恒實礦業
HENGSHI MINING

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

（Incorporated in the British Virgin Islands and continued in the Cayman Islands with limited liability）

Stock Code: 1370

Annual Report 2014

Core Value:

Create Wealth for the Society

Create Value for Our Shareholders

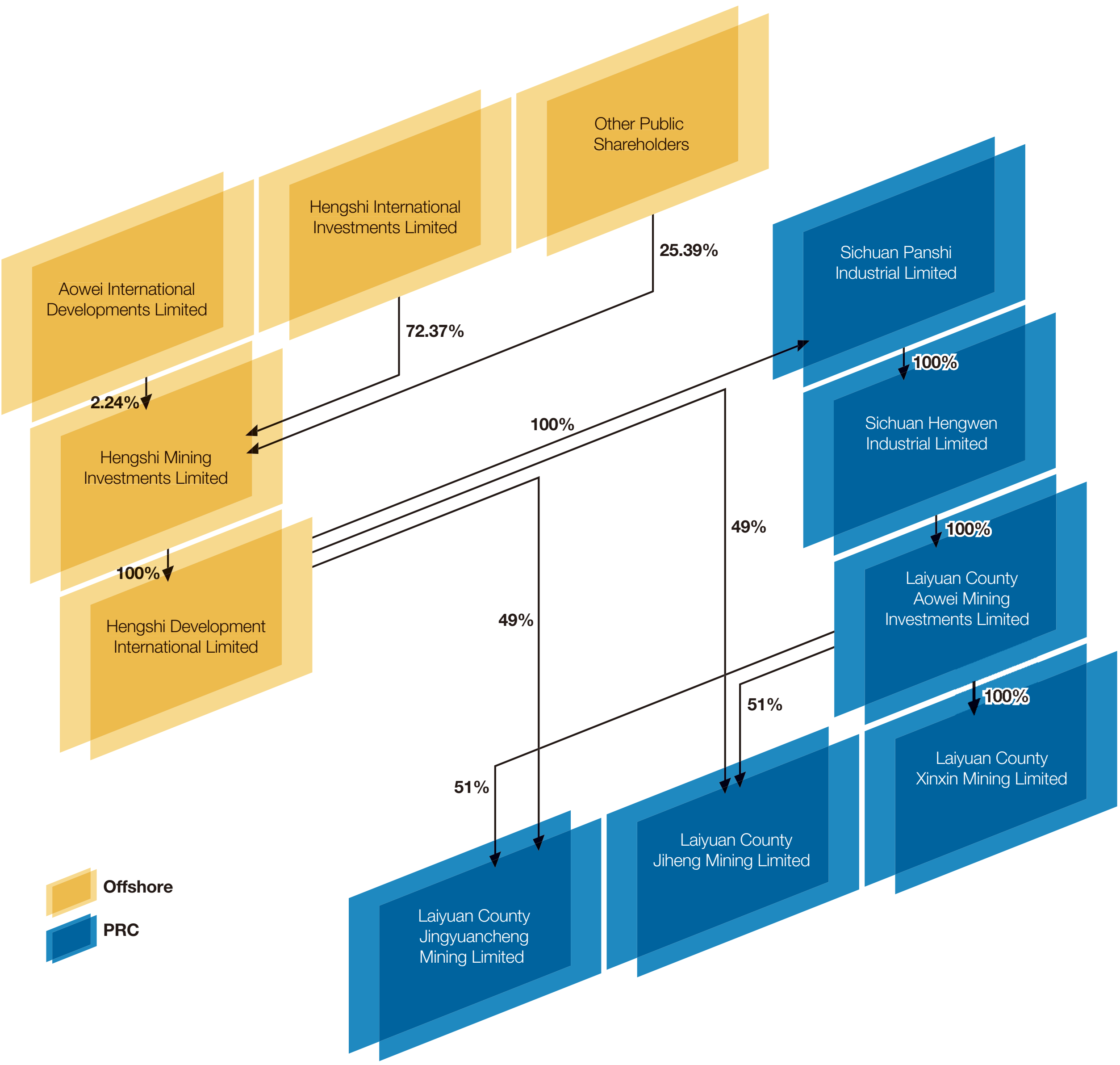
Create Career for Our Employees

CONTENTS

Corporate Information

Hengshi Mining Investments Limited (the "Company") was initially incorporated in the British Virgin Islands under the laws of the BVI 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 (stock code: 1370).

The Company and its subsidiaries (together the "Group" or "we" or "our") 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 the PRC. As at 31 December 2014, the Group had approximately 394.8 Mt of indicated resources, approximately 307.8 Mt of probable reserves and approximately 223.7 Mt of inferred resources of iron ores in aggregate.



COMPANY'S STATUTORY CHINESE NAME

恒實礦業投資有限公司

COMPANY'S STATUTORY ENGLISH NAME

Hengshi Mining Investments Limited

STOCK CODE

01370

REGISTERED OFFICE

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AUTHORIZED REPRESENTATIVES

Mr. Li Yanjun
Ms. Kwong Yin Ping, Yvonne

JOINT COMPANY SECRETARIES

Mr. Meng Ziheng
Ms. Kwong Yin Ping, Yvonne

AUDITOR

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INVESTOR INQUIRES

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DIRECTORS

EXECUTIVE DIRECTORS

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

SUMMARY DATA OF CONDENSED CONSOLIDATED INCOME STATEMENTS

	For the year ended 31 December				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**1,108,143**	1,286,078	581,573	773,127	364,576
Cost of sales	**(553,055)**	(575,255)	(393,149)	(351,054)	(198,251)
Gross profit	**555,088**	710,823	188,424	422,073	166,325
Distribution costs	**(16,575)**	(4,739)	(1,920)	(7,354)	(7,533)
Administrative expenses	**(142,313)**	(107,519)	(101,538)	(103,604)	(38,348)
Profit from operations	**396,200**	598,565	84,966	311,115	120,444
Finance income	**10,594**	280	115	333	78
Finance costs	**(40,026)**	(26,574)	(7,621)	(4,176)	(3,169)
Net finance costs	**(29,432)**	(26,294)	(7,506)	(3,843)	(3,091)
Profit before taxation	**366,768**	572,271	77,460	307,272	117,353
Income tax	**(96,206)**	(146,659)	(22,666)	(85,282)	(30,418)
Profit for the year	**270,562**	425,612	54,794	221,990	86,935
Attributable to:					
Equity Shareholders of the Company	**263,000**	397,513	48,450	162,510	94,887
Non-controlling interests	**7,562**	28,099	6,344	59,480	(7,952)
Basic and diluted earnings per share (RMB)	**0.17**	0.34	0.04	0.14	0.08

SUMMARY DATA OF CONDENSED CONSOLIDATED BALANCE SHEETS

	As at 31 December				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and liabilities					
Non-current assets	**1,904,946**	1,241,119	823,636	476,850	227,511
Current assets	**457,050**	1,112,446	222,526	202,333	224,274
Non-current liabilities	**(331,240)**	(531,138)	(134,263)	(44,604)	(42,555)
Current liabilities	**(373,495)**	(309,654)	(747,569)	(445,043)	(248,551)
Total equity	**1,657,261**	1,512,773	164,330	189,536	160,679
Non-controlling interests	**–**	53,694	25,595	57,777	17,048
Equity attributable to equity shareholders of the Company	**1,657,261**	1,459,079	138,735	131,759	143,631

Chairman's Statement

2014 was a year full of difficulties and challenges. The Board and senior management of the Company responded positively with various measures, and despite the adverse market condition, the Company still achieved favourable performance. Looking ahead, we will adhere to our core corporate value, and continue to enhance the cost and management advantage of the Company. Meanwhile, the Company will also gradually change the development strategy of sole iron ore and will strive to develop into a leading modern production enterprise of diversified minerals.

Dear Shareholders,

On behalf of the board of directors (the "Board") of Hengshi Mining Investments Co., Ltd. ("Hengshi" or the "Company"), I am pleased to present the report of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2014 (the "Year") and extend our gratitude to the shareholders of the Company (the "Shareholders").

ANNUAL REVIEW

In 2014, the global economy was still recovering from financial crisis and the road to recovery is still arduous and full of difficulties. In the meantime, the PRC economy was generally transforming to a new status, and the traditional industry was also under high downward pressure. Affected by various factors such as international market condition, adjustment of the domestic economic structure and slow-down in the growth of fixed asset investment, the GDP annual growth of the PRC dropped to approximately 7.4% for the Year. According to the information provided by the National Bureau of Statistics of the PRC, in 2014, the annual production of crude steel slightly increased by approximately 0.9% to 822.7 million tonnes; the production of pig iron was 711.6 million tonnes, representing a year-on-year growth of 0.4%, which had recorded the lowest increment for years in the PRC. As at the end of 2014, the production capacity of crude steel of the PRC has increased to about 114.5 million tonnes, the equipment utilisation rate was approximately 71.9%, and the state of excess capacity in iron and steel industry was still obvious.

However, due to the reconstruction of the major international iron ore production companies and the expanded mines have reached the productivity target in 2014, the iron ore production increased significantly, and the domestic imports of iron ore increased to approximately 932.5 million tonnes, representing a year-on-year increase of approximately 13.8%. The imbalance of supply and demand resulted in a decline in the price of iron ore, and at the end of 2014, the price has dropped by approximately 50%, which further lower the profit margin of domestic iron ore companies.

Amid the severe market condition, the Board and senior management responded positively. On the basis of safe and environmental friendly production, we further strengthened the cost control and the application of new techniques and new processes, and adopted the flexible sales strategy, thus achieved favourable performance in the industry in 2014.

In 2014, the Group has created a new record in the production volume of iron ore concentrates which amounted to 1,459.6 kt (for the corresponding period in 2013: 851.9 kt), representing an increase of approximately 71.3% over last year. Sales volume of iron ore concentrates was approximately 1,347.0 kt (for the corresponding period in 2013: 884.0 kt), representing an increase of approximately 52.4% over last year. While expanding its production capacity, the Group still maintained its strengths of low costs. Cash operating costs of iron ore concentrates were approximately RMB362.5 per tonne in 2014, representing a decrease of RMB68.3 per tonne (or 15.9%) compared to the corresponding period last year.

By virtue of its targeted leading strategy in addition to its rich expertise and experience, the Group strategically acquired and integrated a number of adjacent small-scale mines as well as their related assets so as to lay a solid foundation for the expansion of the area of mining right and the increase of ore reserves and mining scales.

The Group adhered to adopting a variety of measures simultaneously in terms of internal operation and management in order to continuously consolidate our core competitiveness and enhance the internal corporate value. We reinforced safety management and assessment as well as promoted the enforcement of production safety, governance and education campaigns in an active manner, which eventually avoided serious injuries or fatalities throughout the Year. The Group adopted a wide range of environmental protection measures, with an aim to minimizing the impact arising from production on the environment and promoting eco and environmentally-friendly mining construction.

FUTURE OUTLOOK

Judging alone from the iron mining industry itself, the whole industry is about to slip into a low-profit phase, which means more intense pressure for enterprises on controlling cost and preventing exposures, however, it meanwhile creates precious opportunities for the industrial upgrading and innovative development.

In response to the harsh operating environment and market pressure, besides the non-stop expansion of its existing mines, the Group also acts positively on cost control so as to enhance its competitive edge of low-cost to achieve stronger and continuous profitability during the downward period of the iron ore price. In addition, the Group marched into the high added value industries derived from mine by its unique advantage of occupying high quality resources as well as continuously introducing and applying new technologies and processes. The Group will seize the optimal moments emerged with the cyclical falling of iron ore price to acquire domestic and abroad mineral resources of high quality with prudent merger strategies and more attractive valuation, so as to continuously enlarge its resources reserve and the operational scale. The Group aims to achieve the sustainable development of its various types of ores by virtue of its stance in regional integration and years of experience in mineral industry.

Looking ahead, we will adhere to our core corporate value, continue to enhance the cost and management advantage of the Company. Meanwhile, the Company will also gradually change the development strategy of sole iron ore and will strive to develop into a leading modern production enterprise of diversified minerals. The Company will be active in taking social responsibilities and continue to create more and greater value for shareholders.

APPRECIATION

Amid the difficulties and challenges in 2014, the Group still maintained relatively rapid development through the concerted efforts and selfless commitments of our staff. On behalf of the Board, I hereby wish to express my heartfelt appreciation to the management and all staff of the Group for their contribution and devotion over the last year, and extend my sincere gratitude to all Shareholders, intermediaries and business partners for their support and trust in the Company.

Li Yanjun
Chairman of the Board


冀恒矿业


京源城矿业
忠诚敬业
务实创新

Management Discussion and Analysis

MARKET REVIEW

In 2014, affected by various factors such as international market condition, adjustment of the domestic economic structure and slow down in the growth of fixed asset investment, the GDP annual growth of the PRC dropped to approximately 7.4%, reflecting the further slow down in the economic growth of mainland China. Annual production of crude steel slightly increased by approximately 0.9% to 822.7 million tonnes. However, due to the substantial increase in the production by the major international iron ore production companies in 2014, domestic imports of iron ore increased on a year-on year basis by approximately 13.8% to approximately 932.5 million tonnes, resulting in a decline in the price of iron ore. At the end of 2014, the price dropped by approximately 50% comparing to the beginning of the year.

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

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

BUSINESS HIGHLIGHTS

Record high production and sales of iron ore concentrates

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

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

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

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

Notes:

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

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

Continued to maintain low cost operation advantage

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

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

OPERATION REVIEW

Major milestones

Development Projects

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

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

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

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

Acquisitions

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

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

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

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

Exploration Expenses

In 2014, the relevant capital expenditure on the development and mining of iron ore of the Company was approximately RMB516.9 million. The capital expenditure was primarily due to the infrastructural stripping projects of approximately RMB106.9 million of Jingyuancheng Mining and Xinxin Mining, and the acquisition of mine and the related assets by Jiheng Mining and Jingyuancheng Mining of approximately RMB410.0 million in aggregate.

RESOURCES AND RESERVES

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

Based on the most recent estimation results on the reserves less the consumption for the current period, the iron ore reserves complied with JORC Code (2004 Edition) in respect of each mine of the Group as at 31 December 2014 are shown in the following table:

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

Notes:

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

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

Based on the most recent estimation results on resources less the consumption for the current period, as at 31 December 2014, the iron ore resources complied with JORC Code (2004 Edition) in respect of each mine of the Group are as follows:

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

Notes:

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

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

MINES IN OPERATION

Zhijiazhuang mine

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

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

Iron ores

Unit: RMB per tonne of iron ores	2014	2013	% of change
Mining costs	**16.5**	16.1	2.5%
Administration expenses	**6.8**	2.9	134.5%
Selling expenses	**3.3**	1.1	200.0%
Taxation expenses	**11.1**	11.3	–1.8%
Total	**37.7**	31.4	20.1%

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

Preliminary concentrates

Unit: RMB per tonne of preliminary concentrates	2014	2013	% of change
Mining costs	**45.0**	57.4	–21.6%
Dry processing costs	**13.7**	18.1	–24.3%
Administration expenses	**18.5**	10.2	81.4%
Selling expenses	**3.3**	4.0	–17.5%
Taxation expenses	**13.7**	15.6	–12.2%
Total	**94.2**	105.3	–10.5%

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

Iron ore concentrates

Unit: RMB per tonne of iron ore concentrates	2014	2013	% of change
Mining costs	**94.2**	158.0	–40.4%
Dry processing costs	**28.7**	49.8	–42.4%
Wet processing costs	**77.1**	185.3	–58.4%
Administration expenses	**31.6**	28.0	12.9%
Selling expenses	**3.3**	n/a	n/a
Taxation expenses	**32.4**	40.6	–20.2%
Total	**267.3**	461.7	–42.1%

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

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

Wang'ergou mine and Shuanmazhuang mine

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

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

Iron ore concentrates

Unit: RMB per tonne of iron ore concentrates	2014	2013	% of change
Mining costs	**140.2**	138.8	1.0%
Dry processing costs	**65.7**	84.5	–22.2%
Wet Processing costs	**121.2**	103.2	17.4%
Administration expenses	**42.9**	41.3	3.9%
Selling expenses	**16.2**	n/a	n/a
Taxation expenses	**32.8**	37.4	–12.3%
Total	**419.0**	405.2	3.4%

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

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

Gufen mine

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

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

Unit: RMB/t iron ore concentrates	2014	2013	Change ratio
Mining	**150.9**	142.5	5.9%
Dry processing	**62.2**	69.5	–10.5%
Wet processing	**116.6**	112.6	3.6%
Management expenses	**58.4**	63.1	–7.4%
Sales expenses	**n/a**	n/a	n/a
Taxation	**32.6**	37.6	–13.3%
Total	**420.7**	425.3	–1.1%

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

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

SAFETY AND ENVIRONMENTAL PROTECTION

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

EMPLOYEES AND REMUNERATION POLICY

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

FINANCIAL REVIEW

Revenue

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

Cost of sales

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

Gross profit and gross profit margin

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

Sales and distribution expenses

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

Administrative expenses

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

Finance costs

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

Income tax expenses

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

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

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

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

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

Properties, plants and equipment

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

Inventories

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

Trade and other receivables

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

Trade and other payables

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

Cash usage analysis

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

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

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

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

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

Cash and borrowings

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

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

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

Other than as disclosed in note 23 to the consolidated financial statements of the Group for the year ended 31 December 2014 and disclosed above, the Group has no outstanding mortgages, pledges, bonds or other loan capital (whether issued or agreed to be issued), bank overdrafts, borrowings, acceptance liabilities or other similar liabilities, hire purchase and finance lease commitments, or any guarantees or other material contingent liabilities. The Directors have confirmed that, save as disclosed above, there is no material changes in the liabilities and contingent liabilities of the Group since 31 December 2013.

Gearing ratio

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

Interest rate risk and foreign currency risk

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

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

Significant acquisitions and disposals of subsidiaries and affiliated companies

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

Pledge of assets, contingent liabilities

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

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

Use of proceeds from the funds raised

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

Future plan and outlook

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

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

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

Report of the Directors

The Directors have pleasure in presenting the report of the Directors together with the audited consolidated financial statements of the Group for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the exploration, mining, processing and trading of iron ore products and the major products include iron ores, preliminary concentrates and iron ore concentrates. Details of the principal subsidiaries of the Company are set out in note 17 to the consolidated financial statements.

RESULTS

The Group's profit for the year ended 31 December 2014 and the positions of the Company and the Group as at that date are set out on pages 62 to 65 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group for the year ended 31 December 2014 are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

The Company has a share capital of HK$1,000,000 divided into 10,000,000,000 Shares of HK$0.0001 each, of which 1,507,843,000 Shares had been issued.

PRE-EMPTIVE RIGHTS

Pursuant to the Articles of Association of the Company (the Company was incorporated in the British Virgin Islands and continued in the Cayman Islands) and the laws of the Cayman Islands, there is no provision in relation to pre-emptive rights applicable to the Company.

SHARE OPTION SCHEME

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

RESERVES AND DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Group during the year ended 31 December 2014 are set out in the Consolidated Statement of Changes in Equity on page 66 of this annual report and the details of reserves attributable to equity holders of the Company are set out in note 28(e) to the consolidated financial statements.

DIVIDENDS

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

ANNUAL GENERAL MEETING

The 2015 annual general meeting of the Company (the "2015 AGM") will be held at 10:30 a.m. on 28 May 2015 at the meeting room of 17F, Tower C. CITC, A6 Jianguomenwai Ave, Chaoyang District, Beijing.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 26 May 2015 to 28 May 2015 (both days inclusive). In order to qualify for attending and voting at the 2015 AGM, transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on 22 May 2015.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

For the year ended 31 December 2014, neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2014, the total purchase from the Group's five largest suppliers (as defined in the Listing Rules) accounted for 49.0% of the Group's total purchase during the year, of which the total purchase from the largest supplier accounted for 19.5% of the Group's total purchase during the year.

For the year ended 31 December 2014, the total sales to the Group's five largest customers accounted for 71.8% of the Group's total sales during the year, of which the sales to the largest customer accounted for 27.5% of the Group's total sales during the year.

So far as the Directors are aware, none of the Directors, their associates or Shareholders of the Group (who, to the knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the five largest suppliers or customers (as defined in the Listing Rules) during the year.

BANK BORROWINGS AND OTHER BORROWINGS

As at 31 December 2014, details of the bank borrowings and other borrowings of the Group are set out in note 23 to the consolidated financial statements.

DIRECTORS AND SENIOR MANAGEMENT

The following table sets forth certain information in respect of the Directors and senior management of the Company as at the date of this annual report.

Name	Position in the Company	Date of Appointment
Li Yanjun	Chairman and Executive Director	20 July 2013
Leung Hongying Li Ziwei (also known as Li Ziwei)	Vice Chairman and Executive Director	18 January 2011
Xia Guoan	Executive Director and Chief Executive Officer, director and the general manager of Aowei Mining	20 July 2013 (being Chief Executive Officer and Executive Director of the Company) March 2013 (being director and the general manager of Aowei Mining)

Name	Position in the Company	Date of Appointment
Huang Kai	Executive Director and standing deputy general manager of Aowei Mining	20 July 2013 (being Executive Director) March 2012 (standing deputy general manager of Aowei Mining)
Sun Jianhua	Executive Director and Chief Financial Officer and the head of the finance department of Aowei Mining	20 July 2013 (being Executive Director, and the Chief Financial Officer of the Group) April 2012 (being the head of the finance department of Aowei Mining)
Tu Quanping	Executive Director, chief engineer of Aowei Mining and director of Xinxin Mining	20 July 2013 (being Executive Director) June 2011 (chief engineer of Aowei Mining and executive director of Xinxin Mining)
Ge Xinjian	Independent Non-executive Director	20 July 2013
Meng Likun	Independent Non-executive Director	20 July 2013
Kong Chi Mo	Independent Non-executive Director	20 July 2013
Yang Qiang	Deputy general manager of Aowei Mining	18 February 2013
Gao Changquan	Head of the finance department of Aowei Mining	18 February 2013
Li Chao	Deputy general manager of Aowei Mining	18 February 2013
Li Dongfeng	Director and general manager of Jiheng Mining and director of Aowei Mining	10 August 2010 (being director and general manager of Jiheng Mining) 8 June 2011 (being director of Aowei Mining)
Jin Jiangsheng	General manager of Jingyuancheng Mining	February 2012
Chen Dong	General manager of Xinxin Mining	3 February 2012
Che Shengheng	Director and the vice chief engineer of Aowei Mining and director of Jingyuancheng Mining	8 June 2011 (being director and the vice chief engineer of Aowei Mining) June 2011 (being director of Jingyuancheng Mining)

In compliance with rules 3.10(1) and 3.10(2) of the Listing Rules, which states the Company should appoint a sufficient number of independent non-executive Directors and that at least one of them must have appropriate professional qualifications or accounting or related financial management expertise, the Company appointed three independent non-executive Directors, namely Mr. Ge Xinjian, Mr. Meng Likun and Mr. Kong Chi Mo.

The Company has received, from each independent non-executive Director, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all of the independent non-executive Directors to be independent.

CHANGE OF DIRECTORS

As at 31 December 2014, there was no information relating to our Directors of the Company which is discloseable according to Rule 13.51B of the Listing Rules.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

Detailed biographies of the Directors and senior management are set out on pages 52 to 59 of this annual report.

SERVICE CONTRACTS OF THE DIRECTORS

The Company has entered into a service contract with each of the Directors, the term of which is 3 years commencing from 28 November 2013.

None of the Directors has signed with the Company any service contract that cannot be terminated by the Company without compensation (exclusive of statutory compensation) within one year.

REMUNERATION FOR THE DIRECTORS AND TOP 5 HIGHEST PAID INDIVIDUALS

Detailed information on remuneration for the Directors and top 5 highest paid individuals of the Company is set out in notes 8 and 9 to the consolidated financial statements.

None of the Directors of the Company has agreed to waive any remuneration for the year ended 31 December 2014.

The remuneration for the Directors with the Company was proposed by the Remuneration Committee, which would take into account remuneration of companies in the same categories, conditions of employment, responsibilities and individual performance when proposing the remuneration.

DIRECTORS' INTERESTS IN CONTRACTS

For the year ended 31 December 2014, the Company has not directly or indirectly concluded contracts of significance, in which any Director has material interests and the Company is a party, and which still remain valid during the year or at the end of the year.

SIGNIFICANT SUBSEQUENT EVENTS

There were no significant subsequent events which occurred since 1 January 2014 and up to the date of this annual report.

DIRECTORS' INTERESTS IN COMPETITIVE BUSINESS

As at 31 December 2014, none of the Directors and their related associates held any competitive interests in any business which competes or is likely to compete either directly or indirectly, against the Company.

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

As at 31 December 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 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 Directors and Senior Management	Capacity/Nature of Interest	Number of Shares (Long Position)	Percentage of Issued Shares
Mr. Leung Hongying Li Ziwei (also known as 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS OR SHORT POSITIONS IN THE SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2014, the interests or short positions of the substantial shareholders, other than the Directors or the chief executives 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, who 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 (Long Position)	Percentage of Issued Shares
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 Suisse Trust 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 31 December 2014.

MANAGEMENT CONTRACTS

For the year ended 31 December 2014, there was no contract entered into by the Company or subsisting which related to the management and administration of all or a substantial part of the business of the Company.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

The related party transactions which also constitute connected transactions as defined in Chapter 14A of the Listing Rules were disclosed in note 32 to the consolidated financial statements.

Connected Transactions

On 31 March 2014, Aowei Mining, an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with Laiyuan County Construction and Investment Co., Ltd. (淶源縣建設投資有限公司) ("Laiyuan Jiantou"), pursuant to which Aowei Mining would acquire the 10% equity interests in Jiheng Mining from Laiyuan Jiantou at a total consideration of RMB118.0 million.

Aowei Mining was interested in 90% of the total issued share capital of Jiheng Mining. Laiyuan Jiantou was interested in 10% of the total issued share capital of Jiheng Mining. Therefore, Laiyuan Jiantou was a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the Acquisition constituted a connected transaction of the Company. For details of the above transaction, please refer to the Company's announcement dated 31 March 2014.

Non-exempt Continuing Connected Transactions

On January 6, 2014, Aowei Group entered into the Property Leasing Framework Agreement (the "Property Leasing Framework Agreement") with the Company, pursuant to which the Company rented properties from Aowei Group as office premises.

Annual caps for the transactions contemplated under the Property Leasing Framework Agreement for the year ended/ending December 31, 2014, 2015, 2016 are set out as follows.

	For the year ended/ending 31 December		
	2014	2015	2016
		(RMB millions)	
Estimated amount of rent to be paid by the Company to Aowei Group	2.0	2.0	2.0

As Mr. Li Yanjun is one of the Directors and Controlling Shareholders of the Company, pursuant to Rule 14A.07, Mr. Li Yanjun is a connected person of the Company. Given that Aowei Group is owned by Mr. Li Yanjun and his wife Ms. Yang Hongying as to 89.2% and 10.8% equity interests respectively, Aowei Group, pursuant to Rule 1.01 of the Listing Rules, is an associate of Mr. Li Yanjun. Therefore, Aowei Group is also a connected person of the Company under the Listing Rules and the transactions contemplated under the Property Leasing Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules. For details of the above transaction, please refer to the Company's announcement dated 6 January 2014.

All independent non-executive Directors of the Company had reviewed the above continuing connected transaction and confirmed that those transactions had been entered into:

(1) in the ordinary and usual course of business of the Company and the Group (where appropriate);

(2) either on normal commercial terms or, if there were no sufficient comparable transactions to judge whether they were on normal commercial terms, on terms no less favorable to the Company than terms available to or from (as appropriate) independent third parties; and

(3) in accordance with the relevant agreements governing the relevant transactions on terms that were fair and reasonable and in the interests of the Shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to the Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Company's auditor has issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules, and reported that:

(1) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Board.

(2) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company.

(3) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

(4) with respect to the aggregate amount of the continuing connected transactions, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value disclosed in the previous announcements made by the Company in respect of each of the disclosed continuing connected transactions.

A copy of the auditor's letter has been submitted by the Company to the Stock Exchange.

COMPLIANCE OF DEED OF NON-COMPETITION

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

In accordance with the Deed of Non-Competition, the independent non-executive Directors of the Company are responsible for reviewing and considering whether exercising the option for new business opportunities, pre-emptive right and the option for acquisitions as well as conducting annual review of implementation of the Deed of Non-Competition on behalf of the Company. During the year, each controlling shareholder of the Company has made annual confirmation of compliance of Deed of Non-Competition, and the independent non-executive Directors of the Company have also reviewed the implementation of Deed of Non-Competition, and confirmed that the Controlling Shareholders have fully abided by the Deed of Non-Competition without any breach of the Deed of Non-Competition.

RETIREMENT AND EMPLOYEES' BENEFIT PLAN

Detailed information on the retirement and employees' benefit plan of the Company is provided in note 5(b) to the consolidated financial statements.

COMPLIANCE OF THE CORPORATE GOVERNANCE CODE

As a listed company on the main board of the Hong Kong Stock Exchange, the Company consistently commits to maintain high level of corporate governance. Throughout the year, the Company has fully complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. Please refer to Corporate Governance Report in this annual report for details.

PUBLIC FLOAT

In accordance with information available to the Company, and to the knowledge of the Directors, the public continued to hold not less than 25% of shares issued by the Company as at date of this annual report, which is in compliance with the requirement of the Listing Rules.

SIGNIFICANT LEGAL PROCEEDINGS

For the year ended 31 December 2014, the Group has not been involved in any significant legal proceedings or arbitration. To the knowledge of the Directors, there are no significant legal proceedings or claims pending or threatened.

AUDIT COMMITTEE

The Audit Committee under the Board has reviewed the Company's annual results for 2014 and the financial statements for the year ended 31 December 2014.

AUDITOR

KPMG was engaged as auditor of the Company for the year ended 31 December 2014. KPMG has audited the accompanying consolidated financial statements which were prepared in accordance with International Financial Reporting Standards.

The Company has retained KPMG since the date of listing.

KPMG will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditor of the Company is to be proposed at the forthcoming 2015 AGM.

FINANCIAL HIGHLIGHTS

The operating results, assets and liabilities highlights of the Group for the last five fiscal years are stated on pages 5 and 6 of this annual report.

SIGNIFICANT CONTRACTS

Save as disclosed in the section headed "Connected Transactions" of this annual report, none of the Company or any of its subsidiaries entered into material contracts with the Controlling Shareholder or any of its subsidiaries other than the Group, nor was there any material contract between the Group and the controlling shareholder or any of its subsidiaries other than the Group in relation to provision of services.

FINANCIAL ASSISTANCE AND GUARANTEE TO AFFILIATED COMPANIES BY THE COMPANY

For the year ended 31 December 2014, the Company has not granted any financial assistance and guarantee to its affiliated companies.

LOAN TO AN ENTITY

For the year ended 31 December 2014, the Group has not granted any loans to an entity.

By order of the Board

Mr. Li Yanjun
Chairman of the Board

Hong Kong, 18 March 2015

The Company has adopted the code provisions in the Corporate Governance Code (the "Corporate Governance Code") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. The Directors are committed to upholding the corporate governance of the Company to ensure that formal and transparent procedures are in place to protect and maximize the interests of the Shareholders. The principles, code provisions and certain recommended best practices set out on the Corporate Governance Code, is in the best interest of the Company and the Shareholders. The Company believes that good corporate governance provides a framework that is essential for ensuring effective management, successful business development and growth in Shareholders' value.

The Directors considered, during the Reporting Period, the Company has fully complied with each of the principles and code provisions of the Corporate Governance Code and majority of the recommended best practices set forth thereunder.

Detailed discussions of the code provisions of the Corporate Governance Code adopted and complied with by the Company during the Reporting Period of are set out below.

SECURITIES TRANSACTION BY DIRECTORS AND RELEVANT EMPLOYEES

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

BOARD COMPOSITION AND PRACTICES

The Board

The Board is collectively responsible for leading and overseeing the Group's business to all the Shareholders with the objective of enhancing Shareholders' value.

During the Reporting Period and up to the date of this annual report, the Board of the Company consists of nine members as follows:

Executive Directors	Independent non-executive Directors
Mr. Li Yanjun *(Chairman)*	Mr. Ge Xinjian
Mr. Leung Hongying Li Ziwei *(Vice Chairman)*	Mr. Meng Likun
Mr. Xia Guoan *(Chief Executive Officer)*	Mr. Kong Chi Mo
Mr. Huang Kai	
Mr. Sun Jianhua *(Chief Financial Officer)*	
Mr. Tu Quanping	

Up to the date of this report, the Company has three independent non-executive Directors in total, representing one-third of the total number of Directors. The detailed information of the Directors is set out in "Biographies of Directors and Senior Management" of this annual report. Mr. Leung Hongying Li Ziwei is the son of Mr. Li Yanjun. Save as disclosed above, none of the members of the Board has any financial, business or family relationships or any relationships in other material aspects with other members.

Each of Mr. Ge Xinjian, Mr. Meng Likun and Mr. Kong Chi Mo (all being independent non-executive Directors) has entered into a service contract with the Company for a term of three years, since the Company listed on the Main Board of the Hong Kong Stock Exchange as the effective date, and may terminate the appointment at any time by any party at no less than three months prior written notice.

In accordance with the Company's Articles of Association and, at each annual general meeting of the Company, at least one-third of the Directors for the time being will retire from office by rotation but will be eligible for re-election.

During the Reporting Period, the Company has appointed sufficient number of independent non-executive Directors who are equipped with relevant qualification in accordance with the requirements of the Listing Rules. As of the date of this report, the Company has three independent non-executive Directors in total, which include: a certified public accountant with accounting and financial management expertise, an expert with managerial experience in financial industry and an expert focusing on processing research, design and technological management.

The appointment of independent non-executive Directors strictly adheres to the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules. The Company has received the annual confirmation of their independence from each of the independent non-executive Directors and considers them to be independent of the management of the Company and free of any relationship that could materially interfere with the exercise of their independent judgment. The Board considers that each of independent non – executive Directors is able to bring his own relevant expertise to the Board.

Board meetings

The Company has adopted the provisions of the Corporate Governance Code and issues meeting notices 14 days before convening a regular Board meeting (for interim Board meetings, a reasonable notice shall be given) so that all Directors can have sufficient time to plan for their attendance. All meeting documents will be sent to all Directors no less than three days before a meeting is convened. Matters discussed and resolved at Board meetings will be recorded in detail; minutes will be made; and resolutions will also be filed. The Board has held five meetings for the year ended 31 December 2014.

During the Reporting Period, the details of Directors' attendance of the Board meetings, special committee meetings under the Board were as follows:

		Specialized Committees under the Board		
Name of directors	**Board of Directors**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Executive Directors				
Li Yanjun	5/5	N/A	N/A	1/1
Leung Hongying Li Ziwei	5/5	N/A	1/1	N/A
Xia Guoan	5/5	N/A	N/A	N/A
Hu Kai	5/5	N/A	N/A	N/A
Sun Jianhua	5/5	N/A	N/A	N/A
Tu Quanping	5/5	N/A	N/A	N/A

Name of directors	Board of Directors	Specialized Committees under the Board Audit Committee	Remuneration Committee	Nomination Committee
Independent non-executive Directors				
Ge Xinjian	5/5	2/2	1/1	N/A
Meng Likun	5/5	2/2	1/1	1/1
Kong Chi Mo	5/5	2/2	N/A	1/1

In the event that if the substantial Shareholder or the Directors of the Company has any significant conflicts of interests in the matters to be considered in the Board meetings, the relevant substantial Shareholders or Directors had already given up their voting right in relation to the relevant resolutions. All Independent non-executive Directors who have no significant interest in the transactions have attended the relevant Board meetings. All board decisions were passed by way of resolutions. Minutes of the Board meetings and specialized committee meetings were prepared and maintained by the company secretaries.

Duties performed by the Board and management

The Board is responsible for the overall development of the Group, approving and monitoring the overall development strategy of the Group, assessing, monitoring and controlling the operation and financial performance, ensuring that the Directors perform their proper duties and act in the best interests of the Group and hold discussions on various important and proper businesses of the Company in a timely manner. All Directors are entitled to raise and include any matters that should be submitted to the Board for discussion in the agenda of the Board meeting. The management shall provide members of the Board and specialized committees under the Board with appropriate and sufficient information in a timely manner so as to update them with the latest developments of the Company and to better facilitate the discharge of their duties. The management team is accountable to the Board, executing the strategies and plans formulated by the Board, and making decisions in relation to the for day-to-day operation of the Company. The management reports monthly to the Board on the operation and financial performance of the Company.

Chairman of the Board and General Manager

The positions of the chairman of the Board and general manager (i.e. the chief executive officer under the Listing Rules) of the Company are held by different individuals in order to ensure the independence and accountability of their respective duties and a balanced distribution of power and authority between them. Mr. Li Yanjun is the chairman of the Board and is responsible for the management and effective operation of the Board, ensuring that all major and appropriate issues are discussed by the Board in a timely and constructive manner. Mr. Xia Guoan is the general manager of the Company who is responsible for the daily operational activities of the Group and accountable to the Board for the overall operations of the Group. During the Reporting Period, the Chairman of the Board held one meeting with the non-executive Directors (including independent non-executive Directors) in the absence of the executive Directors.

Appointment and re-election of Directors

Code provision A.4.1 of the Corporate Governance Code stipulates that non-executive Directors shall be appointed for a specific term and, subject to re-election, whereas code provision A.4.2 states that all Directors appointed to fill a casual vacancy shall be subject to election by Shareholders at the first general meeting after appointment and that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each Director of the Company is appointed for a specific term of three years, and will retire from office by rotation every three years.

Directors' training

According to the code provision A.6.5 of the Corporate Governance Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contributions to the Board remains informed and relevant.

All Directors have been provided with training on their duties and responsibilities as a director of a listed company and the compliance issues under the Listing Rules. The Company continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure their compliance and enhance their awareness of good corporate governance practices.

Directors had provided the Company with their respective training records pursuant to the Corporate Governance Code. During the Reporting Period, all Directors, Li Yanjun, Leung Hongying, Li Ziwei, Xia Guoan, Sun Jianhua, Huang Kai, Tu Quanping, Ge Xinjian, Meng Likun, Kong Chi Mo, have participated in appropriate continuous professional development by ways of attending training or reading materials relevant to the Company's business or to Directors' duties and responsibilities.

Directors' liability insurance

The Company has arranged liability insurance for our Directors and such liability insurance has been effected since 1 May 2014.

Policy on diversification of the Board

The Company believes that the diversification of the Board is beneficial for enhancing the performance of the Company. The Company established the Policy on Diversification of Members of the Board in November 2013, to ensure that in setting the composition of the Board, the Company will consider the diversification of members of the Board from various aspects, including but not limited to age, cultural and educational background, professional experience, skills and knowledge. All appointments to the Board shall follow the principle of meritocracy, taking into account objectively the benefits of diversification of members of the Board when considering the candidates. The candidates of the Board are selected based on diversification, including but not limited to age, cultural and educational background, professional experience, skills and knowledge.

The Nomination Committee will disclose the composition of the Board annually in the corporate governance report and monitor the implementation of the policy. The Nomination Committee will review the policy when appropriate to ensure the effectiveness of the policy. The Nomination Committee will discuss any amendments that may be required to be made and make recommendations for amendments to the Board for approval.

Directors' remuneration policy

Under the remuneration policy of our Company, the Remuneration Committee will determine the amount of remuneration payable to our Directors and the senior management, by reference to, among other things, the market level of salaries paid by comparable companies, the respective responsibilities, tenure, commitment, responsibilities and performance of our Directors and the senior management.

Training for joint company secretaries

Mr. Meng Ziheng and Ms. Kwong Yin Ping, Yvonne, the joint company secretaries of the Company have received not less than 15 hours of professional training during the Reporting Period as required by Rule 3.29 of the Listing Rules.

Specialized committees under the Board

The Company established the Audit Committee, Remuneration Committee and Nomination Committee to provide the Board with specialized decision-making support, which includes the following: for the year ended 31 December 2014, the Audit Committee was chaired by an independent non-executive Director and all committee members were independent non-executive Directors; the Nomination Committee was chaired by Chairman of the Board and more than half of the committee members were independent non-executive Directors; and the Remuneration Committee was chaired by an independent non-executive Director and more than half of the committee members were independent non-executive Directors. The Company formulated the Terms of Reference for the Audit Committee, the Terms of Reference for the Nomination Committee and the Terms of Reference for the Remuneration Committee.

Audit Committee

For the year ended 31 December 2014, the members of the Audit Committee of the Company are as follows:

Independent non-executive Directors

Ge Xinjian *(Chairman)*
Meng Likun
Kong Chi Mo

The duties of the Audit Committee are as follows:

(a) to be responsible for making recommendations to the Board on the appointment, re – appointment and removal of the external auditor, approve the remuneration and terms of engagement of the external auditor, and handle any questions relating to the resignation or dismissal of the external auditor;

(b) to review the Group's financial and accounting policies and practices; review with the Group's management, external auditor and internal auditor the adequacy of the Group's policies and procedures relating to internal controls (including the controls over finance, operation and compliance) and risk management, and review any statements of the Directors to be contained in the annual accounts prior to submission to the Board for approval;

(c) to be familiar with the financial reporting principles and practices adopted by the Group in the preparation of financial statements;

(d) to examine the independence and objectivity of the external auditor, the effectiveness of the audit procedures and the scope of the external audit, including the letter of engagement, and discuss with the external auditor the nature and scope of the audit and reporting obligations prior to the audit. The committee shall understand the factors considered by the external auditor in their determination of the scope of audit, and consider and approve the external auditor's fees as discussed by management on an annual basis;

(e) to monitor and review the completeness of the financial statements and annual reports as well as financial accounts, interim reports and quarterly reports (if applicable) and review the material opinions in respect of the financial reporting in statements and reports, particularly on:

   (i) any changes in accounting policies and practices;

   (ii) major decisional matters;

   (iii) significant accounting adjustments resulting from audit;

   (iv) the going concern assumptions and any qualifications;

   (v) compliance with accounting and audit standards; and

   (vi) compliance with the Listing Rules and legal provisions in relation to financial reporting;

(f) with regard to (e) above:

   (i) members of the Committee shall liaise with the Board and senior management and the Committee shall meet, at least twice a year, with the external auditor; and

   (ii) the Committee shall consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the personnel responsible for the accounting and financial reporting function, compliance officer or auditor;

(g) to review draft statements before submission to the Board for approval;

(h) to assess the support obtained by the external auditor from management, including the receipt of records and data as requested, seek management's advice on the response of the external auditor to the needs of the Group, and make inquiries as to the existence of any difference in opinions between the external auditor and management resulting in the issuance of a qualified opinion report by the external auditor in respect of the Group's financial statements if no satisfactory resolution is reached;

(i) to require the external auditor to provide data on an annual basis in respect of their maintenance of independence and supervision over the compliance with policies and procedures adopted by relevant regulations, including the provision of non-audit services and the requirements for the rotation of partners and staff involved in the audit; prepare and implement the policy in respect of the non-audit services provided by the external auditor; for this purpose, 'external auditor' includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. A former partner of the Company's existing auditing firm should be prohibited from acting as a member of its Audit Committee for a period of 1 year from the date of his ceasing:

   (1) to be a partner of the firm; or

   (2) to have any financial interest in the firm, whichever is later;

(j) to discuss with the external auditor any recommendations arising from the audit (in the absence of management when necessary), examine draft recommendations proposed by the auditor to the management in respect of the audit (the "Management Letter") and any significant issues raised by the auditor to the management concerning accounting records, financial accounts or control systems (including management's response to each of the items);

(k) to ensure that the Board will provide a timely response to the issues raised in the external auditor's Management Letter;

(l) to review and monitor the scope, effectiveness and result of the internal audit function, ensure the coordination between the internal and external auditor, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Group;

(m) to prohibit the engagement of the external auditor from performing non-audit services, except for tax-related services, in general circumstances and, where such engagements are necessary given the external auditor's expertise in specific areas, obtain the prior approval of the Committee; the audit committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

(n) to discuss with management on the scope of the internal control system and ensure that management has performed its duties in ensuring the effectiveness of the internal control system, including the resources required, the qualifications and experience of accounting and financial reporting personnel and the adequacy of training programs and budgets for relevant staff;

(o) to inform the Board of any major progress when fulfilling the above duties;

(p) to make recommendations to the Board for any appropriate extensions or changes in the duties of the Committee;

(q) to examine internal findings and management's response in respect of any suspicion of frauds or irregularities, failures of internal control or suspected infringement of laws, regulations and rules;

(r) to reach an agreement with the Board on the policies of the Hong Kong Stock Exchange relating to the recruitment of the external auditor's employees or former employees and monitor the application of the relevant policies; and consider whether or not the relevant recruitments would impair the judgment or independence of auditor in the audit.

For the year ended 31 December 2014, the Audit Committee held two meetings. All members of the Audit Committee had attended the two meetings. The Audit Committee reviewed the internal control system of the Company and fulfilled other duties as set out in the Corporate Governance Code. During the Reporting Period, the Audit Committee held meetings with the external auditors without the presence of the executive Directors and senior management of the Company. During the Reporting Period, the Audit Committee reviewed the Group's annual results for the year ended 31 December 2013 and the interim results for the six months ended 30 June 2014. The Audit Committee has also reviewed this annual report, and confirmed that this annual report complies with the requirements of the Listing Rules.

Remuneration Committee

For the year ended 31 December 2014, the members of the Remuneration Committee of the Company are as follows:

Executive Director	Independent non-executive Directors
Leung Hongying Li Ziwei	Meng Likun *(Chairman)* Ge Xinjian

The primary duties and authorities of Remuneration Committee are as follows:

(a) formulating remuneration policies for submission to the Board for approval (factors to be considered in the remuneration policies shall include remuneration paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group for directors, senior management and general staff) and implementing remuneration policies determined by the Board;

(b) without affecting the generality of the above:

  (i) formulating guidelines for the recruitment of the Company's chief executive officer and senior management;

  (ii) making recommendations to the Board on remuneration policies and structure for Directors (including the chief executive officer of the Company) and senior management and on setting up a proper and transparent procedure for the formulation of remuneration policies, and ensuring no Director or any of his/her associates shall be involved in determining his/her own remuneration;

  (iii) making recommendations to the Board in respect of the remuneration packages, including non-monetary benefits, pension rights and compensation amount (including compensation for the loss of office or appointment) for individual executive Directors (including the chief executive officer of the Company) and senior management, and consulting the chairman of the Board and/or the Company's chief executive officer (whoever is appropriate) in respect of recommendations on the remuneration of the Company's chief executive officer and/or senior management;

  (iv) reviewing and approving the compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair, reasonable and not excessive;

  (v) reviewing and approving compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise fair, reasonable and not excessive;

  (vi) determining staff performance evaluation standards which should reflect the business objectives and targets of the Company;

  (vii) assessing the performance of executive Directors, senior management and general staff in accordance with their respective performance standards with reference to market standards, considering annual performance bonuses for the relevant officers and staff and making recommendations to the Board;

(viii) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives;

(ix) making recommendations to the Board on the remuneration of the non-executive Directors;

(x) appointing external independent professional consultants to give assistance and/or advice to the committee on matters if necessary;

(xi) taking any action to enable the Committee to exercise the powers and functions delegated by the board of Directors; and

(xii) exercising other relevant duties and powers provided for or recommended by the Listing Rules and/or relevant applicable laws, regulations and rules that are enforceable from time to time.

The Remuneration Committee promulgated procedure rules, clarified the terms of reference, reviewed remuneration policies of Directors, assessed the performance of executive Directors and reviewed the terms of service contracts of executive Directors. For the year ended 31 December 2014, the Remuneration Committee held one meeting to review the remuneration components, incentives and allowances payable to the Directors and senior management. All members of the Remuneration Committee had attended the meeting. The Remuneration Committee was delegated by the Board with responsibilities to determine the remuneration packages of individual executive Director and senior management. In 2014, the Remuneration Committee has further perfected the remuneration of the Directors and senior management and the review system of the Company and as well as following up with the remuneration policies of the Company and the review results of staff at all levels.

Nomination Committee

The current members of the Nomination Committee of the Company are as follows:

Executive Director	Independent non-executive Director
Li Yanjun *(Chairman)*	Meng Likun
	Kong Chi Mo

The primary duties and authorities of Nomination Committee are as follows:

(a) formulating policies on nomination for the consideration of the Board and implementing nomination policies approved by the Board; and

(b) without affecting the generality of the above:

(i) reviewing the structure, size and diversity of the Board (including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and term of office) at least once a year and making recommendations on the implementation of the Company's corporate strategy to the Board;

(ii) examining the selection criteria and procedures for the Directors and management personnel and making recommendations to the Board;

(iii) identifying candidates suitably qualified to become Directors and nominating them to the Board for recommendation to the Shareholders by the Board; when identifying the most suitable candidate, the value of such candidate shall be taken into account and the adequate benefits of the diversity of members of the Board shall be objectively considered. The Board and Shareholders shall be provided with detailed curriculum vitae of nominated candidates so that they can make well-informed decisions;

(iv) identifying and nominating candidates to fill casual vacancies of Directors for approval by the Board;

(v) reviewing and making recommendations on matters in relation to the candidates of Directors and senior management;

(vi) assessing the independence of independent non-executive Directors, reviewing the annual confirmation submitted by independent non-executive Directors in respect of their independence and making disclosure of the findings in the "Corporate Governance Report";

(vii) reviewing the time required by the Directors in performing their responsibilities on a regular basis;

(viii) making recommendations to the Board on matters in relation to the appointment and re-appointment of the Directors and the succession planning of the Directors, especially the Chairman of the Board and the chief executive officer, and the senior management;

(ix) under suitable circumstances, reviewing the Policy on Diversification of Members of the Board, measurable objectives and the progress made when the members of the Board having implemented the Policy on Diversification of Members of the Board, as well as the annual disclosure of the findings in the "Corporate Governance Report";

(x) taking any action to enable the Committee to exercise the powers and functions delegated by the Board; and

(xi) complying with any requirements, directives and regulations that are specified by the Board, the Articles of Association of the Company or the legislation from time to time.

For the year ended 31 December 2014, the Nomination Committee held one meeting. All members of the Nomination Committee had attended the meeting, at which Mr. Leung Hongying Li Ziwei was nominated to be re-elected as the Vice Chairman of the Board and the executive Director, Mr. Sun Jianhua as the executive Director, and Mr. Meng Likun as the independent non-executive Director at the annual general meeting held in 2014.

Corporate Governance Functions

The Board is the highest authority of the Group on corporate governance, whose main responsibilities include:

(a) developing and reviewing the Company's policies and practices on corporate governance;

(b) reviewing and monitoring the training and continuous professional development of Directors and senior management;

(c) reviewing and monitoring the Group's policies and practices in compliance with legal and regulatory requirements;

(d) developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and the Directors; and

(e) reviewing the Group's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

The Board had discussed and reviewed the aforesaid work during board meetings held during the Reporting Period.

Remuneration of Auditor

For the year ended 31 December 2014, the Group's external auditors KPMG provided annual audit services to the Company. For the year ended 31 December 2014, the total fee paid/payable in respect of audit and non-audit services provided by the Group's external auditors is set out below:

	RMB
Annual audit services (excluding taxation and miscellaneous fees)	3,180,000
Non-audit services	–

The Audit Committee is responsible for making recommendation to the Board as to the appointment, re-appointment and removal of the external auditor, which is subject to the approval by the Board and at the general meetings of the Company by the Shareholders.

Remuneration of Directors and Senior Management

The Company has adopted a formal and transparent procedure for fixing the remuneration packages of individual Directors and senior management. Details of the remuneration for the Directors and five individuals with the highest remuneration are set out in Note 8 and Note 9 to the consolidated financial statements of this annual report. For the year ended 31 December 2014, the scope of remuneration for the senior management of the Company is set out below:

Scope of remuneration (RMB)	Number of members of senior management
0–500,000	7
500,001–1,000,000	7
1,000,001–2,500,000	1

Note: Numbers disclosed above includes the senior management of the Company and those who are executive Directors

Directors and Auditor's Responsibility for Preparation of the Financial Statements

The Directors acknowledged their responsibilities for preparing the financial statements for the year ended 31 December 2014, which gave a true and fair view of the state of affairs, the results and cash flows of the Group for that year. The Company allocated sufficient resources to prepare the audited accounts. Senior management was required to present and explain the financial reporting and matters that materially affected or may have material impact on the financial performance and operations of the Company to the Audit Committee and the Board and to respond to the queries and concerns raised by the Audit Committee and the Board to their trust. The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the financial statements included appropriate disclosure made in accordance with the Listing Rules and the Companies Ordinance. The responsibility of the external auditor of the Company for preparing the financial statements of the Group was set out in the independent auditor's report of this annual report.

Internal Control

The Board has overall responsibility for the system of internal controls of the Group, including setting management structure and making appropriate authorization, identifying proper accounting policy and providing reliable financial information for internal and external use. The measures above were designed to provide reasonable (but not absolute) assurance against material misstatement or loss, and to manage (but not fully eliminate) the mistakes of the Group's operational systems and the risks of failure to achieve the Group's business objectives.

The Group has established an internal control system and formulated regulations on the segregation of duties of the Board and senior management, according to which the senior management is accountable to the Board and executes the resolutions passed by the Board, as well as being entitled to manage and oversee the Group's operations.

The management of the Company provides members of the Board with the latest information of the Group monthly, which sets out the performance of the Company, the financial position and prospects and well-understood assessment.

An Internal Control Application Manual was prepared by the Company to regulate control programs, mainly including transaction authorization control, responsibility dividing control, documents and records control, asset contact and recording control, independent audit control and electronic information system control.

The Group has established the Information Disclosure Management System, the Administrative Rules Governing Related Party Transactions, and the Inside Information Disclosure System which stipulate the relevant procedures for processing the inside information. The Board regularly evaluates the effectiveness of internal control.

The Group has established a specialized internal audit department, formulated relevant mechanism, and set up proper internal supervising procedures to ensure the effectiveness of internal supervision and extend its application to all of the Group's subsidiaries. The annual audit report and plan are approved by the Audit Committee.

The Company has established an independent accounting department to set out the duties and rights in relation to finance management, accounting and auditing, and assigned the relevant staff to ensure the smoothness of finance and accounting work and the separation of approval, implementation and recording functions, and formulated different systems for accounting and finance as a guarantee for fair execution.

The Board believes that the existing corporate internal control system has basically covered the operation of the Company and the internal control system which the Company adopted for the year ended 31 December 2014 has been reasonable and effective.

Joint Company Secretaries

Ms. Kwong Yin Ping, Yvonne, a member of The Hong Kong Institute of Chartered Secretaries, has been appointed as a joint company secretary of the Company. Her principal contact in the Company is Mr. Meng Ziheng, the other joint company secretary of our Company.

The joint company secretaries of the Company shall be responsible for ensuring good information flow among members of the Board and that the policies and procedures of the Board are followed. The joint company secretaries make recommendations on governance matters to the Board through the Chairman of the Board and the chief executive officer, and shall also arrange for induction training and professional development of the Directors.

Mr. Meng Ziheng who is familiar with the activities of the Company has past management experience within the Group and thorough understanding of the internal administration and business operations of the Group. Therefore, he was appointed as one of the joint company secretaries of the Company. Ms. Kwong Yin Ping, Yvonne, the other joint company secretary, is responsible for assisting Mr. Meng Ziheng in discharging the duties of a company secretary of the Company. Ms. Kwong Yin Ping is currently a vice president of SW Corporate Services Group Limited, a professional services provider specializing in corporate services. Ms. Kwong Yin Ping is qualified to act as our company secretary as required by Rule 3.28 of the Listing Rules.

For biographical details of Mr. Meng Ziheng and Ms. Kwong Yin Ping, please refer to “Biographies of Directors and Senior Management – Joint Company Secretaries.”

General Meetings

During the Reporting Period, one general meeting was held on 10 June 2014. All Directors had attended the general meeting.

The attendance record of each Director at the general meeting is set out below:

Name of Director	Number of attendance
Li Yanjun	1/1
Leung Hongying Li Ziwei	1/1
Xia Guoan	1/1
Huang Kai	1/1
Sun Jianhua	1/1
Tu Quanping	1/1
Ge Xinjian	1/1
Meng Likun	1/1
Kong Chi Mo	1/1

Communication Policy with Shareholders

The Company attached great importance to the communication with Shareholders and promoted understanding and communication with Shareholders through various channels of general meetings, results announcement conferences, road show activities, receiving guests and telephone counseling. In 2014, the company organized various road show activities and analysts' meetings.

The rights of Shareholders

The Board is committed to maintaining an on-going dialogue with Shareholders and providing timely disclosure of information concerning the Company's material developments to Shareholders and investors. The annual general meetings of the Company provide a forum for communication between Shareholders and the Board. An annual general meeting and any extraordinary general meeting called for the passing of a special resolution shall be called by not less than 21 days' notice in writing and any other extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be inclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions to be considered at the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditor and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the Shares they hold, are not entitled to receive such notice from the Company).

Procedures for Shareholders to convene general meetings and putting forward proposals at general meetings by Shareholders

In accordance with Article 12.3 of the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any two or more members of the Company deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. General meetings may also be convened on the written requisition of any one member of the Company which is a recognised clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

In accordance with Article 16.4 of the Articles of Association, no person shall, unless recommended by the Board, be eligible for election to the office of Director at any general meeting unless during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary notice in writing by a member of the Company (not being the person to be proposed), entitled to attend and vote at the meeting for which such notice is given, of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

Shareholders may at any time lodge the aforesaid requisition or notice to the Board in writing through the Company Secretary at the Company's principal place of business in Hong Kong at 18/F, Tesbury Centre 28 Queen's Road East, Wanchai, Hong Kong.

Shareholders' enquiries

Any enquiries relating to your shareholding, for example, transfers of Shares, change of address, lost share certificates or dividend cheques, shall be sent or made to Computershare Hong Kong Investor Services Limited, the Company's share registrar in Hong Kong:

Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
Tel: (852) 2862-8628
Fax: (852) 2865-0990, (852) 2529-6087
Website: www.computershare.com.hk

Investor Relations and Communication

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going communication with Shareholders and provide timely disclosure of information concerning the Company's material developments to Shareholders and investors in particular through annual general meetings and other general meetings. The Chairman of the Board, all other Directors of the Board (including independent non-executive Directors) and the chairmen of all Board committees (including their representatives) will attend the annual general meetings to meet Shareholders and answer their enquiries.

The Company publishes its announcements, financial information and other relevant information on its website at www.hengshimining.com, as a channel to promote effective communication. Shareholders are welcome to make enquiries directly to the Company at its principal place of business in Hong Kong. The Company will respond to all enquiries on a timely and proper basis.

In addition, during routine operation the Company strives to receive visits from Shareholders and investors, and arrange visits for them. The management of the Company will also communicate with investors and analysts outside office.

Through the above means, the Company delivers transparent operation and effective communication with Shareholders and investors.

Significant Change to the Memorandum and Articles of Association

As at 31 December 2014, the Company did not make any significant changes to the Memorandum and Articles of Association of the Company.

Biographies of Directors and Senior Management

COMPOSITION OF DIRECTORS

The Board of the Company consists of six executive Directors and three independent non-executive Directors, one third of which are independent non-executive Directors as of the date of this report. The following table sets forth certain information in respect of our Directors:

Name	Age	Position/ Title in our Group	Date of appointment	Date of resignation	Roles and Responsibilities
Mr. Li Yanjun (李豔軍)	50	Chairman and executive Director	20 July 2013	n/a	Responsible for the overall business strategies
Mr. Leung Hongying Li Ziwei (also known as Li Ziwei) (李子威)	27	Vice chairman and executive Director	18 January 2011	n/a	Responsible for our Group's business development and foreign investments
Mr. Xia Guoan (夏國安)	60	Executive Director and chief executive officer	20 July 2013	n/a	Responsible for our Group's overall business management and daily operation
Mr. Huang Kai (黃凱)	41	Executive Director	20 July 2013	n/a	Responsible for the general management of production and the environment, health and safety matters
Mr. Sun Jianhua (孫建華)	32	Executive Director and chief financial officer	20 July 2013	n/a	Responsible for our Group's accounting and financial management
Mr. Tu Quanping (塗全平)	45	Executive Director	20 July 2013	n/a	Responsible for iron ore mining and processing, related design, mining plan and supervision work
Mr. Ge Xinjian (葛新建)	55	Independent non-executive Director	20 July 2013	n/a	Responsible for overseeing the management independently
Mr. Meng Likun (孟立坤)	53	Independent non-executive Director	20 July 2013	n/a	Responsible for overseeing the management independently
Mr. Roy Kong Chi Mo (江智武)	39	Independent non-executive Director	20 July 2013	n/a	Responsible for overseeing the management independently

BIOGRAPHIES OF EXECUTIVE DIRECTORS

Mr. Li Yanjun (李豔軍), aged 50, is our executive Director and the chairman of the Board, and is mainly responsible for the overall business strategies of our Group. Mr. Li has over 15 years of experience in the iron ore mining and processing industry and the steel industry. Mr. Li established Aowei Group in December 1996 to engage in the trading of iron and steel products and had been the executive director of Aowei Group since its establishment until May 2013. He established Aoyu Steel in July 2001, which engaged in the production of iron and steel products, and served as the chairman of Aoyu Steel since its establishment until March 2012. Through establishing companies and undertaking mergers and acquisitions at Aowei Group, Mr. Li founded our Group when he began to operate Xinxin Mining in April 2004, and subsequently he started operations of Jingyuancheng Mining in November 2009 and Jiheng Mining in August 2010. He has gained extensive experience and knowledge of the iron and steel industry, management of iron and steel enterprises and the upstream iron ore mining and processing industry and has an understanding of the geological distribution of iron ore mines and iron and steel manufacturers. He has been responsible for the overall management and strategic development of our Group. Mr. Li graduated from high school.

Mr. Li was elected a member of the 12th National People's Congress (第十二屆全國人大) in recognition of his contribution to economic development and local employment. He was awarded the Outstanding Private Entrepreneur in Hebei Province (河北省優秀民營企業家) in April 2005 and the Outstanding Constructor of Socialism with Chinese Characteristics (優秀中國特色社會主義事業建設者) in December 2005.

Mr. Li Yanjun is the father of Mr. Leung Hongying Li Ziwei.

Mr. Leung Hongying Li Ziwei (also known as Li Ziwei) (李子威), aged 27, is our executive Director and the vice chairman of the Board and is responsible for our Group's business development and foreign investments. Mr. Li joined our Group in August 2008. He has gained over five years of experience in the iron ore mining industry from his involvement in the areas of procurement, supply and sales of raw materials and steel products at Aowei Group, Aoyu Steel and our Group. He has been responsible for the overall management and strategic development of our Group.

Mr.Li has actively worked in the consolidation of small-scale iron ore mines by our operating subsidiaries since August 2008 and the reorganization of our Group in preparation for the Global Offering. Mr. Li served as the general manager assistant of Aoyu Steel from August 2008 to August 2009, and was responsible for procurement, supply and sales. He served as the assistant to the chairman of Aowei Group from September 2009 to May 2010. He served as the president of Aowei Group from June 2010 to May 2013. He is the director of Hengshi Holdings, Hengshi Investments, Hengshi Development International Limited (恒實發展國際有限公司), Aowei Investments and Aowei Developments. Mr. Li graduated from high school.

Mr. Leung Hongying Li Ziwei is the son of Mr. Li Yanjun.

Mr. Xia Guoan (夏國安), aged 60 is our executive Director and the chief executive officer. He is responsible for our Group's overall business management and daily operation.

Mr. Xia has more than 10 years of experience in mining operations and administration. From July 2007 to March 2010, he served as the standing deputy general manager of Laiyuan County Xinrui Mining Co., Ltd. (淶源縣鑫瑞礦業有限公司), and was responsible for mine production and operation. Mr. Xia joined our Group in March 2010 as the chief of the preparatory group responsible for establishing Aowei Mining. He acted as a standing deputy general manager of Aowei Mining since June 2011 and was promoted to be a director and the general manager of Aowei Mining in March 2013. He also played an important role in negotiating the acquisition of Jingyuancheng Mining in 2011.He served as the vice president of Aowei Group from May 2012 to February 2013.

Prior to joining our Group, Mr. Xia served as a deputy general manager of Laiyuan County Huiyuan Mining Co., Ltd. (淶源縣匯源礦業有限公司) from March 2002 to June 2007, and was responsible for the management and planning of mine development.

Mr. Huang Kai (黃凱), aged 41, is our executive Director. He is responsible for the general management of production and the environment, health and safety matters.

Mr. Huang has approximately 10 years of management experience. From March 2004 to February 2012, he successively served as the head of corporate governance department, the assistant general manager and a deputy general manager of Aoyu Steel. Mr. Huang joined our Group in March 2010 as the vice chief of the preparatory group responsible for establishing Aowei Mining. He has been a standing deputy general manager of Aowei Mining since February 2012. He gained substantial management experience during his employment with Aoyu Steel and Aowei Mining.

Mr. Huang attended the continuing education course of iron and steel at Tsinghua University from July 2004 to October 2005. He obtained a bachelor's degree in Business Management from Renmin University of China in June 2013 by correspondence. He was named the Outstanding Individual of Hebei Province Metallurgy Industry (河北省冶金行業先進工作者) of Hebei Province Metallurgical Industry Association in April 2009 in recognition of his contribution to the mining industry.

Mr. Sun Jianhua (孫建華), aged 32, is our executive Director and the chief financial officer. He is responsible for our Group's accounting and financial management. He joined our Group in February 2012 as the head of the finance department of Aowei Mining.

Mr. Sun has over 10 years of experience in financial and accounting management. He served as the head of the finance department of Aowei Mining from February 2012 to June 2013. He held various positions at Aoyu Steel between February 2004 and February 2012, including accountant, head of the finance division and vice head of the finance department. Mr. Sun graduated from Baoding Financial Senior Professional Institute (保定市金融高等專科學校) in June 2003. He was admitted as a certified public accountant by the Chinese Institute of Certified Public Accountants in December 2010 and was accredited as a certified tax advisor by the State Administration of Taxation in June 2011 and a certified public valuer by the Ministry of Finance of the PRC in September 2011.

Mr. Tu Quanping (塗全平), aged 45, is our executive Director. He is responsible for the supervision of mining, processing, design and mining plan of all our iron ore mines.

Mr. Tu has more than 20 years of experience in the mining industry. Since joining our Group in August 2005, he has been in charge of the project design, infrastructure construction, development and mining of our mines, coordination of our production plan, design of the technical parameters of our ore preparation plants and onsite management and supervision. From August 2005 to March 2010, he served as the mining engineer, deputy head and head of Xinxin Mining. From March 2010 to June 2011, he served as the chief technical officer of the preparatory group responsible for the establishment of Aowei Mining. He has been a director of Xinxin Mining since June 2011. He has also been the chief engineer of Aowei Mining since June 2011.

Prior to joining our Group, Mr. Tu served as a mining engineer, and chief of mining, of Anhui Magang Group Nanshan Mining Company (安徽馬鋼集團南山礦業公司) from August 1991 to August 2005.

Mr. Tu obtained a bachelor's degree in Mining Engineering from Wuhan Steel Institute (武漢鋼鐵學院) (now known as Wuhan University of Science and Technology (武漢科技大學)) in July 1991. He took the postgraduate course of enterprise planning and development at Nanjing University (南京大學) from September 2001 to December 2003. Mr. Tu was accredited as a senior mining engineer by Magang Metallurgy Projects Senior Engineer Evaluation Committee (馬鋼冶金工程高級工程師評審委員會) in December 2002.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ge Xinjian (葛新建), aged 55, is our independent non-executive Director.

Mr. Ge has more than 30 years of experience in processing research, design and technical management. He has served as the chief engineer and Person-in-charge of technology of Magang Group Design & Research Institute Co., Ltd. (馬鋼集團設計研究院有限責任公司) since March 2004 and has also become the vice president since August 2011. Mr. Ge currently serves as a member of the 6th Ore Dressing Branch Committee of the Chinese Society for Metals (中國金屬學會選礦分會委員會), the director of China Metallurgical Mining Enterprise Association (中國冶金礦山企業協會), the standing director of the China Mining Development Strategic Alliance (中國礦業發展戰略聯盟), a member of the Expert Committee of the editorial department of Modern Mining (《現代礦業》編輯部), and a deputy doctoral mentor for students majored in Processing Engineer of School of Resources and Civil Engineering of Northeastern University (東北大學).

Mr. Ge published several theses in different professional journals and compiled many professional works, including Current Application of High-Pressure Grinder of Metallurgy Mine in China (《高壓輥磨工藝在我國冶金礦山的應用現狀》(Modern Mining, 9th edition of 2009). Mr. Ge obtained a bachelor's degree in Ore Dressing from Jiangxi Metallurgy Institute (江西冶金學院) (now known as Jiangxi University of Science and Technology (江西理工大學)) in July 1983. Mr. Ge is a professor-level senior engineer in ore dressing recognized by Personnel Department of Anhui Province (安徽省人事廳) in December 2009, a national mineral reserves appraiser recognized by Department of Personnel and Education of Ministry of Land and Resources (國土資源部人事教育司) in September 2007 and a registered national environment engineer recognized by Personnel Department of Anhui Province in September 2007.

Mr. Meng Likun (孟立坤), aged 53, is our independent non-executive Director.

Mr. Meng was a special consultant of Rongtong Fund Management Co., Ltd. (融通基金管理有限公司) from March 2010 to January 2012. He served as the president and an executive director of New Time Securities Co., Ltd. (新時代證券有限責任公司) from May 2006 to January 2009. He acted as the chairman of the board of directors of Rongtong Fund Management Co., Ltd. from May 2001 to March 2010.

Mr. Meng obtained a bachelor's degree in mechanical design and a master's degree in engineering from Taiyuan Mechanical Engineering College (太原機械學院), now known as North University of China (中北大學) in July 1982 and September 1986 respectively, and obtained a doctorate degree in engineering from Beijing Institute of Technology (北京理工大學) in March 1993.

Mr. Roy Kong Chi Mo (江智武), *FCCA, FCIS, FCS (PE) & MHKIoD*, aged 39, is our independent non-executive Director.

Mr. Kong has over 17 years of experience in accounting, corporate governance and capital market. He has been an executive director, chief financial officer and company secretary of China Vanadium Titano-Magnetite Mining Company Limited (stock code: 00893), a company whose shares are listed on the Main Board of the Stock Exchange, since October 2013, May 2008 and September 2009 respectively. He has served as an independent non-executive director of Huazhang Technology Holding Limited (stock code: 01673), a company whose shares are listed on the Main Board of the Stock Exchange, since May 2013. He has also served as an independent non-executive director of CAA Resources Limited (stock code: 02112), a company whose shares are listed on the Main Board of the Stock Exchange, since April 2013. He worked at KPMG from October 1999 to December 2007 and was promoted to senior manager. Prior to joining KPMG, Mr. Kong worked as a finance trainee in Hutchison Telecommunications (Hong Kong) Limited from June 1997 to March 1998, and served as a tax associate of PricewaterhouseCoopers from March 1998 to October 1999.

Mr. Kong graduated from the Chinese University of Hong Kong with a bachelor's degree in business administration in May 1997. He has been a fellow member of the Association of Chartered Certified Accountants since February 2008, a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators since February 2012, and a member of the Hong Kong Institute of Directors ("HKIoD") since May 2010. Mr. Kong received silver certificates of merit in continuing professional development in both 2012 and 2013 from the HKIoD, respectively.

SENIOR MANAGEMENT

Name	Age	Position/Title
Yang Qiang	37	Deputy general manager of Aowei Mining
Gao Changquan	44	Head of the finance department of Aowei Mining
Li Chao	40	Deputy general manager of Aowei Mining
Li Dongfeng	43	Director and general manager of Jiheng Mining and director of Aowei Mining
Jin Jiangsheng	48	General manager of Jingyuancheng Mining
Chen Dong	41	General manager of Xinxin Mining
Che Shengheng	52	Director and the vice chief engineer of Aowei Mining and director of Jingyuancheng Mining

Mr. Yang Qiang (楊強), aged 37, is a deputy general manager of Aowei Mining. He is responsible for the procurement and supply of materials, and sales of products.

Mr. Yang has over 10 years of experience in industrial marketing and management. Mr. Yang held various positions in Aoyu Steel from March 2003 to March 2012, including the head of raw materials division of supply and sales department and the head of purchasing and supply department. He served as the vice manager of the strategic investment department of Aowei Group from March 2012 to February 2013, and was responsible for evaluating investment opportunities in the mining industry. Mr. Yang joined our Group in February 2013 as a deputy general manager of Aowei Mining.

Mr. Yang graduated from Baoding Finance and Trade School (保定市財貿學校) in July 1999 and obtained an undergraduate diploma in Business Administration from Party School of the CPC Central Committee (中共中央黨校) by correspondence in December 2009. He obtained the first-class qualification of marketing recognized by the Ministry of Human Resources and Social Security (人力資源和社會保障部) in April 2010.

Mr. Gao Changquan (郜常泉), aged 44, is the head of the finance department of Aowei Mining. He is assisting Mr. Sun Jianhua in overseeing the financial and accounting management of Aowei Mining.

Mr. Gao has approximately 25 years of experience in accounting and financial management. Mr. Gao first joined our Group in February 2005, where he served as the head of finance division of Xinxin Mining until March 2006. From March 2006 to February 2013, he served as the head of finance department of Aoyu Steel. He rejoined our Group in February 2013 as the head of the finance department of Aowei Mining. Prior to joining our Group, Mr. Gao was an accountant of Baoding Xiangda Garment Manufactory Co., Ltd. (保定翔達製衣有限公司) from June 1993 to January 2005.

Mr. Gao obtained an undergraduate diploma in Accounting from The Open University of China (中國廣播電視大學) in January 2009.

Mr. Li Chao (李超), aged 40, is a deputy general manager of Aowei Mining. He is responsible for corporate administration.

Mr. Li has over 10 years of experience in industrial marketing and management. He was the procurement manager of Aowei Group from February 2003 to February 2006 and the head of the supply and marketing department of Aoyu Steel from March 2006 to November 2009. Mr. Li joined our Group in November 2009 and served as a deputy general manager of Jingyuancheng Mining from November 2009 to February 2013, during which he was responsible for corporate governance and management. He has been a deputy general manager of Aowei Mining since February 2013. Li graduated from high school.

Mr. Li Dongfeng (李東風), aged 43, is a director of Aowei Mining and Jiheng Mining. He also serves as the general manager of Jiheng Mining. He is responsible for the general management and daily operation of Jiheng Mining.

Mr. Li has over 10 years of experience in industrial marketing and management. From December 1996 to March 2004, he served as the business manager of Aowei Group. From March 2004 to June 2007, he served as a deputy general manager of Laiyuan County Huiyuan Mining Co., Ltd. (淶源縣匯源礦業有限公司). From July 2007 to August 2010, he served as the general manager of Xinrui Mining. Mr. Li joined our Group in August 2010 and since then has served as a director and the general manager of Jiheng Mining. He has been a director of Aowei Mining since June 2011 and was the general manager of Aowei Mining from June 2011 to March 2013. Mr. Li graduated from high school.

Mr. Jin Jiangsheng (金江生), aged 48, is the general manager of Jingyuancheng Mining. He is responsible for the general management and daily operation of Jingyuancheng Mining.

Mr. Jin has over 10 years of experience in industrial marketing and management. He first joined our Group in December 2004, where he served as the leader of water concentration plant of Xinxin Mining until June 2006. Between June 2006 and February 2012, he worked at Aoyu Steel and subsequently served as the head of the sintering plant and the steel plant. He rejoined our Group in February 2012 as the general manager of Jingyuancheng Mining.

Prior to joining our Group, Mr. Jin worked in Rongcheng County Machinery Plant (容城縣機械廠) and subsequently served as the head of the processing workshop, the head of the sales division and the head of Rongcheng County Machinery Plant from February 1991 to December 2003. Mr. Jin graduated from high school.

Mr. Chen Dong (陳東), aged 41, is the general manager of Xinxin Mining. He is responsible for the general management and daily operation of Xinxin Mining.

Mr. Chen has over 9 years of management experience in the iron and steel industry. From December 2004 to February 2012, he served as the deputy head and subsequently the head of the sintering plant of Aoyu Steel. He joined our Group in February 2012 and has served as the general manager of Xinxin Mining, where he is responsible for the day-to-day operation. Prior to joining our Group, Mr. Chen was the assistant to the head of the sintering plant of Chengde Jianlong Iron and Steel Co., Ltd. (承德建龍鋼鐵有限公司) from April 2003 to October 2004.

Mr. Chen obtained a bachelor's degree in Ore Dressing Engineering from University of Science and Technology Beijing (北京科技大學) in July 1996. Mr. Chen was accredited as a certified ore processing engineer by Human Resources of Liaoning Provincial Department in September 2001.

Mr. Che Shengheng (車勝恒), aged 52, is a director of Aowei Mining and Jingyuancheng Mining. He currently serves as a vice chief engineer of Aowei Mining.

Mr. Che has approximately 30 years of experience in mine planning and exploration. From March 2002 to June 2007, he served as the general engineer of Laiyuan County Huiyuan Mining Co., Ltd. (淶源縣匯源礦業有限公司). From July 2007 to August 2010, he served as the general engineer of Xinrui Mining. Mr. Che joined our Group in August 2010. From August 2010 to June 2011, he served as the chief engineer of Jiheng Mining. He has been a director and the vice chief engineer of Aowei Mining and a director of Jingyuancheng Mining since June 2011.

Mr. Che obtained a bachelor's degree in Mining Engineering from Tangshan Engineering Technical College (唐山工程技術學院, currently known as Hebei United University (河北聯合大學)) in July 1986. In addition, Mr. Chen was accredited as a senior mining engineer by the Technological Evaluation Committee of Senior Metallurgy Projects in Hebei Province (冀高級冶金工程技術評委會) in October 1998.

Save as disclosed above, none of our Directors or senior management has other directorships in listed companies.

JOINT COMPANY SECRETARIES

Ms. Kwong Yin Ping, Yvonne, a member of The Hong Kong Institute of Chartered Secretaries, has been appointed as the joint company secretary of our Company. Her principal associate in our Company is Mr. Meng Ziheng, the joint company secretary of our Company.

Mr. Meng Ziheng (孟子恒), aged 30, the joint company secretary of our Company. From April 2011 to June 2013, Mr. Meng has been an investment manager at the strategic investment department of Aowei Group. He served as a system manager at the operation management department of Aowei Group from April 2010 to March 2011. He worked at the equipment maintenance department of Hebei Guohua Dingzhou Power Generation Co., Ltd. (河北國華定洲發電有限責任公司) from July 2007 to March 2010. Mr. Meng graduated from the North China Electric Power University (華北電力大學) in July 2007, majoring in software engineering, and obtained a bachelor's degree.

Ms. Kwong Yin Ping, Yvonne (鄺燕萍), aged 59, the joint company secretary of our Company. Ms. Kwong obtained a bachelor's degree of arts in accountancy from the Hong Kong Polytechnic University (香港理工大學). She works as vice president in a professional corporate services company which is engaged in providing secretarial and compliance services for listed companies. She is also a fellow of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators of the United Kingdom. She has extensive experience in providing company secretarial services for numerous private and listed companies. She serves as company secretary and joint company secretary of various companies listed on the Hong Kong Stock Exchange. Mr. Meng Zihang is the main contact person of Ms. Kwong in the Company.

KPMG

Independent auditor's report
to the shareholders of Hengshi Mining Investments Limited
(Incorporated in the British Virgin Islands and continued in the Caymans Islands with limited liability)

We have audited the consolidated financial statements of Hengshi Mining Investments Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 62 to 120, which comprise the consolidated and company balance sheets as at 31 December 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

18 March 2015

Consolidated Statement of Comprehensive Income

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

	Note	2014 RMB'000	2013 RMB'000
Turnover	4	**1,108,143**	1,286,078
Cost of sales		**(553,055)**	(575,255)
Gross profit		**555,088**	710,823
Distribution costs		**(16,575)**	(4,739)
Administrative expenses		**(142,313)**	(107,519)
Profit from operations		**396,200**	598,565
Finance income	5(a)	**10,594**	280
Finance costs	5(a)	**(40,026)**	(26,574)
Net finance costs		**(29,432)**	(26,294)
Profit before taxation	5	**366,768**	572,271
Income tax	6	**(96,206)**	(146,659)
Profit for the year		**270,562**	425,612
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of group of companies outside of Mainland China	11	**3,644**	(5,597)
Total comprehensive income for the year		**274,206**	420,015
Profit attributable to:			
Equity shareholders of the Company	10	**263,000**	397,513
Non-controlling interests		**7,562**	28,099
Profit for the year		**270,562**	425,612
Total comprehensive income attributable to:			
Equity shareholders of the Company		**266,644**	391,916
Non-controlling interests		**7,562**	28,099
Total comprehensive income for the year		**274,206**	420,015
Earnings per share			
Basic and diluted (RMB)	7	**0.17**	0.34

The notes on pages 69 to 120 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 28(b).

Consolidated Balance Sheet

at 31 December 2014
(Expressed in Renminbi)

	Note	31 December 2014 RMB'000	31 December 2013 RMB'000
Non-current assets			
Property, plant and equipment, net	*13*	**637,522**	450,729
Construction in progress	*14*	**225,711**	166,992
Lease prepayments	*15*	**153,931**	157,495
Intangible assets	*16*	**819,302**	420,045
Long-term receivables	*18*	**33,960**	33,960
Prepayments	*19*	**23,105**	3,257
Deferred tax assets	*25(b)*	**11,415**	8,641
Total non-current assets		**1,904,946**	1,241,119
Current assets			
Inventories	*20*	**137,482**	41,235
Trade and other receivables	*21*	**152,137**	83,649
Cash and cash equivalents	*22*	**167,431**	987,562
Total current assets		**457,050**	1,112,446
Current liabilities			
Current portion of long-term borrowings	*23(a)*	**100,000**	40,000
Trade and other payables	*24*	**194,421**	201,562
Current taxation	*25(a)*	**18,839**	11,918
Current portion of long-term payables	*26*	**54,766**	51,740
Current portion of accrued reclamation obligations	*27*	**5,469**	4,434
Total current liabilities		**373,495**	309,654
Net current assets		**83,555**	802,792
Total assets less current liabilities		**1,988,501**	2,043,911

The notes on pages 69 to 120 form part of these financial statements.

	Note	31 December 2014 RMB'000	31 December 2013 RMB'000
Non-current liabilities			
Interest-bearing borrowings, less current portion	*23(b)*	**100,000**	270,000
Long-term payables, less current portion	*26*	**177,133**	218,779
Accrued reclamation obligations, less current portion	*27*	**42,389**	42,359
Deferred tax liabilities	*25(b)*	**11,718**	–
Total non-current liabilities		**331,240**	531,138
NET ASSETS		**1,657,261**	1,512,773
CAPITAL AND RESERVES			
Share capital	*28(c)*	**120**	120
Reserves		**1,657,141**	1,458,959
Total equity attributable to equity shareholders of the Company		**1,657,261**	1,459,079
Non-controlling interests		**–**	53,694
Total equity		**1,657,261**	1,512,773

Approved and authorised for issue by the board of directors on 18 March 2015.

Li Yanjun
Chairman and Executive Director

Leung Hongying Li Ziwei
Vice Chairman and Executive Director

The notes on pages 69 to 120 form part of these financial statements.

Balance Sheet

at 31 December 2014
(Expressed in Renminbi)

	Note	31 December 2014 RMB'000	31 December 2013 RMB'000
Non-current assets			
Investment in a subsidiary	*17*	**150,576**	150,576
Total non-current assets		**150,576**	150,576
Current assets			
Other receivables	*21*	**783,071**	3,015
Cash and cash equivalents	*22*	**119,521**	924,908
Total current assets		**902,592**	927,923
Current liabilities			
Other payables	*24*	**3,306**	18,212
Total current liabilities		**3,306**	18,212
Net current assets		**899,286**	909,711
Total assets less current liabilities		**1,049,862**	1,060,287
NET ASSETS		**1,049,862**	1,060,287
CAPITAL AND RESERVES			
Share capital	*28(c)*	**120**	120
Reserves		**1,049,742**	1,060,167
TOTAL EQUITY		**1,049,862**	1,060,287

Approved and authorised for issue by the board of directors on 18 March 2015.

Li Yanjun
Chairman and Executive Director

Leung Hongying Li Ziwei
Vice Chairman and Executive Director

The notes on pages 69 to 120 form part of these financial statements.

Consolidated Statement of Changes in Equity

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

		Attributable to equity shareholders of the Company									
	Note	Share capital RMB'000 *(note 28(c))*	Share premium RMB'000 *(note 28(d))*	Statutory surplus reserve RMB'000 *(note 28(d))*	Specific reserve RMB'000 *(note 28(d))*	Exchange reserve RMB'000 *(note 28(d))*	Other reserve RMB'000 *(note 28(d))*	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:											
Profit for the year		–	–	–	–	–	–	397,513	397,513	28,099	425,612
Other comprehensive income		–	–	–	–	(5,597)	–	–	(5,597)	–	(5,597)
Total comprehensive income		–	–	–	–	(5,597)	–	397,513	391,916	28,099	420,015
Issuance of shares	*28(c)*	119	968,979	–	–	–	–	–	969,098	–	969,098
Share issuance costs		–	(40,670)	–	–	–	–	–	(40,670)	–	(40,670)
Transfer to specific reserve, net of utilisation		–	–	–	3,041	–	–	(3,041)	–	–	–
Appropriation to reserve		–	–	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
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:											
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**263,000**	**263,000**	**7,562**	**270,562**
Other comprehensive income		**–**	**–**	**–**	**–**	**3,644**	**–**	**–**	**3,644**	**–**	**3,644**
Total comprehensive income		**–**	**–**	**–**	**–**	**3,644**	**–**	**263,000**	**266,644**	**7,562**	**274,206**
Acquisition of non-controlling interests	*30*	**–**	**–**	**4,863**	**1,650**	**–**	**(63,257)**	**–**	**(56,744)**	**(61,256)**	**(118,000)**
Transfer to specific reserve, net of utilisation		**–**	**–**	**–**	**27,182**	**–**	**–**	**(27,182)**	**–**	**–**	**–**
Appropriation to reserve		**–**	**–**	**8,517**	**–**	**–**	**–**	**(8,517)**	**–**	**–**	**–**
Recognition of deferred tax liabilities arising from undistributed profits of subsidiaries in Mainland China	*25(b)*	**–**	**–**	**–**	**–**	**–**	**–**	**(11,718)**	**(11,718)**	**–**	**(11,718)**
At 31 December 2014		**120**	**928,309**	**84,556**	**66,613**	**(1,953)**	**(126,229)**	**705,845**	**1,657,261**	**–**	**1,657,261**

The notes on pages 69 to 120 form part of these financial statements.

Consolidated Cash Flow Statement

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

	Note	2014 RMB'000	2013 RMB'000
Cash flows from operating activities			
Profit before taxation		**366,768**	572,271
Adjustments for:			
Depreciation and amortisation	*5(c)*	**95,994**	70,502
Finance income	*5(a)*	**(10,594)**	(280)
Finance costs	*5(a)*	**32,086**	26,574
Net losses on disposal of property, plant and equipment	*5(c)*	**11,450**	440
Listing expenses	*5(c)*	**–**	30,477
Changes in working capital:			
(Increase)/decrease in inventories		**(96,247)**	118,836
Increase in trade and other receivables		**(182,616)**	(71,859)
Increase/(decrease) in trade and other payables		**9,505**	(498,434)
Cash generated from operations		**226,346**	248,527
Income tax paid	*25(a)*	**(88,868)**	(138,978)
Net cash generated from operating activities		**137,478**	109,549
Investing activities			
Payment for purchase of property, plant and equipment and construction in progress		**(264,479)**	(242,567)
Payment for purchase of lease prepayments		**(1,048)**	(17,455)
Payment for purchase of intangible assets		**(462,724)**	(77,770)
Proceeds from sale of property, plant and equipment		**1,629**	476
Interest received		**10,594**	280
Net cash used in investing activities		**(716,028)**	(337,036)

The notes on pages 69 to 120 form part of these financial statements.

	Note	2014 RMB'000	2013 RMB'000
Financing activities			
Proceeds from borrowings		**110,000**	390,000
Repayment of borrowings		**(220,000)**	(80,000)
Payment for acquisition of non-controlling interests	*30*	**(118,000)**	–
Interest paid		**(14,065)**	(9,954)
Proceeds from issuance of shares		**–**	969,098
Payment for listing expenses		**–**	(71,147)
Net cash (used in)/generated from financing activities		**(242,065)**	1,197,997
Net (decrease)/increase in cash and cash equivalents		**(820,615)**	970,510
Cash and cash equivalents at 1 January		**987,562**	22,668
Effect of foreign exchange rate changes		**484**	(5,616)
Cash and cash equivalents at 31 December	*22*	**167,431**	987,562

The notes on pages 69 to 120 form part of these financial statements.

1 CORPORATE INFORMATION

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

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

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Basis of preparation of the financial statements

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

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

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

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

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

(c) Changes in accounting policies

The IASB has issued the following amendments to IFRSs and one new Interpretation 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, *Offsetting financial assets and financial liabilities*
- Amendments to IAS 36, *Recoverable amount disclosures for non-financial assets*
- IFRIC 21, *Levies*

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Changes in accounting policies *(continued)*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new or amended IFRSs are discussed below:

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 these financial statements as the Company does not qualify to be an investment entity.

Amendments to IAS 32, 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 these financial statements as they are consistent with the Group's existing accounting policies.

Amendments to IAS 36, 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 these financial statements as the Group does not have an impairment loss been recognised or reserved during the current accounting period; neither does the Group estimate the assets or cash-generating units' recoverable amount 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. The amendments does not have an impact on these financial statements as the guidance is consistent with the Group's existing accounting policies.

(d) Basis of consolidation

(i) Business combinations involving enterprises under common control

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

(ii) Business combinations involving entities not under common control

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Basis of consolidation *(continued)*

(iii) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

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

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

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with notes 2(l) or (m) depending on the nature of the liability.

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

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

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 2(i)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Property, plant and equipment

Property, plant and equipment, which consist of buildings and plants, machinery and equipment, motor vehicles, office equipment and mine properties are initially stated at cost less accumulated depreciation and impairment losses (see note 2(i)(ii)). The cost of an asset comprises its purchase price, any directly attributable costs of bringing the asset to its present working condition and location for its intended use, the cost of borrowed funds used during the period of construction and, when relevant, the costs of dismantling and removing the items and restoring the site on which they are located, and changes in the measurement of existing liabilities recognised for these costs resulting from changes in the timing or outflow of resources required to settle the obligation or from changes in the discount rate.

Construction in progress represents property and plant under construction, equipment pending installation and mines under construction, and is initially recognised at cost less impairment losses (see note 2(i)(ii)). Cost comprises cost of materials, direct labour and an appropriate proportion of production overheads and borrowing costs (see note 2(v)). Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use. No depreciation is provided in respect of construction in progress until it is completed and substantially ready for its intended use.

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

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

Depreciation is calculated to write off the cost of items of property, plant and equipment, other than mine properties, over their estimated useful lives using the straight-line method, after taking into account the estimated residual values. The estimated useful lives of property, plant and equipment are as follows:

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

Mine properties are depreciated using the units-of-production method based on the proven and probable mineral reserve of the relevant ore body or component of ore body.

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Capitalised stripping costs

The process of removing overburden and other mine waste materials to access mineral deposits is referred to as stripping. In open-pit mining, stripping costs are accounted for separately for each component of an ore body unless the stripping activity provides improved access to the whole of the ore body. A component is a specific section within an ore body that is made more accessible by the stripping activity. The identification of components is dependent on the mine plan.

There are two types of stripping activity:

- Development stripping is the initial overburden removal during the development phase to obtain access to a mineral deposit that will be commercially produced; and

- Production stripping is the interburden removal during the normal course of production activity.

Development stripping costs are capitalised as a stripping activity asset, in construction in progress and forming part of the cost of constructing the mine, when:

- It is probable that future economic benefits associated with the asset will flow to the entity; and

- The costs can be measured reliably.

Capitalisation of development stripping costs ceases and these costs are transferred to mine properties in property, plant and equipment when the ore body or component of ore body is ready for its intended use.

Production stripping can give rise to two benefits being the extraction of ore in the current period and improved access to the ore body or component of ore body in future periods. To the extent that the benefit is the extraction of ore, the stripping costs are recognised as an inventory cost. To the extent the benefit is improved access to the ore body or component of ore body in future periods, the stripping costs are capitalised as mine properties in property, plant and equipment, if the following criteria are met:

- It is probable that the future economic benefits (improved access to ore) will flow to the Group;

- The ore body or component of the ore body for which access has been improved can be identified; and

- The costs relating to the stripping activity can be measured reliably.

Production stripping costs are allocated between the inventory produced and the mine properties capitalised using a life-of-component waste to ore stripping ratio. When the current stripping ratio is greater than the life-of-component ratio, a portion of the stripping costs is capitalised to the existing mine properties.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Intangible assets

(i) Mining rights

Mining rights are stated at cost less accumulated amortisation and impairment losses (see note 2(i)(ii)). The mining rights are amortised using the units-of-production method based on the proved and probable mineral reserves. The Group's mining rights are of sufficient duration (or convey a legal right to renew for sufficient duration) to enable all reserves to be mined in accordance with current production schedules.

(ii) Exploration and evaluation assets

Exploration and evaluation assets are stated at cost less impairment losses (see note 2(i)(ii)). Exploration and evaluation assets include expenditures incurred in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable and expenditures incurred to secure further mineralisation in existing ore bodies and to expand the capacity of a mine. Expenditure during the initial exploration stage is charged to profit or loss as incurred.

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

(h) Leased assets

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

(i) Classification of assets leased to the Group

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

(ii) Operating lease charges

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

(iii) Lease prepayments

Lease prepayments represent the costs of acquiring the land use rights. Land use rights are carried at cost less accumulated amortisation and impairment losses (see note 2(i)(ii)). Amortisation is charged to profit or loss on a straight line basis over the period of the land use rights.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Impairment of assets

(i) Impairment of investments in subsidiaries and trade and other receivables

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

– significant financial difficulty of the debtor;

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

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

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

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

– For investments in subsidiaries (see note 2(d)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(i)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(i)(ii).

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Impairment of assets *(continued)*

(i) Impairment of investments in subsidiaries and trade and other receivables *(continued)*

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

(ii) Impairment of other assets

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

– property, plant and equipment (including capitalised mine properties);

– construction in progress (including capitalised stripping activity asset);

– lease prepayments;

– intangible assets; and

– other non-current assets (excluding receivables).

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

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Impairment of assets *(continued)*

(ii) Impairment of other assets (continued)

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

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

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with IAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(i)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

(j) Inventories

Inventories, including weakly mineralised wall rock, iron ore, preliminary concentrates and iron ore concentrates, are physically measured or estimated and valued at the lower of cost and net realisable value.

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

Net realisable value is the estimated future sales price of the product the Group expects to realise when such item is sold or processed, less estimated costs to complete and bring the product to sale.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(i)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(l) Interest-bearing borrowings

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

(m) Trade and other payables

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

(n) Cash and cash equivalents

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

(o) Employee benefits

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

(p) Income tax

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Income tax *(continued)*

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

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

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

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

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Income tax *(continued)*

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

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(q) Provisions and contingent liabilities

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

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

(r) Levies

A levy is not recognised until the obligating event specified in relevant legislation occurs, even if there is no realistic opportunity to avoid the obligation.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Obligations for reclamation

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

(t) Revenue recognition

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

(i) Sale of goods

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

(ii) Interest income

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Translation of foreign currencies

The presentation currency of the Group is Renminbi ("RMB"). The functional currency of the Company and Hengshi Development International Limited is Hong Kong dollars ("HKD") and the functional currency of other group entities located in the PRC are Renminbi. Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

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

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(v) Borrowing costs

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(w) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

(x) Segment reporting

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

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

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

(i) Reserves

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

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

(ii) Useful lives of property, plant and equipment

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

3 ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

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

(iii) Impairment of assets

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

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

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

(iv) Obligations for reclamation

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

(v) Recognition of deferred tax assets

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

3 ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

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

(vi) Capitalised stripping costs

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

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

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

(vii) Exploration and evaluation expenditure

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

(b) Sources of estimation uncertainty

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

4 TURNOVER

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

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

During the year ended 31 December 2014, there were two customers with whom transactions have exceeded 10% of the Group's revenues (2013: one customer) and revenues from sales of iron ore concentrates to these customers amounted to RMB527,597,000 (2013: RMB320,726,000). Details of the concentration of credit risk arising from the Group's customers are set out in note 29(a).

5 PROFIT BEFORE TAXATION

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

(a) Net finance costs:

	2014 RMB'000	2013 RMB'000
Interest income	**(10,594)**	(280)
Finance income	**(10,594)**	(280)
Interest on interest-bearing borrowings	**14,065**	9,954
Unwinding of interest on		
– long-term payables	**14,956**	13,562
– accrued reclamation obligations *(note 27)*	**3,065**	3,058
Foreign exchange loss, net	**7,940**	–
Finance costs	**40,026**	26,574
Net finance costs	**29,432**	26,294

During the year ended 31 December 2014, no borrowing costs were capitalised in relation to construction in progress (2013: RMB nil).

(b) Staff costs:

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

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

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

5 PROFIT BEFORE TAXATION *(continued)*

(c) Other items:

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

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

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

6 INCOME TAX

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

	2014 RMB'000	2013 RMB'000
Current tax		
Provision for PRC enterprise income tax *(note 25(a))*	**98,980**	154,131
Deferred tax		
Origination and reversal of temporary differences *(note 25(b))*	**(2,774)**	(7,472)
	96,206	146,659

6 INCOME TAX *(continued)*

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

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

Notes:

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

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

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

7 EARNINGS PER SHARE

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

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

8 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	2014				
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr. Li Yanjun *(Chairman)*	–	2,280	–	25	2,305
Mr. Leung Hongying Li Ziwei *(Vice Chairman)*	–	950	–	–	950
Mr. Xia Guoan	–	717	45	–	762
Mr. Sun Jianhua	–	179	–	17	196
Mr. Huang Kai	–	463	38	20	521
Mr. Tu Quanping	–	573	30	25	628
Independent non-executive directors					
Mr. Ge Xinjian	96	–	–	–	96
Mr. Meng Likun	96	–	–	–	96
Mr. Kong Chi Mo	143	–	–	–	143
Total	335	5,162	113	87	5,697

8 DIRECTORS' REMUNERATION *(continued)*

	2013				
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr. Li Yanjun *(Chairman)*	–	380	–	11	391
Mr. Leung Hongying Li Ziwei *(Vice Chairman)*	–	157	–	–	157
Mr. Xia Guoan	–	428	–	–	428
Mr. Sun Jianhua	–	95	–	34	129
Mr. Huang Kai	–	255	–	28	283
Mr. Tu Quanping	–	358	–	39	397
Independent non-executive directors					
Mr. Ge Xinjian	16	–	–	–	16
Mr. Meng Likun	16	–	–	–	16
Mr. Kong Chi Mo	24	–	–	–	24
Total	56	1,673	–	112	1,841

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2013: two) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other two (2013: three) individuals are as follows:

	2014 RMB'000	2013 RMB'000
Basic salaries, allowances and benefits in kind	1,477	1,227
Discretionary bonuses	97	–
Retirement scheme contributions	49	94
	1,623	1,321

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

	2014	2013
Nil to HKD1,000,000	2	5
HKD1,000,001 to HKD 2,000,000	2	–
HKD2,000,001 to HKD 3,000,000	1	–

10 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to the equity shareholders of the Company includes a loss of RMB14,055,000 (2013: loss of RMB13,121,000) which has been dealt with in the financial statements of the Company.

11 OTHER COMPREHENSIVE INCOME

The components of other comprehensive income do not have any significant tax effect for the year ended 31 December 2014.

12 SEGMENT REPORTING

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

13 PROPERTY, PLANT AND EQUIPMENT, NET

	Buildings and plants RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Mine properties RMB'000	Total RMB'000
Cost:						
At 1 January 2013	116,920	151,433	23,453	2,206	39,115	333,127
Additions	9,654	21,569	3,286	966	–	35,475
Disposals	(256)	(442)	(1,436)	(48)	–	(2,182)
Transferred from construction in progress *(note 14)*	133,396	45,894	3	97	–	179,390
At 31 December 2013	259,714	218,454	25,306	3,221	39,115	545,810
At 1 January 2014	**259,714**	**218,454**	**25,306**	**3,221**	**39,115**	**545,810**
Additions	**58,022**	**49,263**	**5,931**	**1,748**	**2,190**	**117,154**
Disposals	**(13,384)**	**(24,557)**	**(2,961)**	**(308)**	**–**	**(41,210)**
Transferred from construction in progress *(note 14)*	**22,341**	**57,688**	**–**	**159**	**53,975**	**134,163**
At 31 December 2014	**326,693**	**300,848**	**28,276**	**4,820**	**95,280**	**755,917**
Accumulated depreciation and impairment losses:						
At 1 January 2013	(12,226)	(37,347)	(8,471)	(623)	(3,120)	(61,787)
Charge for the year	(6,839)	(19,256)	(4,718)	(1,208)	(2,539)	(34,560)
Written back on disposals	118	226	894	28	–	1,266
At 31 December 2013	(18,947)	(56,377)	(12,295)	(1,803)	(5,659)	(95,081)
At 1 January 2014	**(18,947)**	**(56,377)**	**(12,295)**	**(1,803)**	**(5,659)**	**(95,081)**
Charge for the year	**(13,540)**	**(21,809)**	**(5,225)**	**(1,995)**	**(8,876)**	**(51,445)**
Written back on disposals	**7,078**	**18,182**	**2,586**	**285**	**–**	**28,131**
At 31 December 2014	**(25,409)**	**(60,004)**	**(14,934)**	**(3,513)**	**(14,535)**	**(118,395)**
Net carrying value:						
At 31 December 2014	**301,284**	**240,844**	**13,342**	**1,307**	**80,745**	**637,522**
At 31 December 2013	240,767	162,077	13,011	1,418	33,456	450,729

13 PROPERTY, PLANT AND EQUIPMENT, NET *(continued)*

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

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

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

14 CONSTRUCTION IN PROGRESS

	Stripping activity asset RMB'000	Other property and plant under construction/ installation RMB'000	Total RMB'000
At 1 January 2013	–	161,580	161,580
Additions	165,777	19,025	184,802
Transferred to property, plant and equipment *(note 13)*	–	(179,390)	(179,390)
At 31 December 2013	165,777	1,215	166,992
At 1 January 2014	**165,777**	**1,215**	**166,992**
Additions	**107,030**	**85,852**	**192,882**
Transferred to property, plant and equipment *(note 13)*	**(53,975)**	**(80,188)**	**(134,163)**
At 31 December 2014	**218,832**	**6,879**	**225,711**

15 LEASE PREPAYMENTS

	2014 RMB'000	2013 RMB'000
Cost:		
At 1 January	**197,034**	179,579
Additions	**11,094**	17,455
Disposals	**(1,445)**	–
At 31 December	**206,683**	197,034
Accumulated amortisation:		
At 1 January	**(39,539)**	(25,283)
Charge for the year	**(14,658)**	(14,256)
Written back on disposals	**1,445**	–
At 31 December	**(52,752)**	(39,539)
Net carrying value:	**153,931**	157,495

Lease prepayments comprise interests in leasehold land held for own use under operating leases located in the PRC, with original lease periods from 5 to 50 years. Up to the issue of these financial statements, the Group is still in the process of applying for the title certificates of certain of its lease prepayments for land use rights with a carrying amount of approximately RMB136,254,000 (31 December 2013: RMB149,287,000). The directors are of the opinion that the Group is entitled to lawfully and validly occupy or use of the above-mentioned leasehold land.

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

	2014 RMB'000	2013 RMB'000
In the PRC:		
– short leases	**23,472**	26,856
– medium-term leases	**130,459**	130,639
At 31 December	**153,931**	157,495

16 INTANGIBLE ASSETS

	2014 RMB'000	2013 RMB'000
Cost:		
At 1 January	**451,419**	228,172
Additions	**429,148**	223,247
At 31 December	**880,567**	451,419
Accumulated amortisation:		
At 1 January	**(31,374)**	(9,688)
Charge for the year	**(29,891)**	(21,686)
At 31 December	**(61,265)**	(31,374)
Net carrying value:	**819,302**	420,045

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

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

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

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

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

17 INVESTMENT IN A SUBSIDIARY

	2014 RMB'000	2013 RMB'000
Unlisted shares, at cost	**150,576**	150,576

Particular of subsidiaries as at 31 December 2014 are as follows:

Name of company	Place of incorporation/ establishment and business	Particulars of issued and paid-up capital	Proportion of ownership interest Group's effective interest	Held by the Company	Held by subsidiary	Principal activities
Hengshi Development International Limited 恒實發展國際有限公司	Hong Kong	100 shares of HKD1.00 each	100%	100%	–	Investment holding
Sichuan Panshi Industrial Co., Ltd.# 四川盤實實業有限公司	PRC	RMB150,000,000	100%	–	100%	Investment holding
Sichuan Hengwen Industrial Co., Ltd.# 四川恒穩實業有限公司	PRC	RMB120,000,000	100%	–	100%	Investment holding
Laiyuan County Aowei Mining Investments Co., Ltd.# 淶源縣奧威礦業投資有限公司	PRC	RMB120,000,000	100%	–	100%	Investment holding
Laiyuan County Jingyuancheng Mining Co., Ltd.# 淶源縣京源城礦業有限公司	PRC	RMB160,000,000	100%	–	100%	Mining, processing and trading of iron ore products
Laiyuan Xinxin Mining Co., Ltd.# 淶源鑫鑫礦業有限公司	PRC	RMB50,000,000	100%	–	100%	Mining, processing and trading of iron ore products
Laiyuan County Jiheng Mining Co., Ltd.# 淶源縣冀恒礦業有限公司	PRC	RMB100,000,000	100%	–	100%	Mining, processing and trading of iron ore products

The official name of the entity is in Chinese. The English names are for identification purpose only.

18 LONG-TERM RECEIVABLES

	2014 RMB'000	2013 RMB'000
Environmental reclamation deposits	**33,960**	33,960

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

19 PREPAYMENTS

	2014 RMB'000	2013 RMB'000
Prepayments for construction work, equipment purchase and others	**23,105**	3,257

20 INVENTORIES

(a) Inventories in the consolidated balance sheet comprise:

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

Weakly mineralised wall rock represents sub-graded mineral materials.

20 INVENTORIES *(continued)*

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

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

21 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Accounts receivable	**110,589**	25,273	**–**	–
Bills receivable	**15,700**	29,710	**–**	–
Trade receivables *(note (i))*	**126,289**	54,983	**–**	–
Other receivables *(note (iv))*	**25,848**	28,666	**783,071**	3,015
	152,137	83,649	**783,071**	3,015

Notes:

(i) Ageing analysis

The ageing analysis of trade receivables is as follows:

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

(ii) Impairment of trade receivables

Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and other receivables directly (see note 2(i)(i)).

21 TRADE AND OTHER RECEIVABLES *(continued)*

Notes: (continued)

(iii) Trade receivables that are not impaired

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

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

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

(iv) Other receivables

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Prepayments and deposits *(note (a))*	21,440	24,057	–	–
Income tax recoverable *(note 25(a))*	–	3,191	–	–
Value added tax recoverable	3,682	–	–	–
Amounts due from subsidiaries *(note (b))*	–	–	783,071	–
Others	726	1,418	–	3,015
	25,848	28,666	783,071	3,015

Notes:

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

(b) Amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment.

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

22 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Cash in hand	**110**	380	**7**	10
Cash at banks	**167,321**	987,182	**119,514**	924,898
	167,431	987,562	**119,521**	924,908

23 BORROWINGS

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

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

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

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

Notes:

(i) As at 31 December 2014, the Group's bank loans were secured by the mining right of Laiyuan County Jiheng Mining Co., Ltd. with a carrying amount of approximately RMB105,362,000 (31 December 2013: RMB123,297,000) (see note 16). During the year ended 31 December 2014, the Group repaid bank loans with a carrying amount of RMB110,000,000.

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

23 BORROWINGS *(continued)*

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

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

As at 31 December 2014, the Group had banking facilities secured by the mining right of Laiyuan County Jiheng Mining Co., Ltd. with a carrying amount of approximately RMB105,362,000 (31 December 2013: RMB123,297,000) (see note 16). Such banking facilities amounted to RMB220,000,000 (31 December 2013: RMB220,000,000). The facilities were utilised to the extent of RMB200,000,000 (31 December 2013: RMB200,000,000).

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

24 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Trade payables *(note (i))*	**74,388**	53,026	**–**	–
Receipts in advance *(note (ii))*	**18,753**	15,774	**–**	–
Payables for construction work, equipment purchase and others	**50,588**	67,247	**–**	–
Other taxes payable	**25,665**	13,153	**–**	–
Amounts due to subsidiaries *(note (iii))*	**–**	–	**700**	–
Others *(note (iv))*	**25,027**	52,362	**2,606**	18,212
	194,421	201,562	**3,306**	18,212

Notes:

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

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

(iii) Amounts due to subsidiaries are unsecured, interest free and have no fixed terms of repayment.

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

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

25 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

(a) Income tax payable in the consolidated balance sheet represents:

	2014 RMB'000	2013 RMB'000
Net income tax payable/(recoverable) as at 1 January	**8,727**	(6,426)
Provision for the year *(note 6(a))*	**98,980**	154,131
Income tax paid	**(88,868)**	(138,978)
Net income tax payable as at 31 December	**18,839**	8,727
Represents:		
Income tax payable	**18,839**	11,918
Income tax recoverable *(note 21(iv))*	**–**	(3,191)
Net income tax payable as at 31 December	**18,839**	8,727

(b) Deferred tax assets and liabilities recognised

The components of deferred tax assets and liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

	Undistributed profits of subsidiaries in Mainland China RMB'000	Accrued expenses RMB'000	Impairment losses on property, plant and equipment RMB'000	Long-term payables RMB'000	Maintenance and production funds RMB'000	Depreciation and amortisation RMB'000	Accrued reclamation obligations RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2013	–	2,146	1,316	1,188	(3,058)	(2,320)	1,893	4	1,169
Charged/(credited) to profit or loss *(note 6(a))*	–	1,524	–	2,936	773	2,216	27	(4)	7,472
At 31 December 2013	–	3,670	1,316	4,124	(2,285)	(104)	1,920	–	8,641
At 1 January 2014	**–**	**3,670**	**1,316**	**4,124**	**(2,285)**	**(104)**	**1,920**	**–**	**8,641**
Charged/(credited) to profit or loss *(note 6(a))*	**–**	**(777)**	**(1,316)**	**3,032**	**1,604**	**(35)**	**266**	**–**	**2,774**
Charged/(credited) to reserves	**(11,718)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(11,718)**
At 31 December 2014	**(11,718)**	**2,893**	**–**	**7,156**	**(681)**	**(139)**	**2,186**	**–**	**(303)**

25 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET *(continued)*

(b) Deferred tax assets and liabilities recognised *(continued)*

An analysis of deferred tax assets and liabilities recognised in the consolidated balance sheet for the years presented are as follows:

	2014 RMB'000	2013 RMB'000
Net deferred tax assets recognised in the consolidated balance sheet	**11,415**	8,641
Net deferred tax liabilities recognised in the consolidated balance sheet	**(11,718)**	–
	(303)	8,641

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(p), the Group has not recognised deferred tax assets in respect of tax losses of RMB82,504,000 as at 31 December 2014 (31 December 2013: RMB56,971,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. Included in the total amount of tax losses are RMB51,517,000 (31 December 2013: RMB43,733,000) in relation to Group entities operated in the PRC, for which the tax losses can be carried forward for five years from the year incurred.

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

	2014 RMB'000	2013 RMB'000
Year of expiry:		
2016	**30,516**	30,516
2017	**12,239**	12,239
2018	**978**	978
2019	**7,784**	–
	51,517	43,733

(d) Deferred tax liabilities not recognised

As at 31 December 2014, temporary differences in relation to the undistributed profits of subsidiaries in Mainland China since 1 January 2008 and up to the public listing of the Company's shares on the Stock Exchange amounted to RMB554,346,000 (31 December 2013: RMB542,682,000). Relevant deferred tax liabilities of RMB27,717,000 (31 December 2013: RMB27,134,000) have not been recognised at the respective balance sheet dates in respect of the withholding income tax (see note 6(b)) that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

26 LONG-TERM PAYABLES

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

Note:

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

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

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

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

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

27 ACCRUED RECLAMATION OBLIGATIONS

	2014 RMB'000	2013 RMB'000
At 1 January	**46,793**	46,688
Accretion expenses *(note 5(a))*	**3,065**	3,058
Utilised during the year	**(2,000)**	(2,953)
At 31 December	**47,858**	46,793
Less: current portion of accrued reclamation obligations	**5,469**	4,434
	42,389	42,359

27 ACCRUED RECLAMATION OBLIGATIONS *(continued)*

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. As 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.

28 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital RMB'000 *(note 28(c))*	Share premium RMB'000 *(note 28(d))*	Exchange reserve RMB'000 *(note 28(d))*	Other reserve RMB'000 *(note 28(d))*	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2013	1	–	–	150,576	–	150,577
Changes in equity:						
Total comprehensive income	–	–	(5,597)	–	(13,121)	(18,718)
Issuance of shares	119	968,979	–	–	–	969,098
Share issuance costs	–	(40,670)	–	–	–	(40,670)
Balance at 31 December 2013	120	928,309	(5,597)	150,576	(13,121)	1,060,287
Balance at 1 January 2014	**120**	**928,309**	**(5,597)**	**150,576**	**(13,121)**	**1,060,287**
Changes in equity:						
Total comprehensive income	**–**	**–**	**3,630**	**–**	**(14,055)**	**(10,425)**
Balance at 31 December 2014	**120**	**928,309**	**(1,967)**	**150,576**	**(27,176)**	**1,049,862**

(b) Dividends

The board of directors of the Company does not recommend the payment of a final dividend in respect of the year ended 31 December 2014.

28 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(c) Share capital

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

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

On 28 November 2013, the Company issued 375,000,000 shares (without the exercise of over-allotment option as set out in the Prospectus) with a par value of HKD0.0001 each, at a price of HKD3.20 per share by way of an initial public offering. On 20 December 2013, the Company partially exercised the over-allotment option as set out in the Prospectus and issued an aggregate of 7,843,000 shares with a par value of HKD0.0001 each, at a price of HKD3.20 per share. As at 31 December 2014, a total of 1,507,843,000 shares have been listed on the Stock Exchange.

Ordinary shares, issued and fully paid

	2014 and 2013		
	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

28 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(d) Nature and purpose of 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) Specific reserve for maintenance and production funds

Pursuant to the relevant PRC regulations, appropriation for production maintenance, production safety and other related expenditures are accrued by the Group at fixed rates based on production volume (the "maintenance and production funds"). The Group is required to make a transfer for the appropriation of maintenance and production funs from retained earnings to a specific reserve. The appropriation for maintenance and production funds may cease if the balance of the specific reserve at the beginning of the year has reached 5% of the revenues of the relevant PRC subsidiaries in the previous year. The maintenance and production funds 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 specific reserve back to retained earnings.

(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. The reserve is dealt with in accordance with the accounting policy set out in note 2(u).

28 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(d) Nature and purpose of reserves *(continued)*

(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.

(e) Distributability of reserves

Pursuant to the Cayman Companies Law, Chapter 22 (2012 Revision, as consolidated and reserved) of the Cayman Islands, share premium of the Company is also a distributable reserve to the shareholders. As at 31 December 2014, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB901,133,000 (31 December 2013: RMB915,188,000).

(f) Capital management

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

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

The gearing ratio (calculated as total bank and other borrowings divided by total assets) of the Group as at 31 December 2014 was 8% (31 December 2013: 13%).

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from movements in its own equity share price.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

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

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

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group generally delivers goods to its customers after receiving full payments in advance. Under certain circumstances, a credit period of up to 180 days is granted to customers that have a good track record with the Group and in good credit condition.

Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at 31 December 2014, 100% (31 December 2013: 64%) of trade receivables was due from the Group's five largest customers.

(b) Liquidity risk

The Group has to maintain a suitable level of liquidity to finance the daily operation, capital expenditure and repayment of borrowings. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(b) Liquidity risk *(continued)*

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

	2014					
		Contractual undiscounted cash flow				
	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000
Interest-bearing borrowings	**200,000**	**212,441**	**109,545**	**102,896**	**–**	**–**
Trade and other payables	**194,421**	**194,421**	**194,421**	**–**	**–**	**–**
Long-term payables	**231,899**	**266,684**	**56,908**	**60,052**	**136,271**	**13,453**
Accrued reclamation obligations	**47,858**	**64,290**	**5,827**	**6,712**	**17,827**	**33,924**
Total	**674,178**	**737,836**	**366,701**	**169,660**	**154,098**	**47,377**

	2013					
		Contractual undiscounted cash flow				
	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000
Interest-bearing borrowings	310,000	337,812	57,921	279,891	–	–
Trade and other payables	201,562	201,562	201,562	–	–	–
Long-term payables	270,519	320,446	53,764	56,908	167,916	41,858
Accrued reclamation obligations	46,793	69,189	4,725	5,827	20,028	38,609
Total	828,874	929,009	317,972	342,626	187,944	80,467

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS
(continued)

(c) Interest rate risk

The Group's interest rate risk arises primarily from its short-term and long-term borrowings carrying interests at fixed rates exposed the Group to fair value interest rate risk. The Group manages its exposure to interest rate risk by maintaining high proportion of fixed rate borrowings. Details of the interest rates are disclosed in note 23.

(d) Currency risk

The Group is exposed to currency risk primarily through financing activities which give rise to borrowings and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The Group's principal business is located in the PRC and the principal operation and transactions are carried out in RMB. Substantially all of the Group's assets and liabilities 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 our 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 and have not entered into any derivative instruments to manage foreign exchange fluctuations. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(i) Exposure to currency risk

The following table details the Group's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purpose, the amounts of the exposure are shown in RMB, translated using the spot rate at the year end date.

	2014		2013	
	USD '000	**RMB '000**	USD '000	RMB '000
Cash and cash equivalents	**674**	**117,846**	48	–

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(d) Currency risk *(continued)*

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2014			2013		
	Increase/ (decrease) in foreign exchange rates %	Effect on profit after tax and retained profits '000	Effect on other components of equity '000	Increase/ (decrease) in foreign exchange rates %	Effect on profit after tax and retained profits '000	Effect on other components of equity '000
United States dollars	5	34	–	5	2	–
	(5)	(34)	–	(5)	(2)	–
Renminbi	5	5,892	(5,892)	5	–	–
	(5)	(5,892)	5,892	(5)	–	–

(e) Fair values

As at 31 December 2014 and 2013, no financial instrument of the Group was measured at fair value across the three levels of the fair value hierarchy defined in IFRS 7, *Financial Instruments: Disclosures*.

In respect of the Group's cash and cash equivalents, trade and other receivables (inclusive of amounts due from related parties) and trade and other payables (inclusive of amounts due to related parties), the carrying amounts approximated fair values as at 31 December 2014 and 2013 due to the relatively short term nature of these financial instruments.

In respect of the Group's borrowings, the carrying amounts were not materially different from their fair values as at 31 December 2014 and 2013. The fair value of borrowings were estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

The aggregate carrying amounts of other financial liabilities carried on the consolidated balance sheet were not materially different from their fair values as at 31 December 2014 and 2013.

30 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	207,327
Capital contribution from owners	251,000
The Company's ownership interest at 31 December 2014	1,002,824

31 COMMITMENTS AND CONTINGENCIES

(a) Capital commitments

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

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

(b) Operating lease commitments

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

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

31 COMMITMENTS AND CONTINGENCIES *(continued)*

(b) Operating lease commitments *(continued)*

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

(c) Environmental contingencies

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

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

(ii) the extent of required cleanup efforts;

(iii) varying costs of alternative remediation strategies;

(iv) changes in environmental remediation requirements; and

(v) the identification of new remediation sites.

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

(d) Governmental and regulatory levies

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

32 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

During the years presented, the Group entered into transactions with the following related parties.

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 years presented are as follows:

	2014 RMB'000	2013 RMB'000
Property leasing charges *(note (i))*	**1,729**	–
Advances repaid to a related party *(note (ii))*	**–**	483,195

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.

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 the year ended 31 December 2014 and each of the years ending 31 December 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:

	2014 RMB'000	2013 RMB'000
Within 1 year	**1,900**	2,000
After 1 year but within 5 years	**1,950**	4,000
	3,850	6,000

32 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(b) Key management personnel remuneration

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

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2014 **RMB'000**	2013 RMB'000
Basic salaries, allowances and benefits in kind	**8,703**	3,343
Discretionary bonus	**288**	–
Retirement scheme contributions	**233**	268
	9,224	3,611

(c) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of (a) above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section headed "Connected Transactions and Continuing Connected Transactions" of the Report of the Directors.

33 ULTIMATE CONTROLLING PARTY

As at 31 December 2014, the directors considered the ultimate controlling parties of the Group to be Mr. Li Yanjun and Mr. Leung Hongying Li Ziwei.

(Expressed in Renminbi unless otherwise stated)

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2014

Up to the date of issue of these financial statements, the IASB has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2014 and which have not been adopted in these financial statements. These included the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 16 and IAS 38, *Clarification of acceptable methods of depreciation and amortisation*	1 January 2016
IFRS 15, *Revenue from contracts with customers*	1 January 2017
IFRS 9, *Financial instruments*	1 January 2018

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Definitions

In this report, unless the context otherwise requires, the following expressions shall have the following meanings:

DEFINITIONS OF FREQUENTLY-USED TERMS

"Aowei Developments"	Aowei International Developments Limited (奧威國際發展有限公司), a company incorporated in the BVI as a limited liability company on 21 September 2012, which is wholly owned by Seven Limited
"Aowei Group"	Hebei Aowei Industrial Group Co., Ltd. (河北奧威實業集團有限公司), a company established in the PRC on 4 December 1996, which is owned by Mr. Li Yanjun and his wife, Ms. Yang Hongying, as to 89.2% and 10.8%, respectively
"Aowei Mining"	Laiyuan County Aowei Mining Investments Co., Ltd. (淶源縣奧威礦業投資有限公司, previously known as Rongcheng County Jiuhengjiye Technology Co., Ltd. (容城縣久恒基業科技有限公司) since its incorporation and until 12 April 2012, and Laiyuan County Jiuhengjiye Technology Co., Ltd. (淶源縣久恒基業科技有限公司) from 12 April 2012 to 12 June 2012), a company established in the PRC on 8 June 2011 and an indirectly wholly owned subsidiary of our Company, principally as a subsidiary holding company
"Articles of Association"	the Articles of Association of the Company
"Audit Committee"	the audit committee of the Board
"Board"	the board of directors of the Company
"BVI"	the British Virgin Islands
"Cayman Companies Law"	the Companies Law of the Cayman Islands (2012 Revision), as amended, supplemented, or otherwise modified
"Company" or "our Company"	Hengshi Mining Investments Limited (恒實礦業投資有限公司), an exempted company originally incorporated in the BVI on 14 January 2011 and re-domiciled from the BVI to the Cayman Islands on 23 May 2013
"Corporate Governance Code"	the Corporate Governance Code set out in Appendix 14 of the Listing Rules
"Directors"	the directors of the Company
"Group" or "we" or "our" or "us"	our Company and its subsidiaries (or our Company and any one or more of its subsidiaries, as the context may require); or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at relevant time

"Hebei Provincial Department of Land and Resources"	the Hebei Provincial Department of Land and Resources (河北省國土資源廳)
"Hengshi Holdings"	Hengshi Holdings Limited (恒實控股有限公司), a limited liability company incorporated in the BVI on 14 January 2011, which is wholly owned by Chak Limited
"Hengshi Investments"	Hengshi International Investments Limited (恒實國際投資有限公司), a limited liability company incorporated in the BVI on 14 January 2011, which is wholly owned by Hengshi Holdings
"HK$"	Hong Kong dollars
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Nomination Committee"	the nomination committee of the Board
"PRC"	the People's Republic of China, and for the purpose of this report, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period"	the period from 1 January 2014 to 31 December 2014
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance, (Chapter 571, the Laws of Hong Kong)
"Share(s)"	share(s) of the Company
"Shareholder(s)"	holder(s) of shares of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited