The following is the text of a report received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this Prospectus.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

November 18, 2013

The Directors
Hengshi Mining Investments Limited

Credit Suisse (Hong Kong) Limited
Merrill Lynch Far East Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to Hengshi Mining Investments Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") comprising the consolidated balance sheets of the Group as at December 31, 2010, 2011 and 2012 and June 30, 2013 and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group, for each of the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013 (the "Relevant Periods"), together with the explanatory notes thereto (the "Financial Information"), for inclusion in the Prospectus of the Company dated November 18, 2013 (the "Prospectus").

The Company was incorporated in the British Virgin Islands ("BVI") on January 14, 2011 and redomiciled to the Cayman Islands on May 23, 2013 as an exempted company with limited liability under the Cayman Companies Law, Chapter 22 (2012 Revision, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation (the "Reorganisation"), as detailed in the section headed "History, Development and Reorganisation" in the Prospectus, the Company became the holding company of the companies now comprising the Group during the Relevant Periods, details of which are set out in note 1(b) of Section B. The Company has not carried on any business since the date of its incorporation save for the aforementioned Reorganisation.

As at the date of this report, no audited financial statements have been prepared for the Company, as it is an investment holding company and not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

All companies now comprising the Group have adopted December 31 as their financial year end date. Details of the companies comprising the Group that are subject to audit during the Relevant Periods and the names of the respective auditors are set out in note 1(b) of Section B. The statutory financial statements of these companies were prepared in accordance with the relevant requirements of the Accounting Standards for Business Enterprises and the Accounting Regulations for Business Enterprises issued by the Ministry of Finance of the People's Republic of China ("PRC").

The Directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods (the "Underlying Financial Statements") on the same basis as used in the preparation of the Financial Information as set out in Section B below. The Underlying Financial Statements for each of the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013 were audited by KPMG Huazhen (Special General Partnership) in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information has been prepared by the Directors of the Company for inclusion in the Prospectus in connection with the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited based on the Underlying Financial Statements, with no adjustments made thereon, and in accordance with the applicable disclosure provisions of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The Directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"), the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules, and for such internal control as the Directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to June 30, 2013.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report, on the basis of preparation and presentation as set out in note 1(b) of Section B below, a true and fair view of the state of affairs of the Group as at December 31, 2010, 2011 and 2012 and June 30, 2013 and the Group's consolidated results and cash flows for the Relevant Periods then ended.

CORRESPONDING FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Group comprising the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six months ended June 30, 2012, together with the notes thereon (the "Corresponding Financial Information"), for which the Directors are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

The Directors of the Company are responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

A CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

1 Consolidated Statements of Comprehensive Income

	Section B Note	Year ended December 31, 2010	Year ended December 31, 2011	Year ended December 31, 2012	Six months ended June 30, 2012	Six months ended June 30, 2013
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Turnover	*2*	364,576	773,127	581,573	219,301	667,060
Cost of sales		(198,251)	(351,054)	(393,149)	(171,030)	(279,809)
Gross profit		166,325	422,073	188,424	48,271	387,251
Distribution costs		(7,533)	(7,354)	(1,920)	(509)	(3,387)
Administrative expenses		(38,348)	(103,604)	(101,538)	(47,087)	(41,421)
Profit from operations		120,444	311,115	84,966	675	342,443
Finance income	*3(a)*	78	333	115	64	55
Finance costs	*3(a)*	(3,169)	(4,176)	(7,621)	(2,971)	(7,577)
Net finance costs		(3,091)	(3,843)	(7,506)	(2,907)	(7,522)
Profit/(loss) before taxation	*3*	117,353	307,272	77,460	(2,232)	334,921
Income tax	*4*	(30,418)	(85,282)	(22,666)	(801)	(84,686)
Profit/(loss) and total comprehensive income for the year/period		86,935	221,990	54,794	(3,033)	250,235
Attributable to:						
Equity shareholders of the Company		94,887	162,510	48,450	(4,820)	232,004
Non-controlling interests		(7,952)	59,480	6,344	1,787	18,231
Profit/(loss) and total comprehensive income for the year/period		86,935	221,990	54,794	(3,033)	250,235
Earnings/(loss) per share	*5*					
Basic and diluted (RMB)		0.08	0.14	0.04	(0.01)	0.21

The accompanying notes form part of the Financial Information.

2 Consolidated Balance Sheets

	Section B Note	As at December 31, 2010	As at December 31, 2011	As at December 31, 2012	As at June 30, 2013
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment, net	*9*	136,874	141,914	271,340	428,619
Construction in progress	*10*	214	108,849	161,580	83,419
Lease prepayments	*11*	37,818	133,657	154,296	162,677
Intangible assets	*12*	41,941	83,839	218,484	427,782
Long-term receivables	*13*	5,710	5,710	11,420	21,440
Prepayments	*14*	–	1,864	5,291	7,325
Deferred tax assets	*20(b)*	4,954	1,017	1,225	2,475
		227,511	476,850	823,636	1,133,737
Current assets					
Inventories	*15*	36,162	106,280	160,071	122,055
Trade and other receivables	*16*	113,772	47,974	39,401	59,953
Amounts due from related parties	*26*	50,712	6,239	386	344
Cash and cash equivalents	*17*	23,628	41,840	22,668	67,140
		224,274	202,333	222,526	249,492
Current liabilities					
Short-term borrowings and current portion of long-term borrowings	*18*	49,000	–	–	11,600
Trade and other payables	*19*	84,793	171,145	237,805	218,436
Amounts due to related parties	*26*	99,708	257,593	483,581	301,953
Current taxation	*20(a)*	15,050	16,305	2,222	14,038
Current portion of long-term payables	*21*	–	–	21,026	21,645
Current portion of accrued reclamation obligations	*22*	–	–	2,935	4,326
		248,551	445,043	747,569	571,998
Net current liabilities		(24,277)	(242,710)	(525,043)	(322,506)
Total assets less current liabilities		203,234	234,140	298,593	811,231

	Section B Note	As at December 31, 2010	As at December 31, 2011	As at December 31, 2012	As at June 30, 2013
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current liabilities					
Interest-bearing borrowings, less current portion	18	–	–	–	90,000
Long-term payables, less current portion	21	–	–	90,454	262,820
Accrued reclamation obligations, less current portion	22	41,125	43,818	43,753	42,987
Deferred tax liabilities	20(b)	1,430	786	56	859
		42,555	44,604	134,263	396,666
Net assets		160,679	189,536	164,330	414,565
Capital and reserves					
Share capital	23	–	1	1	1
Reserves	23	143,631	131,758	138,734	370,738
Total equity attributable to equity shareholders of the Company		143,631	131,759	138,735	370,739
Non-controlling interests		17,048	57,777	25,595	43,826
Total equity		160,679	189,536	164,330	414,565

The accompanying notes form part of the Financial Information.

3 Consolidated Statements of Changes in Equity

		Attributable to equity shareholders of the Company							
	Note	Share capital	Statutory surplus reserve	Special reserve	Other reserve	Retained earnings	Sub-total	Non-controlling interests	Total equity
		RMB'000 (note 23(b))	RMB'000 (note 23(c))	RMB'000 (note 23(c))	RMB'000 (note 23(c))	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2010		–	2,679	8,670	39,228	(26,833)	23,744	–	23,744
Changes in equity:									
Total comprehensive income for the year		–	–	–	–	94,887	94,887	(7,952)	86,935
Transfer to special reserve		–	–	6,407	–	(6,407)	–	–	–
Establishment of a subsidiary		–	–	–	25,000	–	25,000	25,000	50,000
Appropriation to reserves		–	3,089	–	–	(3,089)	–	–	–
At December 31, 2010		–	5,768	15,077	64,228	58,558	143,631	17,048	160,679
At January 1, 2011		–	5,768	15,077	64,228	58,558	143,631	17,048	160,679
Changes in equity:									
Total comprehensive income for the year		–	–	–	–	162,510	162,510	59,480	221,990
Capital injection		1	–	–	–	–	1	–	1
Waiver of liabilities from ultimate controlling party	26(a)	–	–	–	150,576	–	150,576	–	150,576
Arising from the Reorganisation	(i)	–	–	–	(212,311)	–	(212,311)	–	(212,311)
Transfer to special reserve		–	–	9,017	–	(9,017)	–	–	–
Profit distribution	23(a)	–	–	–	–	(93,000)	(93,000)	–	(93,000)
Acquisition of non-controlling interests	(ii)	–	–	132	(19,780)	–	(19,648)	(18,751)	(38,399)
Appropriation to reserves		–	15,624	–	–	(15,624)	–	–	–
At December 31, 2011		1	21,392	24,226	(17,287)	103,427	131,759	57,777	189,536
At January 1, 2012		1	21,392	24,226	(17,287)	103,427	131,759	57,777	189,536
Changes in equity:									
Total comprehensive income for the year		–	–	–	–	48,450	48,450	6,344	54,794
Transfer to special reserve		–	–	9,142	–	(9,142)	–	–	–
Acquisition of non-controlling interests	(iii)	–	2,839	1,372	(45,685)	–	(41,474)	(38,526)	(80,000)
Appropriation to reserves		–	5,702	–	–	(5,702)	–	–	–
At December 31, 2012		1	29,933	34,740	(62,972)	137,033	138,735	25,595	164,330

	Note	Attributable to equity shareholders of the Company							
		Share capital	Statutory surplus reserve	Special reserve	Other reserve	Retained earnings	Sub-total	Non-controlling interests	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(note 23(b))	*(note 23(c))*	*(note 23(c))*	*(note 23(c))*				
At January 1, 2013		1	29,933	34,740	(62,972)	137,033	138,735	25,595	164,330
Changes in equity:									
Total comprehensive income for the period		–	–	–	–	232,004	232,004	18,231	250,235
Transfer to special reserve		–	–	4,843	–	(4,843)	–	–	–
At June 30, 2013		1	29,933	39,583	(62,972)	364,194	370,739	43,826	414,565
(unaudited)									
At January 1, 2012		1	21,392	24,226	(17,287)	103,427	131,759	57,777	189,536
Changes in equity:									
Total comprehensive income for the period		–	–	–	–	(4,820)	(4,820)	1,787	(3,033)
Transfer to special reserve		–	–	4,450	–	(4,450)	–	–	–
Acquisition of non-controlling interests	*(iii)*	–	2,839	1,372	(45,685)	–	(41,474)	(38,526)	(80,000)
At June 30, 2012		1	24,231	30,048	(62,972)	94,157	85,465	21,038	106,503

Note:

(i) During the year ended December 31, 2011, the Group acquired the equity interests of the PRC Operating Entities (as defined in note 1(b) of Section B below) as a result of the Reorganisation with an aggregate consideration of RMB212.31 million, which was fully paid by cash.

(ii) During the year ended December 31, 2011, the Group acquired 20% equity interests in Laiyuan County Jiheng Mining Co., Ltd. from the non-controlling shareholders at an aggregate consideration of RMB38.40 million, which was fully paid by cash. The excess of the fair value of the consideration paid over the carrying amount of the net assets acquired has been debited directly to equity.

(iii) In March 2012, the Group acquired an additional 20% equity interests in Laiyuan County Jiheng Mining Co., Ltd. from the non-controlling shareholder at a consideration of RMB80.00 million, which was fully paid by cash. The excess of the fair value of the consideration over the carrying amount of the net assets acquired has been debited directly to equity.

The accompanying notes form part of the Financial Information.

4 Consolidated Cash Flow Statements

	Section B Note	Year ended December 31, 2010	2011	2012	Six months ended June 30, 2012	2013
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cash flows from operating activities						
Profit/(loss) before taxation		117,353	307,272	77,460	(2,232)	334,921
Adjustments for:						
Depreciation and amortisation		11,191	26,597	39,522	16,829	38,274
Provision for inventories		5,916	–	–	–	–
Finance income		(78)	(333)	(115)	(64)	(55)
Finance costs		3,169	4,176	7,621	2,971	7,577
Net loss on disposal of property, plant and equipment		2,330	13,395	8,086	7,569	171
Impairment losses on property, plant and equipment		2,958	2,308	–	–	–
Changes in working capital:						
(Increase)/decrease in inventories		(39,272)	(70,118)	(53,791)	(16,913)	38,016
(Increase)/decrease in trade and other receivables and amounts due from related parties		(139,740)	96,733	13,390	(37,496)	(38,091)
Increase/(decrease) in trade and other payables and amounts due to related parties		90,902	243,092	227,494	263,070	(190,520)
Cash generated from operating activities		54,729	623,122	319,667	233,734	190,293
Income tax paid		(19,771)	(84,708)	(42,361)	(36,219)	(65,756)
Net cash generated from operating activities		34,958	538,414	277,306	197,515	124,537
Investing activities						
Payment for purchase of property, plant and equipment		(38,504)	(139,825)	(149,574)	(81,838)	(110,160)
Payment for lease prepayments		(32,902)	(102,536)	(33,306)	(13,025)	(15,503)
Payment for acquisition of intangible assets		(42,060)	(43,782)	(35,601)	(35,601)	(55,942)
Proceeds from sale of property, plant and equipment		1,787	9,225	1,888	99	111
Interests received		78	333	115	64	55
Net cash used in investing activities		(111,601)	(276,585)	(216,478)	(130,301)	(181,439)

	Section B Note	Year ended December 31,			Six months ended June 30,	
		2010	2011	2012	2012	2013
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Financing activities						
Proceeds from borrowings		49,000	30,000	–	–	101,600
Interests paid		(1,159)	(1,393)	–	–	(226)
Contribution from the equity shareholders of the Company		25,000	–	–	–	–
Contribution from non-controlling interests		25,000	–	–	–	–
Payment for acquisitions of non-controlling interests		–	(38,399)	(80,000)	(80,000)	–
The Reorganisation						
– payment for acquiring the PRC Operating Entities		–	(212,311)	–	–	–
– funds received from the ultimate controlling party		–	150,576	–	–	–
Dividends paid		–	(93,000)	–	–	–
Repayments of borrowings		–	(79,000)	–	–	–
Net cash generated from/(used in) financing activities		97,841	(243,527)	(80,000)	(80,000)	101,374
Net increase/(decrease) in cash and cash equivalents		21,198	18,302	(19,172)	(12,786)	44,472
Cash and cash equivalents at the beginning of the year/period		2,430	23,628	41,840	41,840	22,668
Effect of foreign exchange rate changes		–	(90)	–	–	–
Cash and cash equivalents at the end of the year/period	17	23,628	41,840	22,668	29,054	67,140

The accompanying notes form part of the Financial Information.

B NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which collective term includes International Accounting Standards and related interpretations, promulgated by the International Accounting Standards Board ("IASB"). Further details of the significant accounting policies adopted are set out in the remainder of this Section B.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Financial Information, the Group has adopted all applicable new and revised IFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period ended June 30, 2013. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning on January 1, 2013 are set out in note 29.

The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules.

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

The Corresponding Financial Information for the six months ended June 30, 2012 has been prepared in accordance with the same basis and accounting policies adopted in respect of the Financial Information.

(b) Basis of preparation and presentation

The Financial Information comprises the Company and its subsidiaries and has been prepared using the principles of merger accounting as if the Group had always been in existence as further explained below.

The Company was incorporated in the BVI on January 14, 2011 and redomiciled to the Cayman Islands on May 23, 2013, which is ultimately controlled by Mr. Li Yanjun and Mr. Li Ziwei (a Dominican whose full name is Leung Hongying Li Ziwei, collectively referred to as the "Controlling Shareholders"), and became the holding company of the companies now comprising the Group pursuant to the Reorganisation during the Relevant Periods. The Group is principally engaged in the mining, processing and sale of iron ore, preliminary concentrates and iron ore concentrates in the PRC.

Prior to the incorporation of the Company, the Group's businesses were conducted through Laiyuan County Jingyuancheng Mining Co., Ltd., Laiyuan Xinxin Mining Co., Ltd. and Laiyuan County Jiheng Mining Co., Ltd. established in the PRC (the "PRC Operating Entities"), which were ultimately owned and controlled by the Controlling Shareholders. As part of the Reorganisation, Laiyuan County Aowei Mining Investments Co., Ltd., an indirect wholly owned subsidiary of the Company, acquired 100% equity interests of Laiyuan County Jingyuancheng Mining Co., Ltd., 100% equity interests of Laiyuan Xinxin Mining Co., Ltd. and 50% equity interests of Laiyuan County Jiheng Mining Co., Ltd. from Hebei Aowei Industrial Group Co., Ltd. in June 2011.

The companies (including the PRC Operating Entities) that took part in the Reorganisation were controlled by the Controlling Shareholders before and after the Reorganisation. As the control is not transitory and, consequently, there was a continuation of the risks and benefits to the Controlling Shareholders, the Reorganisation is considered to be a restructuring of entities and businesses under common control.

The Financial Information has been prepared using the principles of merger accounting as if the companies now comprising the Group have been consolidated at the beginning of the Relevant Periods (or where the company was incorporated or established at a later date than January 1, 2010 for the period from the date of incorporation or establishment to June 30, 2013). The net assets of the companies now comprising the Group are consolidated using the existing book values from the Controlling Shareholders' perspective.

The consolidated statements of comprehensive income, consolidated statements of changes in equity and the consolidated cash flow statements of the Group as set out in Section A include the results of operations of the Company and its subsidiaries for the Relevant Periods (or where the company was incorporated or established at a date later than January 1, 2010, for the period from the date of incorporation or establishment to June 30, 2013) as if the Reorganisation was completed at the beginning of the Relevant Periods. The consolidated balance sheets of the Group as at December 31, 2010, 2011 and 2012 and June 30, 2013 as set out in Section A have been prepared to present the state of affairs of the Company and its subsidiaries as at the respective dates as if the Reorganisation was completed at the beginning of the Relevant Periods.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

At the date of this report, the Company had a direct or indirect interest in the following subsidiaries, which are private companies. The particulars of the subsidiaries are set out below:

Name of Company	Place and Date of Incorporation/ Establishment	Authorised and Fully Paid-up Capital	Equity Attributable to the Company		Principal Activities
			Direct	Indirect	
Hengshi Development International Limited 恒實發展國際有限公司 .	Hong Kong February 2, 2011	HK$100	100%	–	Investment holding
Sichuan Panshi Industrial Co., Ltd.# 四川盤實實業有限公司 .	PRC June 8, 2011	RMB150,000,000	–	100%	Investment holding
Sichuan Hengwen Industrial Co., Ltd.# 四川恒穩實業有限公司 .	PRC June 9, 2011	RMB120,000,000	–	100%	Investment holding
Laiyuan County Aowei Mining Investments Co., Ltd.# 淶源縣奧威礦業投資有限公司	PRC June 8, 2011	RMB120,000,000	–	100%	Investment holding
Laiyuan County Jingyuancheng Mining Co., Ltd.# 淶源縣京源城礦業有限公司	PRC October 18, 2001	RMB80,000,000	–	100%	Mining, processing and trading of iron ore products
Laiyuan Xinxin Mining Co., Ltd.# 淶源鑫鑫礦業有限公司 .	PRC April 22, 2004	RMB50,000,000	–	100%	Mining, processing and trading of iron ore products
Laiyuan County Jiheng Mining Co., Ltd.# 淶源縣冀恒礦業有限公司	PRC August 16, 2010	RMB50,000,000	–	90%*	Mining, processing and trading of iron ore products

\# The official name of the entity is in Chinese. The English name is for identification purpose only.

* The Group held 50% controlling interests of Laiyuan County Jiheng Mining Co., Ltd. upon its establishment. Subsequently, the Group acquired additional 40% equity interests from the non-controlling shareholders in 2011 and 2012. Details are set out in notes (i), (ii) and (iii) to the consolidated statements of changes in equity.

The following list contains details of the companies included in the Financial Information that are subject to audit during the Relevant Periods and the names of the respective auditors.

Name of Entity	Financial Period	Statutory Auditor
Sichuan Panshi Industrial Co., Ltd..	Period from June 8, 2011 (date of establishment) to December 31, 2011 and year ended December 31, 2012	四川天仁會計師事務所有限責任公司
Sichuan Hengwen Industrial Co., Ltd..	Period from June 9, 2011 (date of establishment) to December 31, 2011 and year ended December 31, 2012	四川天仁會計師事務所有限責任公司
Laiyuan County Aowei Mining Investments Co., Ltd.	Period from June 8, 2011 (date of establishment) to December 31, 2012	河北中翔宇會計師事務所有限公司
Laiyuan County Jingyuancheng Mining Co., Ltd.	Years ended December 31, 2010, 2011 and 2012	河北中翔宇會計師事務所有限公司
Laiyuan Xinxin Mining Co., Ltd.	Years ended December 31, 2010, 2011 and 2012	河北中翔宇會計師事務所有限公司
Laiyuan County Jiheng Mining Co., Ltd..	Period from August 16, 2010 (date of establishment) to December 31, 2011 and year ended December 31, 2012	河北中翔宇會計師事務所有限公司

(c) Basis of measurement

The Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand. The Financial Information is prepared on the historical cost basis.

(d) Going concern

The Financial Information has been prepared assuming the Group will continue as a going concern notwithstanding the net current liabilities position of the Group as at December 31, 2010, 2011 and 2012 and June 30, 2013. The Directors are of the opinion that, based on a detailed review of the working capital forecast of the Group for the period ending December 31, 2014, the Group will have necessary liquid funds to finance its working capital requirements and capital commitments. Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for any further liabilities which might arise. The effect of these adjustments has not been reflected in the Financial Information.

(e) Use of estimates and judgements

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

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

Judgements made by management in the application of IFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in note 27.

(f) Basis of consolidation

(i) Business combinations involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets and liabilities obtained are measured at the carrying amounts as recorded by the entity being combined at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of consideration paid for the combination (or the total face value of shares issued) is adjusted to equity. The combination date is the date on which one combining entity effectively obtains control of the other combining entities.

(ii) Business combinations involving entities not under common control

A business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the business combination.

The acquirer, at the acquisition date, allocates the cost of the business combination by recognising the acquiree's identifiable assets, liabilities and contingent liabilities at their fair value at that date.

(iii) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect the amount of those returns.

An investment in a subsidiary is consolidated into the Financial Information from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated balance sheets within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statements of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheets in accordance with note 1(m) or (n) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an interest in an associate.

(g) Property, plant and equipment

Property, plant and equipment, which consist of buildings and plants, machinery and equipment, motor vehicles, office equipment and mining structures are initially stated at cost less accumulated depreciation and impairment losses (see note 1(j)(ii)). The cost of an asset comprises its purchase price, any directly attributable costs of bringing the asset to its present working condition and location for its intended use, the cost of borrowed funds used during the period of construction and, when relevant, the costs of dismantling and removing the items and restoring the site on which they are located, and changes in the measurement of existing liabilities recognised for these costs resulting from changes in the timing or outflow of resources required to settle the obligation or from changes in the discount rate.

Construction in progress represents property, plant and equipment under construction and equipment pending installation, and is initially recognised at cost less impairment losses (note 1(j)(ii)). Cost comprises cost of materials, direct labour and an appropriate proportion of production overheads and borrowing costs (note 1(v)). Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use. No depreciation is provided in respect of construction in progress until it is completed and substantially ready for its intended use.

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other cost is recognised as an expense in profit or loss in the period in which it is incurred.

In open pit operations the removal of overburden and waste materials, referred to as stripping, is required to obtain access to the ore body. Stripping costs incurred during the development phase of a mine are capitalised into property, plant and equipment. Stripping costs incurred during the production phase of a mine are variable production costs that are included in the costs of inventory produced during the period that the stripping costs are incurred, unless the stripping activity can be shown to give rise to future economic benefits from the mineral property by increasing access to the ore body and the component of the ore body for which access has been improved can be identified, in which case the stripping costs incurred are capitalised as stripping activity assets and accounted for as part of an existing asset of property, plant and equipment.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, other than mining structures and capitalised stripping assets, over their estimated useful lives using the straight-line method, after taking into account the estimated residual values.

The estimated useful lives of property, plant and equipment are as follows:

	Depreciable life
Buildings and plants	6–20 years
Machinery and equipment	3–10 years
Motor vehicles	5 years
Office equipment	3 years

Mining structures and capitalised stripping assets are depreciated on the units-of-production method utilising only proven and probable mineral reserves in the depletion base.

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately.

Both the useful life of an asset and its residual value, if any, are reviewed annually.

(h) Intangible assets

(i) Mining rights

Mining rights are stated at cost less accumulated amortisation and impairment losses (see note 1(j)(ii)). The mining rights are amortised using the units-of-production method based on the proved and probable mineral reserves. The Group's mining rights are of sufficient duration (or convey a legal right to renew for sufficient duration) to enable all reserves to be mined in accordance with current production schedules.

(ii) Exploration and evaluation assets

Exploration and evaluation assets are stated at cost less impairment losses (see note 1(j)(ii)). Exploration and evaluation assets include exploration and development costs. Exploration and development costs include expenditures incurred in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable and expenditures incurred to secure further mineralisation in existing ore bodies and to expand the capacity of a mine. Expenditure during the initial exploration stage is charged to profit or loss as incurred.

When it can be reasonably ascertained that a mining structure is capable of commercial production, exploration and development costs capitalised are transferred to mining right and amortised to profit or loss using the units-of-production method based on the proved and probable mineral reserves. If any project is abandoned during the exploration and evaluation stage, the related exploration and evaluation assets are written off to profit or loss.

(i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Lease prepayments

Lease prepayments represent the costs of acquiring the land use rights. Land use rights are carried at cost less accumulated amortisation and impairment losses (see note 1(j)(ii)). Amortisation is charged to profit or loss on a straight line basis over the period of the land use rights.

(j) Impairment of assets

(i) Impairment of trade and other receivables

Trade and other receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– construction in progress;

– lease prepayments;

– intangible assets; and

– other non-current assets (excluding receivables).

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the cash-generating unit (or group of units) on a pro rata basis, except that the carrying amount of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognised.

(k) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, cost of conversion, an appropriate portion of fixed and variable overhead costs, including the stripping costs incurred during the production phase, and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Inventories of ancillary materials, spare parts and small tools used in production are stated at cost less impairment losses for obsolescences.

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (note 1(j)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(m) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(n) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(p) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Obligations for reclamation

The Group's obligations for reclamation consist of spending estimates at its mines in accordance with the relevant rules and regulations in the PRC. The Group estimates its liabilities for final reclamation and mine closure based upon detailed calculations of the amount and timing of the future cash spending to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. The Group records a corresponding asset associated with the liability for final reclamation and mine closure. The obligation and corresponding asset are recognised in the period in which the liability is incurred. The asset is depreciated on the units-of-production method over its expected life and the liability is accreted to the projected spending date. As changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities), the revisions to the obligation and the corresponding asset are recognised at the appropriate discount rate.

(t) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue associated with the sale of iron ore, preliminary concentrates and iron ore concentrates is recognised when the risks and rewards of ownership of the goods have been passed to the customer. Revenue excludes value added tax and is after deduction of any trade discounts.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(w) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 TURNOVER

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

	Year ended December 31,			**Six months ended June 30,**	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000*** *(unaudited)*	***RMB'000***
Iron ore concentrates	364,209	393,118	315,180	120,167	289,972
Preliminary concentrates . .	–	52,594	71,445	39,766	81,281
Iron ore	–	327,144	193,856	58,561	295,476
Others	367	271	1,092	807	331
	364,576	773,127	581,573	219,301	667,060

Details of customers accounting for 10% or more of total revenue are as follows:

	Year ended December 31,			**Six months ended June 30,**	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000*** *(unaudited)*	***RMB'000***
Laiyuan County Aoyu Steel Co., Ltd. *(note (i))*	355,750	383,140	259,572	116,171	*note (ii)*
Customer A	–	–	*note (iii)*	–	218,140

Details of the concentration of credit risk arising from the Group's customers are set out in note 24(b).

Note:

(i) In March 2012, Laiyuan County Aoyu Steel Co., Ltd. ceased to be a related party of the Group. Turnover arising from sales to Laiyuan County Aoyu Steel Co., Ltd. of RMB259.57 million during the year ended December 31, 2012, comprising an amount of RMB62.14 million (note 26(a)) and RMB197.43 million in respect of a period before and after this customer ceased to be a related company during the year concerned.

(ii) For the six months ended June 30, 2013, turnover arising from sales to Laiyuan County Aoyu Steel Co., Ltd. amounted to RMB25.17 million, which represents less than 10% of total revenue for that period.

(iii) For the year ended December 31, 2012, turnover arising from sales to customer A amounted to RMB34.94 million, which represents less than 10% of total revenue for that year.

3 PROFIT BEFORE TAXATION

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

(a) Net finance costs

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Interest income	(78)	(333)	(115)	(64)	(55)
Finance income	(78)	(333)	(115)	(64)	(55)
Foreign exchange loss	–	90	–	–	–
Interest on interest-bearing borrowings	–	–	–	–	382
Interest on discounting bank acceptance bills	1,159	1,393	–	–	–
Unwinding of interest on					
– Long-term payables	–	–	4,751	1,560	5,690
– Accrued reclamation obligations *(note 22)*	2,010	2,693	2,870	1,411	1,505
Finance costs	3,169	4,176	7,621	2,971	7,577
Net finance costs	3,091	3,843	7,506	2,907	7,522

(b) Staff costs

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Salaries, wages, bonuses and benefits	25,656	34,441	54,272	22,347	28,343
Retirement scheme contributions	3,187	4,306	5,136	2,448	2,157
	28,843	38,747	59,408	24,795	30,500

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

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Cost of inventories#	198,251	351,054	393,149	171,030	279,809
Depreciation and amortisation	11,191	26,597	39,522	16,829	38,274
Auditors' remuneration – audit services	20	28	71	60	16
Net loss on disposal of property, plant and equipment	2,330	13,395	8,086	7,569	171
Impairment losses on property, plant and equipment	2,958	2,308	–	–	–
Provision for inventories	5,916	–	–	–	–
Operating lease charges	–	433	555	291	209

Cost of inventories includes RMB27.00 million, RMB41.92 million and RMB54.98 million, RMB25.11 million and RMB49.39 million for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2012 (unaudited) and 2013, respectively, 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.

Production stripping costs included in cost of inventories amounted to RMB69.98 million, RMB211.63 million, RMB246.17 million, RMB111.64 million and RMB136.21 million for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2012 (unaudited) and 2013, respectively.

4 INCOME TAX

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

	Year ended December 31,			Six months ended June 30,	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000*** *(unaudited)*	***RMB'000***
Current tax *(note 20(a))*	33,898	81,989	23,604	5,975	85,133
Deferred tax *(note 20(b))* – Origination and reversal of temporary differences	(3,480)	3,293	(938)	(5,174)	(447)
	30,418	85,282	22,666	801	84,686

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

	Year ended December 31,			Six months ended June 30,	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000*** *(unaudited)*	***RMB'000***
Profit/(loss) before taxation	117,353	307,272	77,460	(2,232)	334,921
Notional tax on profit/(loss) before taxation, calculated at tax rate of 25%*	29,338	76,818	19,365	(558)	83,730
Tax effect of non-deductible expenses	1,080	808	241	165	8
Tax effect of unused tax losses not recognised *(note 20(c))*	–	7,656	3,060	1,194	948
Actual tax expense	30,418	85,282	22,666	801	84,686

* The PRC statutory tax rate is adopted as the Group's operations are mainly conducted in the PRC.

Note:

(i) Pursuant to the prevailing income tax rules and regulations of PRC, the Group is liable to PRC Enterprise Income Tax at a rate of 25%.

(ii) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI. 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 Relevant Periods.

(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 January 1, 2008 are subject to withholding income tax at a rate of 10%, unless reduced by tax treaties or arrangements.

5 EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings per share during the Relevant Periods is based on the profit/(loss) attributable to equity shareholders of the Company for each of the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2012 (unaudited) and 2013 and on the assumption that a total of 1,125,000,000 shares of the Company are in issue pursuant to the capitalisation issue as set out in Appendix VI to the Prospectus as if the shares were outstanding, throughout the entire Relevant Periods.

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

6 DIRECTORS' REMUNERATION

Details of the Directors' remuneration disclosed are as follows:

	Year ended December 31, 2010				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors					
Mr. Li Yanjun	–	–	–	–	–
Mr. Li Ziwei	–	–	–	–	–
Mr. Xia Guoan	–	29	–	–	29
Mr. Sun Jianhua	–	–	–	–	–
Mr. Huang Kai	–	–	–	–	–
Mr. Tu Quanping	–	51	–	–	51
Total	–	80	–	–	80

	Year ended December 31, 2011				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors					
Mr. Li Yanjun	–	–	–	–	–
Mr. Li Ziwei	–	–	–	–	–
Mr. Xia Guoan	–	93	–	–	93
Mr. Sun Jianhua	–	–	–	–	–
Mr. Huang Kai	–	–	–	–	–
Mr. Tu Quanping	–	51	–	–	51
Total	–	144	–	–	144

	Year ended December 31, 2012				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors					
Mr. Li Yanjun	–	–	–	–	–
Mr. Li Ziwei	–	–	–	–	–
Mr. Xia Guoan	–	344	–	–	344
Mr. Sun Jianhua	–	81	–	–	81
Mr. Huang Kai	–	183	–	–	183
Mr. Tu Quanping	–	285	–	–	285
Total	–	893	–	–	893

	Six months ended June 30, 2012 (unaudited)				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors					
Mr. Li Yanjun	–	–	–	–	–
Mr. Li Ziwei	–	–	–	–	–
Mr. Xia Guoan	–	131	–	–	131
Mr. Sun Jianhua	–	27	–	–	27
Mr. Huang Kai	–	61	–	–	61
Mr. Tu Quanping	–	103	–	–	103
Total	–	322	–	–	322

	Six months ended June 30, 2013				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors					
Mr. Li Yanjun	–	–	–	–	–
Mr. Li Ziwei	–	–	–	–	–
Mr. Xia Guoan	–	214	–	–	214
Mr. Sun Jianhua	–	49	–	5	54
Mr. Huang Kai	–	126	–	4	130
Mr. Tu Quanping	–	180	–	5	185
Total	–	569	–	14	583

No emoluments have been paid to the Directors as an inducement to join or upon joining the Group during the Relevant Periods.

7 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The number of Directors and non-Directors included in the five highest paid individuals for each of the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2012 (unaudited) and 2013 are set forth below:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
Directors	2	2	2	2	2
Non-Directors	3	3	3	3	3
Total	5	5	5	5	5

The emoluments of the Directors are disclosed in note 6. The aggregate of the emoluments in respect of the remaining highest paid individuals are as follows:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Basic salaries, allowances and benefits in kind	97	196	662	233	588
Discretionary bonuses	–	–	–	–	–
Retirement scheme contributions	–	–	–	–	12
Total	97	196	662	233	600

The emoluments of the individuals with the highest emoluments are within the following band:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
Nil to HKD1,000,000	5	5	5	5	5

No emoluments have been paid to these individuals as an inducement to join or upon joining the Group during the Relevant Periods.

8 SEGMENT REPORTING

The Group has one business segment, the mining, processing, and sale of iron ore, preliminary concentrates and iron ore concentrates. All of its customers are located in China. 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 and iron ore products. Accordingly, no additional business and geographical segment information are presented.

9 PROPERTY, PLANT AND EQUIPMENT, NET

	Buildings and plants	Machinery and equipment	Motor vehicles	Office equipment	Mining structure	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At January 1, 2010	39,720	47,508	13,085	381	30,670	131,364
Additions	7,909	31,972	7,592	324	8,445	56,242
Disposals	(9,549)	–	(8,568)	–	–	(18,117)
Transferred from construction in progress *(note 10)*	2,710	1,687	–	–	–	4,397
At December 31, 2010	40,790	81,167	12,109	705	39,115	173,886
At January 1, 2011	40,790	81,167	12,109	705	39,115	173,886
Additions	6,677	16,245	7,785	811	–	31,518
Disposals	(8,110)	(12,219)	(127)	–	–	(20,456)
Transferred from construction in progress *(note 10)*	3,757	3,702	–	–	–	7,459
At December 31, 2011	43,114	88,895	19,767	1,516	39,115	192,407
At January 1, 2012	43,114	88,895	19,767	1,516	39,115	192,407
Additions	1,187	14,032	5,971	1,109	–	22,299
Disposals	(5,372)	(9,774)	(2,285)	(419)	–	(17,850)
Transferred from construction in progress *(note 10)*	77,991	58,280	–	–	–	136,271
At December 31, 2012	116,920	151,433	23,453	2,206	39,115	333,127
At January 1, 2013	116,920	151,433	23,453	2,206	39,115	333,127
Additions	1,950	7,073	1,882	721	–	11,626
Disposals	–	(4)	(629)	(33)	–	(666)
Transferred from construction in progress *(note 10)*	115,940	47,208	–	–	–	163,148
At June 30, 2013	234,810	205,710	24,706	2,894	39,115	507,235

	Buildings and plants	Machinery and equipment	Motor vehicles	Office equipment	Mining structure	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Accumulated depreciation and impairment losses:						
At January 1, 2010	(5,228)	(18,243)	(5,848)	(214)	–	(29,533)
Charge for the year	(1,484)	(5,288)	(1,855)	(87)	(800)	(9,514)
Impairment loss	(1,914)	(1,044)	–	–	–	(2,958)
Written back on disposals	542	–	4,451	–	–	4,993
At December 31, 2010	(8,084)	(24,575)	(3,252)	(301)	(800)	(37,012)
At January 1, 2011	(8,084)	(24,575)	(3,252)	(301)	(800)	(37,012)
Charge for the year	(2,355)	(10,826)	(3,389)	(195)	(1,251)	(18,016)
Impairment loss	(2,210)	(98)	–	–	–	(2,308)
Written back on disposals	1,646	5,144	53	–	–	6,843
At December 31, 2011	(11,003)	(30,355)	(6,588)	(496)	(2,051)	(50,493)
At January 1, 2012	(11,003)	(30,355)	(6,588)	(496)	(2,051)	(50,493)
Charge for the year	(2,105)	(11,592)	(3,937)	(467)	(1,069)	(19,170)
Written back on disposals	882	4,600	2,054	340	–	7,876
At December 31, 2012	(12,226)	(37,347)	(8,471)	(623)	(3,120)	(61,787)
At January 1, 2013	(12,226)	(37,347)	(8,471)	(623)	(3,120)	(61,787)
Charge for the period	(4,584)	(8,709)	(2,501)	(468)	(951)	(17,213)
Written back on disposals	–	3	367	14	–	384
At June 30, 2013	(16,810)	(46,053)	(10,605)	(1,077)	(4,071)	(78,616)
Net book value:						
At December 31, 2010	32,706	56,592	8,857	404	38,315	136,874
At December 31, 2011	32,111	58,540	13,179	1,020	37,064	141,914
At December 31, 2012	104,694	114,086	14,982	1,583	35,995	271,340
At June 30, 2013	218,000	159,657	14,101	1,817	35,044	428,619

The Group's property, plant and equipment are substantially located in the PRC. Up to the issue of the Financial Information, the Group is still in the process of applying for the title certificates of certain of its buildings and plants with carrying amount of approximately RMB5.41 million, RMB9.84 million, RMB51.69 million and RMB57.11 million as at December 31, 2010, 2011 and 2012 and June 30, 2013, respectively. The Directors are of the opinion that the Group is entitled to lawfully and validly occupy or use of the above-mentioned properties.

During the year ended December 31, 2010, the Group acquired the property, plant and equipment from Laiyuan County Guangyuan Mining Co., Ltd. and Baoding Longmao Mining Co., Ltd. at a total consideration of RMB7.28 million and RMB3.11 million respectively.

During the year ended December 31, 2011, the Group acquired the property, plant and equipment from Laiyuan County Weihe Mining Co., Ltd. and Laiyuan County Xinda Mining Co., Ltd. at a total consideration of RMB6.40 million and RMB0.83 million respectively.

10 CONSTRUCTION IN PROGRESS

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at the beginning of the year/period	89	214	108,849	161,580
Additions	4,522	116,094	189,002	84,987
Transferred to property, plant and equipment *(note 9)*	(4,397)	(7,459)	(136,271)	(163,148)
Balance at the end of the year/period	214	108,849	161,580	83,419

Construction in progress as at December 31, 2010, 2011 and 2012 and June 30, 2013 is mainly related to processing plant, mining related machinery and equipment and mining structure.

During the six months ended June 30, 2013, stripping costs of RMB77.82 million incurred during the development of the Group's mines were capitalised. During the years ended December 31, 2010, 2011 and 2012, no stripping activity asset was recognised as the recognition criteria have not been met. As at June 30, 2013, the carrying amount of capitalised stripping costs amounted to RMB77.82 million.

11 LEASE PREPAYMENTS

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
Balance at the beginning of the year/period	10,835	43,737	146,273	179,579
Additions	32,902	102,536	33,306	15,503
Balance at the end of the year/period	43,737	146,273	179,579	195,082
Accumulated amortisation:				
Balance at the beginning of the year/period	(4,361)	(5,919)	(12,616)	(25,283)
Charge for the year/period	(1,558)	(6,697)	(12,667)	(7,122)
Balance at the end of the year/period	(5,919)	(12,616)	(25,283)	(32,405)
Net book value	37,818	133,657	154,296	162,677

Lease prepayments comprise interests in leasehold land held for own use under operating leases located in the PRC, with original lease periods from 5 to 50 years. 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 lease prepayments for land use rights with carrying amount of approximately RMB37.82 million, RMB125.56 million, RMB146.17 million and RMB154.78 million as at December 31, 2010, 2011 and 2012 and June 30, 2013, respectively. The Directors are of the opinion that the Group is entitled to lawfully and validly occupy or use of the above-mentioned leasehold land.

During the year ended December 31, 2010, the Group acquired the interests in leasehold land from Laiyuan County Guangyuan Mining Co., Ltd. and Baoding Longmao Mining Co., Ltd. at a total consideration of RMB3.40 million and RMB12.15 million respectively.

During the year ended December 31, 2011, the Group acquired the interests in leasehold land from Laiyuan County Weihe Mining Co., Ltd. and Laiyuan County Xinda Mining Co., Ltd. at a total consideration of RMB6.28 million and RMB1.81 million respectively.

The analysis of net book value of leasehold land is as follows:

	As at December 31,			As at June 30,
	2010	**2011**	**2012**	**2013**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
In the PRC				
short leases	18,809	17,080	20,094	30,307
medium-term leases	19,009	116,577	134,202	132,370
Blance at the end of the year/period	37,818	133,657	154,296	162,677

12 INTANGIBLE ASSETS

	As at December 31,			As at June 30,
	2010	**2011**	**2012**	**2013**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Cost:				
Balance at the beginning of the year/period	–	42,060	85,842	228,172
Additions	42,060	43,782	142,330	223,237
Balance at the end of the year/period	42,060	85,842	228,172	451,409
Accumulated amortisation:				
Balance at the beginning of the year/period	–	(119)	(2,003)	(9,688)
Charge for the year/period	(119)	(1,884)	(7,685)	(13,939)
Balance at the end of the year/period	(119)	(2,003)	(9,688)	(23,627)
Net book value	41,941	83,839	218,484	427,782

Intangible assets represent the mining rights acquired by Laiyuan County Jiheng Mining Co., Ltd. from Hebei Provincial Department of Land and Resources in 2012, the mining rights acquired by Laiyuan County Jingyuancheng Mining Co., Ltd. and Laiyuan County Xinxin Mining Co., Ltd. from Hebei Provincial Department of Land and Resources in 2013, and the premium paid in relation to obtaining the mining rights by Laiyuan County Jingyuancheng Mining Co., Ltd. from nearby iron ore mines in 2010 and 2011.

During the year ended December 31, 2010, the Group acquired the mining rights from Laiyuan County Guangyuan Mining Co., Ltd. and Baoding Longmao Mining Co., Ltd. at a total consideration of RMB19.31 million and RMB22.75 million respectively.

During the year ended December 31, 2011, the Group acquired the mining rights from Laiyuan County Weihe Mining Co., Ltd. and Laiyuan County Xinda Mining Co., Ltd. at a total consideration of RMB41.32 million and RMB2.46 million respectively.

During the year ended December 31, 2012 and the six months ended June 30, 2013, the Group acquired the mining rights from Hebei Provincial Department of Land and Resources at a total consideration of RMB142.33 million and RMB223.23 million respectively.

As at June 30, 2013, the Group's borrowings were secured by the mining right of Laiyuan County Jiheng Mining Co., Ltd. with carrying amount of approximately RMB127.07 million.

13 LONG-TERM RECEIVABLES

	As at December 31,			As at June 30,
	2010	**2011**	**2012**	**2013**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Environmental reclamation deposits .	5,710	5,710	11,420	21,440

The balances represent environmental reclamation deposits placed with the government in respect of the Group's reclamation obligations for the closure of mines and are not expected to be refunded within the next 12 months.

14 PREPAYMENTS

	As at December 31,			As at June 30,
	2010	**2011**	**2012**	**2013**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Prepayments in connection with construction work, equipment purchases and others	–	1,864	5,291	7,325

15 INVENTORIES

(a) Inventories in the consolidated balance sheets comprise:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Consumables and supplies	7,913	10,437	12,640	17,262
Weakly mineralised wall rock *(note (i))*	9,882	57,725	116,857	71,295
Iron ore	9,606	2,057	1,460	4,520
Preliminary concentrates	13,985	2,634	4,138	17,071
Iron ore concentrates	692	33,427	24,976	11,907
	42,078	106,280	160,071	122,055
Less: Allowance for diminution in value of inventories	(5,916)	–	–	–
	36,162	106,280	160,071	122,055

Note:

(i) 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 statements of comprehensive income is as follows:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount of inventories sold	192,335	351,054	393,149	279,809
Write down of inventories	5,916	–	–	–
	198,251	351,054	393,149	279,809

16 TRADE AND OTHER RECEIVABLES

	As at December 31,			As at June 30,
	2010	**2011**	**2012**	**2013**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Accounts receivable	–	32,376	12,152	33,475
Bills receivable	99,000	–	–	–
Trade receivables *(note (a))*	99,000	32,376	12,152	33,475
Other receivables *(note (d))*	14,772	15,598	27,249	26,478
	113,772	47,974	39,401	59,953

(a) Ageing analysis

As of the end of the respective balance sheet dates, the ageing analysis of trade receivables is as follows:

	As at December 31,			As at June 30,
	2010	**2011**	**2012**	**2013**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Current	–	–	–	19,186
Within 3 months	19,000	19,047	12,152	14,289
3 to 6 months	30,000	7,718	–	–
Over 6 months but less than 1 year	50,000	5,611	–	–
	99,000	32,376	12,152	33,475

(b) Impairment of trade and other 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 (see note 1(j)(i)).

(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:

	As at December 31,			As at June 30,
	2010	**2011**	**2012**	**2013**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Neither past due nor impaired	–	–	–	19,186
Within 3 months	19,000	19,047	12,152	14,289
3 to 6 months	30,000	7,718	–	–
Over 6 months but less than 1 year	50,000	5,611	–	–
	99,000	32,376	12,152	33,475

Receivables that were past due but not impaired relate to certain independent parties that have a good track record with the Group. Based on past experience, management believes that no impairment allowances 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. The Group seeks to maintain tight control over its outstanding trade receivables in order to minimise credit risk. Overdue balances are regularly monitored by management.

(d) Other receivables

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments and deposits *(note (i))*	1,795	10,779	15,018	24,612
Income tax recoverable *(note 20 (a))*	–	3,974	8,648	1,087
VAT recoverable	1,623	–	2,554	–
Others *(note (ii))*	11,354	845	1,029	779
	14,772	15,598	27,249	26,478

Note:

(i) As at December 31, 2010, 2011 and 2012 and June 30, 2013, prepayments and deposits mainly represent prepayments made to the Group's suppliers.

(ii) As at December 31, 2010, others mainly represent receivables arising from the disposal of property, plant and equipment and advances to employees.

17 CASH AND CASH EQUIVALENTS

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash in hand	438	186	271	89
Cash at bank	23,190	41,654	22,397	67,051
	23,628	41,840	22,668	67,140

18 BORROWINGS

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

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Discounted bank acceptance bills with recourse	49,000	–	–	–
Current portion of long-term borrowings *(note (i))*	–	–	–	11,600
	49,000	–	–	11,600

(b) The Group's long-term borrowings comprises:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings from bank-secured *(note (i))*	–	–	–	90,000

Note:

(i) As at June 30, 2013, borrowings from bank of the Group were denominated in RMB and bear an interest of 6.15% per annum. The borrowings were secured by the mining right of Laiyuan County Jiheng Mining Co., Ltd. with carrying amount of approximately RMB127.07 million (see note 12).

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

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	49,000	–	–	11,600
After 1 year but within 2 years	–	–	–	90,000
	49,000	–	–	101,600

As at June 30, 2013, the Group had banking facilities secured by the mining right of Laiyuan County Jiheng Mining Co., Ltd. with carrying amount of approximately RMB127.07 million (see note 12). Such banking facilities amounted to RMB220.00 million. The facilities were utilised to the extent of RMB101.60 million.

As at June 30, 2013, no borrowing from bank was subject to financial covenants.

19 TRADE AND OTHER PAYABLES

	At as December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables *(note (i))*	36,530	41,372	58,936	78,071
Receipt in advance *(note (ii))*	–	25,748	36,069	12,191
Payables for purchase of equipment	233	17,883	88,618	77,105
Other taxes payables	13,301	22,030	6,587	24,729
Others *(note (iii))*	34,729	64,112	47,595	26,340
	84,793	171,145	237,805	218,436

Note:

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

(ii) Receipts in advance represent payments in advance made by the 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 December 31, 2010, 2011 and 2012 and June 30, 2013, all of the other trade and other payables are expected to be settled within one year or are repayable on demand.

20 INCOME TAX IN THE CONSOLIDATED BALANCE SHEETS

(a) Income tax payable/(recoverable) in the consolidated balance sheets represents:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net income tax payable/(recoverable) at the beginning of the year/period	923	15,050	12,331	(6,426)
Provision for the year/period *(note 4(a))*.	33,898	81,989	23,604	85,133
Income tax paid	(19,771)	(84,708)	(42,361)	(65,756)
Net tax payable/(recoverable) at the end of the year/period	15,050	12,331	(6,426)	12,951
Representing:				
Income tax payable	15,050	16,305	2,222	14,038
Income tax recoverable *(note 16 (d))*	–	(3,974)	(8,648)	(1,087)
	15,050	12,331	(6,426)	12,951

(b) Deferred tax assets and liabilities recognised

The components of deferred tax assets and liabilities recognised in the consolidated balance sheets and the movements for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013 are as follows:

	Accrued payroll	Impairment losses on property, plant and equipment	Inventory provision	Long-term payables	Safety production fund	Depreciation and amortisation	Accrued reclamation obligations	Tax losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2010	158	–	–	–	(2,168)	–	–	2,054	44
Charged/(credited) to profit or loss *(note 4(a))*	1,124	739	1,479	–	(1,791)	185	503	1,241	3,480
At December 31, 2010	1,282	739	1,479	–	(3,959)	185	503	3,295	3,524
At January 1, 2011	1,282	739	1,479	–	(3,959)	185	503	3,295	3,524
Charged/(credited) to profit or loss *(note 4(a))*	470	577	(1,479)	–	92	(330)	672	(3,295)	(3,293)
At December 31, 2011	1,752	1,316	–	–	(3,867)	(145)	1,175	–	231
At January 1, 2012	1,752	1,316	–	–	(3,867)	(145)	1,175	–	231
Charged/(credited) to profit or loss *(note 4(a))*	394	–	–	1,188	809	(2,175)	718	4	938
At December 31, 2012	2,146	1,316	–	1,188	(3,058)	(2,320)	1,893	4	1,169
At 1 January 2013	2,146	1,316	–	1,188	(3,058)	(2,320)	1,893	4	1,169
Charged/(credited) to profit or loss *(note 4(a))*	(676)	–	–	1,422	327	(779)	157	(4)	447
At 30 June 2013	1,470	1,316	–	2,610	(2,731)	(3,099)	2,050	–	1,616

An analysis of deferred tax assets and liabilities recognised in the consolidated balance sheets is set out as follows:

	As at December 31,			As at June 30,
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net deferred tax assets recognised in the consolidated balance sheets	4,954	1,017	1,225	2,475
Net deferred tax liabilities recognised in the consolidated balance sheets	(1,430)	(786)	(56)	(859)
	3,524	231	1,169	1,616

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(q) of section B, the Group has not recognised deferred tax assets in respect of tax losses of nil, RMB30.62 million, RMB42.86 million and RMB46.66 million as at December 31, 2010, 2011 and 2012 and June 30, 2013, respectively, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. Included in the total amount of tax losses are nil, RMB30.52 million, RMB42.76 million and RMB42.85 million in relation to Group entities operated in the PRC, for which the tax losses can be carried forward for five years from the year incurred.

The year of expiry of tax losses not recognised is as follows:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year of expiry				
2016	–	30,516	30,516	30,516
2017	–	–	12,239	12,239
2018	–	–	–	91
	–	30,516	42,755	42,846

(d) Deferred tax liabilities not recognised

As at December 31, 2010, 2011 and 2012 and June 30, 2013, temporary differences relating to the undistributed profits of subsidiaries amounted to RMB58.45 million, RMB134.27 million, RMB192.22 million and RMB423.14 million respectively. Deferred tax liabilities of RMB5.84 million, RMB13.43 million, RMB19.22 million and RMB42.31 million have not been recognised as at December 31, 2010, 2011 and 2012 and June 30, 2013 in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

21 LONG-TERM PAYABLES

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Payables for acquiring mining rights *(note (i))*	–	–	111,480	284,465
Less: Current portion of long-term payables	–	–	21,026	21,645
	–	–	90,454	262,820

Note:

(i) In March 2012, the Group acquired a mining right from Hebei Provincial Department of Land and Resources for a consideration of RMB142.33 million that are repayable over five years from 2012.

In January 2013, the Group acquired three mining rights from Hebei Provincial Department of Land and Resources for a aggregate consideration of RMB223.24 million that are repayable over five to seven years from 2013.

The carrying amounts of the mining right payables have been determined using a discount rate of 5.98% for each year.

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

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	–	–	21,026	21,645
After 1 year but within 2 years	–	–	21,029	50,483
After 2 years but within 5 years	–	–	69,425	157,607
After 5 years	–	–	–	54,730
	–	–	111,480	284,465

22 ACCRUED RECLAMATION OBLIGATIONS

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at the beginning of the year/period	30,670	41,125	43,818	46,688
Additions	8,445	–	–	–
Accretion expense *(note 3(a))*	2,010	2,693	2,870	1,505
Decrease	–	–	–	(880)
Balance at the end of the year/period	41,125	43,818	46,688	47,313
Less: amount included under "current liabilities"	–	–	2,935	4,326
	41,125	43,818	43,753	42,987

The accrual for reclamation costs has been determined based on management's best estimates. The estimate of the associated costs may be subject to change in the near term when the reclamation on the land from current mining activities becomes apparent in future periods. At the balance sheet date, the Group reassessed the estimated costs and adjusted the accrued reclamation obligations, where necessary. The Group's management believes that the accrued reclamation obligations as at December 31, 2010, 2011, 2012 and June 30, 2013 are adequate and appropriate. The accrual is based on estimates and therefore, the ultimate liability may exceed or be less than such estimates.

23 SHARE CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

Prior to the Reorganisation, Laiyuan County Jingyuancheng Mining Co., Ltd. and Laiyuan Xinxin Mining Co., Ltd. declared and paid dividends in aggregate of RMB93.00 million to their then equity owner, Hebei Aowei Industrial Group Co., Ltd., in 2011.

(b) Authorised and issued capital

The Company was incorporated in the BVI on January 14, 2011 and redomiciled to the Cayman Islands on May 23, 2013. The total authorised and issued share capital is 50,000 shares and 100 shares of USD1.00 each, respectively.

(c) Nature and purpose of reserves

(i) Statutory surplus reserve

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

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

(ii) Special reserve

According to relevant PRC regulations, the Group is required to transfer an amount to special reserve for the safety production fund at fixed rates based on the production volume of iron ore or preliminary concentrates (the "maintenance and production fund"). The maintenance and production fund could be utilised when expenses or capital expenditures on production maintenance and safety measures are incurred. The amount of maintenance and production fund utilised would be transferred from the special reserve back to retained earnings.

(iii) Other reserve

The other reserve comprises the following:

– the amount of share capital and capital reserve of the subsidiaries of the Group, before the Company's incorporation;

– the difference between the net assets of the PRC Operating Entities and the consideration paid by the Group in exchange; and

– the shareholder's loans waived by the ultimate controlling party (see note 26(a)).

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for Shareholders and benefits for other stakeholders. The Group defines the capital as total Shareholders' equity plus loans and borrowings.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

24 FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

Management has adopted certain policies on financial risk management with the objective of:

(i) ensuring that appropriate funding strategies are adopted to meet the Group's short-term and long-term funding requirements taking into consideration the cost of funding, gearing levels and cash flow projections of each project and that of the Group; and

(ii) ensuring that appropriate strategies are also adopted to manage related interest and currency risk funding.

(b) Credit risk

The Group's credit risk is primarily attributable to cash at bank, trade and other receivables. Management monitors the exposures to these credit risks on an ongoing basis.

All of the Group's cash at bank are deposited in the reputable banks which management assessed the credit risk to be insignificant.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group generally delivers goods to its customers after receiving full payments in advance. Under certain circumstances, a credit period of up to 90 days is granted to customers that have a good track record with the Group.

Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at December 31, 2010, 2011 and 2012 and June 30, 2013, 100%, 96%, 100% and 79% of trade receivables (inclusive of amounts due from related parties – trade nature) was due from the Group's five largest customers, respectively.

(c) Liquidity risk

The Group was in net current liability position as at December 31, 2010, 2011 and 2012 and June 30, 2013. The Group has to maintain a suitable level of liquidity to finance the daily operation, capital expenditure and repayment of borrowings. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay:

December 31, 2010

	Contractual undiscounted cash flow					
	Carrying amount	**Total contractual undiscounted cash flow**	**Within 1 year or on demand**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Short-term borrowings	49,000	49,000	49,000	–	–	–
Trade and other payables*	184,501	184,501	184,501	–	–	–
Accrued reclamation obligations	41,125	72,142	–	–	13,678	58,464
Total	274,626	305,643	233,501	–	13,678	58,464

December 31, 2011

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
		Contractual undiscounted cash flow				
	RMB000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables*	428,738	428,738	428,738	–	–	–
Accrued reclamation obligations	43,818	72,142	–	3,127	17,264	51,751
Total	472,556	500,880	428,738	3,127	17,264	51,751

December 31, 2012

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
		Contractual undiscounted cash flow				
	RMB000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables*	721,386	721,386	721,386	–	–	–
Long-term payables	111,480	131,497	21,856	23,166	86,475	–
Accrued reclamation obligations	46,688	72,142	3,127	4,725	18,539	45,751
Total	879,554	925,025	746,369	27,891	105,014	45,751

June 30, 2013

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
		Contractual undiscounted cash flow				
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing borrowings	101,600	112,956	17,800	95,156	–	–
Trade and other payables*	520,389	520,389	520,389	–	–	–
Long-term payables	262,820	342,303	21,856	53,764	189,274	77,409
Accrued reclamation obligations	47,313	71,262	4,609	5,276	19,283	42,094
Total	932,122	1,046,910	564,654	154,196	208,557	119,503

* Inclusive of amounts due to related parties.

(d) Fair values

As at December 31, 2010, 2011 and 2012 and June 30, 2013, no financial instruments of the Group was measured at fair value across the three levels of the fair value hierarchy defined in IFRS 7, Financial Instruments: Disclosures.

In respect of the Group's cash and cash equivalents, trade and other receivables (inclusive of amounts due from related parties), and trade and other payables (inclusive of amounts due to related parties), the carrying amounts approximated fair values as at December 31, 2010, 2011 and 2012 and June 30, 2013 due to the relatively short term nature of these financial instruments.

In respect of the Group's borrowings, the carrying amounts were not materially different from their fair values as at December 31, 2010, 2011 and 2012 and June 30, 2013. The fair value of borrowings were estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

The aggregate carrying amounts of other financial liabilities carried on the consolidated balance sheet were not materially different from their fair values as at December 31, 2010, 2011 and 2012 and June 30, 2013.

25 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

Capital commitments outstanding at respective balance sheet dates not provided for in the Financial Information were as follows:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted for	–	57,335	11,950	–
Authorised but not contracted for	–	3,742	48	608,547
	–	61,077	11,998	608,547

(b) Operating lease commitments

As at December 31, 2010, 2011 and 2012 and June 30, 2013, the total future minimum lease payments under non-cancellable operating leases in respect of land and properties, are payable as follows:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	–	–	361	460
After 1 year but within 5 years	–	1,410	1,349	950
	–	1,410	1,710	1,410

(c) Environmental contingencies

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

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

(ii) the extent of required cleanup efforts;

(iii) varying costs of alternative remediation strategies;

(iv) changes in environmental remediation requirements; and

(v) the identification of new remediation sites.

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

(d) Governmental and regulatory levies

The PRC Operating Entities are subject to certain levies (mineral resources compensation, water and soil loss compensation, pollutant discharge fee and etc.) imposed by relevant government authorities in accordance with the relevant PRC laws and regulations. Under such laws and regulations, the PRC Operating Entities have fully fulfilled their responsibilities in paying the respective levies during the Relevant Periods. In the opinion of the Directors, based on legal advice, the Group has no other material obligation or liabilities of such levies as of June 30, 2013.

26 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transaction with related parties

For each of the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2012 (unaudited) and 2013, the Group entered into transactions with the following parties:

Name of party	Relationship
Hebei Aowei Industrial Group Co., Ltd.	A company ultimately owned by Mr. Li Yanjun
Hengshi Holdings Limited	Holding company of the Company which is ultimately owned by Mr. Li Yanjun and Mr. Li Ziwei
Laiyuan County Aoyu Steel Co., Ltd. *(note (i))*	A company ultimately owned by Mr. Li Yanjun via Hebei Aowei Industrial Group Co., Ltd.
Laiyuan County Xinrui Mining Co., Ltd.	A company ultimately owned by Mr. Li Yanjun via Hebei Aowei Industrial Group Co., Ltd.

Note:

(i) Laiyuan County Aoyu Steel Co., Ltd. has been sold to an independent third party in March 2012 and ceased to be a related party of the Group since then.

Particulars of significant transactions between the Group and the above related parties for each of the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2012 (unaudited) and 2013 are as follows:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Sales of goods *(note (i))*#	355,750	383,140	62,137	62,137	–
Purchase of equipment *(note (ii))*#*	13,583	–	–	–	–
Advances obtained from/(repaid to) Hebei Aowei Industrial Group Co., Ltd. *(note (iii))**	65,747	139,125	258,318	278,618	(185,000)
Grant of shareholder's loans *(note (iv))**	–	150,576	–	–	–
Waiver of shareholder's loans *(note (iv))**	–	150,576	–	–	–

Notes:

(i) Sales of goods represent sale to Laiyuan County Aoyu Steel Co., Ltd. The sales are carried out at comparable market price.

(ii) Purchases of equipment represent expenditure relating to equipment provided by Laiyuan County Xinrui Mining Co., Ltd. The purchases are carried out at comparable market price.

(iii) Advances obtained from/(repaid to) Hebei Aowei Industrial Group Co., Ltd. are unsecured, interest free and have no fixed terms of repayments.

(iv) Grant of shareholder's loans represent loans granted by Hengshi Holdings Limited to the Company in 2011 for the purpose of acquiring the PRC Operating Entities as part of the Reorganisation. Subsequently, waiver of shareholder's loans was granted by Hengshi Holdings Limited and the loans were capitalised to equity in 2011, which constitutes a major non-cash transaction.

Other than providing credit terms of up to 90 days to Laiyuan County Aoyu Steel Co., Ltd. during the Relevant Periods, the Directors of the Company represented that the transactions between the Group and the related parties were conducted based on normal commercial terms.

* The Directors of the Company represented that the transactions would be discontinued after the listing of the Company's shares on the Stock Exchange.

The outstanding balances arising from above transactions in consolidated balance sheets are as follows:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related parties				
– Trade nature *(note (i))*	50,712	5,543	–	–
– Non-trade nature *(note (ii))*	–	696	386	344
Total	50,712	6,239	386	344
Amounts due (to):				
– Hebei Aowei Industrial Group Co., Ltd. *(note (ii))*	(86,047)	(225,172)	(483,490)	(298,490)
– Other related parties *(note (ii))*	(13,661)	(32,421)	(91)	(3,463)
Total	(99,708)	(257,593)	(483,581)	(301,953)

Note:

(i) All amounts due from related parties – trade nature are due within 3 months.

(ii) The Directors of the Company represented that the balance would be settled prior to the listing of the Company's shares on the Stock Exchange.

(b) Key management personnel remuneration

Key management personnel are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the Group's Directors.

Remuneration for key management personnel, including amounts paid to the Company's Directors as disclosed in note 6, and certain of the highest paid employees as disclosed in note 7, is as follows:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Salaries and other emoluments	161	321	1,607	578	1,289
Retirement scheme contributions	17	19	35	17	34
	178	340	1,642	595	1,323

27 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Reserves

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

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

(b) Useful lives of property, plant and equipment

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

(c) Impairment of assets

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

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

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

(d) Obligation for reclamation

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

(e) Recognition of deferred tax assets

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

28 ULTIMATE CONTROLLING PARTY

As at June 30, 2013, the Directors consider the ultimate controlling parties of the Group to be Mr. Li Yanjun and Mr. Li Ziwei.

29 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ACCOUNTING PERIOD BEGINNING ON JANUARY 1, 2013

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and new standards which are not yet effective for the accounting period beginning on January 1, 2013 and which have not been adopted in these financial statements. These included the following which may be relevant to the Group's operations and financial statements.

	Effective for accounting periods beginning on or after
Amendments to IFRS 10, IFRS 12 and IAS 27, *Investment entities*	January 1, 2014
Amendments to IAS 32, *Financial instruments: Presentation – Offsetting financial assets and financial liabilities*	January 1, 2014
Amendments to IAS 36, *Impairment of assets – Recoverable amount disclosures for non-financial assets*	January 1, 2014
IFRS 9, *Financial instruments (2009)*	January 1, 2015
IFRS 9, *Financial instruments (2010)*	January 1, 2015
Amendments to IFRS 9, *Financial instruments and IFRS 7 Financial instruments: Disclosures – Mandatory effective date and transition disclosures*	January 1, 2015

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

C BALANCE SHEET OF THE COMPANY

The Company was incorporated in the BVI on January 14, 2011 with an authorised share capital of USD100 divided into 100 shares of a nominal value of USD1.00 each. The Company has not carried out any business other than investment holding since the date of its incorporation. The Company redomiciled to the Cayman Islands on May 23, 2013.

	Section B Note	As at December 31, 2011	As at December 31, 2012	As at June 30, 2013
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Long-term investments		150,576	150,576	150,576
Current assets				
Other receivables		–	–	1,210
Amounts due from related parties		1	1	1
Cash and cash equivalents		–	–	848
		1	1	2,059
Current liabilities				
Other payables		–	–	2,294
Amounts due to related parties		–	–	3,463
		–	–	5,757
Net assets		–	–	146,878
Capital and reserves				
Share capital	*23*	1	1	1
Reserves		150,576	150,576	146,877
Total equity		150,577	150,577	146,878

D SUBSEQUENT EVENTS

(a) In July 2013, the Group entered into a bank loan with an amount of RMB98.4 million. The loan has a term of two years and bears an annual interest rate of 6.15% for the first year after drawdown. For the remaining term, the annual interest rate will be adjusted by the benchmark interest rate set by People's Bank of China as of July 11, 2014. The loan is secured by the mining right of Laiyuan County Jiheng Mining Co., Ltd. In September 2013, the Group entered into three entrusted loans with an aggregate amount of RMB190 million. Each of the three entrusted loans has a term of two years and bears an annual interest rate of 6.15%.

(b) On August 20, 2013, Hengshi International Investments Limited ("Hengshi Investments") transferred three shares in the Company to Aowei International Developments Limited ("Aowei Developments"). Pursuant to written resolutions of the Company's shareholders passed on November 3, 2013, the Company underwent a capitalisation issue under which the authorised share capital of the Company was increased from USD50,000 divided into 50,000 shares of a par value of USD1.00 each to USD50,000 divided into 50,000 shares of a par value of USD1.00 each and HKD1,000,000 divided into 10,000,000,000 shares of a par value of HKD0.0001 each, by the creation of an additional 10,000,000,000 shares with a par or nominal value of HKD0.0001 each to rank pari passu in all respects with the existing shares. The Company then issued 1,091,250,000 and 33,750,000 shares (1,125,000,000 shares in total), with a par value of HKD0.0001, to Hengshi Investments and Aowei Developments, respectively. The Company repurchased 97 and three shares, with a par value of USD1.00 in issue, from Hengshi Investments and Aowei Developments, respectively. Immediately following the above being effected, the Company cancelled all authorised USD ordinary shares. As a result, the authorised share capital of the Company became HKD1,000,000 divided into 10,000,000,000 shares with a par value of HKD0.0001 each.

E SUBSEQUENT FINANCIAL STATEMENTS AND DIVIDENDS

No audited financial statements have been prepared by the Group in respect of any period subsequent to June 30, 2013. No dividend or distribution has been declared or made by any companies comprising the Group in respect of any period subsequent to June 30, 2013.

Yours faithfully,

KPMG

Certified Public Accountants
Hong Kong