 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.

5 REVENUE

The Group is principally engaged in the mining, processing and sale of iron ores, 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:

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Iron ore concentrates	**430,119**	260,786
Preliminary concentrates	**24,471**	21,598
Iron ores	**1,190**	232,279
Others	**146**	2
	455,926	514,665

During the six months ended 30 June 2015, there were two customers with whom transactions have exceeded 10% of the Group's revenue (six months ended 30 June 2014: three customers) and revenue from sale of iron ore products to these customers amounted to RMB348,173,000 (six months ended 30 June 2014: RMB253,129,000).

6 PROFIT BEFORE TAXATION

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

(a) Net finance costs:

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Interest income	**(3,179)**	(7,016)
Finance income	**(3,179)**	(7,016)
Interest on interest-bearing borrowings	**6,717**	6,483
Unwinding interest on		
– long-term payables	**6,752**	7,885
– accrued reclamation obligations	**1,567**	1,532
Foreign exchange loss, net	**1**	53
Finance costs	**15,037**	15,953
Net finance costs	**11,858**	8,937

During the six months ended 30 June 2015, no borrowing costs were capitalised in relation to construction in progress (six months ended 30 June 2014: RMB nil).

(b) Staff costs:

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**38,980**	42,519
Retirement scheme contributions	**5,029**	4,690
	44,009	47,209

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:

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Cost of inventories#	**270,773**	210,767
Depreciation and amortisation	**57,506**	43,303
Net (gain)/losses on disposal of property, plant and equipment	**(26)**	306
Operating lease charges	**2,118**	1,201

During the six months ended 30 June 2015, production stripping costs recognised in profit or loss as part of cost of inventories amounted to RMB105,080,000 (six months ended 30 June 2014: RMB107,882,000).

7 INCOME TAX

(a) Income tax in the consolidated statement of profit or loss and other comprehensive income represents:

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Current tax		
Provision for PRC enterprise income tax	**32,440**	64,813
Deferred tax		
Origination and reversal of temporary differences	**(5,899)**	(3,513)
	26,541	61,300

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

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Profit before taxation	**107,863**	243,137
Notional tax on profit before taxation, calculated at tax rate of 25% *(note (i))*	**26,966**	60,784
Differential tax rates on subsidiaries' income	**(1,331)**	(651)
Tax effect of non-deductible items	**59**	162
Tax effect of unused tax losses not recognised	**847**	1,005
Actual tax expense	**26,541**	61,300

Note:

(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 the PRC, the enterprise income tax rate applicable to the Group is 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 periods 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.

8 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company for the six months ended 30 June 2015 of RMB81,322,000 (six months ended 30 June 2014: RMB174,275,000) and the weighted average number of shares in issue during the six months ended 30 June 2015 of 1,507,843,000 shares (six months ended 30 June 2014: 1,507,843,000 shares).

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

9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, additions of property, plant and equipment of the Group, representing mainly processing plant and mining related machinery and equipment and various mine properties, amounted to RMB12,873,000 (six months ended 30 June 2014: RMB104,858,000). Items of property, plant and equipment with a carrying amount of RMB512,000 were disposed of during the six months ended 30 June 2015 (six months ended 30 June 2014: RMB615,000). As at 30 June 2015, mine properties include capitalised stripping activity asset with a carrying amount of RMB40,618,000 (31 December 2014: RMB48,288,000).

10 CONSTRUCTION IN PROGRESS

Construction in progress is mainly related to stripping activity asset, processing plant and mining related machinery and equipment.

During the six months ended 30 June 2015, stripping costs of RMB30,643,000 incurred during the development phase of the Group's mines were capitalised as stripping activity asset (six months ended 30 June 2014: RMB51,587,000). As at 30 June 2015, the carrying amount of capitalised development stripping costs amounted to RMB249,475,000 (31 December 2014: RMB218,832,000).

11 INTANGIBLE ASSETS

Intangible assets represent 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. in 2010 and 2011 and by Laiyuan County Jiheng Mining Co., Ltd. in 2014 from nearby iron ore mines, respectively.

As at 30 June 2015, the Group's bank loans were secured by the mining right of Laiyuan County Jiheng Mining Co., Ltd. with a carrying amount of approximately RMB92,586,000 (31 December 2014: RMB105,362,000).

12 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	30 June 2015 *RMB'000*	31 December 2014 *RMB'000*
Weakly mineralised wall rock#	**37,590**	53,979
Iron ores	**28,542**	17,299
Preliminary concentrates	**13,621**	16,106
Iron ore concentrates	**17,503**	29,573
	97,256	116,957
Consumables and supplies	**21,950**	20,525
	119,206	137,482

\# 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 profit or loss and other comprehensive income is as follows:

	Six months ended 30 June	
	2015 *RMB'000*	2014 *RMB'000*
Carrying amount of inventories sold	**270,773**	210,767

13 TRADE AND OTHER RECEIVABLES

	30 June 2015 RMB'000	31 December 2014 RMB'000
Accounts receivable	**98,171**	110,589
Bills receivable	**4,000**	15,700
Trade receivables *(note (i))*	**102,171**	126,289
Other receivables *(note (iv))*	**21,522**	25,848
	123,693	152,137

Note:

(i) Ageing analysis

The ageing analysis of trade receivables is as follows:

	30 June 2015 RMB'000	31 December 2014 RMB'000
Current	**102,171**	126,289

The Group generally delivers goods to its customers after receiving full payments in advance. Under certain circumstances, a credit period of up to 180 days is granted to customers that have good track record with Group and in good credit condition.

(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:

	30 June 2015 RMB'000	31 December 2014 RMB'000
Neither past due nor impaired	**102,171**	126,289

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 position. 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

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
Prepayments and deposits[#]	**18,859**	21,440
Value added tax recoverable	**1,493**	3,682
Amounts due from a related party	**192**	–
Others	**978**	726
	21,522	25,848

[#] Prepayments and deposits mainly represent advance payments made to and deposits placed with the Group's suppliers.

As at 30 June 2015, other than deposits amounted to RMB2,284,000 (31 December 2014: RMB2,384,000), 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.

14 BORROWINGS

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

	30 June 2015		31 December 2014	
	Interest rate per annum		Interest rate per annum	
	%	***RMB'000***	%	*RMB'000*
Renminbi denominated				
Short-term borrowings:				
– secured bank loans	**5.41**	**100,000**	–	–
Current portion of long-term borrowings:				
– secured bank loans *(note (i))*	**6.95**	**100,000**	6.15~6.95	100,000
		200,000		100,000

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

	30 June 2015 Interest rate per annum	30 June 2015	31 December 2014 Interest rate per annum	31 December 2014
	%	*RMB'000*	*%*	*RMB'000*
Renminbi denominated				
Long-term borrowings:				
– secured bank loans *(note (i))*	**–**	**–**	6.95	100,000

Note:

(i) As at 30 June 2015, the Group had banking facilities secured by the mining right of Laiyuan County Jiheng Mining Co., Ltd. with a carrying amount of approximately RMB92,586,000 (31 December 2014: RMB105,362,000). Such banking facilities amounted to RMB220,000,000 (31 December 2014: RMB220,000,000). The facilities were utilised to the extent of RMB200,000,000 (31 December 2014: RMB200,000,000).

(ii) As at 30 June 2015, no borrowings were subject to financial covenants.

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

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
Within 1 year	**200,000**	100,000
After 1 year but within 2 years	**–**	100,000
	200,000	200,000

15 TRADE AND OTHER PAYABLES

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
Trade payables *(note (i))*	**82,574**	74,388
Receipts in advance *(note (ii))*	**7,989**	18,753
Payables for construction work, equipment purchase and others	**30,517**	50,588
Other taxes payable	**7,838**	25,665
Amounts due to a related party	**890**	–
Others *(note (iii))*	**29,290**	25,027
	159,098	194,421

Note:

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

(ii) Receipts in advance represent advance payments received from 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 30 June 2015, all of the other payables were expected to be settled within one year or are repayable on demand.

16 LONG-TERM PAYABLES

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
Payables for acquisition of mining rights	**238,651**	231,899
Less: current portion of long-term payables	**56,365**	54,766
	182,286	177,133

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 starting from 2012.

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

The carrying amounts of 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:

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
Within 1 year	**56,365**	54,766
After 1 year but within 2 years	**56,153**	54,561
After 2 years but within 5 years	**115,889**	112,763
After 5 years	**10,244**	9,809
	238,651	231,899

17 COMMITMENTS AND CONTINGENCIES

(a) Capital commitments

Capital commitments outstanding not provided for comprise:

	30 June 2015 *RMB'000*	31 December 2014 *RMB'000*
Contracted for		
– property, plant and equipment	**38,427**	7,782
Authorised but not contracted for		
– property, plant and equipment	**13,630**	25,646
– stripping activity asset	**58,274**	88,917
– exploration and evaluation asset	**–**	–
	110,331	122,345

(b) Operating lease commitments

(i) The total future minimum lease payments under non-cancellable operating leases were payable as follows:

	30 June 2015 *RMB'000*	31 December 2014 *RMB'000*
Within 1 year	**4,060**	3,990
After 1 year but within 5 years	**1,806**	3,789
	5,866	7,779

(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 and/or has not accrued any amounts for environment 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 clean-up 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 not determinable 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 relevant PRC laws and regulations. Under such laws and regulations, the Group has fully fulfilled their responsibilities in paying the respective levies during the periods presented. The directors are of the opinion that the Group had no other material obligations or liabilities of such levies as at 30 June 2015.

18 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

On 7 July 2015, Laiyuan County Jiheng Mining Co., Ltd., a 100% owned subsidiary of the Group, entered into an asset acquisition agreement to acquire the tailing dam and substation located in Yangjiazhuang Town, Laiyuan County of Hebei Province from an independent third party for a total cash consideration of RMB39,237,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

In the first half of 2015, the Chinese economy has entered into a "new normal state" of medium to high growth. According to the National Bureau of Statistics, the GDP increased by 7.0% in the first half of 2015, which was the lowest half-year growth rate during the past 10 years. This indicates that the Chinese economy is experiencing a larger scale of "shift and slow down" process than ever before. Under the influence of the adjustment of domestic economic structure, a declining property market and slowdown in the growth of fixed asset investment, the demand for domestic iron and steel industry remains constantly weak. In the meantime, the high environmental, leverage and financial cost of steel enterprises have eroded the profit of the steel industry.

Meanwhile, increased low cost productivity brought by the substantial capital expenditure of large international mining companies since 2008 had continuously added to the supply of iron ore market, and the pessimistic estimation of domestic steel industry and the non-equilibrium of supply and demand resulted in a high level of fluctuation of iron ore price in the first half of 2015. Affected by seasonal factors in the first quarter, among all others, such as reduction in demand, decreasing output of iron factories and destocking in the mid-level of supply chain, the iron ore price continued to decline. In the second quarter, there was a seasonal rebound of iron ore price, contributed by the operational resumption of iron factories and inventories, together with increasing production crude ore. In mid of June, however, the commodity prices slumped because of the continuous fluctuation of the domestic financial market, and the Platts Iron Ore Index (62%) reached a new low of US$44.5/t in early July. As the iron ore price continue to decrease while the production costs rise, large numbers of Chinese small and medium scale iron ore producers are facing reduction of output, shutting down of production or exit from the market.

Facing the tough market, each of the operating companies of the Group take positive measures including adjustment of the middle and long term plan of exploration and improvement of the grade of iron ore to further reduce cash operating cost and maintain the Group's low cost competitiveness. Meanwhile, the Group is able to control operation risk by strengthening the transportation management, actively controlling the account period of receivables and reducing the credit to single customer.

Business Review

Sales of Iron ore Concentrates Reached New Record High

Through mine infrastructure projects, enhanced production capacity brought by the advancement of dry processing technique, and commencement of operation of the new wet processing plant of Jiheng Mining, the Group's iron ore concentrates production volume reached record high. For the six months ended 30 June 2015, the Group's production volume of iron ore concentrates reached 891.2 thousand tonnes (corresponding period in 2014: 522.4 thousand tonnes), a year-on-year growth of approximately 70.6%. The sales volume of iron ore concentrates reached approximately 956.5 thousand tonnes (corresponding period in 2014: 354.5 thousand tonnes), a year-on-year growth of approximately 169.8%.

The following table sets forth a breakdown of the production and sales volumes of each of the operating subsidiary of the Group:

	For the 6 months ended 30 Jun Output(Kt)			For the 6 months ended 30 Jun Sales Volume(Kt)			For the 6 months ended 30 Jun Average selling price(RMB)		
The Group	**2015**	2014	*% change*	**2015**	2014	*% change*	**2015**	2014	*% change*
Jiheng Mining									
Iron ores	**1,996.95**	1,152.69	73.24%	**9.52**	1,109.75	–99.14%	**125.00**	209.31	–40.28%
Preliminary concentrates	**1,091.01**	463.88	135.19%	**217.27**	152.63	42.35%	**112.63**	141.51	–20.41%
Iron ore concentrates(1)	**517.28**	96.74	434.71%	**580.53(2)**	97.42	495.90%(2)	**434.74**	705.06	–38.34%
Jingyuancheng Mining									
Iron ores	**3,724.60**	3,996.49	–6.80%	**N/A**	N/A	N/A	**N/A**	N/A	N/A
Preliminary concentrates	**1,287.76**	1,373.55	–6.25%	**N/A**	N/A	N/A	**N/A**	N/A	N/A
Iron ore concentrates(1)	**283.11**	302.54	–6.42%	**251.26(2)**	175.65	43.05%(2)	**489.86**	755.49	–35.16%
Xinxin Mining									
Iron ores	**959.99**	1,569.72	–38.84%	**N/A**	N/A	N/A	**N/A**	N/A	N/A
Preliminary concentrates	**337.82**	571.03	–40.84%	**N/A**	N/A	N/A	**N/A**	N/A	N/A
Iron ore concentrates(1)	**90.79**	123.13	–26.26%	**124.69**	81.38	53.22%	**438.37**	729.85	–39.94%
Total									
Iron ore concentrates	**891.18**	522.41	70.59%	**956.48(2)**	354.45	169.85%(2)	**449.69**	735.74	–38.88%

Notes:

(1) The TFe grade of iron ore concentrates sold by Jiheng Mining was 63% and the TFe grade of iron ore concentrates sold by Jingyuancheng Mining and Xinxin Mining was 66%.

(2) The figure of 580.00 Kt for the Jiheng Mining's sales amount of iron ore concentrates, 254.72 Kt for the Jingyuancheng Mining's sales amount of iron ore concentrates and total sales amount of 959.41 Kt of iron ore concentrates, as well as the corresponding increasing rate of 495.33%, 45.01% and 170.67% stated in the announcement published on 28 July 2015 are preliminary reviewed by the Company, After final verification, please refer to the figure stated in the table above.

Continued to maintain the competitive strengths of low cost operation advantage

Our favourable ores quality and geological conditions, well-designed mining plan and well-equipped processing facilities enabled us to continue to maintain market leading position in low cost operation.

As at 30 June 2015, the cash operating costs of iron ore concentrates were approximately RMB240.7 per tonne, representing a decrease of approximately RMB178.6 or approximately 42.6% as compared with the corresponding period last year, mainly due to the commencement of operation of a new wet processing plant of Jiheng Mining at the end of June 2014, which brought out an increase in the share of Jiheng Mining's low cost iron ore concreates, as well as the fine management and stringent cost control by the Company. The Group will continue to maintain its low cost operation advantage in the future against the risks arising from price fluctuation of iron ore concentrates.

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, etc. The annual mining capacity of Zhijiazhuang Mine was 3.30 Mtpa, and the dry processing capacity and the wet processing capacity were 4.20 Mtpa and 1.80 Mtpa respectively, as at 30 June 2015.

Zhijiazhuang Mine had not conducted new exploration activities in the Reporting Period, and had no exploration expenses.

The following table sets forth a breakdown of production of Zhijiazhuang Mine:

		For the six months ended 30 June		
Item	**Unit**	**2015**	2014	*% change*
Mines				
Of which: ≥8%TFe raw ores	Kt	**1,996.95**	1,152.69	73.24%
8%-5%TFe raw ores(1)	Kt	**0.00**	2,250.82	–100.00%
Stripping in production	Kt	**852.92**	1,699.34	–49.81%
Stripping ratio in production	t/t	**0.43**	0.50	–14.00%
Dry processing				
Raw ore feed	Kt	**2,237.68**	1,805.55	23.93%
Preliminary concentrates output	Kt	**1,091.01**	463.88	135.19%
By-product feed/preliminary concentrates output	t/t	**2.05**	3.89	–47.30%
Wet processing				
Preliminary-concentrate Feed	Kt	**940.58**	240.37	291.31%
Iron ore concentrates Output	Kt	**517.28**	96.74	434.71%
Preliminary concentrates feed/iron ore concentrates output	t/t	**1.82**	2.48	–26.61%

Note:

(1) Weakly mineralised wall rocks were counted as rocks in calculating stripping ratio.

In the first half of 2015, in response to the market change, Jiheng Mining terminated recycling weakly mineralised wall rocks, improved the milling grade of concentrating mill, and lowered the comprehensive processing ratio. The unutilized weakly mineralised wall rocks will be recycled when the iron ore concentrates price rises.

The following table sets forth a breakdown of cash operating costs of preliminary-concentrate and iron ore concentrates of Zhijiazhuang Mine:

Iron ore

	For the six months ended 30 June		
Unit: RMB per ton of iron ore	**2015**	2014	*% change*
Mining costs	**12.13**	15.67	–22.59%
Administrative expenses	**3.31**	3.63	–8.82%
Distribution costs	**1.65**	1.65	0.00%
Taxation	**6.09**	11.28	–46.01%
Total	**23.18**	32.23	–28.08%

A decrease in the unit cash operating cost of iron ore was primarily due to adjustment of production plan and improvement of the mining grade by Jiheng Mining in response to the market condition, as well as lower resources tax.

Preliminary-concentrate

	For the six months ended 30 June		
Unit: RMB per ton of preliminary concentrates	**2015**	2014	*% change*
Mining costs	**24.88**	60.99	–59.21%
Dry processing costs	**11.66**	23.95	–51.32%
Administrative expenses	**6.78**	14.12	–51.98%
Distribution costs	**1.48**	1.62	–8.64%
Taxation	**10.08**	16.03	–37.12%
Total	**54.88**	116.71	–52.98%

A decrease in the unit cash operating cost of preliminary concentrates sold by Jiheng Mining was primarily due to lower resources tax and an increase in output resulting from decreased processing ratio and improved dry processing efficiency, owning to an increase in the grade of iron ores as raw materials since Jiheng Mining terminated producing preliminary concentrates from weakly mineralized wall rocks in the Reporting Period.

Iron ore concentrates

Unit: RMB per ton of iron ore concentrates	For the six months ended 30 June **2015**	 2014	 *% change*
Mining costs	**45.23**	155.15	–70.85%
Dry processing costs	**21.20**	60.92	–65.20%
Wet processing costs	**53.63**	174.99	–69.35%
Administrative expenses	**12.34**	35.92	–65.65%
Distribution costs	**14.11**	5.28	167.23%
Taxation	**19.13**	40.61	–52.89%
Total	**165.64**	472.87	–64.97%

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 the corresponding period in 2014), as well as a resources tax reduction.

In the first half of 2015, the capital expenditure of Zhijiazhuang Mine in 2014 was approximately RMB43.1 million, mainly due to the expenditure of RMB30.0 million to purchase the assets of tailings reservoir and transformer substation, a final payment of RMB10.0 million to purchase the mining rights, and RMB3.1 million on technology upgrade and other sporadic constructions.

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 licenses for Wang'ergou Mine and Shuanmazhuang Mine are respectively 1.5287 sq.km. and 2.1871 sq.km. Wang'ergou and Shuanmazhuang have comprehensive basic infrastructures such as water, electricity and highway. As at 30 June 2015, 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.

Wang'ergou Mine and Shuanmazhuang Mine had not conducted new exploration activities in the Reporting Period, and had no exploration expenses.

The following table sets forth a breakdown of the production of Wang'ergou Mine and Shuanmazhuang Mine:

Item	Unit	As at 30 June **2015**	 2014	*% of change*
Mines				
Ore production	Kt	**3,724.60**	3,996.49	–6.80%
Infrastructure and stripping	Kt	**3,469.90**	3,869.88	–10.34%
Stripping in production	Kt	**1,055.67**	1,857.93	–43.18%
Stripping ratio in production	t/t	**0.28**	0.46	–39.13%
Dry Processing				
Raw ore feed	Kt	**3,466.72**	3,659.34	–5.26%
Preliminary concentrates output	Kt	**1,287.76**	1,373.55	–6.25%
By-product feed/preliminary concentrates output	t/t	**2.69**	2.66	1.13%
Wet Processing				
Pre-Concentrate Feed	Kt	**1,247.33**	1,353.69	–7.86%
Iron ore concentrates output	Kt	**283.11**	302.54	–6.42%
Preliminary concentrates feed/iron ore concentrates output	t/t	**4.41**	4.47	–1.34%

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

Iron ore concentrates

Unit: RMB per tonne of iron ore concentrates	As at 30 June **2015**	 2014	*% of change*
Mining costs	**88.53**	146.39	–39.52%
Dry processing costs	**62.87**	62.91	–0.06%
Wet processing costs	**98.34**	121.22	–18.87%
Administrative expenses	**41.36**	35.87	15.31%
Distribution costs	**22.46**	–	N/A
Taxation	**24.13**	32.68	–26.16%
Total	**337.69**	399.07	–15.38%

A change in the unit cash operating cost of iron ore concentrates was primarily due to lower mining and concentration cost resulting from increased mining grade, properly adjusted stripping ratio and the lower tax liability as a result of decreased resources tax. Meanwhile, Jingyuancheng Mining began to take charge of part of the customers' products transportation so as to reduce the overall costs.

In the first half of 2015, the capital expenditure of Wang'ergou Mine and Shuanmazhuang Mine was approximately RMB68.5 million, including the expenditure of RMB16.8 million on infrastructural stripping projects, RMB43.8 million on dry processing technology upgrade, RMB3.7 million on the water processing infrastructure, RMB2.7 million on the construction of Dabugou tailings reservoir and RMB1.5 million on other sporadic constructions.

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, etc. As at 30 June 2015, Gufen Mine's annual 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.

Gufen Mine had not conducted new exploration activities in the Reporting Period, and had no exploration expenses.

The following table sets forth a breakdown of the production of Gufen Mine:

		For the six months ended 30 June		
Item	**Unit**	**2015**	2014	*% change*
Mines				
Ore production	Kt	**959.99**	1,569.72	–38.84%
Infrastructure and stripping	Kt	**2,384.98**	3,255.05	–26.73%
Stripping in production	Kt	**423.24**	928.76	–54.43%
Stripping ratio in production	t/t	**0.44**	0.59	–25.42%
Dry processing				
Raw ore feed	Kt	**980.12**	1,495.30	–34.45%
Preliminary concentrates output	Kt	**337.82**	571.03	–40.84%
Raw Ore Feed/preliminary concentrates output	t/t	**2.90**	2.62	10.69%
Wet processing				
Preliminary – Feed	Kt	**338.16**	533.12	–36.57%
Iron ore concentrates Output	Kt	**90.79**	123.13	–26.26%
Preliminary concentrates Feed/ iron ore concentrates output	t/t	**3.72**	4.33	–14.09%

The following table sets forth a breakdown of cash operating costs of iron ore concentrates in Gufen Mine:

Unit: RMB per ton of iron ore concentrates	For the six months ended 30 June 2015	2014	% change
Mining costs	**91.89**	150.30	–38.86%
Dry processing costs	**59.90**	64.46	–7.07%
Wet processing costs	**109.19**	119.27	–8.45%
Administrative expenses	**79.00**	59.47	32.84%
Distribution costs	**0.06**	–	N/A
Taxation	**25.39**	33.26	–23.66%
Total	**365.43**	426.76	–14.37%

Lower unit cash operating cost of the iron ore concentrates was mainly due to lower mining and concentration costs resulting from increased mining grade, properly adjusted stripping ratio and the lower general tax liability as a result of lower resources tax.

In the first half of 2015, the capital expenditure of Gufen Mine was RMB13.9 million, mainly due to the expenditure of RMB13.2 million on the infrasturctural stripping projects and RMB0.7 million on the technology upgrade of dry processing plant.

Safety and Environmental Protection

The Group established a production safety management department specifically 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 into a socially responsible enterprise with high safety awareness. During the first half of 2015, 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 impact of the policies to our business, the Group will closely monitor the latest regulatory requirements and introduce appropriate environmental measures to our operation and production from time to time.

Financial Review

Revenue

The revenue of our Group in the first half of 2015 was approximately RMB455.9 million, representing a decrease of approximately RMB58.7 million or 11.4% as compared to the corresponding period last year. The reduction is mainly due to the decrease in 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 the first half of 2015 was approximately RMB270.8 million, representing an increase of approximately RMB60.0 million or 28.5% as compared to the corresponding period last year, which was mainly due to the significant increase of the Group's iron ore concentrates production volume and sale volume.

Gross profit and gross profit margin

The Group's gross profit was approximately RMB185.2 million in the first half of 2015, representing a decrease of approximately RMB118.7 million or 39.1% as compared to the corresponding period last year; the Group's gross profit margin in the first half of 2015 decreased to 40.6% from 59.0% as compared to the corresponding period last year, which was mainly due to the reduction of the average unit selling price of various kinds of sale products, and the effect had been partly offset by the cost reduction.

Distribution costs

The Group's distribution costs in the first half of 2015 were approximately RMB14.9 million, representing an increase of approximately RMB12.3 million or 474.4% 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. 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 include transportation expenses, labor cost and other expenses.

Administrative expenses

The Group's administrative expenses were approximately RMB50.5 million in the first half of 2015, representing an increase of approximately RMB1.3 million or 2.7% as compared to the corresponding period last year. Administrative expenses include 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, bank commissions, provision for impairment of inventories, the provision for bad debts and other expenses.

Finance costs

The Group's finance costs in the first half of 2015 were approximately RMB15.0 million, representing a decrease of approximately RMB0.9 million or 5.7% as compared to the corresponding period last year. Finance costs include 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 the first half of 2015 amounted to approximately RMB26.5 million, decreased by approximately RMB34.8 million or 56.7% as compared to the corresponding period last year. The Group's effective tax rate calculated according to income tax expenses charged to the consolidated statement of profit or loss and other comprehensive income and profit before taxation for the first half year of 2015 was approximately 24.6%, as compared to approximately 25.2% in the corresponding period last year.

Profit for the period, total comprehensive income of the Group for the period

Based on the above reasons, the Group's profit for the period amounted to approximately RMB81.3 million, a decrease of approximately RMB100.5 million or 55.3% over the corresponding period last year. The Group's net profit ratio was 17.8% for the first half year of 2015, while that of the corresponding period last year was 35.3%. The decrease was mainly due to the combined effects of the above factors.

Properties, plants and equipment

The net value of the Group's property, plant and equipment amounted to approximately RMB631.6 million as at 30 June 2015, representing a decrease of approximately RMB5.9 million or 0.9% as compared to the end of last year.

Inventories

Inventories of the Group amounted to approximately RMB119.2 million as at 30 June 2015, representing a decrease of approximately RMB18.3 million or 13.3% as compared to the end of last year. The decrease was mainly due to the Group's taking active marketing and low inventory strategy against the current market condition.

Trade and other receivables

The Group's trade receivables amounted to approximately RMB102.2 million as at 30 June 2015, representing a decrease of approximately RMB24.1 million as compared to the end of last year, which was mainly due to the active marketing and payment strategy taken by the group in dealing with the current market condition in the Reporting Period. The Group's other receivables amounted to approximately RMB21.5 million as at 30 June 2015, representing a decrease of approximately RMB4.3 million as compared to the end of last year.

Trade and other payables

The Group's trade payables amounted to approximately RMB82.6 million as at 30 June 2015, representing an increase of approximately RMB8.2 million as compared to the end of last year. Our Group's other payables amounted to approximately RMB76.5 million as at 30 June 2015, representing a decrease of approximately RMB43.5 million as compared to the end of last year.

Cash usage analysis

Summary of our Group's consolidated cash flow statement in the first half of 2015 is set out as follows.

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Net cash flow generated from/(used in) operating activities	**167,270**	(110,639)
Net cash flow used in investing activities	**(137,417)**	(112,674)
Net cash flow used in financing activities	**(6,717)**	(246,083)
Net increase/(decrease) in cash and cash equivalents	**23,136**	(469,396)
Cash and cash equivalents at the beginning of the period	**167,431**	987,562
Effect of foreign exchange rate changes on cash and cash equivalents	**(77)**	(4,232)
Cash and cash equivalents at the end of the period	**190,490**	513,934

For the six months ended 30 June 2015, net cash generated from operating activities amounted to RMB167.3 million. Despite that the Group was influenced by declining price of iron ores in the market, profit from operations of RMB119.7 million was lower than the corresponding period last year, benefited from strict working capital management (measures including renegotiating payment terms with long-term customers and suppliers in order to collect RMB31.5 million net working capital investments previously made, etc.) and after adjustments for non-cash costs (e.g. depreciation and amortization of 57.5 million, etc.) and income tax paid of RMB41.4 million, the Group recorded a healthy net cash inflow despite of the current market condition.

The net cash outflow from investing activities in the first half of 2015 was approximately RMB137.4 million, which primarily represented cash paid for infrastructural stripping projects of RMB30.0 million by Jingyuancheng Mining and Xinxin Mining, acquisition consideration of RMB30.0 million for the acquisition of tailings reservoir and transformer substation in 2015 and RMB10.0 million for the acquisition of mining right in 2014 by Jiheng Mining, respectively, and dry processing technical upgrade and other sporadic construction projects of RMB55.5 million by the Group in total.

The net cash outflow from financing activities was approximately RMB6.7 million in the first half of 2015, which was mainly due to the new bank loans of approximately RMB100.0 million, the repayment of bank loans and interests of approximately RMB106.7 million.

Cash and borrowings

As at 30 June 2015, cash balance of the Group amounted to approximately RMB190.5 million, representing an increase of approximately RMB23.1 million or approximately 13.8% as compared to the end of last year.

As at 30 June 2015, bank borrowings balance of the Group was approximately RMB200.0 million, which remains flat as compared to the end of last year.

Save 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 change in the liabilities and contingent liabilities of the Group since 30 June 2015.

As at 30 June 2015, the overall financial status of the Group is sound and stable.

Gearing ratio

The gearing ratio of the Group decreased from approximately 29.8% on 31 December 2014 to approximately 28.0% on 30 June 2015, 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, therefore 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 the PRC 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 and disposal of subsidiaries and affiliated companies as at 30 June 2015.

Pledge of assets, contingent liabilities

The Group's bank loans were secured by the mining rights of Jiheng, and the aggregate net book value of the pledged mining rights amounted to approximately RMB92.6 million as at 30 June 2015.

The Group had no material contingent liabilities as at 30 June 2015.

Use of proceeds from the funds raised

A total of HK$1,225.1 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 30 June 2015, 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 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

According to the National Bureau of Statistics, the production volume of crude steel in the first half of 2015 was approximately 410.0 Mt, representing a decrease of 1.3% as compared with corresponding period last year. Meanwhile, the new low-cost productivity of large international companies is continuously adding to the supply of iron ore market, weighing on iron ore price, which has negative influence on the Company's operation.

In dealing with the price pressure, the Group will focus on improving productivity by strict control of capital expenditure and improvement of the efficiency of operation and management to enhance the Group's profitability and cash flow, achieving sustainable development.

In the meantime, to achieve breakthrough of increment growth, the Group will also pay proper attention to industrial opportunity of merge and consolidation, and develop new products in response to the changes of market condition.

SHARE OPTION SCHEME

As at the date of this announcement, the Company did not adopt any share option scheme.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE "MODEL CODE")

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding the dealings in the Company's securities by the Directors. Specific enquiry has been made to all Directors and all Directors confirmed that they have complied with the code of conduct and the required standard set out in the Model Code regarding directors' securities transactions for the six months ended 30 June 2015.

COMPETING BUSINESS AND CONFLICTS OF INTERESTS

As at 30 June 2015, none of the Directors, management shareholders or substantial shareholders of the Company or any of their respective associates (as defined under the Listing Rules) is engaged in any business which competes or is likely to compete with the business of the Group, and none of them has any other conflicts of interests with the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2015, the Group has 1,195 employees in total (1,274 employees in total as at 30 June 2014). The total remuneration expenses and the amounts of other employees' benefit were RMB44.0 million (the corresponding period in 2014: RMB47.2 million). Employee costs include basic remuneration, incentive salary, social person 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 employees of the Company have to participate in the pension scheme managed and operated by local municipal government. Subject to the approval of the local municipal government, the Company has to make a 12% contribution to the pension scheme according to the average salary of the employees, so as to provide funding to their pension.

STAFF TRAINING SCHEME

Our employees enroll in regular training courses to improve their skills and professional knowledge and be updated on new developments. We also develop our own employee training programs tailored specifically to iron ore mining and processing operations. We employ dedicated trainers to provide the training programs at our mining sites. To leverage on accumulated operational expertise and special knowledge in our network, we frequently guide new recruits at our mining exploration sites.

CORPORATE GOVERNANCE

Our Directors are convinced of that good corporate governance is important in achieving effective and integrity in management and internal procedures. We have complied with the Code on Corporate Governance set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2015.

AUDIT COMMITTEE

The Company has an audit committee (the "Audit Committee") with terms of reference aligned with the code provisions as set out in Appendix 14 to the Listing Rules for the purpose of reviewing and providing supervision on the financial reporting process and internal controls of the Group. The Audit Committee consists of three independent non-executive Directors, namely Mr. Ge Xinjian (Chairman), Mr. Meng Likun and Mr. Kong Chi Mo.

The interim financial results of the Company for the six months ended 30 June 2015 is unaudited but have been reviewed by the Audit Committee, which was of the opinion that the results were prepared and complied with the applicable accounting standards and requirements as well as the Listing Rules and that adequate disclosures have been made.

INTERIM DIVIDEND

The Board has proposed not to distribute any interim dividend for the six months ended 30 June 2015.

MAJOR LEGAL PROCEEDING

During the six months ended 30 June 2015, the Group was not involved in any major legal proceedings or arbitrations. To the knowledge of the Directors, there is no pending or potential major legal proceeding or claim.

APPRECIATION

The Board of the Company would like to express sincere gratitude to all the employees of the Group, for their persistent effort in working, which contributed to the competitive advantage of the Group among the challenging market. We also would like to express our thanks to the government, shareholders of the Company and other related parties for their consistent support and trust to the Group.

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

Beijing, 18 August 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.