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

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1370

INTERIM REPORT

2014

CONTENT

Corporate Information

COMPANY PROFILES

Hengshi Mining Investments Limited (the "Company") was initially incorporated in the British Virgin Islands under the laws of the British Virgin Islands on 14 January 2011 and redomiciled to the Cayman Islands on 23 May 2013. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on 28 November 2013. As at 30 June 2014, the Company has issued 1,507,843,000 shares in total, of which 382,843,000 shares are traded on the Main Board in Hong Kong, accounting for 25.4%of the total number of shares.

The Company and its subsidiaries (together the "Group") are principally engaged in the exploration, mining, processing and trading of iron ore products and major products include iron ores, preliminary concentrates and iron ore concentrates. The Group owns and operates four mines in Hebei Province, which has the largest steel production and iron ore consumption volumes in China. As at 30 June 2014, the Group had approximately 402.6 Mt of indicated resources, approximately 315.7 Mt of probable reserves and approximately 223.7 Mt of inferred resources of iron ores in aggregate. Leveraging on the experienced and solid management team, leading production cost in the market, prime location and the local consolidated principal status, the Group will bring sustainable and fruitful returns to the shareholders.

DIRECTORS

Executive Directors

Mr. Li Yanjun (Chairman)
Mr. Leung Hongying Li Ziwei
Mr. Xia Guoan (CEO)
Mr. Sun Jianhua (CFO)
Mr. Huang Kai
Mr. Tu Quanping

Independent Non-Executive Directors

Mr. Ge Xinjian
Mr. Meng Likun
Mr. Kong Chi Mo

AUDIT COMMITTEE

Mr. Ge Xinjian (Chairman)
Mr. Meng Likun
Mr. Kong Chi Mo

NOMINATION COMMITTEE

Mr. Li Yanjun (Chairman)
Mr. Meng Likun
Mr. Kong Chi Mo

REMUNERATION COMMITTEE

Mr. Meng Likun (Chairman)
Mr. Leung Hongying Li Ziwei
Mr. Ge Xinjian

AUTHORIZED REPRESENTATIVES

Mr. Li Yanjun
Ms. Kwong Yin Ping, Yvonne

JOINT COMPANY SECRETARIES

Mr. Meng Ziheng
Ms. Kwong Yin Ping, Yvonne

AUDITORS

KPMG
Certified Public Accountants
8th Floor, Prince's Building
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HONG KONG LEGAL ADVISOR

Clifford Chance
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Hong Kong

COMPLIANCE ADVISOR
Somerley Capital Limited
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PRC

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Hong Kong

PRINCIPAL SHARE REGISTRAR IN THE CAYMAN ISLANDS
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Boundary Hall, Cricket Square
Grand Cayman
KY1-1102
Cayman Islands

AUTHORIZED NAME OF THE COMPANY (CHINESE)
恒實礦業投資有限公司

AUTHORIZED NAME OF THE COMPANY (ENGLISH)
Hengshi Mining Investments Limited

HONG KONG SHARE REGISTRAR
Computershare Hong Kong Investor
Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

STOCK CODE
01370

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E-Mail: ir@hengshimining.com

REGISTERED OFFICE
P.O. Box 309
Ugland House Grand Cayman KY1-1104
Cayman Islands

SHARE INFORMATION
Board lot size: 1,000

FINANCIAL CALENDAR
From 1 January to 31 December

Financial Highlights

The revenue of the Group in the first half of 2014 amounted to approximately RMB514.7 million, representing a decrease of approximately RMB152.4 million or 22.8% as compared with the same period last year.

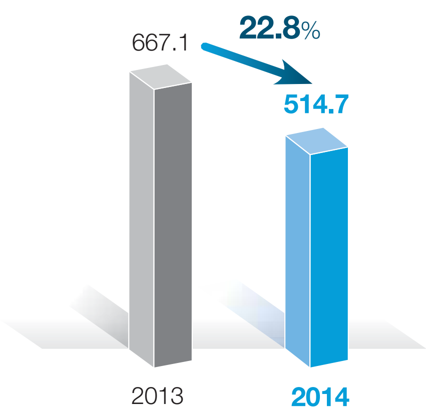
The gross profit of the Group in the first half of 2014 amounted to approximately RMB303.9 million, representing a decrease of approximately RMB83.4 million or 21.5% as compared with the same period last year. As compared with the same period last year, the gross profit margin of the Group in the first half of 2014 remained generally stable, which slightly increased from 58.1% to 59.0%.

The profit of the Group in the first half of 2014 amounted to approximately RMB181.8 million, representing a decrease of approximately RMB68.4 million or 27.3% as compared with the same period last year. The profit attributable to equity holders of the Company amounted to approximately RMB174.3 million, representing a decrease of approximately RMB57.7 million or 24.9% as compared with the same period last year.

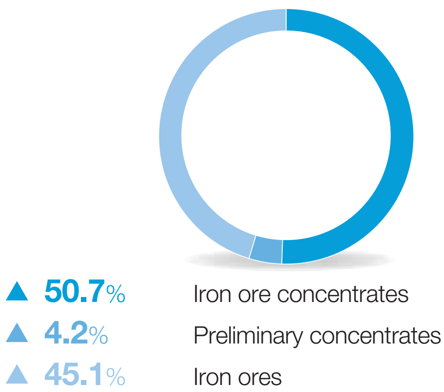
The basic earnings per share attributable to equity holders of the Company's ordinary shares was RMB0.12 per share, representing a decrease of RMB0.09 per share as compared with the same period last year.

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

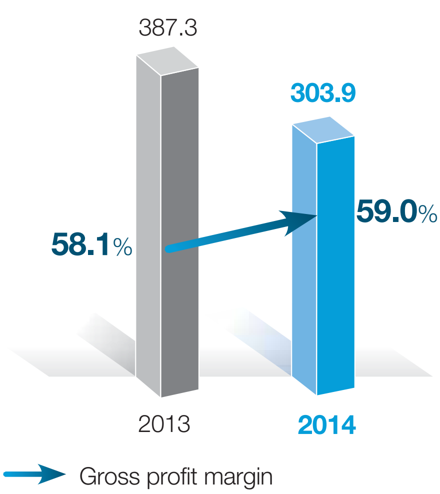
REVENUE (RMB million)
for the six months ended 30 June



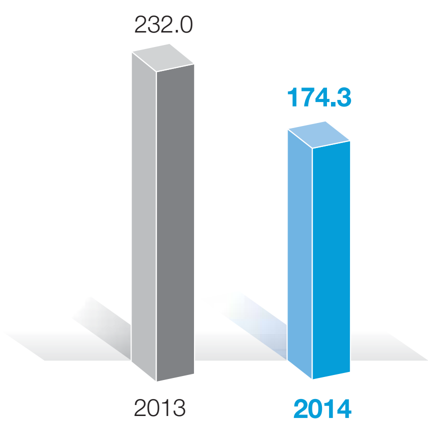
REVENUE BREAKDOWN BY PRODUCT CATEGORIES
for the six months ended 30 June 2014



GROSS PROFIT AND GROSS PROFIT MARGIN (RMB million)
for the six months ended 30 June



PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY (RMB million)
for the six months ended 30 June



Management Discussion and Analysis

MARKET REVIEW

During the reporting period, the economy of China experienced a slow and steady growth, and the iron and steel industry continued to maintain a steady increase in demand for iron ores. According to the statistics provided by the National Bureau of Statistics, the crude ore output in China showed a year-on-year growth of 3% in the first half year of 2014. However, prices of iron ores have continued to drop since the second quarter as the significant increase in the global supply of iron ores had catered for the further demand for iron ores.

The macro-economic transformation in China, credit crunch, increasingly stringent environmental requirements since 2014 and price fluctuation on raw material market, resulted in an ongoing low level in the inventories of raw materials of iron and steel enterprises. Record-hitting import data and continuous high level of port inventories ensured the consumers with sufficient supply of iron ores, which further dragged down the iron ore prices. However, due to the implementation of a series of economy-stabilizing measures by Chinese government, production halt of the domestic mines of high cost, persistent growth in steel export and profit pick-up of iron and steel enterprises, the iron ore prices remained stable with slight rebound.

BUSINESS REVIEW

During the reporting period, the management of the Company made appropriate adjustments on its sales strategies according to the market conditions due to the continuous fall of iron ore concentrates prices since the second quarter of 2014. Accordingly, the Group fine-tuned its sales strategy to keep higher level of inventories in response to this. During the six months ended 30 June 2014, revenue and profit attributable to the equity shareholders of the Company was approximately RMB514.7 million and RMB174.3 million, respectively, representing a decrease of 22.8% and 24.9% over the same period of last year, respectively.

On 31 March 2014, Laiyuan County Aowei Mining Investments Co., Ltd., a wholly-owned subsidiary of the Group, acquired Laiyuan County Construction and Investment Co., Ltd.'s 10% non-controlling interests in Laiyuan County Jiheng Mining Co., Ltd. ("Jiheng Mining"), and Jiheng Mining thereby became a wholly-owned subsidiary of the Company. This would enhance the efficiency of Jiheng Mining in implementing business decisions and development strategies, and streamline administrative procedures of Jiheng Mining, as well as laying the foundation for Jiheng Mining to further consolidate its surrounding resources. During the six months ended 30 June 2014, Jiheng Mining made a net profit of approximately RMB138.9 million, comprising an amount of RMB75.6 million and RMB63.3 million in respect of a period immediately before and after the acquisition of 10% non-controlling interests on 31 March 2014, respectively. As a result of the acquisition, the profit attributable to the owners of the Company increased approximately RMB6.3 million as at 30 June 2014.

On 18 June 2014, Jiheng Mining, owned by the Group, successfully acquired a wet processing plant with annual production capacity of 1.0 Mtpa iron ore concentrates and its relevant assets, and commenced its trial production simultaneously. Since then, Laiyuan County Xinxin Mining Co., Ltd. ("Xinxin Mining")'s undertaking to process preliminary concentrates into iron ore concentrates for Jiheng Mining, which commenced from March 2013, came to a formal end. The operation of Jiheng Mining's own processing plants would increase the added value of the products of Jiheng Mining, which would further strengthen the Group's core competitiveness of low-cost operation.

During the reporting period, the Group furthered its capacity expansion in a steady manner. The infrastructure and stripping projects of Gufen Mine, Wang'ergou Mine and Shuanmazhuang Mine of Xinxin Mining and Jingyuancheng Mining would continue to proceed as planned during the year, with an attempt to continuously increase the mining capacity of the respective mines. With the improvement of mining capacity and the steady operation of dry processing plants and wet processing plants which have been put into operation since 2013, the output of the iron ores, preliminary concentrates and iron ore concentrates reached a new record high during the first half year of 2014.

The following table sets out the output and sales volume of, and revenue generated from iron ores, preliminary concentrates and iron ore concentrates:

	For the six months ended 30 June	
	2014	2013
Output *(Kt)*		
Iron ore concentrates	**522**	345
Preliminary concentrates[1]	**2,409**	2,007
Iron ores[2]	**6,719**	5,655
Total sales volume *(Kt)*		
Iron ore concentrates	**354**	360
Preliminary concentrates	**153**	403
Iron ores	**1,110**	1,528
Total revenue generated *(RMB in thousand)*		
Iron ore concentrates	**260,786**	289,972
Preliminary concentrates	**21,598**	81,281
Iron ores	**232,279**	295,476

Notes:

(1) Xinxin Mining, Jingyuancheng Mining and Jiheng Mining produced 571Kt, 1,374Kt and 464Kt preliminary concentrates respectively for the six months ended 30 June 2014. For the six months ended 30 June 2013, Xinxin Mining, Jingyuancheng Mining and Jiheng Mining produced respectively 514Kt, 892Kt and 601Kt preliminary concentrates, among which only certain preliminary concentrates produced by Jiheng Mining were directly sold.

(2) Xinxin Mining, Jingyuancheng Mining and Jiheng Mining recovered 1,570 Kt, 3,996Kt and 1,153Kt of iron ores respectively for the six months ended 30 June 2014. For the six months ended 30 June 2013, Xinxin Mining, Jingyuancheng Mining and Jiheng Mining recovered 1,489 Kt, 2,575Kt and 1,591Kt of iron ores respectively, among which only certain iron ores produced by Jiheng Mining were directly sold. Jiheng Mining further recovered 2,251Kt and 1,175Kt weakly mineralised wall rocks (TFe grades between 5% and 8%) for the six months ended 30 June 2014 and 30 June 2013, respectively.

The output of iron ores in the above table represents the amount of all the iron ores recovered during the reporting period, including those that have been further processed into preliminary concentrates. The output of preliminary concentrates in the above table represents the amount of all the preliminary concentrates produced from dry processing, including those that have been further processed into iron ore concentrates.

Resources and Reserves

During the reporting period, no new exploration work was carried out by the Group. Based on the consumption for the period deducted from the recent estimation results on the reserves, the iron ore reserves complied with JORC Code in respect of each mine of the Group as at 30 June 2014 are shown in the following table:

Company	Mine	Exploration Approach	Reserve Category	Depleted Reserve[1]			Ore Reserves[2]		
				(Kt)	TFe (%)	mFe (%)	(Kt)	TFe (%)	mFe (%)
Xinxin Mining	Gufen	Open-pit	Probable	5,405	13.63	7.06	53,820	12.77	6.26
		Underground	Probable (Graded 12% or above)				58,750	15.35	8.50
		Subtotal	Probable	5,405	13.63	7.06	**112,570**	**14.12**	**7.43**
Jingyuancheng Mining	Wang'ergou	Open-pit	Probable	7,237	13.82	6.02	40,865	13.33	6.24
		Underground	Probable (Graded 12% or above)				18,077	15.87	8.50
		Subtotal	Probable	7,237	13.82	6.02	**58,942**	**14.11**	**6.93**
	Shuanmazhuang	Open-pit	Probable	4,643	13.77	5.98	90,415	13.55	5.55
		Underground	Probable (Graded 12% or above)				35,723	16.00	7.11
		Subtotal	Probable	4,643	13.77	5.98	**126,138**	**14.24**	**5.99**
Jiheng Mining	Zhijiazhuang	Open-pit	Probable	4,947	25.73	24.26	**18,053**	**27.01**	**25.79**
Total		Open-pit	Probable	22,232	16.41	10.33	203,153	14.50	7.67
		Underground	Probable (Graded 12% or above)				112,550	15.64	8.06
		Total	Probable	22,232	16.41	10.33	**315,703**	**14.90**	**7.81**

Notes:

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

(2) The results of ore reserves in the report are based on the consumption for the period deducted from the recent estimation results, which does not impose any changes on the estimated assumptions of the reserves in 2013.

According to the consumption for the period deducted from the recent estimation results on resources, as at 30 June 2014, the iron ore resources complied with JORC Code in respect of each mine of the Group are as follows:

Company	Mine	Resource class	Mineral resource consumed during the period[1]			Mineral resource at the end of the period[2]		
			(Kt)	TFe (%)	mFe (%)	(Kt)	TFe (%)	mFe (%)
Xinxin Mining	Gufen Mine	Indicated mineral resource	5,350	14.05	7.28	156,528	13.22	6.5
		Inferred mineral resource				101,100	12.44	6.03
Jingyuancheng Mining	Wang'ergou Mine	Indicated mineral resource	7,162	14.24	6.21	72,196	13.78	6.42
		Inferred mineral resource				39,250	13.03	5.85
	Shuanmazhuang Mine	Indicated mineral resource	4,595	14.2	6.16	152,542	13.97	5.73
		Inferred mineral resource				73,935	12.81	4.92
Jiheng Mining	Zhijiazhuang Mine	Indicated mineral resource	4,896	26.52	25.01	21,340	25.24	24.1
		Inferred mineral resource				9,426	27.58	25.82
	Total	Indicated mineral resource	22,003	16.92	10.64	402,606	14.24	7.13
		Inferred mineral resource				223,711	13.3	6.46
		Total resources	22,003			626,317		

Notes:

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

(2) The mineral resources at the end of the period include a proportion of mineral resources which are not covered by the mining license. There is no estimation on new resources during the reporting period, which does not give rise to any changes on the estimation and assumption of the resources completed by SRK in 2013.

Mines in Operation

Gufen Mine

Gufen Mine, which is owned and operated by our wholly owned subsidiary, Xinxin Mining, is located in Shuibao Village, Laiyuan County. The area covered by the mining right for Gufen Mine is 1.3821 sq.km.

During the reporting period, Xinxin Mining primarily invested in developing engineering of the mines and the technical renovation works for dry processing plant and wet processing plant. During the six months ended 30 June 2014, the capital expenditures of the Xinxin Mining were approximately RMB28.8 million, of which approximately RMB25.6 million was incurred for developing engineering.

With the acquisition and commencement of operation of the Jiheng Mining's wet processing plant, and the mining capacity expansion of Jingyuancheng Mining, the OEM processing works of preliminary concentrates carried by Xinxin Mining for Jiheng Mining and the OEM processing work of preliminary concentrates to produce iron ore concentrates carried by Jingyuancheng Mining for Xinxin Mining which commenced in March 2013 were completed officially.

The table below sets out the output data of Gufen Mine:

Gufen Mine	For the six months ended 30 June	
	2014 (Unit: Kt)	2013 (Unit: Kt)
Mining production		
Of which: ≥15% TFe raw ores	**466**	464
8%–15% TFe raw ores	**1,104**	1,025
8%–5% TFe weakly mineralised wall rocks	**0**	0
Preliminary concentrates output	**571**	514
Iron ore concentrates output	**123**	117

Wang'ergou Mine and Shuanmazhuang Mine

Wang'ergou Mine and Shuanmazhuang Mine, which are both wholly owned and operated by our wholly owned subsidiary, Jingyuancheng Mining, are located in Zoumayi Village, Laiyuan County. The areas covered by the mining licenses for Wang'ergou Mine and Shuanmazhuang Mine are respectively 1.5287 sq.km. and 2.1871 sq.km.

During the reporting period, Jingyuancheng Mining primarily invested in developing engineering of mines and establishing a new dry processing plant. The construction of the new dry processing plant with an annual processing capacity of 8 Mtpa has commenced operation in April, and the new plant is expected to be put into production after the completion in the fourth quarter of this year. During the six months ended 30 June 2014, the capital expenditures of Jingyuancheng Mining are approximately RMB38.4 million, of which approximately RMB26.0 million was incurred for developing engineering and approximately RMB11.9 million for the newly-established dry processing plant.

The table below sets out the output data of Jingyuancheng Mining:

Shuanmazhuang Mine and Wang'ergou Mine	For the six months ended 30 June	
	2014 (Unit: Kt)	2013 (Unit: Kt)
Mining production		
Of which: ≥15% TFe raw ores	**2,191**	360
8%–15% TFe raw ores	**1,805**	2,215
8%–5% TFe weakly mineralised wall rocks	**0**	472
Preliminary concentrates output	**1,374**	892
Iron ore concentrates output	**302**	180

Zhijiazhuang Mine

Zhijiazhuang Mine, which is wholly owned and operated by Jiheng Mining, is located in Yangjiazhuang Village, Laiyuan County. The area covered by the mining rights for Zhijiazhuang Mine is 0.3337 sq.km.

During the reporting period, the main capital expenditures of Jiheng Mining were on the acquisition of a wet processing plant with an annual production capacity of 1Mtpa of iron ore concentrates. During the six months ended 30 June 2014, the capital expenditures of Jiheng Mining were approximately RMB116.2 million, of the expenditure on acquisition of the new processing plant was approximately RMB114.1 million.

With the acquisition and commencement of operation of the new wet processing plant, it is expected that Jiheng Mining will no longer sell ores directly in the future, and that its main products will be shifted to iron ore concentrates. However, in consideration of the continuous yield of weakly mineralised wall rocks, Jiheng Mining may maintain a certain amount of the direct sales of preliminary concentrates after the demand for the usage of the wet processing plant is met in the future.

The table below sets out the output data of Jiheng Mining:

Zhijiazhuang Mine	For the six months ended 30 June	
	2014 (Unit: Kt)	2013 (Unit: Kt)
Mining production		
Of which: ≥25% TFe raw ores	**468**	550
8%–25% TFe raw ores	**685**	1,041
8%–5% TFe weakly mineralised wall rocks	**2,251**	1,175
Preliminary concentrates output	**464**	601
Iron ore concentrates output	**97**	48

FINANCIAL REVIEW

Revenue

The revenue of our Group in the first half of 2014 was approximately RMB514.7 million, representing a decrease of approximately RMB152.4 million or 22.8% as compared to the same period last year, which is mainly due to:

The average unit selling price of iron ore concentrates declined by RMB70 per tonne, which resulted in a decrease of approximately RMB24.7 million in revenue; and the sales volume of iron ore concentrates dropped by approximately 6 Kt, which resulted in a decrease of approximately RMB4.5 million in revenue.

The average unit selling price of preliminary concentrates declined by RMB61 per tonne, which resulted in a decrease of approximately RMB9.3 million in revenue; and the sales volume of preliminary concentrates dropped by approximately 250 Kt, which resulted in a decrease of approximately RMB50.4 million in revenue.

The average unit selling price of iron ores rose by RMB16 per tonne, which resulted in an increase of approximately RMB17.6 million in revenue; and the sales volume of iron ores dropped by approximately 418 Kt, which resulted in a decrease of approximately RMB80.8 million in revenue. The rise in unit selling price of iron ores was mainly due to the grade enhancement of the extracted ores.

Cost of sales

The Group's cost of sales in the first half of 2014 was approximately RMB210.8 million, representing a decrease of approximately RMB69.0 million or 24.7% as compared to the same period last year, which was mainly due to the decline in sales volume and the effective cost control.

Gross profit

The Group's gross profit in the first half of 2014 was approximately RMB303.9 million, representing a decrease of approximately RMB83.4 million or 21.5% over the same period last year. As compared to the same period last year, the Group's gross profit margin in the first half of 2014 slightly increased to 59.0% from 58.1%, which remained stable mainly due to the effective cost control of the Group and the increase of selling price and gross profit arising from the grade enhancement of iron ores.

Distribution costs

Our Group's distribution costs in the first half of 2014 were approximately RMB2.6 million, representing a decrease of approximately RMB0.8 million or 23.4% as compared to the same period last year, which was mainly due to the decrease of distribution costs resulting from the decrease in sales volume of iron ores and preliminary concentrates. Distribution costs included the loading expenses of iron ores and preliminary concentrates.

Administrative expenses

The Group's administrative expenses in the first half of 2014 were approximately RMB49.2 million, representing an increase of approximately RMB7.8 million or 18.9% as compared to the same period last year, which was mainly due to the increase in salary and benefits spending and lease expenses. Administrative expenses included salaries paid to the management and administrative staff of the Group, depreciation and amortization, rental and office expenses, business development expenses, professional consulting and services expenses, taxation expenses and others.

Finance income and costs

The finance income of the Group in the first half of 2014 was approximately RMB7.0 million, representing an increase of approximately RMB6.9 million as compared to the same period last year. Such change in finance income of the period as compared to the same period last year was mainly due to an increase in interest on deposits of the Company during the period.

The finance costs of the Group in the first half of 2014 were approximately RMB16.0 million, representing an increase of approximately RMB8.4 million or 110.5% as compared to the same period last year. Such change in finance costs of the period as compared to the same period last year was mainly due to an increase of borrowings interest resulted from the increase in borrowings of the Company during the period. Finance costs included interest expenses of bank borrowings, discounted expenses, other finance expenses and amortization of discounted expenses of long-term payables.

Income tax expenses

The Group's income tax expenses in the first half of 2014 amounted to approximately RMB61.3 million, representing a decrease of approximately RMB23.4 million or 27.6% as compared to the same period last year. In the first half of 2014, the effective tax rate calculated according to taxes charged to the consolidated statement of comprehensive income and profit before taxation was 25.2%, as compared to 25.3% in the same period last year. Income tax expenses included the sum of current tax payables and deferred tax.

Profit for the period and total comprehensive income

Based on the above reasons, the Group's profit for the period was approximately RMB181.8 million, representing a decrease of approximately RMB68.4 million or 27.3% as compared to the same period last year. The Group's net profit ratio during the period was 35.3%, while that of the same period last year was 37.5%. The decrease was mainly due to the comprehensive influence from the above factors.

The profit attributable to owners of the Group in the first half of 2014 was approximately RMB174.3 million, representing a decrease of approximately RMB57.7 million or 24.9% as compared to the same period last year.

Property, plant and equipment and inventories

The Group's property, plant and equipment were approximately RMB587.4 million as at 30 June 2014, representing an increase of approximately RMB136.6 million or 30.3% as compared to the end of last year. Such increase was mainly due to the construction of plants and addition of machinery and equipment for expanding production capacity during the period.

As at 30 June 2014, inventory of the Group amounted to approximately RMB124.0 million, representing an increase of approximately RMB82.7 million or 200.6% as compared to that of 31 December 2013, which was mainly due to the adjustments to the sales strategies of the Company due to the decline in market price of iron are concentrates since the second quarter of 2014, and the retention inventories of iron ore concentrates, preliminary concentrates and iron ores were increased accordingly.

Trade and other receivables

The Group's trade receivables as at 30 June 2014 were approximately RMB133.1 million, representing an increase of approximately RMB78.1 million as compared to the end of last year, which was mainly due to the further development of new customers and grant of credit period of not more than six months by the Group to certain customers in good credit position and without inferior repayment history in the reporting period.

The Group's other receivables in the first half of 2014 were approximately RMB61.2 million, representing an increase of approximately RMB32.6 million as compared to the end of last year, which was mainly due to an increase in prepayments for goods to suppliers.

Trade payables and other payables

Our Group's trade payables as at 30 June 2014 were approximately RMB40.9 million, representing a decrease of approximately RMB12.1 million as compared to the end of last year, mainly due to the repayment to previous payables.

Our Group's other payables as at 30 June 2014 were approximately RMB94.1 million, representing a decrease of approximately RMB54.5 million as compared to the end of last year. Such decrease was mainly due to the decrease in accrued expenses and payables for construction of the period.

Cash usage analysis

The table below sets out the summary of our Group's condensed consolidated cash flow statement in the first half of 2014.

	For the six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Net cash flow of operating activities	**(110,639)**	124,537
Net cash flow of investing activities	**(112,674)**	(181,439)
Net cash flow of financing activities	**(246,083)**	101,374
Net (decrease)/increase in cash and cash equivalents	**(469,396)**	44,472
Cash and cash equivalents at the beginning of the period	**987,562**	22,668
Effect of foreign exchange rate changes on cash and cash equivalents	**(4,232)**	–
Cash and cash equivalents at the end of the period	**513,934**	67,140

Net cash flow of operating activities

The net cash outflow of operating activities in the first half of 2014 was approximately RMB110.6 million. Such amount mainly included approximately RMB243.1 million attributable to profit before taxation, plus approximately RMB43.3 million of depreciation and amortization, approximately RMB8.9 million of net finance costs, approximately RMB47.2 million of liabilities such as payables, an increase of approximately RMB221.5 million in assets such as trade receivables, an increase of approximately RMB82.7 million in inventories, and approximately RMB55.0 million of payments for income tax.

The decrease in net cash flow of operating activities in the first half of 2014 as compared to the same period last year was mainly due to (i) the increase of trade receivables mainly resulting from the further development of new customers and the grant of credit period of not more than six months by the Group to certain customers in good credit position and without inferior repayment history in the reporting period; (ii) the increase of inventories mainly resulting from the adjustment to the sales strategies of the Company; and (iii) the acquisition of a wet processing plant of Jiheng by the Group in the reporting period with a total consideration of approximately RMB114.1 million, of which approximately RMB107.7 million were used to offset the debt owed by that company to the Group (without involving cash income and expenses), which resulted in the decrease in cash inflow of operating activities of the Group. Provided that such factors were considered, the Group's net cash flow of operating activities in the first half of 2014 shall be a net outflow of approximately RMB3.0 million.

Net cash flow of investing activities

The net cash outflow of investing activities in the first half of 2014 was approximately RMB112.7 million, which mainly reflected approximately RMB51.6 million of infrastructure and stripping rocks expenses, and an increase of approximately RMB48.4 million in prepayments for such as construction and installation engineering and equipment.

Net cash flow of financing activities

The net cash outflow of financing activities in the first half of 2014 was approximately RMB246.1 million, which was mainly used for the repayment of approximately RMB128.1 million for the principal and interest of loans and the payment of approximately RMB118.0 million for the acquisition of 10% equity interests in Jiheng Mining.

Cash and borrowings

As at 30 June 2014, cash and bank deposit balance of the Group was approximately RMB513.9 million, representing a decrease of approximately RMB473.6 million or 48% as compared to the end of last year.

As at 30 June 2014, bank borrowings balance of the Group was RMB188.4 million, representing a decrease of RMB121.6 million as compared to the end of last year. The decrease was mainly due to the repayment of the two entrusted loans of RMB110.0 million in aggregate in January 2014 through working capital and the repayment of bank loans of RMB11.6 million in June 2014 through the raised fund.

After the reporting period, Jiheng Mining borrowed a loan of RMB110.0 million from China Construction Bank Corporation Rongcheng Sub-branch on 15 July 2014 for the acquisition of relevant assets of Yaobeigou Iron Ore Mine.

Other than the above or otherwise disclosed in this report, the Group did not have any outstanding mortgages, pledges, bonds or other loan capital (whether issued or agreed to be issued), bank overdrafts, borrowings, acceptance liabilities or other similar liabilities, hire purchase and finance lease commitments or any guarantees or other material contingent liabilities.

Gearing ratio

The Group's debt to total assets ratio decreased to 29.8% on 30 June 2014 from 35.7% on 31 December 2013. Debt to total assets ratio is calculated by dividing the total debts by total assets.

Interest rate risk

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

Foreign currency risk

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

Pledge of assets, contingent liabilities

Certain bank loans of the Group are secured by the mining permit. As at 30 June 2014, the aggregate net book value of the pledged mining rights was approximately RMB116.0 million.

As at 30 June 2014, the Group had no material contingent liabilities.

Material acquisitions and disposals of assets, and mergers

As at 30 June 2014, the Group completed the acquisition of 10% equity interests in Jiheng Mining at a cash consideration of RMB118.0 million. In addition, the Group completed the acquisition of assets such as machine and equipment and building related to the wet processing plants of Jiheng Mining at a consideration of approximately RMB114.1 million; the consideration was settled by offsetting the Group's accounts receivable due from the seller, which constitutes a major non-cash transaction as disclosed in Note 10 to the interim financial report.

After the reporting period, on 19 August 2014, Jiheng Mining, the wholly owned subsidiary of the Company, acquired the relevant assets of Yaobeigou Iron Ore Mine which is legally owned by Yucheng Processing Plant, at a purchase price of RMB217.0 million.

Use of proceeds from the funds raised

A total of HKD1,225.1 million (equivalent of approximately RMB969.1 million) was raised from the listing of the Company. Expenses including commissions paid to the sponsor, underwriting fees and related professional fees amounted to approximately RMB71.1 million. As at 30 June 2014, the remaining fund raised from the listing of the Company amounted to approximately RMB445.9 million. The use of the fund utilized is mainly as follows: (i) approximately RMB350.7 million was used as the fund for our expansion plan; (ii) RMB11.6 million was used for the repayment of the bank loan due to China Construction Bank Corporation Rongcheng Sub-branch; and (iii) approximately RMB89.8 million was used as the replenishment of the working capital of the Company.

After the reporting period, the Company utilized the funds raised from the listing to repay the due bank loan of RMB28.4 million due to China Construction Bank Corporation Rongcheng Sub-branch on 10 July 2014, and utilized the fund raised from the listing for early repayment of the bank loan of RMB70.0 million due to China Construction Bank Corporation Rongcheng Sub-branch on 11 July 2014.

Exploration, development and mining expenses

During the reporting period, no additional exploration-related expense was incurred as no new exploration activity was carried out by the Group.

In the year of 2013, Jiheng Mining had already completed the whole infrastructure and stripping activities. There was no additional development expense for the six months ended 30 June 2014. Both Jingyuancheng Mining's and Xinxin Mining's infrastructures and stripping activities would continue until the end of 2015. For the six months ended 30 June 2014, the development expenses recognized in the construction in progress of Jingyuancheng Mining and Xinxin Mining were approximately RMB26.0 million and approximately RMB25.6 million respectively.

For the six months ended 30 June 2014, the mining expenses recognized in profit or loss of Jiheng Mining, Jingyuancheng Mining and Xinxin Mining were approximately RMB63.0 million, approximately RMB30.9 million and approximately RMB14.0 million respectively.

As at 30 June 2014, the overall financial status of our Group is sound and stable.

BUSINESS OUTLOOK

We expect that the Group will continue to face challenges from the market in the future. However, with the market recovery, the Company will continue to maintain its flexible sales strategies to maximize the interests of shareholders. Despite difficult market conditions during the second half of 2014, the Group anticipates a recovery in the average selling prices in the fourth quarter.

Meanwhile, the Group will continue to focus on productivity enhancement, improve its operational efficiency and lower costs, with a view to increasingly strengthen the Company's competitive strengths of low-cost operations for sustainable development.

Amidst the gloom of the iron ore industry, the Group will conduct consolidation and acquisition work on the resources surrounding its existing mines by fully leveraging on its overall consolidation principal status in order to expand the mine boundary, thereby optimizing the available plans and enhancing future mining capacity of the existing mines. Furthermore, the Group will take into account various factors to acquire high-quality mines for scale expansion of the Company's principal businesses in a prudent manner.

1. DIRECTORS' AND SENIOR MANAGEMENT'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2014, the interests or short positions of the Directors and senior management of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

(1) Interests in the shares of the Company:

Name of Director and senior management	Capacity/Nature of interest	Number of shares	Approximate percentage of shareholding
Mr. Leung Hongying Li Ziwei	Founder of a discretionary trust[2]	1,125,000,000(L)	74.61%
Mr. Li Yanjun	Interests held jointly with another person[2]	1,125,000,000(L)	74.61%

Notes:

1. The letter "L" denotes long position in the Shares.

2. Mr. Leung Hongying Li Ziwei is the settler, protector and a beneficiary of the Chak Trust with Credit Suisse Trust Limited as the trustee which holds the entire issued share capital of Hengshi Holdings Limited (holding 100% issued share capital of Hengshi International Investments Limited) through Chak Limited and is the settler, protector and a beneficiary of the Seven Trust with Credit Suisse Trust Limited as the trustee which holds the entire issued share capital of Aowei International Developments Limited through Seven Limited. Pursuant to the Confirmation Letters, Mr. Leung Hongying Li Ziwei and Mr. Li Yanjun acted and will continue to act in concert to make decisions and exercise discretions in respect of the matters of the Chak Trust and the Seven Trust and exercise all voting rights attached to the shares of Hengshi International Investments Limited and Aowei International Developments Limited, respectively. Therefore, Mr. Leung Hongying Li Ziwei and Mr. Li Yanjun are deemed to be interested in the 1,091,250,000 Shares held by Hengshi International Investments Limited (which is 100% owned by Hengshi Holdings Limited) as disclosed above and the 33,750,000 Shares held by Aowei International Developments Limited.

2. SUBSTANTIAL SHAREHOLDERS' INTERESTS OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY:

As at 30 June 2014, the interests and short positions of substantial shareholders, other than the Directors or the senior management of the Company whose interests and short positions in the shares of the Company and of its associated corporations (within the meaning of Part XV of the SFO) as set out above, had 5% or more interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be maintained by the Company under Section 336 of the SFO were as follows:

Name of Shareholders	Capacity/Nature of interest	Number of shares	Approximate percentage of issued share capital
Aowei International Developments Limited	Beneficial owner(2)	1,125,000,000 (L)	74.61%
Chak Limited	Interest in controlled corporation(2)	1,125,000,000 (L)	74.61%
Credit SuisseTrust Limited	Trustee	1,125,000,000 (L)	74.61%
Hengshi Holdings Limited	Interest in controlled corporation(2)	1,125,000,000 (L)	74.61%
Hengshi International Investments Limited	Beneficial owner(2)	1,125,000,000 (L)	74.61%
Seven Limited	Interest in controlled corporation(2)	1,125,000,000 (L)	74.61%

Notes:

1. The letter "L" denotes long position in the Shares.

2. Hengshi Holdings Limited holds 100% issued share capital of Hengshi International Investments Limited, thus Hengshi Holdings Limited is deemed to be interested in the 1,091,250,000 Shares held by Hengshi International Investments Limited. Chak Limited holds 100% issued share capital of Hengshi Holdings Limited, thus Chak Limited is deemed to be interested in the 1,091,250,000 Shares held by Hengshi International Investments Limited. Seven Limited holds 100% issued share capital of Aowei International Developments Limited,thus Seven Limited is deemed to be interested in the 33,750,000 Shares held by Aowei International Developments Limited.

   Mr. Leung Hongying Li Ziwei and Mr. Li Yanjun are the ultimate controlling shareholders of Chak Limited, Hengshi Holdings Limited, Hengshi International Investments Limited, Seven Limited and Aowei International Developments Limited. Therefore, Chak Limited, Hengshi Holdings Limited, Hengshi International Investments Limited, Seven Limited and Aowei International Developments Limited are deemed to be interested in all the 1,125,000,000 shares. Pursuant to the Confirmation Letters, Mr. Leung Hongying Li Ziwei and Mr. Li Yanjun acted and will continue to act in concert to make decisions and exercise discretions in respect of the matters of the Chak Trust and the Seven Trust and exercise all voting rights attached to the shares of Hengshi International Investments Limited and Aowei International Developments Limited, respectively.

Save as disclosed above, the Company has not been notified of any other interests or short positions in the shares or underlying shares representing 5% or more of the issued share capital of the Company as at the Latest Practicable Date.

3. CHANGES OF DIRECTORS AND DIRECTOR'S INFORMATION

As at 30 June 2014, there is no change relating to Directors and Director's information of the Company during the Reporting Period.

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

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding the dealings in the Company's securities by the Directors. Specific enquiry has been made to all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the period for the six months ended 30 June 2014.

5. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

6. EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2014, the Group had 1274 employees in total. During the six months ended 30 June 2014, the total remuneration expenses and the amounts of the employees' benefit were RMB47.2 million. The Group determined the staff remuneration based on their performance, experience and prevailing market practice. Other benefits provided to employees included retirement benefit scheme, medical benefit scheme and housing provident scheme.

The employees of the Company have to participate in the pension scheme managed and operated by local municipal government. Subject to the approval of the local municipal government, the Company has to make a 12% contribution to the pension scheme according to the average salary of the employees, so as to provide funding to their pension.

7. STAFF TRAINING SCHEME

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

8. CORPORATE GOVERNANCE

The Company is committed to maintaining and ensuring high standards of corporate governance. The Company has adopted the code provisions in the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. Our Directors are committed to upholding the corporate governance of our Company to ensure that formal and transparent procedures are in place to protect and maximize the interests of the Shareholders. The Code on Corporate Governance Practices sets out the principles of good corporate governance and two levels of corporate governance practices as follows:

1) code provisions which listed issuers are expected to comply with or to give reasons for deviation after due and careful consideration.

2) recommended best practices for guidance only, which listed issuers are encouraged to comply with or to give reasons for any deviation after due and careful consideration.

The Directors considered, during the period between 31 December 2013 to 30 June 2014, the Company has fully complied with each of the principles and code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules and a substantial majority of the recommended best practices set forth hereunder.

9. AUDIT COMMITTEE

The audit committee of the Company ("Audit Committee") comprised three independent non-executive Directors, namely Mr. Ge Xinjian (Chairman), Mr. Meng Likun and Mr. Kong Chi Mo.

Pursuant to Rule 3.21 of the Listing Rules, the Company established the Audit Committee. According to Rule 3.22 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 of the Listing Rules, the terms of reference of the Audit Committee was approved and stated; the Audit Committee is primarily responsible for reviewing and monitoring the financial report and the internal control of the Group, and reviewing the accounting policies, accounting principles and methods adopted by the Company with the management of the Company.

The Audit Committee, which has reviewed the 2014 interim results of the Company for the six months ended 30 June 2014 which has not been audited by independent auditors, believes that the interim results were prepared in accordance with the accounting principles, rules and regulations adopted, and made appropriate disclosure.

10. INTERIM DIVIDEND

The Board has proposed not to distribute any interim dividend for the six months ended 30 June 2014.

11. MAJOR LEGAL PROCEEDING

During the six months ended 30 June 2014, the Group was not involved in any major legal proceedings or arbitrations. To the knowledge of the Directors, there is no pending or potential major legal proceeding or claim.

Independent Review Report

To the board of directors of Hengshi Mining Investments Limited
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 22 to 44 which comprises the consolidated balance sheet of Hengshi Mining Investments Limited (the "Company") as at 30 June 2014 and the related consolidated statement of comprehensive income, the consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report 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.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

21 August 2014

Consolidated Statement of Comprehensive Income – Unaudited

For the six months ended 30 June 2014
(Expressed in Renminbi)

	Note	Six months ended 30 June 2014 RMB'000	2013 RMB'000
Turnover	*5*	**514,665**	667,060
Cost of sales		**(210,767)**	(279,809)
Gross profit		**303,898**	387,251
Distribution costs		**(2,593)**	(3,387)
Administrative expenses		**(49,231)**	(41,421)
Profit from operations		**252,074**	342,443
Finance income	*6(a)*	**7,016**	55
Finance costs	*6(a)*	**(15,953)**	(7,577)
Net finance costs	*6(a)*	**(8,937)**	(7,522)
Profit before taxation	*6*	**243,137**	334,921
Income tax	*7*	**(61,300)**	(84,686)
Profit for the period		**181,837**	250,235
Other comprehensive income for the period	*8*		
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of group of companies outside of Mainland China		**(4,179)**	–
Total comprehensive income for the period		**177,658**	250,235
Profit attributable to:			
Equity shareholders of the Company		**174,275**	232,004
Non-controlling interests		**7,562**	18,231
Profit for the period		**181,837**	250,235
Total comprehensive income attributable to:			
Equity shareholders of the Company		**170,096**	232,004
Non-controlling interests		**7,562**	18,231
Total comprehensive income for the period		**177,658**	250,235
Earnings per share			
Basic and diluted (RMB)	*9*	**0.12**	0.21

The notes on pages 28 to 44 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 22(a).

Consolidated Balance Sheet – Unaudited

At 30 June 2014
(Expressed in Renminbi)

	Note	30 June 2014 RMB'000	31 December 2013 RMB'000
Non-current assets			
Property, plant and equipment, net	*10*	**587,354**	450,729
Construction in progress	*11*	**178,669**	166,992
Lease prepayments	*12*	**160,072**	157,495
Intangible assets	*13*	**407,085**	420,045
Long-term receivables	*14*	**33,960**	33,960
Prepayments		**28,016**	3,257
Deferred tax assets		**12,154**	8,641
		1,407,310	1,241,119
Current assets			
Inventories	*15*	**123,960**	41,235
Trade and other receivables	*16*	**194,258**	83,649
Cash and cash equivalents	*17*	**513,934**	987,562
		832,152	1,112,446
Current liabilities			
Short-term borrowings and current portion of long-term borrowings	*18*	**118,400**	40,000
Trade and other payables	*19*	**134,980**	201,562
Current taxation		**18,544**	11,918
Current portion of long-term payables	*20*	**53,251**	51,740
Current portion of accrued reclamation obligations	*21*	**5,646**	4,434
		330,821	309,654
Net current assets		**501,331**	802,792
Total assets less current liabilities		**1,908,641**	2,043,911

The notes on pages 28 to 44 form part of this interim financial report.

	Note	30 June 2014 RMB'000	31 December 2013 RMB'000
Non-current liabilities			
Interest-bearing borrowings, less current portion	*18*	**70,000**	270,000
Long-term payables, less current portion	*20*	**225,153**	218,779
Accrued reclamation obligations, less current portion	*21*	**41,057**	42,359
		336,210	531,138
NET ASSETS		**1,572,431**	1,512,773
CAPITAL AND RESERVES			
Share capital	*22*	**120**	120
Reserves	*22*	**1,572,311**	1,458,959
Total equity attributable to equity shareholders of the Company		**1,572,431**	1,459,079
Non-controlling interests		**–**	53,694
Total equity		**1,572,431**	1,512,773

The notes on pages 28 to 44 form part of this interim financial report.

Consolidated Statement of Changes in Equity – Unaudited

For the six months ended 30 June 2014
(Expressed in Renminbi)

		Attributable to equity shareholders of the Company									
	Note	Share capital RMB'000 (note 22(b))	Share premium RMB'000 (note 22(c))	Statutory surplus reserve RMB'000 (note 22(c))	Special reserve RMB'000 (note 22(c))	Exchange reserve RMB'000 (note 22(c))	Other reserve RMB'000 (note 22(c))	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2013		1	–	29,933	34,740	–	(62,972)	137,033	138,735	25,595	164,330
Changes in equity for the six months ended 30 June 2013											
Profit and total comprehensive income for the period		–	–	–	–	–	–	232,004	232,004	18,231	250,235
Transfer to special reserve, net of utilisation		–	–	–	4,843	–	–	(4,843)	–	–	–
At 30 June 2013 and 1 July 2013		1	–	29,933	39,583	–	(62,972)	364,194	370,739	43,826	414,565
Changes in equity for the six months ended 31 December 2013											
Profit for the period		–	–	–	–	–	–	165,509	165,509	9,868	175,377
Other comprehensive income for the period		–	–	–	–	(5,597)	–	–	(5,597)	–	(5,597)
Total comprehensive income for the period		–	–	–	–	(5,597)	–	165,509	159,912	9,868	169,780
Issuance of shares		119	968,979	–	–	–	–	–	969,098	–	969,098
Share issuance costs		–	(40,670)	–	–	–	–	–	(40,670)	–	(40,670)
Transfer to special reserve, net of utilisation		–	–	–	(1,802)	–	–	1,802	–	–	–
Appropriation to reserves		–	–	41,243	–	–	–	(41,243)	–	–	–
At 31 December 2013		120	928,309	71,176	37,781	(5,597)	(62,972)	490,262	1,459,079	53,694	1,512,773

The notes on pages 28 to 44 form part of this interim financial report.

	Note	Share capital RMB'000 (note 22(b))	Share premium RMB'000 (note 22(c))	Statutory surplus reserve RMB'000 (note 22(c))	Special reserve RMB'000 (note 22(c))	Exchange reserve RMB'000 (note 22(c))	Other reserve RMB'000 (note 22(c))	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to equity shareholders of the Company									
At 1 January 2014		**120**	**928,309**	**71,176**	**37,781**	**(5,597)**	**(62,972)**	**490,262**	**1,459,079**	**53,694**	**1,512,773**
Changes in equity for the six months ended 30 June 2014											
Profit for the period		–	–	–	–	–	–	174,275	174,275	7,562	181,837
Other comprehensive income for the period		–	–	–	–	(4,179)	–	–	(4,179)	–	(4,179)
Total comprehensive income for the period		–	–	–	–	(4,179)	–	174,275	170,096	7,562	177,658
Acquisition of non-controlling interests	*24*	–	–	4,863	1,650	–	(63,257)	–	(56,744)	(61,256)	(118,000)
Transfer to special reserve, net of utilisation		–	–	–	13,762	–	–	(13,762)	–	–	–
At 30 June 2014		**120**	**928,309**	**76,039**	**53,193**	**(9,776)**	**(126,229)**	**650,775**	**1,572,431**	**–**	**1,572,431**

The notes on pages 28 to 44 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement – Unaudited

For the six months ended 30 June 2014
(Expressed in Renminbi)

	Note	Six months ended 30 June 2014 RMB'000	2013 RMB'000
Operating activities			
Cash (used in)/generated from operations		**(55,643)**	190,293
Income tax paid		**(54,996)**	(65,756)
Net cash (used in)/generated from operating activities		**(110,639)**	124,537
Investing activities			
Payments for the purchase of property, plant and equipment and construction in progress		**(109,953)**	(110,160)
Other cash flows arising from investing activities		**(2,721)**	(71,279)
Net cash used in investing activities		**(112,674)**	(181,439)
Financing activities			
Payments for acquisition of non-controlling interests	*24*	**(118,000)**	–
Repayments of borrowings		**(121,600)**	–
Proceeds from borrowings		**–**	101,600
Other cash flows arising from financing activities		**(6,483)**	(226)
Net cash (used in)/generated from financing activities		**(246,083)**	101,374
Net (decrease)/increase in cash and cash equivalents		**(469,396)**	44,472
Cash and cash equivalents at 1 January		**987,562**	22,668
Effect of foreign exchange rate changes		**(4,232)**	–
Cash and cash equivalents at 30 June	*17*	**513,934**	67,140

The notes on pages 28 to 44 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

1 CORPORATE INFORMATION

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

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

2 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), including compliance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("IASB"). It was authorised for issue on 21 August 2014.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 annual financial statements. Details of these changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2013 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs"). IFRSs include all applicable IFRSs, IASs and related interpretations.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. KPMG's independent review report to the board of directors is included on page 21.

The financial information relating to the financial year ended 31 December 2013 that is included in the interim financial report as being previously reported information does not constitute the Group's annual financial statements prepared under IFRSs for that financial year but is derived from those financial statements. The Group's annual financial statements for the year ended 31 December 2013 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 19 March 2014.

3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to IFRS 10, IFRS 12 and IAS 27, *Investment entities*
- Amendments to IAS 32, *Financial instruments: Presentation – Offsetting financial assets and financial liabilities*
- Amendments to IAS 36, *Impairment of assets – Recoverable amount disclosures for non-financial assets*
- IFRIC 21, *Levies*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Amendments to IFRS 10, IFRS 12 and IAS 27, *Investment entities*

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended IFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on the Group's interim financial report as the Company does not qualify to be an investment entity.

Amendments to IAS 32, *Financial instruments: Presentation – Offsetting financial assets and financial liabilities*

The amendments to IAS 32 clarify the offsetting criteria in IAS 32. The amendments do not have an impact on the Group's interim financial report as they are consistent with the policies already adopted by the Group.

Amendments to IAS 36, *Impairment of assets – Recoverable amount disclosures for non-financial assets*

The amendments to IAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or cash-generating units whose recoverable amount is based on fair value less cost of disposal. These amendments have no impact on the Group's interim financial report as the Group does not have impaired non-financial assets whose recoverable amount is based on fair value less costs of disposal.

IFRIC 21, *Levies*

IFRIC 21 provides guidance on when a liability to pay a levy imposed by a government should be recognised. This interpretation does not have an impact on the Group's interim financial report as the guidance is consistent with the Group's existing accounting policies.

4 SEGMENT REPORTING

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

5 TURNOVER

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

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Iron ore concentrates	**260,786**	289,972
Preliminary concentrates	**21,598**	81,281
Iron ores	**232,279**	295,476
Others	**2**	331
	514,665	667,060

For the six months ended 30 June 2014, three customers with whom transactions have exceeded 10% of the Group's turnover (six months ended 30 June 2013: one customer). For the six months ended 30 June 2014, sales to these customers amounted to RMB253,129,000 (six months ended 30 June 2013: RMB218,140,000).

6 PROFIT BEFORE TAXATION

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

(a) Net finance costs:

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Interest income	**(7,016)**	(55)
Finance income	**(7,016)**	(55)
Interest on interest-bearing borrowings	**6,483**	382
Unwinding interest on		
– long-term payables	**7,885**	5,690
– accrued reclamation obligations *(note 21)*	**1,532**	1,505
Net interest expense	**15,900**	7,577
Foreign exchange loss, net	**53**	–
Finance costs	**15,953**	7,577
Net finance costs	**8,937**	7,522

During the six months ended 30 June 2014, no borrowing costs were capitalised in relation to construction in progress (six months ended 30 June 2013: RMB nil).

6 PROFIT BEFORE TAXATION *(continued)*

(b) Staff costs:

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Salaries, wages, bonuses and benefits	**42,519**	28,343
Retirement scheme contributions	**4,690**	2,157
	47,209	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:

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Cost of inventories#	**210,767**	279,809
Depreciation and amortisation	**43,303**	38,274
Net losses on disposal of property, plant and equipment	**306**	171
Operating lease charges	**1,201**	209

During the six months ended 30 June 2014, production stripping costs recognised in profit and loss as part of cost of inventories amounted to RMB107,882,000 (six months ended 30 June 2013: RMB136,209,000).

7 INCOME TAX

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

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Current tax		
Provision for the period	**64,813**	85,133
Deferred tax		
Origination and reversal of temporary differences	**(3,513)**	(447)
	61,300	84,686

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

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Profit before taxation	**243,137**	334,921
Notional tax on profit before taxation, calculated at tax rate of 25% *(note (i))*	**60,784**	83,730
Tax effect of non-deductible items	**162**	8
Tax effect of unused tax losses not recognised	**1,005**	948
Tax effect of non-taxable items	**(651)**	–
Actual tax expense	**61,300**	84,686

Notes:

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

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

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

8 OTHER COMPREHENSIVE INCOME

The component of other comprehensive income does not have any significant tax effect for the periods presented.

9 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company for the six months ended 30 June 2014 of RMB174,275,000 (six months ended 30 June 2013: RMB232,004,000) and the weighted average number of shares in issue during the six months ended 30 June 2014 of 1,507,843,000 shares (six months ended 30 June 2013: 1,125,000,000 shares, on the assumption that a total of 1,125,000,000 shares of the Company are in issue during the six months ended 30 June 2013 pursuant to the capitalisation issue of 1,125,000,000 share on 3 November 2013).

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

10 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, additions of property, plant and equipment of the Group, representing mainly processing plant and mining related machinery and equipment and various mine properties, amounted to RMB104,858,000 (six months ended 30 June 2013: RMB11,626,000). Items of property, plant and equipment with a carrying amount of RMB615,000 were disposed of during the six months ended 30 June 2014 (six months ended 30 June 2013: RMB382,000). As at 30 June 2014, mine properties include capitalised stripping activity asset with a carrying amount of RMB52,483,000 (31 December 2013: RMB nil).

Pursuant to the asset acquisition agreement entered into by a subsidiary of the Group with Laiyuan County Xiongxin Mining Co., Ltd. on 15 June 2014, the Group completed the acquisition of a wet processing plant and associated assets and leasehold land for a total consideration of RMB114,110,000 on 18 June 2014. Consideration in relation to abovementioned acquisition was settled by offsetting accounts receivable due from Laiyuan County Xiongxin Mining Co., Ltd., which constituted a major non-cash transaction during the six months ended 30 June 2014.

11 CONSTRUCTION IN PROGRESS

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

During the six months ended 30 June 2014, stripping costs of RMB51,587,000 incurred during the development phase of the Group's mines were capitalised as stripping activity asset (six months ended 30 June 2013: RMB77,815,000). During the six months ended 30 June 2014, stripping activity asset with a carrying amount of RMB53,975,000 was transferred to property, plant and equipment – mine properties upon the completion of related mine construction work (six months ended 30 June 2013: RMB nil). As at 30 June 2014, the carrying amount of capitalised stripping costs amounted to RMB163,389,000 (31 December 2013: RMB165,777,000).

12 LEASE PREPAYMENTS

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.

During the six months ended 30 June 2014, additions of interest in leasehold land held by the Group for own use, representing leasehold land associated with the wet processing plant acquired from Laiyuan County Xiongxin Mining Co., Ltd. (see note 10), amounted to RMB10,046,000 (six months ended 30 June 2013: total additions amounted to RMB15,503,000, representing other additions in interest in leasehold land held by the Group for own use).

13 INTANGIBLE ASSETS

Intangible assets represent the mining rights acquired by the Group and the premium paid in relation to obtaining the mining rights by Laiyuan County Jingyuancheng Mining Co., Ltd. from nearby iron ore mines in 2010 and 2011, respectively.

As at 30 June 2014, the Group's borrowings were secured by mining right with a carrying amount of approximately RMB115,978,000 (31 December 2013: RMB123,297,000).

14 LONG-TERM RECEIVABLES

Long-term receivables represent the 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.

15 INVENTORIES

(a) Inventories in the consolidated balance sheet comprise:

	30 June 2014 RMB'000	31 December 2013 RMB'000
Weakly mineralised wall rock#	**16,872**	10,977
Iron ores	**6,817**	1,826
Preliminary concentrates	**15,575**	7,342
Iron ore concentrates	**64,347**	3,302
	103,611	23,447
Consumables and supplies	**20,349**	17,788
	123,960	41,235

Weakly mineralised wall rock represents sub-graded mineral materials.

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

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Carrying amount of inventories sold	**210,767**	279,809

16 TRADE AND OTHER RECEIVABLES

	30 June 2014 RMB'000	31 December 2013 RMB'000
Accounts receivable	112,579	25,273
Bills receivable	20,550	29,710
Trade receivables *(note (a))*	133,129	54,983
Other receivables *(note (d))*	60,263	28,666
Amount due from a related party *(note 26)*	866	–
	194,258	83,649

(a) Ageing analysis

The ageing analysis of trade receivables by invoice date is as follows:

	30 June 2014 RMB'000	31 December 2013 RMB'000
Current	133,129	54,983

The Group generally delivers goods to its customers after receiving full payments in advance. Under certain circumstances, a credit period was granted to customers that have a good track record with the Group and/or in good credit position. The Group allows a credit period of 180 days during the six months ended 30 June 2014 (around 90 to 150 days credit period granted in 2013).

(b) Impairment of trade receivables

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

(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:

	30 June 2014 RMB'000	31 December 2013 RMB'000
Neither past due nor impaired	133,129	54,983

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

16 TRADE AND OTHER RECEIVABLES *(continued)*

(d) Other receivables

	30 June 2014 RMB'000	31 December 2013 RMB'000
Prepayments and deposits *(note (i))*	**51,047**	24,057
Income tax recoverable	**6,831**	3,191
Value added tax recoverables	**842**	–
Others	**1,543**	1,418
	60,263	28,666

Note:

(i) As at 30 June 2014, prepayments and deposits mainly represented prepayments made to the Group's suppliers.

As at 30 June 2014, other than deposits amounted to RMB1,936,000 (31 December 2013: RMB1,935,000), which are included in prepayments and deposits, all other receivables were aged within one year and were expected to be recovered or expensed off within one year.

17 CASH AND CASH EQUIVALENTS

	30 June 2014 RMB'000	31 December 2013 RMB'000
Cash in hand	**56**	380
Cash at banks	**513,878**	987,182
	513,934	987,562

18 BORROWINGS

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

	30 June 2014 RMB'000	31 December 2013 RMB'000
Current portion of long-term borrowings – secured bank loans *(note (i))*	**118,400**	40,000

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

	30 June 2014 RMB'000	31 December 2013 RMB'000
Bank loans – secured *(note (i))*	**70,000**	160,000
Entrusted bank loans *(note (ii))*	**–**	110,000
	70,000	270,000

Notes:

(i) As at 30 June 2014, bank loans of the Group were denominated in RMB and bore an interest of 6.15% per annum (31 December 2013: 6.15% per annum). The borrowings were secured by mining right with a carrying amount of approximately RMB115,978,000 (31 December 2013: RMB123,297,000) (see note 13).

During the six months ended 30 June 2014, the Group repaid bank loans with a carrying amount of RMB11,600,000. As at 30 June 2014, no borrowing from bank was subject to financial covenants.

(ii) During the six months ended 30 June 2014, the entrusted bank loans of the Group were repaid in full.

19 TRADE AND OTHER PAYABLES

	30 June 2014 RMB'000	31 December 2013 RMB'000
Trade payables *(note (i))*	**40,942**	53,026
Receipts in advance *(note (ii))*	**3,764**	15,774
Payables for purchase of equipment	**47,815**	67,247
Other taxes payable	**6,009**	13,153
Others *(note (iii))*	**36,450**	52,362
	134,980	201,562

Notes:

(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 Group's customers in accordance with the terms set out in respective sales agreements.

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

As at 30 June 2014, all of the other payables were expected to be settled within one year or are repayable on demand.

20 LONG-TERM PAYABLES

	30 June 2014 RMB'000	31 December 2013 RMB'000
Payables for acquisition of mining rights *(note (i))*	**278,404**	270,519
Less: Current portion of long-term payables	**53,251**	51,740
	225,153	218,779

Note:

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

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

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

20 LONG-TERM PAYABLES *(continued)*

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

	30 June 2014 RMB'000	31 December 2013 RMB'000
Within 1 year	**53,251**	51,740
After 1 year but within 2 years	**53,213**	51,703
After 2 years but within 5 years	**141,324**	137,323
After 5 years	**30,616**	29,753
	278,404	270,519

21 ACCRUED RECLAMATION OBLIGATIONS

	2014 RMB'000	2013 RMB'000
At 1 January	**46,793**	46,688
Accretion expenses *(note 6(a)#)*	**1,532**	3,058
Utilised during the period/year#	**(1,622)**	(2,953)
At 30 June/31 December	**46,703**	46,793
Less: current portion of accrued reclamation obligations	**5,646**	4,434
	41,057	42,359

\# During the six months ended 30 June 2013, accretion expenses recognised in profit and loss as part of finance costs and accrued reclamation obligations utilised amounted to RMB1,505,000 and RMB880,000, respectively.

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 the respective balance sheet dates are adequate and appropriate. The accrual is based on estimates and therefore, the ultimate liability may exceed or be less than such estimates.

22 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

The board of directors of the Company does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2014 (six months ended 30 June 2013: RMB nil).

(b) Share capital

As at 30 June 2014 and 31 December 2013, the Company's share capital was as follows:

	No of shares	HKD'000	RMB'000 equivalent
Ordinary shares			
– authorised	10,000,000,000	1,000	795
– issued and fully paid	1,507,843,000	151	120

(c) Reserves

(i) Share premium

Under the Companies Law of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary courses of business.

(ii) 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.

(iii) 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 ores 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.

22 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(c) Reserves *(continued)*

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange adjustments arising from the translation of the HKD denominated financial statements to the Group's presentation currency.

(v) Other reserve

Other reserve comprises the following:

– the difference between the net assets of subsidiaries acquired and the consideration paid by the Group in exchange;

– the changes in equity arisen from the acquisition of non-controlling interests; and

– the shareholder's loans waived by the ultimate controlling party.

23 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

As at the respective balance sheet dates, no financial instrument of the Group was measured at fair value across the three levels of the fair value hierarchy defined in IFRS 13, *Fair value measurement*.

In respect of the Group's cash and cash equivalents, trade and other receivables and trade and other payables, the carrying amounts approximated fair values as at the respective balance sheet dates 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 the respective balance sheet dates. 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 the respective balance sheet dates.

24 ACQUISITION OF NON-CONTROLLING INTERESTS

Pursuant to the equity transfer agreement entered into by Laiyuan County Aowei Mining Investments Co., Ltd. and Laiyuan County Construction and Investment Co., Ltd. on 31 March 2014, Laiyuan County Aowei Mining Investments Co., Ltd. completed acquisition on 31 March 2014 of the remaining 10% equity interests in Laiyuan County Jiheng Mining Co., Ltd. for a total cash consideration of RMB118,000,000. Upon completion of the transaction, Laiyuan County Jiheng Mining Co., Ltd. became a wholly-owned subsidiary of the Group.

	RMB'000
The Company's ownership interest at 1 January 2014	483,241
Effect of increase in the Company's ownership interest	61,256
Share of total comprehensive income	131,316
The Company's ownership interest at 30 June 2014	675,813

25 COMMITMENTS AND CONTINGENCIES

(a) Capital commitments

Capital commitments outstanding at respective balance sheet dates and not provided for were as follows:

	30 June 2014 RMB'000	31 December 2013 RMB'000
Authorised but not contracted for		
– property, plant and equipment	**188,486**	302,287
– stripping activity asset	**129,044**	180,631
– exploration and evaluation asset	**–**	–
	317,530	482,918

(b) Operating lease commitments

(i) As at the respective balance sheet dates, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	30 June 2014 RMB'000	31 December 2013 RMB'000
Within 1 year	**1,501**	2,460
After 1 year but within 5 years	**3,294**	4,692
	4,795	7,152

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

(c) Environmental contingencies

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

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

(ii) the extent of required cleanup efforts;

(iii) varying costs of alternative remediation strategies;

25 COMMITMENTS AND CONTINGENCIES *(continued)*

(c) Environmental contingencies *(continued)*

(iv) changes in environmental remediation requirements; and

(v) the identification of new remediation sites.

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

(d) Governmental and regulatory levies

The Group is subject to certain levies (mineral resources compensation, water and soil loss compensation, pollutant discharge fee and etc.) imposed by relevant government authorities in accordance with relevant PRC laws and regulations. Under such laws and regulations, the Group has fully fulfilled their responsibilities in paying the respective levies during the periods presented. The directors are of the opinion that the Group had no other material obligations or liabilities of such levies as at 30 June 2014.

26 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

During the periods presented, the Group entered into transactions with the following related party.

Name of party	Relationship
Hebei Aowei Industrial Group Co., Ltd.	A company ultimately owned by Mr. Li Yanjun

Particulars of significant transactions between the Group and the above related party during the periods presented are as follows:

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Property leasing charges *(note (i))*	**925**	–
Advances repaid to a related party *(note (ii))*	**–**	185,000

Notes:

(i) Property leasing charges represent operating lease of office premises paid and payable to Hebei Aowei Industrial Group Co., Ltd.

(ii) Advances repaid to a related party represent payments made to Hebei Aowei Industrial Group Co., Ltd., which are unsecured, interest free and have no fixed terms of repayment.

The directors of the Company are of the opinion that the above transactions between the Group and the related party were conducted in the ordinary course of business, on normal commercial terms and in accordance with the agreements governing such transactions.

26 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(a) Transactions with related parties *(continued)*

The outstanding balances arising from above transactions in the consolidated balance sheet were as follows:

	30 June 2014 RMB'000	31 December 2013 RMB'000
Amount due from a related party		
– prepaid property leasing charges	**866**	–

Pursuant to the property leasing agreement entered into by the Company and Hebei Aowei Industrial Group Co., Ltd., the Company rents properties from Hebei Aowei Industrial Group Co., Ltd. as office premises for each of the years ending 31 December 2014, 2015 and 2016.

As at the respective balance sheet dates, the estimated total future minimum lease payments to Hebei Aowei Industrial Group Co., Ltd. under non-cancellable operating leases were payable as follows:

	30 June 2014 RMB'000	31 December 2013 RMB'000
Within 1 year	**1,071**	2,000
After 1 year but within 5 years	**2,900**	4,000
	3,971	6,000

(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 is as follows:

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Basic salaries, allowances and benefits in kind	**3,459**	1,289
Discretionary bonuses	**–**	–
Retirement scheme contributions	**41**	34
	3,500	1,323

27 POST BALANCE SHEET EVENT

On 19 August 2014, Laiyuan County Jiheng Mining Co., Ltd. entered into an asset acquisition agreement to acquire additional mining right for a total cash consideration of RMB217,000,000.