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 2015

FINANCIAL HIGHLIGHTS

- The revenue of the Group for the Reporting Period was approximately RMB753.7 million, representing a decrease of approximately RMB354.5 million or 32.0% as compared to the corresponding period last year. The Group's cost of sales for the Reporting Period was approximately RMB487.3 million, representing a decrease of approximately RMB65.7 million or 11.9% as compared to the corresponding period last year. The gross profit of the Group for the Reporting Period was approximately RMB266.3 million, representing a decrease of approximately RMB288.8 million or 52.0% as compared with the corresponding period last year.
- As a result of the expected declining trend of iron ore product price forecasts and the consequent deferral of mine development plan in the second half of 2015, the Group identified indications of impairment in relation to Laiyuan County Jingyuancheng Mining Co., Ltd. (the "**Jingyuancheng Mining**") and Laiyuan Xinxin Mining Co., Ltd. (the "**Xinxin Mining**"). Based on the results of the corresponding impairment tests, an impairment charge of approximately RMB393.6 million was recognized in the consolidated statement of profit or loss and other comprehensive income for the Reporting Period.
- For the Reporting Period, the loss attributable to the equity shareholders of the Company was approximately RMB235.1 million, while the profit attributable to the equity shareholders of the Company for the corresponding period last year was approximately RMB263.0 million.
- For the Reporting Period, the basic and diluted loss per share attributable to equity shareholders of the Company was RMB0.16, while the basic and diluted earnings per share for the corresponding period last year were RMB0.17.

The board (the "**Board**") of directors (the "**Directors**") of Hengshi Mining Investments Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2015 (the "**Reporting Period**"), along with the relevant comparable figures for the year ended 31 December 2014, 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 2015 annual report (the "**2015 Annual Report**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015
(Expressed in Renminbi)

	Note	**2015**	2014
		RMB'000	*RMB'000*
Revenue	*3*	**753,663**	1,108,143
Cost of sales		**(487,343)**	(553,055)
Gross profit		**266,320**	555,088
Distribution costs		**(19,989)**	(16,575)
Administrative expenses		**(115,183)**	(142,313)
Impairment losses	*9*	**(393,637)**	–
(Loss)/profit from operations		**(262,489)**	396,200
Finance income	*4(a)*	**3,466**	10,594
Finance costs	*4(a)*	**(27,248)**	(40,026)
Net finance costs		**(23,782)**	(29,432)
(Loss)/profit before taxation	*4*	**(286,271)**	366,768
Income tax	*5*	**51,190**	(96,206)
(Loss)/profit for the year		**(235,081)**	270,562
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		**106**	3,644
Total comprehensive income for the year		**(234,975)**	274,206
(Loss)/profit attributable to:			
Equity shareholders of the Company		**(235,081)**	263,000
Non-controlling interests		**–**	7,562
(Loss)/profit for the year		**(235,081)**	270,562
Total comprehensive income attributable to:			
Equity shareholders of the Company		**(234,975)**	266,644
Non-controlling interests		**–**	7,562
Total comprehensive income for the year		**(234,975)**	274,206
(Loss)/earnings per share			
Basic and diluted (RMB)	*6*	**(0.16)**	0.17

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015
(Expressed in Renminbi)

	Note	**31 December 2015** *RMB'000*	31 December 2014 *RMB'000*
Non-current assets			
Property, plant and equipment, net	*7*	**724,458**	637,522
Construction in progress		**58,981**	225,711
Lease prepayments		**143,006**	153,931
Intangible assets	*8*	**602,673**	819,302
Long-term receivables		**40,960**	33,960
Prepayments		**3,382**	23,105
Deferred tax assets		**107,316**	11,415
Total non-current assets		**1,680,776**	1,904,946
Current assets			
Inventories	*10*	**115,052**	137,482
Trade and other receivables	*11*	**209,520**	152,137
Cash and cash equivalents		**59,495**	167,431
Total current assets		**384,067**	457,050
Current liabilities			
Short-term borrowings and current portion of long-term borrowings	*12*	**200,000**	100,000
Trade and other payables	*13*	**130,815**	194,421
Current taxation		**8,868**	18,839
Current portion of long-term payables	*14*	**5,786**	54,766
Current portion of accrued reclamation obligations		**6,399**	5,469
Total current liabilities		**351,868**	373,495
Net current assets		**32,199**	83,555
Total assets less current liabilities		**1,712,975**	1,988,501

	Note	**31 December 2015** *RMB'000*	31 December 2014 *RMB'000*
Non-current liabilities			
Interest-bearing borrowings, less current portion	*12*	**–**	100,000
Long-term payables, less current portion	*14*	**229,885**	177,133
Accrued reclamation obligations, less current portion		**49,086**	42,389
Deferred tax liabilities		**–**	11,718
Total non-current liabilities		**278,971**	331,240
NET ASSETS		**1,434,004**	1,657,261
CAPITAL AND RESERVES			
Share capital		**120**	120
Reserves		**1,433,884**	1,657,141
TOTAL EQUITY		**1,434,004**	1,657,261

NOTES

(Expressed in Renminbi unless otherwise indicated)

1 CORPORATION INFOMATION

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 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") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

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 and the Company. 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.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2015 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the 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.

3 REVENUE AND SEGMENT REPORTING

(a) 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:

	2015	2014
	RMB'000	*RMB'000*
Iron ore concentrates	**695,345**	817,803
Preliminary concentrates	**46,479**	34,696
Iron ores	**11,660**	255,366
Others	**179**	278
	753,663	1,108,143

During the year ended 31 December 2015, there were three customers with whom transactions have exceeded 10% of the Group's revenue (2014: two customers) and revenue from sales of iron ore concentrates to these customers amounted to RMB635,840,000 (2014: RMB527,597,000).

(b) 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.

4 (LOSS)/PROFIT BEFORE TAXATION

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

(a) Net finance costs:

	2015	2014
	RMB'000	*RMB'000*
Interest income	**(3,466)**	(10,594)
Finance income	**(3,466)**	(10,594)
Interest on interest-bearing borrowings	**15,586**	14,065
Unwinding of interest on		
– long-term payables	**9,287**	14,956
– accrued reclamation obligations	**2,345**	3,065
Foreign exchange loss, net	**30**	7,940
Finance costs	**27,248**	40,026
Net finance costs	**23,782**	29,432

During the year ended 31 December 2015, no borrowing costs were capitalised in relation to construction in progress (2014: RMB nil).

(b) Staff costs:

	2015	2014
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**77,405**	103,553
Retirement scheme contributions	**7,673**	10,366
	85,078	113,919

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:

	2015	2014
	RMB'000	*RMB'000*
Cost of inventories *(note (i))*	**487,343**	553,055
Depreciation and amortisation	**111,676**	95,994
Auditor's remuneration		
– audit services	**3,180**	3,180
Net losses on disposal of property, plant and equipment	**23,045**	11,450
Operating lease charges	**4,003**	2,647
Impairment losses *(note (ii))*	**393,637**	–

Notes:

(i) During the year ended 31 December 2015, cost of inventories includes RMB153,262,000 (2014: RMB120,739,000) 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 2015, production stripping costs recognised in profit or loss as part of cost of inventories amounted to RMB213,674,000 (2014: RMB255,188,000).

(ii) As part of the review of carrying value of CGUs, an aggregate impairment charge of RMB393,637,000 was recognised in the consolidated statement of profit or loss and other comprehensive income as a separate line item within operating profit for the year ended 31 December 2015 (2014: RMB nil). A description of the assumptions used in the impairment calculation was set out in note 9.

5 INCOME TAX

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

	2015	2014
	RMB'000	*RMB'000*
Current tax		
Provision for PRC enterprise income tax	**44,711**	98,980
Deferred tax		
Origination and reversal of temporary differences	**(95,901)**	(2,774)
	(51,190)	96,206

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

	2015	2014
	RMB'000	*RMB'000*
(Loss)/profit before taxation	**(286,271)**	366,768
Notional tax on (loss)/profit before taxation, calculated at tax rate of 25% *(note (i))*	**(71,568)**	91,692
Differential tax rates on subsidiaries' income *(note (iii))*	**(2,482)**	(3,080)
Tax effect of non-deductible expenses	**2,439**	1,211
Tax effect of unused tax losses not recognised	**20,421**	6,383
Actual tax expense	**(51,190)**	96,206

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 the 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.

6 (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company for the year ended 31 December 2015 of RMB235,081,000 (2014: profit of RMB263,000,000) and the weighted average number of shares in issue during the year ended 31 December 2015 of 1,507,843,000 shares (2014: 1,507,843,000 shares).

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

7 PROPERTY, PLANT AND EQUIPMENT, NET

The Group's property, plant and equipment are substantially located in the PRC. Up to the issue of 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 RMB108,247,000 (31 December 2014: RMB88,965,000). 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 2015, mine properties include capitalised stripping activity asset with a carrying amount of RMB305,456,000 (31 December 2014: RMB48,288,000).

8 INTANGIBLE ASSETS

Intangible assets represent mining rights acquired by the Group and related premium paid in relation to obtaining the mining rights.

As at 31 December 2015, the Group's borrowings were secured by the mining right of Laiyuan County Jiheng Mining Co., Ltd. with a carrying amount of approximately RMB81,020,000 (31 December 2014: RMB105,362,000).

9 IMPAIRMENT LOSSES

As a result of continuing and weaker iron ore product price forecasts and consequent deferral of mine development plan in the second half of 2015, the Group identified indications of impairment in relation to Laiyuan County Jingyuancheng Mining Co., Ltd. ("Jingyuancheng Mining") and Laiyuan Xinxin Mining Co., Ltd. ("Xinxin Mining"). Consequently, a formal estimate of the recoverable amounts of the related cash-generating units ("CGUs") was performed. For the purpose of the impairment testing, each of Jingyuancheng Mining and Xinxin Mining is regarded as a CGU.

In assessing whether an impairment is required, the carrying value of a CGU is compared with its recoverable amount. The recoverable amount is the higher of the CGU's fair value less costs of disposal ("FVLCD") and value in use ("VIU"). Given the nature of the Group's activities, information on the fair value of a CGU is usually difficult to obtain unless negotiations with potential purchasers or similar transactions are taking place. As such, the recoverable amount of each CGU was determined based on VIU, which is the present value of the estimated future cash flows to be derived from the continuing use of the CGU and from its ultimate disposal. These cash flows were discounted using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the CGU.

(a) For the year ended 31 December 2015, the following impairment losses were recognised:

	Jingyuancheng Mining *RMB'000*	Xinxin Mining *RMB'000*	Total *RMB'000*
Property, plant and equipment	142,834	41,550	184,384
Construction in progress	25,081	10	25,091
Intangible assets	165,798	18,364	184,162
	333,713	59,924	393,637

(b) The determination of VIU was most sensitive to the following assumptions:

(i) Iron ore concentrate prices

Forecast prices of iron ore concentrate are based on management's estimates and are derived from forward price curves and long-term view of market supply and demand in the PRC, building upon past experience of the industry and consistent with external sources. These prices are adjusted to arrive at appropriate consistent price assumptions for different qualities of iron ore concentrates, or where appropriate, contracted prices were applied.

(ii) Sales and production volumes

Sales volumes are in line with production volumes. Estimated production volumes are based on detailed life-of-mine plans and take into account development plans for the mines established by management as part of the long-term planning process. Production volumes are dependent on a number of variables, such as the recoverable quantities, the production profile, the cost of the development of the infrastructure necessary to extract the reserves, the production costs, the contractual duration of mining rights and the selling price of the iron ores extracted (after consideration of further processing costs as appropriate). The production profiles used are consistent with the reserves and resource volumes approved as part of the Group's process for the estimation of proved and probable reserves and total resources.

(iii) Discount rate

In arriving at the VIU, a pre-tax discount rate of 11.37% was applied to the estimated future cash flows of the respective CGUs as at 31 December 2015. This discount rate is derived from the Group's weighted average cost of capital ("WACC"), with appropriate adjustments made to reflect the risks specific to the CGUs. The WACC takes into account both debt and equity, weighted based on the Group's and comparable peer companies' average capital structure. The cost of equity is derived from the expected return on investment by the Group's investors based on publicly available market data of comparable peer companies. The cost of debt is based on the borrowing cost of interest-bearing borrowings of the Group that reflects the credit rating of the Group.

(c) **Sensitivity analysis**

With the exception of Jingyuancheng Mining and Xinxin Mining, which were impaired during the year, management believes that currently there are no reasonably possible changes in any of the above assumptions, which could lead to an impairment for any CGU not impaired during the year.

The sensitivity analysis of recoverable amounts to the assumptions above, expressed as impairment losses additional to those recognised during the year, is as follows:

	Jingyuancheng Mining	**Xinxin Mining**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
1% decrease in iron ore concentrate prices	7,698	3,197	10,895
1% decrease in production volume	6,616	2,623	9,239
One percentage point increase in discount rate	33,473	16,959	50,432

10 INVENTORIES

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

	2015	2014
	RMB'000	*RMB'000*
Weakly mineralised wall rock#	**19,467**	53,979
Iron ores	**37,759**	17,299
Preliminary concentrates	**8,431**	16,106
Iron ore concentrates	**28,120**	29,573
	93,777	116,957
Consumables and supplies	**21,275**	20,525
	115,052	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 profit or loss is as follows:**

	2015	2014
	RMB'000	*RMB'000*
Carrying amount of inventories sold	**487,343**	553,055

11 TRADE AND OTHER RECEIVABLES

	2015	2014
	RMB'000	*RMB'000*
Accounts receivable	**92,252**	110,589
Bills receivable	**–**	15,700
Trade receivables *(note (a))*	**92,252**	126,289
Other receivables *(note (d))*	**117,268**	25,848
	209,520	152,137

(a) Ageing analysis

At the end of reporting period, the ageing analysis of trade receivables (net of allowance for doubtful debts, if any) is as follows:

	2015	2014
	RMB'000	*RMB'000*
Current	**91,966**	126,289
Over 6 months but less than 1 year	**286**	–
	92,252	126,289

(b) Impairment of trade receivables

Impairment losses in respect of trade 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 receivables directly.

(c) 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:

	2015	2014
	RMB'000	*RMB'000*
Neither past due nor impaired	**91,966**	126,289
Over 6 months but less than 1 year	**286**	–
	92,252	126,289

Receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to an independent customer that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is 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.

(d) Other receivables

	2015	2014
	RMB'000	*RMB'000*
Prepayments and deposits#	**114,759**	21,440
Value added tax recoverable	**1,810**	3,682
Amounts due from a related party	**3**	–
Others	**696**	726
	117,268	25,848

\# Prepayments and deposits mainly represent advance payments made to the Group's mining contractors. As at 31 December 2015, prepayments to Tangshan Hengsheng Blasting Engineering Co., Ltd. for blasting services, to Laiyuan County Huiguang Logistics Co., Ltd. for on-site loading services and to Laiyuan County Ao Tong Transportation Co., Ltd. for transportation services amounted to RMB31,723,000, RMB23,693,000 and RMB45,435,000, respectively (31 December 2014: RMB nil, RMB nil and RMB3,480,000, respectively).

Based on agreements with the respective mining contractors, all of which are independent third parties, the prepaid amounts are interest free and the Group anticipates the amounts to be subsequently utilised along with the provision of related services within one year.

As at 31 December 2015, other than deposits amounted to RMB1,935,000 (31 December 2014: RMB2,384,000), which are included in prepayments and deposits, all of the other receivables were aged within one year and were expected to be recovered or expensed off within one year.

12 BORROWINGS

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

	2015		2014	
	Interest rate per annum %	***RMB'000***	*Interest rate per annum %*	*RMB'000*
Renminbi denominated				
Short-term borrowings:				
– secured bank loans#	**5.36**	**100,000**	–	–
Current portion of long-term borrowings:				
– secured bank loans#	**5.93**	**100,000**	6.15~6.95	100,000
		200,000		100,000

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

	2015		2014	
	Interest rate per annum %	***RMB'000***	*Interest rate per annum %*	*RMB'000*
Renminbi denominated				
Long-term borrowings:				
– secured bank loans#	**–**	**–**	6.95	100,000

\# As at 31 December 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 RMB81,020,000 (31 December 2014: RMB105,362,000).

During the year ended 31 December 2015, the Group repaid bank loans with a carrying amount of RMB100,000,000 (2014: RMB110,000,000).

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

	2015	2014
	RMB'000	*RMB'000*
Within 1 year	**200,000**	100,000
After 1 year but within 2 year	**–**	100,000
	200,000	200,000

As at 31 December 2015, the banking facilities of the Group were as follows:

	2015	2014
	RMB'000	*RMB'000*
Secured by:		
Mining right of Laiyuan County Jiheng Mining Co., Ltd.	**220,000**	220,000
Land and properties of a related party#	**160,000**	–
	380,000	220,000

\# The land and properties are owned by Beijing Tong Da Guang Yue Trading Co., Ltd. (a company jointly owned by Mr. Li Yanjun).

As at 31 December 2015, the facilities were utilised to the extent of RMB200,000,000 (31 December 2014: RMB200,000,000). None of the above banking facilities of the Group was subject to financial covenants.

13 TRADE AND OTHER PAYABLES

	2015	2014
	RMB'000	*RMB'000*
Trade payables	**39,974**	74,388
Receipts in advance	**18,052**	18,753
Payables for construction work, equipment purchase and others	**30,284**	50,588
Other taxes payable	**12,359**	25,665
Amounts due to related parties	**1,780**	–
Others#	**28,366**	25,027
	130,815	194,421

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

As at 31 December 2015, all trade payables are due and payable on presentation or within one year. All of the other trade and other payables were expected to be settled within one year or are repayable on demand.

14 LONG-TERM PAYABLES

	2015	2014
	RMB'000	*RMB'000*
Consideration payables for the acquisition of mining rights	**235,671**	231,899
Less: current portion of long-term payables	**5,786**	54,766
	229,885	177,133

In March 2012 and January 2013, the Group acquired the Gufen Mine, Wang'ergou Shuanmazhuang Mine and Zhijiazhuang Mine from Hebei Provincial Department of Land and Resources for considerations of RMB142,330,000 in aggregate and repayable by annual instalments with original payment periods over five to seven years.

In accordance with Ji Guo Tu Zi Han No. [2015]1011 issued on 11 November 2015, Hebei Provincial Department of Land and Resources approved a revised annual instalment schedule in relation to the remaining parts of the above mining right considerable payables and the payment periods were extended to 2022.

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

	2015	2014
	RMB'000	*RMB'000*
Within 1 year	**5,786**	54,766
After 1 year but within 2 years	**43,084**	54,561
After 2 years but within 5 years	**127,188**	112,763
After 5 years	**59,613**	9,809
	235,671	231,899

15 COMMITMENTS AND CONTINGENCIES

(a) Capital commitments outstanding at 31 December 2015 not provided for in the financial statements were as follows:

	2015	2014
	RMB'000	*RMB'000*
Contracted for		
– property, plant and equipment	**3,168**	7,782
Authorised but not contracted for		
– property, plant and equipment	**–**	25,646
– stripping activity asset	**–**	88,917
– exploration and evaluation asset	**–**	–
	–	114,563
	3,168	122,345

(b) At 31 December 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2015	2014
	RMB'000	*RMB'000*
Within 1 year	**3,827**	3,990
After 1 year but within 5 years	**–**	3,789
	3,827	7,779

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 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 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 and pollutant discharge fee, 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 years presented. The directors are of the opinion that the Group had no other material obligations or liabilities of such levies at the end of the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

In 2015, the Chinese government continued its reform of economic structure and took measures to stimulate domestic demand in an effort to maintain economic growth. As the Chinese economy entered the "New Normal", the industrial structure continued to experience an in-depth adjustment, from relying mainly on investment and export motivated to relying on consumption, investment and export coordinated-motivated. Meanwhile, the traditional manufacture and real estate markets continue the process of de-capacity and destocking; fixed investment was in a sluggish growth, which brought in a decrease of steel consumption in the whole country for the first time in recent 20 years.

In the situation of weak domestic demand, expansion of steel export became an important measure to relieve the high steel stock. Leveraging on the low-cost advantage, as well as the implementation of "One Belt, One Road" strategy, Chinese enterprises' project contracts in the countries alongside the "Belt and Road" grew very quickly. These contracts helped the steel of PRC enter into the international market. The steel export reached a historical high of 110 million ton for the year of 2015. However, since the global economy environment is still fast changing and trade protectionism is resurging, and the Chinese steel export has accounted for 20 percent of that of the entire international market, there will be greater resistance to a further increase of steel export.

The Chinese government has made further policies to relieve the problems of lagging behind and over-surplus of productivity of the steel industry. In February 2016, the State Council announced the Opinions on the Steel Industry to Resolve Overcapacity and Relief (《關於鋼鐵行業化解過剩產能實現脱困發展的意見》), which focused on the structural reform of the supply side of the steel industry, relieving the problems of surplus of productivity positively and properly. On the basis of the volume of overcapacity shut down in recent years, it was planned to further cut down crude steel production volume of 100–150 million ton in the five years beginning in 2016.

In the upstream market, as the international mainstream low-cost mines productivity expanded, the iron ore market also faces the problem of over-supply. The cost support of iron ore continued to move down, and the international big manufactures still adopted the strategy of maintaining market share, which resulted in a fierce market competition that made the global iron ore price to further plummet in 2015. The average selling price of the Company also decreased from RMB 607.1/t to RMB 423.4/t, having negative effect on the operation results of the Group.

Business Highlights

During the Reporting Period, the Group has completed the planned three-year infrastructural stripping projects, further releasing the productivity of current mines. But due to the hosting of the IAAF World Championships and the celebration activities in respect of the 70th anniversary of the victory of the Chinese people's war of resistance against Japanese aggression in Beijing, short-term discontinuation of production in areas around Beijing was required according to the serious pollution weather Grade I responsive measure. In addition, the recession of upstream and downstream markets, the slide of the product's price as well as the decreasing domestic demand of iron ore further led to the intermittent discontinuation of some of our subsidiaries in the second half of the year, which had negative effect on the Group's results.

The Group has taken measures to cut cost, including improving productivity through facility upgrade, cutting personnel of administrative functions and increasing the levels of refined management. Meanwhile, positive marketing strategy was also adopted in an effort to deal with the challenge brought by decreasing downstream demand and lowering price.

Since Laiyuan Jiheng Mining Co., Ltd. (the "**Jiheng Mining**") acquired the wet processing plant, the direct sale of low value-added products like iron ore and preliminary concentrates have decreased significantly. The full operation of Jiheng Mining's wet processing plant in the year resulted in the production and sale of iron ore concentrates reaching a new high. For the Reporting Period, production of iron ore concentrates of the Group reached 1,608.0 thousand tons (corresponding period in 2014: 1,459.6 thousand tons), representing a year-on-year growth of approximately 10.2%. Sales volume of iron ore concentrates reached 1,642.2 thousand tons (corresponding period in 2014: 1,347.0 thousand tons), representing a year-on-year growth of approximately 21.9%.

The table below sets out the breakdown of output and sales volume for each operating subsidiary of the Group:

	Output (Kt)			**Sales volume (Kt)**			**Average sales price (RMB)**		
The Group	**2015**	2014	% of change	**2015**	2014	% of change	**2015**	2014	% of change
Jiheng Mining									
Iron ores	**3,804.8**	2,811.9	35.3%	**124.0**	1,245.8	-90.0%	**94.0**	205.0	-54.1%
Preliminary concentrates	**2,106.6**	1,627.1	29.5%	**460.6**	258.9	77.9%	**100.9**	134.0	-24.7%
Iron ore concentrates	**943.0**	547.1	72.4%	**982.4**	476.6	106.1%	**406.1**	569.9(1)	-28.7%
Jingyuancheng Mining									
Iron ores	**6,308.9**	8,472.2	-25.5%	**n/a**	n/a	n/a	**n/a**	n/a	n/a
Preliminary concentrates	**2,255.5**	2,730.7	-17.4%	**n/a**	n/a	n/a	**n/a**	n/a	n/a
Iron ore concentrates	**522.8**	623.4	-16.1%	**488.1**	619.0	-21.1%	**459.2**	632.9(2)	-27.4%
Xinxin Mining									
Iron ores	**1,407.3**	3,310.4	-57.5%	**n/a**	n/a	n/a	**n/a**	n/a	n/a
Preliminary concentrates	**543.4**	1,174.6	-53.7%	**n/a**	n/a	n/a	**n/a**	n/a	n/a
Iron ore concentrates	**142.2**	289.1	-50.8%	**171.7**	251.4	-31.7%	**420.6**	614.2(2)	-31.5%
Total									
Iron ore concentrates	**1,608.0**	1,459.6	10.2%	**1,642.2**	1,347.0	21.9%	**423.4**	607.1	-30.3%

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 Mining and Xinxin Mining was 66%.

Resources and Reserves

No exploration activities were carried out by the Group in 2015, and no exploration expenses had been incurred for the year ended 31 December 2015.

Based on the most recent estimation results on the reserves less the consumption for the current period, the iron ore reserves which complied with JORC Code (2004 Edition) in respect of each mine of the Group as at 31 December 2015 are shown in the following table:

Company	Mine	Exploration approach	Reserve category	Depleted reserve[1]			Ore reserves[2]		
				(Kt)	*TFe(%)*	*mFe(%)*	*(Kt)*	*TFe(%)*	*mFe(%)*
Jiheng Mining	Zhijiazhuang	Open-pit	Probable	3,805	26.15	24.73	12,589	27.07	25.83
	Subtotal			3,805	26.15	24.73	12,589	27.07	25.83
Jingyuancheng Mining	Wangergou	Open-pit	Probable	5,561	13.54	5.78	31,830	13.31	6.21
		Underground	Probable (graded 12% or above)	–	–	–	18,077	15.87	8.50
	Subtotal			5,561	13.54	5.78	49,907	14.07	6.89
	Shuanmazhuang	Open-pit	Probable	747	14.02	5.95	88,666	13.55	5.54
		Underground	Probable (graded 12% or above)	–	–	–	35,723	16	7.11
	Subtotal			747	14.02	5.95	124,389	14.24	5.99
Xinxin Mining	Gufen Mining	Open-pit	Probable	1,407	12.99	6.49	50,672	12.76	6.25
		Underground	Probable (graded 12% or above)	–	–	–	58,750	15.35	8.50
	Subtotal			1,407	12.99	6.49	109,422	14.12	7.43
Total		Open-pit	Probable	11,520	17.67	12.14	183,757	14.62	7.85
		Underground	Probable (graded 12% or above)	–	–	–	112,550	15.64	8.06
		Total	Probable	11,520	17.67	12.14	296,307	14.98	7.92

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 announcement 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 2015, the estimated assumptions in the report published in 2014 has not been changed.

Based on the most recent estimation results on resources less the consumption for the current period, as at 31 December 2015, the iron ore resources which complied with JORC Code (2004 Edition) in respect of each mine of the Group are as follows:

Company	Mine	Resource class	Depleted resource for the period[1]			Resource at the end of the period[2]		
			(Kt)	*TFe(%)*	*mFe(%)*	*(Kt)*	*TFe(%)*	*mFe(%)*
Jiheng Mining	Zhijiazhuang	Indicated resource	3,766	26.95	25.5	15,932	24.85	23.69
		Inferred resource	–	–	–	9,426	27.58	25.82
Jingyuancheng Mining	Wangergou	Indicated resource	5,504	13.96	5.96	63,254	13.74	6.45
		Inferred resource	–	–	–	39,250	13.03	5.85
	Shuanmazhuang	Indicated resource	740	14.45	6.13	150,810	13.97	5.73
		Inferred resource	–	–	–	73,935	12.81	4.92
Xinxin Mining	Gufen	Indicated resource	1,393	13.39	6.69	153,413	13.21	6.5
		Inferred resource	–	–	–	101,100	12.44	6.03
Total		Indicated resource	11,403	18.21	12.51	383,409	14.41	7.11
		Inferred resource	–	–	–	223,711	13.30	6.46
		Total resources	11,403	18.21	12.51	607,120	14.00	6.87

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 license. There is no estimation on new resources during the year ended 31 December 2015, 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, etc. The annual mining capacity of Zhijiazhuang Mine was 2.4 Mtpa, and the dry processing capacity and the wet processing capacity were 4.20 Mtpa and 1.80 Mtpa respectively, as at 31 December 2015.

The following table sets forth a breakdown of cash operating costs of Zhijiazhuang Mine:

Iron ore

Unit: RMB per tonne of iron ore	**As at the end of 31 December 2015**	2014	% change
Mining costs	**15.1**	16.5	-8.5%
Administrative expenses	**3.1**	6.8	-54.4%
Distribution costs	**1.7**	3.3	-48.5%
Taxation	**5.8**	11.1	-47.7%
Total	**25.7**	37.7	-31.8%

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 market conditions, as well as lower resources tax during the Reporting Period.

Preliminary concentrates

Unit: RMB per tonne of preliminary concentrates	**As at the end of 31 December 2015**	2014	% change
Mining costs	**31.5**	45.0	-30.0%
Dry-processing costs	**11.1**	13.7	-19.0%
Administrative expenses	**6.5**	18.5	-64.9%
Distribution costs	**1.5**	3.3	-54.5%
Taxation	**8.4**	13.7	-38.7%
Total	**59.0**	94.2	-37.4%

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 tonne of iron ore concentrates	**As at the end of 31 December 2015**	2014	% change
Mining costs	**59.8**	94.2	-36.5%
Dry-processing costs	**21.1**	28.7	-26.5%
Wet-processing costs	**54.3**	77.1	-29.6%
Administrative expenses	**12.4**	31.6	-60.8%
Distribution costs	**8.6**	3.3	160.6%
Taxation	**16.7**	32.4	-48.5%
Total	**172.9**	267.3	-35.3%

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 increased quality of 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.

For the Reporting Period, the mining expenses of Zhijiazhuang Mine which was recognized in the statement of profit or loss was approximately RMB125.1 million and there was no newly capitalized production stripping costs. The capital expenditure of Zhijiazhuang Mine was approximately RMB61.8 million, mainly due to the payment of RMB30.0 million for the purchase of the related assets of tailings reservoir and transformer substation, a final payment of RMB20.0 million to purchase the mining rights, the expenditure of approximately RMB7.8 million on technology upgrade and other sporadic constructions, and the expenditure of RMB4.0 million on acquisition of land.

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 1.5287 sq.km. and 2.1871 sq.km respectively. Wang'ergou and Shuanmazhuang have comprehensive basic infrastructures such as water, electricity and highway. As at 31 December 2015, the aggregate annual mining capacity of Wang'ergou Mine and Shuanmazhuang Mine was 14.0 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 the cash operating costs of Wang'ergou Mine and Shuanmazhuang Mine:

Iron ore concentrates

Unit: RMB per tonne of iron ore concentrates	As at the end of 31 December **2015**	2014	% change
Mining costs	**107.1**	140.2	-23.6%
Dry-processing costs	**71.1**	65.7	8.2%
Wet-processing costs	**108.3**	121.2	-10.6%
Administrative expenses	**38.1**	42.9	-11.2%
Distribution costs	**20.2**	16.2	24.7%
Taxation	**19.4**	32.8	-40.9%
Total	**364.2**	419.0	-13.1%

A change in the unit cash operating cost of iron ore concentrates was primarily due to lower mining and processing costs 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 handle part of the customers' products transportation so as to reduce the overall costs.

For the Reporting Period, the mining expenses of Wangergou Mine and Shuangmazhuang Mine which was recognized in the statement of profit or loss was approximately RMB66.8 million. The capital expenditure of Wangergou Mine and Shuangmazhuang Mine was approximately RMB123.9 million, including the expenditure of approximately RMB31.9 million on infrastructural stripping projects, approximately RMB79.0 million on technology upgrade of dry processing plant, approximately RMB8.9 million on the construction payments of Dabugou tailings reservoir and approximately RMB4.1 million on other sporadic constructions.

The Wangergou Mine and Shuanmanzhuang Mine has completed in 2015 the three-year infrastructural stripping projects that began in 2013, which involved an aggregated capitalized production stripping costs of approximately RMB147.7 million.

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 31 December 2015, Gufen Mine's annual mining capacity was 3.90 Mtpa, and the dry processing capacity and the wet processing capacity were 5.75 Mtpa and 1.60 Mtpa, respectively.

The following table sets forth a breakdown of the cash operating costs of Gufen Mine:

Iron ore concentrates

	As at the end of 31 December		
Unit: RMB per tonne of iron ore concentrates	**2015**	2014	% change
Mining costs	**101.8**	150.9	-32.5%
Dry-processing costs	**65.6**	62.2	5.5%
Wet-processing costs	**127.0**	116.6	8.9%
Administrative expenses	**82.8**	58.4	41.8%
Distribution costs	**0.7**	N/A	N/A
Taxation	**22.8**	32.6	-30.1%
Total	**400.7**	420.7	-4.8%

The lower unit cash operating cost of the iron ore concentrates was mainly due to lower mining costs resulting from increased mining grade, properly adjusted stripping ratio and the lower general tax liability as a result of lower resources tax, and the effect above was partly offset by the extension of discontinuation of production which increased the unit administrative expenses.

For the Reporting Period, the mining expenses of Gufen Mine which was recognized in the statement of profit or loss was approximately RMB21.8 million. The capital expenditure of Gufen Mine was approximately RMB18.5 million, mainly due to the expenditure of approximately RMB17.6 million on the infrastructural stripping projects and approximately RMB0.9 million on other sporadic constructions.

The Gufen Mine has completed in 2015 the three-year infrastructural stripping projects that began in 2013, which involved an aggregated capitalized production stripping costs of approximately RMB120.1 million.

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 Reporting Period, the Group recorded no significant safety accident.

Owing to the deteriorating air quality in Mainland China, especially in Beijing and Hebei Province, it is anticipated that the government will inevitably tighten the relevant environmental policies over resource mining, 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.

Employees and Remuneration Policy

As at 31 December 2015, the Group had 1,026 employees in total (1,447 employees in total as at 31 December 2014). The total remuneration expenses and the amounts of other employees' benefit were approximately RMB85.1 million (the corresponding period in 2014: approximately RMB113.9 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 Group.

Financial Review

Revenue

The revenue of our Group for the Reporting Period was approximately RMB753.7 million, representing a decrease of approximately RMB354.5 million or 32.0% as compared to the corresponding period last year, which was mainly due to the decline of the average selling price of the Group's products. The main reason for the sharp decline in iron ore's proportion in both volume and revenue was that the wet processing plant of Jiheng Mining operated a full year for the first time in 2015, and iron ores were processed into iron ore concentrates with higher added value for sale.

Cost of sales

The Group's cost of sales for the Reporting Period was approximately RMB487.3 million, representing a decrease of approximately RMB65.7 million or 11.9% as compared to the corresponding period last year. The main reason for the decrease was the further reduction of the cost of the Group's products.

Gross profit and gross profit margin

The gross profit of the Group for the Reporting Period was approximately RMB266.3 million, representing a decrease of approximately RMB288.8 million or 52.0% as compared to the corresponding period last year. The Group's gross profit margin for the Reporting Period decreased to approximately 35.3% from approximately 50.1% as compared to the corresponding period last year, which was mainly due to the decline of the average unit selling price of the Group's products and the effect of which had been partly offset by the decline of the cost.

Sales and distribution expenses

The Group's sales and distribution expenses for the Reporting Period were approximately RMB20.0 million, representing an increase of approximately RMB3.4 million or 20.6% as compared with the corresponding period last year, which was mainly due to the increase in proportion of the products which the Group were responsible for the delivery to the customers and the related transportation cost. Sales and distribution expenses included transportation expenses, labour cost and other expenses.

Administrative expenses

The Group's administrative expenses for the Reporting Period were approximately RMB115.2 million, representing a decrease of approximately RMB27.1 million or 19.1% as compared with the corresponding period last year. 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.

Impairment losses

The impairment losses of the Group for the Reporting Period amounted to approximately RMB393.6 million. As a result of the expected declining trend of iron ore product price forecasts and the consequent deferral of mine development plan in the second half of 2015, the Group identified indications of impairment in relation to Jingyuancheng Mining and Xinxin Mining. According to the valuation prepared by an independent third party valuer, the Group recognized the provision of impairment of long-term assets of Jingyuancheng Mining and Xinxin Mining, including property, plant and equipment, construction in progress, intangible assets.

Finance cost

The Group's finance cost for the Reporting Period was approximately RMB27.2 million, representing a decrease of approximately RMB12.8 million or 31.9% as compared to the corresponding period last year, which was mainly due to amortization of the discount expenses of long-term payables and decrease of foreign exchange losses as compared with the corresponding period last year. Finance cost included interest expenses of bank borrowings, discounted expenses, other finance expenses and the amortization of discounted expenses of long-term payables.

Income tax credits/(expenses)

The Group's income tax credits for the Reporting Period were approximately RMB51.2 million, while the income tax expenses for the corresponding period last year were approximately RMB96.2 million. Income tax comprises current tax and deferred tax, including (1) current tax payable of approximately RMB44.7 million; (2) the deferred tax credits of approximately RMB95.9 million which arose from the provision of impairment of long-term assets including property, plant and equipment, construction in progress, intangible assets of Jingyuancheng Mining and Xinxin Mining for the year.

(Loss)/profit for the year and total comprehensive income for the year

Based on the above reasons, the Group's loss for the Reporting Period amounted to approximately RMB235.1 million, while the profit for the corresponding period last year was approximately RMB270.6 million. The Group's total comprehensive loss for the Reporting Period was approximately RMB235.0 million, while the total comprehensive income for the corresponding period last year was approximately RMB274.2 million.

The (loss)/profit attributable to equity shareholders of the Company and total comprehensive income attributable to equity shareholders of the Company

The loss attributable to equity shareholders of the Company for the Reporting Period was approximately RMB235.1 million, while the profit for the corresponding period last year was approximately RMB263.0 million. The total comprehensive loss attributable to equity shareholders of the Company for the Reporting Period was approximately RMB235.0 million, while the profit for the corresponding period last year was approximately RMB266.6 million.

Property, plant and equipment

The net value of the Group's property, plant and equipment as at 31 December 2015 was approximately RMB724.5 million, representing an increase of approximately RMB86.9 million or 13.6% as compared to the corresponding period of last year, which was mainly due to (1) the transfer from construction in progress to fixed assets of the stripping construction, high pressure tumbling mill projects of Jingyuancheng Mining and Xinxin Mining, and (2) the provision of impairment of property, plant and equipment of Jingyuancheng Mining and Xinxin Mining.

Inventories

Inventories of the Group amounted to approximately RMB115.1 million as at 31 December 2015, representing a decrease of approximately RMB22.4 million or 16.3% as compared to the corresponding period of last year, which was mainly due to the active marketing strategies of the Group.

Trade and other receivables

The Group's trade receivables amounted to approximately RMB92.3 million as at 31 December 2015, representing a decrease of approximately RMB34.0 million as compared to the corresponding period of last year, which was mainly due to the active marketing and payment strategies taken by the Group in dealing with the current marketing condition in the Reporting Period. Other receivables of the Group amounted to approximately RMB117.3 million as at 31 December 2015, representing an increase of approximately RMB91.4 million as compared to the corresponding period of last year, which was mainly due the increase of the Group's prepayment to suppliers.

Trade and other payables

The Group's trade payables amounted to approximately RMB40.0 million as at 31 December 2015, representing a decrease of approximately RMB34.4 million as compared to the corresponding period of last year, which was mainly due to the payment to main suppliers.

The Group's other payables amounted to approximately RMB90.8 million as at 31 December 2015, representing a decrease of approximately RMB29.2 million as compared to the corresponding period of last year, which was mainly due to the decrease of construction in progress and the tax payable.

Cash usage analysis

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

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Net cash flow generated from operating activities	**123,665**	137,478
Net cash flow used in investment activities	**(216,121)**	(716,028)
Net cash flow used in finance activities	**(15,586)**	(242,065)
Net decrease in cash and cash equivalents	**(108,042)**	(820,615)
Cash and cash equivalents at the beginning of the year	**167,431**	987,562
Effect of foreign exchange rate changes on cash and cash equivalents	**106**	484
Cash and cash equivalents at the end of the year	**59,495**	167,431

Net cash flow generated from operating activities

The Group's net cash generated from operating activities for the Reporting Period amounted to approximately RMB123.7 million, which mainly included the loss before tax of approximately RMB286.3 million, the non-cash expenses of approximately RMB528.4 million (e.g. impairment losses, depreciation and amortization and net loss from disposal of assets), and decease of approximately RMB22.4 million of inventories because of active marketing strategy. The effect of factors above were partly offset by the increase of approximately RMB66.6 million on trade and other receivables and the decrease of approximately RMB43.3 million on trade and other payables arising from the decrease of tax other than income tax.

Net cash flow used in investment activities

The net cash outflow from investing activities for the Reporting Period was approximately RMB216.1 million, which primarily represented cash payment of approximately RMB190.7 million for construction in progress, plant and equipment arising from expansion of productivity, the acquisition of wet process plants and tailings reservoir by Jiheng Mining, and the payment of RMB25.5 million to acquire the mining rights of Jiheng Mining.

Net cash flow used in finance activities

The Group's net cash outflow from financing activities for the Reporting Period was approximately RMB15.6 million, which was mainly due to the payment of bank interests.

Cash and borrowings

As at 31 December 2015, cash balance of the Group amounted to approximately RMB59.5 million, representing a decrease of approximately RMB107.9 million or approximately 64.5% as compared to the corresponding period of last year.

As at 31 December 2015, bank borrowings balance of the Group were approximately RMB200.0 million, all of which are repayable within 1 year with fixed interest rate.

The Group's wholly-owned subsidiary Jiheng Mining entered into a comprehensive credit contract with the Baoding Dongfeng Road Sub-branch of Bank of Cangzhou Ltd on 15 December 2015. The term of the credit begins from the signing of the contract until 14 January 2017, and the total credit amounted to RMB160.0 million, of which bank loan amounting to RMB110.0 million and bank acceptance bill amounting to RMB50.0 million.

The credit was jointly guaranteed by Beijing Tong Da Guang Yue Trading Co, Ltd, Laiyuan County Aowei Mining Investments Limited, Laiyuan County Jianyuancheng Mining Limited and Laiyuan County Xinxin Mining Limited, and was also secured by the mortgage of the property and real estate of Beijing Tong Da Guang Yue Trading Co. Ltd's (北京通達廣悅商貿有限公司). Since Mr. Li Yanjun, a controlling shareholder of the Company holds 50% of the equity of Beijing Tong Da Guang Yue Trading Co., Ltd, the above provision of guarantee and security constituted a financial assistance and connected transaction of the Company under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). Since the financial assistance was conducted on normal commercial terms or better, and was not secured by the Group's assets, it was fully exempt from the reporting, announcement and independent shareholder's approval requirement pursuant to Rule 14A.90 of the Listing Rules.

Jiheng Mining has exhausted the credit amount in January 2016.

Other than as disclosed in note 12 to the consolidated financial statements of the Group for the year ended 31 December 2015 and 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 and contingent liabilities of the Group since 31 December 2015.

Gearing ratio

The gearing ratio of the Group increased from approximately 29.8% on 31 December 2014 to approximately 30.6% on 31 December 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 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

During the Reporting Period, the Group had no significant acquisitions and disposals of subsidiaries and affiliated companies.

Pledge of assets and 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 RMB81.0 million as at 31 December 2015.

The Group had no material contingent liabilities as at 31 December 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 shares of the Company. Expenses including commissions paid to the sponsor, underwriting fees and related professional fees amounted to approximately RMB71.1 million. The remaining fund raised was utilized in the following manner: (i) approximately RMB629.9 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 mining assets.

As at 31 December 2015, the net proceeds received by the Company from the listing of its shares have been fully utilized in accordance with the disclosures set out in the section headed "Use of Proceeds" in the prospectus of the Company dated 18 November 2013, the announcement of the Company dated 13 June 2014 in relation to change in use of proceeds and the announcement of the Company dated 10 December 2014 in relation to further change in use of proceeds.

FUTURE OUTLOOK

Looking forward to 2016, the Group still considers that China's steel industry will face a difficult year. According to the prediction of a report from the China Metallurgical Industry Planning and Research Institute, the consumption and production of steel have both reached peak amount and are decreasing, and this declining trend will continue in 2016.

The steel industry is an important area where over-productivity will be resolved to implement the supply-side reform. It is expected that the Chinese government will take a set of measures to ensure "survival of the fittest" in the steel market, carrying out merger and acquisition and bankruptcy to accelerate the clearing of overcapacity.

However, the process of clearing overcapacity is a long-term task, and under the pressure of economic downturn and low downstream demand, the steel price is unlikely to bounce significantly. As the new Environmental Protection Law comes into effect, there will be a general increase in the environmental cost of enterprises. The enterprises' finance cost will also be difficult to be reduced in the short term since the depreciation of Renminbi and risk of bad debt will also raise the finance cost.

Meanwhile, the iron ore import will probably continue to grow, mainly attributable to the import substitution of the Brazilian and Australian big resource companies. As the price of imported iron ore keeps decreasing, it is estimated that domestic iron ore enterprises with high operating costs will be forced out of the market.

Facing these factors, the Group will keep on seeking development opportunities in a time of recession of the industry by leveraging on its advantages and catching up with the situation. According to the 2016 Government Report of Hebei Province, "maintaining a stable development" is still one of the focuses in 2016. The report further promoted the acceleration of the construction of some infrastructure, including the 61 projects which involve cooperation with the central enterprises. The infrastructure investment under the guidance of the central government is also one of the key tasks in 2016. These construction projects will maintain the demand for steel to some extent. The Plan for Coordinated Development of Beijing, Tianjin and Hebei will also bring more infrastructure investment opportunities in the future, and resources industries including the steel industry will benefit from this plan.

BUSINESS STRATEGY

In accordance with the pervious analysis, the management predicts that the iron ore price will stay weak in the short term, which means that the Group's business will still face difficult challenge. In dealing with the current market conditions, the management has taken various measures to improve the overall business efficiency and return and retain shareholder value, including:

1. Focus on operation efficiency and properly plan the annual production of each mine, and watching closely the change of market conditions, considering cutting of production or discontinuation of the high-cost and loss-making mines.

2. Continue to improve the level of refined management of the Group, cutting cost by adjustment of management organization, downsizing of personnel, control of operation expenditure and cutting of investment, in hopes of improving cash flow.

As the Chinese economy entered the New Normal, together with the in-depth restructuring of the industry and the gradual transformation to a mature economy of coordinated development of consumption, investment and export, the management will keep a close eye on the market change and seek new business opportunities with high potential.

DIVIDENDS

The Board does not recommend the distribution of a final dividend for the year ended 31 December 2015.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 2015, neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

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 2015.

COMPLIANCE OF THE CORPORATE GOVERNANCE CODE

As a listed company on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the Company is committed to maintaining high level of corporate governance. Throughout the year, the Company has fully complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's annual results for 2015 and the consolidated financial statements for the year ended 31 December 2015.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2015 have been compared by the Company's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated 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.

COMPLIANCE OF DEED OF NON-COMPETITION

The Company entered into a deed of non-competition ("**Deed of Non-Competition**") with Mr. Leung Hongying Li Ziwei, Mr. Li Yanjun, Hengshi International Investments Limited and Hengshi Holdings Limited (the "**Controlling Shareholders**") on 12 November 2013. Pursuant to the Deed of Non-Competition, each Controlling Shareholder has undertaken to the Company (for itself and in favour of its subsidiaries) that they will not, profitably or non-profitably, and will procure their associates (except any members of the Group) not to, directly or indirectly, either on his own or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate in or hold interests in or engage in or acquire or hold construction, development, operation or management of any business or activity which competes or may compete with the restricted business of the Group, being the exploration, mining, processing and trading of iron ore products and the major products include iron ores, preliminary concentrates and iron ore concentrates (the "**Restricted Business**"). The Controlling Shareholders have also granted us an option for new business opportunities, a pre-emptive right and an option for acquisition to acquire any potential interest in their business which competes or is likely to compete, either directly or indirectly, with the Restricted Business.

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, pre-emptive right and the option for acquisitions as well as conducting annual review of implementation of the Deed of Non-Competition on behalf of the Company. Each Controlling Shareholder of the Company has made annual confirmation of compliance with the Deed of Non-Competition, and the independent non-executive Directors of the Company have also reviewed the implementation of the Deed of Non-Competition, and confirmed that the Controlling Shareholders have fully abided by the Deed of Non-Competition without any breach of the Deed of Non-Competition.

SUBSEQUENT EVENTS

Other than as disclosed elsewhere in this announcement, from 1 January 2016 to the date of this announcement, there are no major subsequent events affecting the Group.

PUBLICATION OF 2015 ANNUAL REPORT

The 2015 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, 30 March 2016

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. Li Jinsheng, 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.