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

INTERIM REPORT 2016

CORE VALUE

Create Wealth for the Society

Create Value for our Shareholders

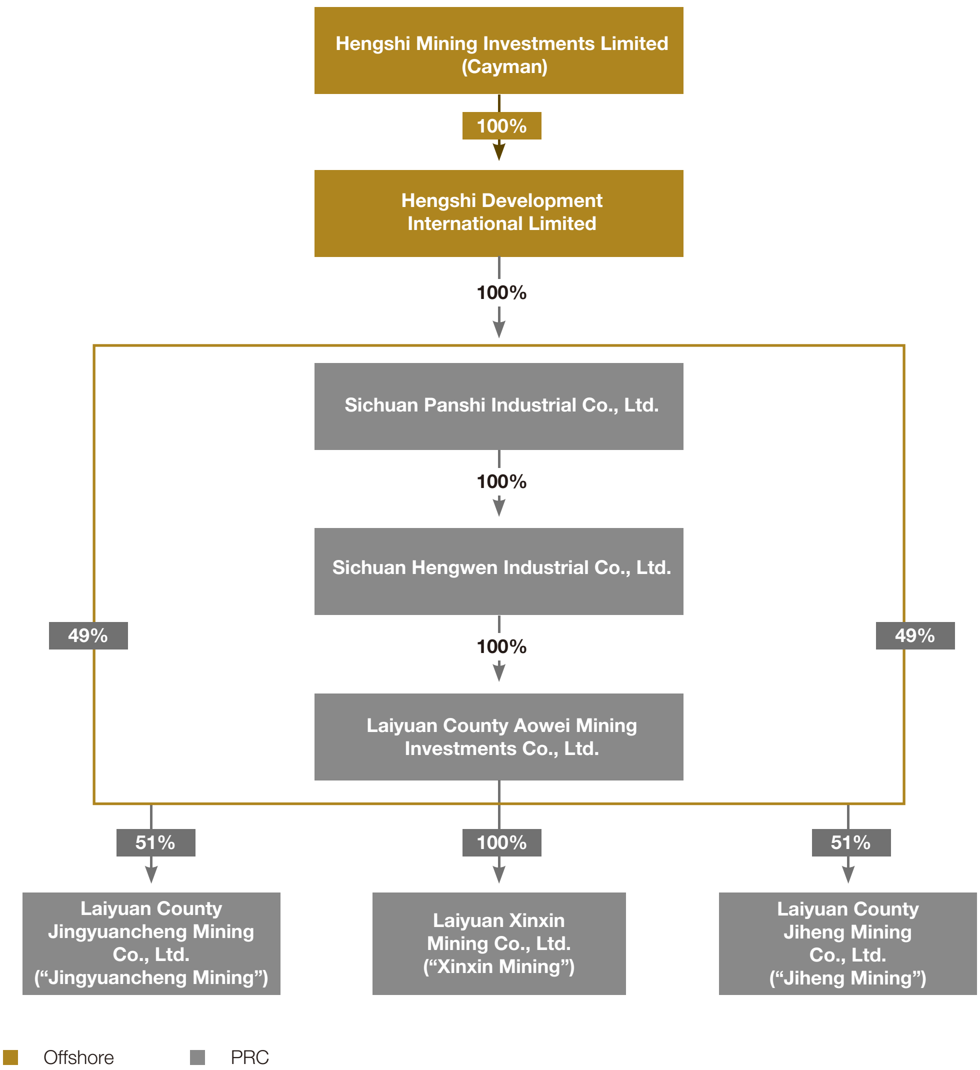
Create Prospects for our Employees

CONTENT

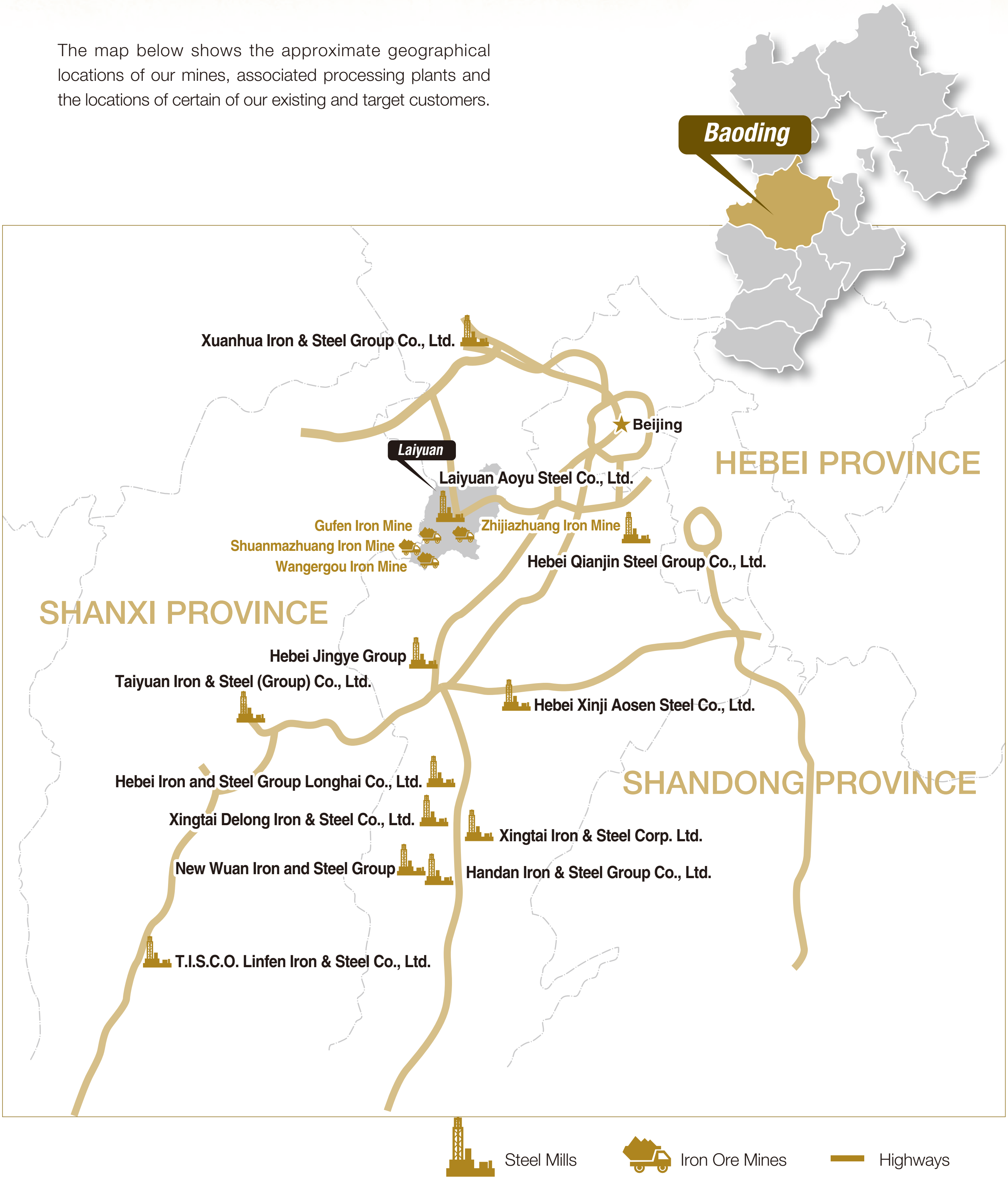
CORPORATE INFORMATION

Hengshi Mining Investments Limited (the "Company") was initially incorporated in the British Virgin Islands under the laws of the British Virgin Islands on 14 January 2011 and redomiciled to the Cayman Islands on 23 May 2013. The shares of the Company (the "Shares") were 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 including 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.



The map below shows the approximate geographical locations of our mines, associated processing plants and the locations of certain of our existing and target customers.



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

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Cayman Islands

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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

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8th Floor, Prince's Building
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Hong Kong

HONG KONG LEGAL ADVISOR
Loong & Yeung, Solicitors
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Cayman Islands

HONG KONG SHARE REGISTRAR
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INVESTOR INQUIRIES
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DIRECTORS
Executive Directors
Mr. Li Yanjun (Chairman)
Mr. Leung Hongying Li Ziwei (also known as Li Ziwei) (Vice Chairman)
Mr. Huang Kai (CEO) (appointed as the CEO on 30 March 2016)
Mr. Xia Guoan (CEO) (resigned on 30 March 2016)
Mr. Sun Jianhua (CFO)
Mr. Li Jinsheng (appointed on 30 March 2016)
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 (also known as Li Ziwei)
Mr. Ge Xinjian

NOMINATION COMMITTEE

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

FINANCIAL HIGHLIGHTS

The revenue of the Group in the first half of 2016 (the "Reporting Period") was approximately RMB325.6 million, representing a decrease of approximately RMB130.3 million or 28.6% as compared with the corresponding period last year.

The Group's gross profit was approximately RMB97.5 million for the Reporting Period, representing a decrease of approximately RMB87.6 million or 47.3% as compared with the corresponding period last year; the Group's gross profit margin for the Reporting Period decreased to 30.0% from 40.6% as compared with the corresponding period last year.

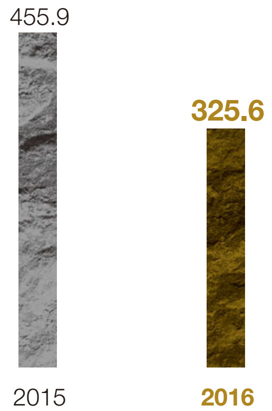
The Group's profit for the Reporting Period amounted to approximately RMB7.0 million, representing a decrease of approximately RMB74.3 million or 91.4% as compared with the corresponding period last year.

The basic earnings per share attributable to equity holders of the Company's ordinary shares were RMB0.46 cents per share, representing a decrease of RMB4.93 cents per share as compared with the corresponding period last year.

The board (the "Board") of directors (the "Directors") of the Company did not propose to distribute any interim dividend for the Reporting Period.

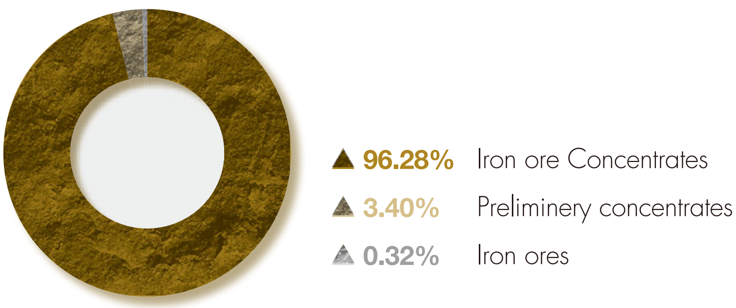
REVENUE (RMB million)

for the six months ended 30 June



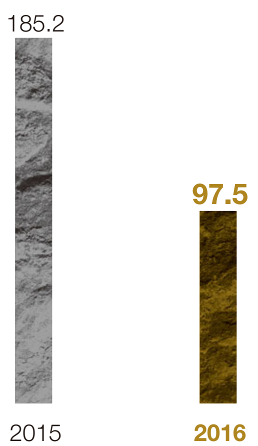
REVENUE BREAKDOWN BY PRODUCT CATEGORIES

for the six months ended 30 June 2016



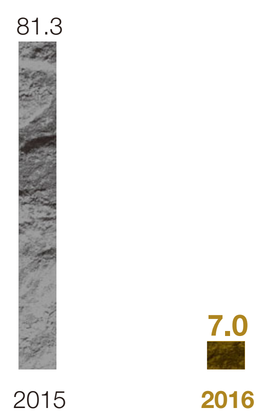
GROSS PROFIT (RMB million)

for the six months ended 30 June



PROFIT FOR THE PERIOD (RMB million)

for the six months ended 30 June



MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In the first half of 2016, influenced by a series of stimulus policies and factors including high liquidity, the future price of steel and iron ore have experienced an evident hike, and the selling price of iron ore also increased as compared with the low level of earlier time this year. The Platts Index of 62% iron ore rose from US$42.7 per ton as at 4 January 2016 to US$55.0 per ton as at 30 June 2016. However, compared with the corresponding period last year, the price of iron ore still remains at a low level.

In the international market, overseas mineral giants continued their planned expansion of production, making the supply of iron ore exceeding the demand, and the low price has gradually driven the medium and small size iron ore enterprises of China out of the market. The proportion of imported iron ore among the total iron ore consumption in China has further increased. According to the statistics of General Administration of Customs of the PRC, the imported iron ore amounted to a record high of 493.7 million tons, representing an increase of 9.1% year on year. The domestic iron ore enterprises are still facing tough challenge.

As to the demand side, since the Chinese government continued to implement the “supply-side reform”, which meant a continuous de-capacity of the downstream steel industry, the demand for iron ore will still be restrained. Meanwhile, as the first-tier and second-tier cities have implemented policies to adjust the real estate market, the sales and the number of newly-commenced real estate projects have declined. The decrease of real estate investment and trade protectionism in the international market will also have negative impact on the demand of steel.

BUSINESS REVIEW

During the Reporting Period, the Group took the following measures to improve the Group’s business operation and profitability:

1. To strengthen internal management and improve the efficiency of operation. During the Reporting Period, the Group continued to adjust organizational structure and management to improve the management of the operating mines, execute production and selling plan strictly, control production costs and capital expenditure, which increased the operation efficiency.

2. To accelerate the pace of de-stocking by taking advantage of the periodical opportunity of the market. During the first half of 2016, the iron ore price rebounded as compared to the beginning this year, and the rise of the down-stream steel price industry also raised the demand of iron ore products. The Group has fully grasped this market opportunity and enhanced sales of the current iron ore products by active sales strategy, which decreased inventory volume.

3. To adjust production and operation reasonably. In view that the iron ore markets is expected to remain weak within the foreseeable period, the Group, after careful consideration, decided to implement a temporary halt of operation of Xinxin Mining to cope with the declining trend of iron ore price and keep the profitability of the Group. The Group will closely monitor the development in the iron ore market and determine the timing of re-commencing the production of Xinxin Mining accordingly.

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

	For the 6 months ended 30 June			For the 6 months ended 30 June			For the 6 months ended 30 June		
	Output (Kt)			Sales Volume (Kt)			Average Sales Price (RMB)		
The Group	**2016**	2015	% change	**2016**	2015	% change	**2016**	2015	% change
Jiheng Mining									
Iron ores	**2,015.92**	1,996.95	0.95%	**16.64**	9.52	74.79%	**63.00**	125.00	–49.60%
Preliminary concentrates	**1,234.80**	1,091.01	13.18%	**103.99**	217.27	–52.14%	**106.44**	112.63	–5.50%
Iron ore concentrates[1]	**543.89**	517.28	5.14%	**553.12**	580.53	–4.72%	**329.88**	434.74	–24.12%
Jingyuancheng Mining									
Iron ores	**4,192.27**	3,724.60	12.56%	**N/A**	N/A	N/A	**N/A**	N/A	N/A
Preliminary concentrates	**822.35**	1,287.76	–36.14%	**N/A**	N/A	N/A	**N/A**	N/A	N/A
Iron ore concentrates[1]	**292.65**	283.11	3.37%	**330.29**	251.26	31.45%	**388.79**	489.86	–20.63%
Xinxin Mining[2]									
Iron ores	**–**	959.99	–100.00%	**N/A**	N/A	N/A	**N/A**	N/A	N/A
Preliminary concentrates	**–**	337.82	–100.00%	**N/A**	N/A	N/A	**N/A**	N/A	N/A
Iron ore concentrates	**–**	90.79	–100.00%	**8.18**	124.69	–93.44%	**320.00**	438.37	–27.00%
Total									
Iron ore concentrates	**836.54**	891.18	–6.13%	**891.59**	956.48	–6.78%	**353.47**	449.69	–21.40%

Notes:

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

(2) The Group decided to implement a temporary halt of operation of Xinxin Mining considering the weak forecast of the price of iron ore products and the operation cost of Xinxin Mining. The halt of operation has been properly conducted.

MINES IN OPERATION

Zhijiazhuang Mine

Zhijiazhuang Mine, which is wholly owned and operated by the Group's wholly owned subsidiary, Jiheng Mining, is located in Yangjiazhuang Village, Laiyuan County, the PRC. It has an area of 0.3337 sq.km. covered by its mining permit and has comprehensive basic infrastructures such as water, electricity, highway and railway, etc. The annual mining capacity of Zhijiazhuang Mine was 3.3 Mtpa, and the dry processing capacity and the wet processing capacity were 4.2 Mtpa and 1.8 Mtpa respectively, as at 30 June 2016.

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

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

		For the six months ended 30 June		
Item	**Unit**	**2016**	2015	% change
Mine				
Of which: (≥8%) raw ores	Kt	**2,015.92**	1,996.95	0.95%
Stripping in production	Kt	**1,338.70**	852.92	56.95%
Stripping ratio in production	t/t	**0.66**	0.43	53.49%
Dry processing				
Raw ore feed	Kt	**2,091.19**	2,237.68	–6.55%
Preliminary concentrates output	Kt	**1,234.80**	1,091.01	13.18%
By-product feed/preliminary concentrates output	t/t	**1.69**	2.05	–17.56%
Wet processing				
Preliminary concentrates feed	Kt	**952.39**	940.58	1.26%
Iron ore concentrates output	Kt	**543.89**	517.28	5.14%
Preliminary concentrates feed/iron ore concentrates output	t/t	**1.75**	1.82	–3.85%

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

Iron ore:

	For the six months ended 30 June		
Unit: RMB per ton of iron ore	**2016**	2015	% Change
Mining cost	**16.56**	12.13	36.52%
Administrative expenses	**7.86**	3.31	137.46%
Distribution costs	**0.86**	1.65	–47.88%
Taxation	**6.08**	6.09	–0.16%
In total	**31.36**	23.18	35.29%

Preliminary concentrates

	For the six months ended 30 June		
Unit: RMB per ton of preliminary concentrates	**2016**	2015	% Change
Mining costs	**28.03**	24.88	12.66%
Dry processing costs	**7.91**	11.66	–32.16%
Administrative expenses	**13.32**	6.78	96.46%
Distribution costs	**1.08**	1.48	–27.03%
Taxation	**6.88**	10.08	–31.75%
In total	**57.22**	54.88	4.26%

Iron ore concentrates

	For the six months ended 30 June		
Unit: RMB per ton of iron ore concentrates	**2016**	2015	% Change
Mining costs	**49.09**	45.23	8.53%
Dry processing costs	**13.85**	21.20	–34.67%
Wet processing costs	**45.51**	53.63	–15.14%
Administrative expenses	**23.32**	12.34	88.98%
Distribution costs	**2.87**	14.11	–79.66%
Taxation	**11.94**	19.13	–37.58%
In total	**146.58**	165.64	–11.51%

A decrease in the unit cash operating cost of iron ore concentrates was primarily due to the increase of stripping ratio and the mining grade of iron ores as compared with the corresponding period of 2015, which improved the efficiency of dry processing and water processing, and resulted in the reduction of resources tax.

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 PRC. The areas covered by the mining licenses for Wang'ergou Mine and Shuanmazhuang Mine are 1.5287 sq.km. and 2.1871 sq.km. respectively. Wang'ergou and Shuanmazhuang have comprehensive basic infrastructures such as water, electricity and highway. As at 30 June 2016, the aggregate annual mining capacity of Wang'ergou Mine and Shuanmazhuang Mine was 14.0 Mtpa, and the dry processing capacity and wet processing capacity were 17.6 Mtpa and 3.5 Mtpa, respectively.

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

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

		For the six months ended 30 June		
Item	**Unit**	**2016**	2015	% change
Mine				
Ore production	Kt	**4,192.27**	3,724.60	12.56%
Infrastructure and stripping	Kt	**–**	3,469.90	–100.00%
Stripping in production	Kt	**1,440.65**	1,055.67	36.47%
Stripping ratio in production	t/t	**0.34**	0.28	21.43%
Dry processing				
Raw ore feed	Kt	**4,463.27**	3,466.72	28.75%
Preliminary concentrates output	Kt	**822.35**	1,287.76	–36.14%
By-product feed/preliminary concentrates output	t/t	**5.43**	2.69	101.86%
Wet processing				
Preliminary concentrates feed	Kt	**834.85**	1,247.33	–33.07%
Iron ore concentrates output	Kt	**292.65**	283.11	3.37%
Preliminary concentrates feed/iron ore concentrates output	t/t	**2.85**	4.41	–35.37%

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

Iron ore concentrates

	For the six months ended 30 June		
Unit: RMB per ton of iron ore concentrates	**2016**	2015	%Change
Mining costs	**142.57**	88.53	61.04%
Dry processing costs	**69.04**	62.87	9.81%
Wet processing costs	**50.69**	98.34	–48.45%
Administrative expenses	**41.32**	41.36	–0.10%
Distribution costs	**8.98**	22.46	–60.02%
Taxation	**16.54**	24.13	–31.45%
In total	**329.14**	337.69	–2.53%

A decrease in the unit cash operating cost of iron ore concentrates was primarily due to the adjustment of stripping ratio and the improvement of the efficiency of water processing brought by the operation of high pressure tumbling mill and the reduction of resources tax.

Gufen Mine

Gufen Mine, which is operated by our wholly owned subsidiary, Xinxin Mining, is located in Shuibao Village, Laiyuan County, the PRC and the area covered by the mining right for Gufen Mine is 1.3821 sq.km. Gufen Mine has comprehensive basic infrastructures such as water, electricity and highway, etc. As at 30 June 2016, Gufen Mine's annual mining capacity was 3.90 Mtpa, and the dry processing capacity and the wet processing capacity was 5.75 Mtpa and 1.60 Mtpa, respectively.

Since the iron ore price in the domestic and overseas markets remained weak for the time being, the Group decided to implement a temporary halt of production of Xinxin Mining, taking into full consideration of market prospects and the operating conditions of Xinxin Mining, specifically, the relationship between estimated selling price and the mining and processing costs. Xinxin Mining temporarily suspended mining and processing activities during the Reporting Period.

Since the production volume of iron ore concentrates of Xinxin Mining in 2015 was approximately 142.2 thousand tons, which only accounted for approximately 8.8% of the total production volume of the Group's iron ore concentrates in 2015, and the Group has properly arranged the manufacturing and management staff to ensure a steady transition, the above temporary halt of operation therefore will not bring additional burden to the Group's financial position.

Meanwhile, the management will continue to monitor the market conditions closely and arrange the subsequent operation with discretion.

SAFETY AND ENVIRONMENTAL PROTECTION

The Group established a production safety management department specifically responsible for production safety and management. This department has been consistently promoting safety standards and strengthening environmental protection policies so as to develop the Group into a socially responsible enterprise with high safety awareness. During the first half of 2016, 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 Chinese government will inevitably tighten the relevant environmental policies over steelmaking, cement production and other high-pollution industries. To mitigate the potential impact of the policies to our business, the Group will closely monitor the latest regulatory requirements and introduce appropriate environmental measures to our operation and production from time to time.

FINANCIAL REVIEW

Revenue

The revenue of the Group in the first half of 2016 was approximately RMB325.6 million, representing a decrease of approximately RMB130.3 million or 28.6% as compared with the corresponding period last year. The reduction is mainly due to the decrease in the average selling price and the sales volume of the Group's iron ore products.

Cost of sales

The Group's cost of sales in the first half of 2016 was approximately RMB228.1 million, representing a decrease of approximately RMB42.7 million or 15.8% as compared with the corresponding period last year, which was mainly due to the adjustment of the production plan of the mines, the improvement of efficiency brought by technology upgrade and the reduction of the resources tax rate by the Chinese government since May 2015, the impact of the above factors have been partly offset by the idle cost arising from the temporary halt of operation of Xinxin Mining.

Gross profit and gross profit margin

The Group's gross profit was approximately RMB97.5 million in the first half of 2016, representing a decrease of approximately RMB87.6 million or 47.3% as compared with the corresponding period last year; the Group's gross profit margin in the first half of 2016 decreased to approximately 30.0% from approximately 40.6% as compared with the corresponding period last year, which was mainly due to the reduction of the average unit selling price of various kinds of sale products, and the effect of the reduction of average unit selling price had been partly offset by the cost reduction.

Distribution costs

The Group's distribution costs in the first half of 2016 were approximately RMB4.3 million, representing a decrease of approximately RMB10.6 million or 70.8% as compared with the corresponding period last year, which was mainly due to the decrease of the total volume of the products that the Group was responsible for the delivery costs.

Administrative expenses

The Group's administrative expenses were approximately RMB50.6 million in the first half of 2016, representing an increase of approximately RMB0.1 million or 0.1% as compared with the corresponding period last year. Administrative expenses include salaries paid to the management and administrative staff of the Group, depreciation and amortization, rental and office expenses, business development expenses, professional consulting and services expenses, taxation expenses, bank commissions, provision for impairment of inventories, the provision for bad debts and other expenses.

Finance costs

The Group's finance costs in the first half of 2016 were approximately RMB24.3 million, representing an increase of approximately RMB9.2 million or 61.5% as compared with the corresponding period last year. The increase is mainly due to the increase of the Group's bank borrowings during the Reporting Period. Finance costs include interest expenses of bank borrowings, discounted expenses, other finance expenses and amortization of discounted expenses of long-term payables.

Income tax expenses

The Group's income tax expenses in the first half of 2016 amounted to approximately RMB14.2 million, representing a decrease of approximately RMB12.4 million or 46.6% as compared with the corresponding period last year. The Group's effective tax rate calculated according to income tax expenses charged to the consolidated statement of profit or loss and other comprehensive income and profit before taxation for the first half of 2016 was approximately 66.9%, as compared with approximately 24.6% in the corresponding period last year. The main reason for the increase was that no deferred income tax assets were recorded for the tax losses of Jingyuancheng Mining, Xinxin Mining and the investment holding companies of the Group.

Profit for the Reporting Period, total comprehensive income of the Group for the Reporting Period

Based on the above reasons, the Group's profit for the Reporting Period amounted to approximately RMB7.0 million, representing a decrease of approximately RMB74.3 million or 91.4% as compared with the corresponding period last year. The Group's net profit ratio was approximately 2.2% for the first half year of 2016, while that of the corresponding period last year was approximately 17.8%. The decrease was mainly due to the combined effects of the above factors.

Properties, plants and equipment

The net value of the Group's property, plant and equipment amounted to approximately RMB790.8 million as at 30 June 2016, representing an increase of approximately RMB66.4 million or 9.2% as compared with the end of last year. The main reason for the increase was that the Group's constructions in progress were completed and transferred into properties, plants and equipment, including the technology upgrade project of ultra fine high pressure roller mill, the newly constructed dry process project which had a yearly processing capacity of 8,000 thousand tons and the Dabugou tailing reservior project of Jingyuancheng Mining.

Inventories

Inventories of the Group amounted to approximately RMB94.2 million as at 30 June 2016, representing a decrease of approximately RMB20.8 million or 18.1% as compared with the end of last year. The decrease was mainly due to the Group's active de-stocking and improvement of operation capital management by taking advantage of the rebound of iron ore price.

Trade and other receivables

The Group's trade receivables amounted to approximately RMB120.2 million as at 30 June 2016, representing an increase of approximately RMB28.0 million as compared with the end of last year, which was mainly due to the grant of account period of 180 days to 240 days to the customers with good credit record and financial conditions. The Group's other receivables amounted to approximately RMB170.3 million as at 30 June 2016, representing an increase of approximately RMB53.0 million as compared with the end of last year, which was mainly due to the increase in advance payments made to the Group's major contractors of mining operations in order to secure service supply.

Trade and other payables

The Group's trade and other payables amounted to approximately RMB262.6 million as at 30 June 2016, representing an increase of approximately RMB131.8 million as compared with the end of last year, which was mainly due to the increase of notes payable. The Group's other payables amounted to approximately RMB68.3 million as at 30 June 2016, representing an decrease of approximately RMB22.6 million as compared with the end of last year.

Cash usage analysis

Summary of the Group's consolidated cash flow statement in the first half of 2016 is set out as follows.

	For the six months ended 30 June	
	2016 **RMB'000**	2015 RMB'000
Net cash flow generated from operating activities	**175,900**	167,270
Net cash flow used in investing activities	**(188,403)**	(137,417)
Net cash flow generated from/(used in) financing activities	**94,261**	(6,717)
Net increase in cash and cash equivalents	**81,758**	23,136
Cash and cash equivalents at the beginning of the period	**59,495**	167,431
Effect of foreign exchange rate changes on cash and cash equivalents	**444**	(77)
Cash and cash equivalents at the end of the period	**141,697**	190,490

Net cash flow generated from operating activities

The Group's net cash generated from operating activities in the first half of 2016 amounted to approximately RMB175.9 million, which mainly included the operating profit of approximately RMB42.6 million of the Group in the first half of 2016, the depreciation and amortization of approximately RMB55.3 million, the decrease of inventory of approximately RMB20.8 million and the increase of trade payables and other payables of approximately RMB140.5 million, and was offset by the increase of trade receivables and other receivables of approximately of RMB72.5 million.

Net cash flow used in investment activities

The Group's net cash outflow from investing activities in the first half of 2016 was approximately RMB188.4 million, which primarily represented the restricted bank deposits of RMB111.0 million used as pledge of note payable, the expenditure of approximately RMB71.7 million on the high pressure tumbling mill and dry processing upgrade of Jingyuancheng Mining and the expenditure of approximately RMB8.5 million on the building of tailings reservoir of Jiheng Mining.

Net cash flow generated from/(used in) financing activities

The Group's net cash flow generated from financing activities in the first half of 2016 was approximately RMB94.3 million, which was mainly due to increase of bank loans of RMB310.0 million, repayment of bank loans of RMB200.0 million and bank interests of RMB15.7 million.

Cash and borrowings

As at 30 June 2016, cash balance of the Group amounted to approximately RMB141.7 million, representing an increase of approximately RMB82.2 million or approximately 138.2% as compared with the end of last year.

As at 30 June 2016, bank borrowings balance of the Group was approximately RMB310.0 million, representing an increase of approximately RMB110.0 million or 55.0% as compared with the end of last year. The annual interest rates of the borrowings as at 30 June 2016 ranged from 4.400% to 6.525% (30 June 2015: 5.360%) per annum. All of the borrowings was accounted for as current liabilities of the Group (2015: 50%). The above borrowing were denominated in RMB.

Save as disclosed above, the Group has no outstanding mortgages, pledges, bonds or other loan capital (whether issued or agreed to be issued), bank overdrafts, borrowings, acceptance liabilities or other similar liabilities, hire purchase and finance lease commitments, or any guarantees or other material contingent liabilities. The Directors have confirmed that there had been no material change in the liabilities and contingent liabilities of the Group since 30 June 2016 and up to the date of this report.

As at 30 June 2016, the overall financial status of the Group is sound and stable.

Gearing ratio

The gearing ratio of the Group increased from approximately 30.6% on 31 December 2015 to approximately 38.0% on 30 June 2016, 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 the Group is primarily related to the bank borrowings. Most of the bank borrowings of the Group expire within one year, therefore the fair value interest rate risk was low. The Company currently does not have an interest rate hedging policy. However, the management of the Group monitors interest rate risk and will consider to hedge significant interest rate risk when necessary.

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

Significant acquisitions and disposals of subsidiaries, affiliated companies and joint ventures

The Group did not have any significant acquisition and disposal of subsidiaries, affiliated companies and joint ventures during the six months ended 30 June 2016.

Pledge of assets, contingent liabilities

The Group's bank loans were secured by the mining rights, land-use rights and properties, and the aggregate net book value of the pledged mining rights, land-use rights and properties amounted to approximately RMB68.1 million, 11.4 million and 40.0 million respectively as at 30 June 2016.

Save as disclosed above and this report, the Group had no material contingent liabilities as at 30 June 2016.

Subsequent event

On 4 July 2016 (after trading hours), the Company entered into the sale and purchase agreement (the "Sale and Purchase Agreement") with Jovial Link Investments Limited (連欣投資有限公司) (the "Vendor") and Mr. Li Chung Tai (李忠泰), Mr. Li Shunfa (李順發) and Ms. Lee Sam Mui (李三妹) (collectively, the guarantors), pursuant to which the Company conditionally agreed to purchase, and the Vendor conditionally agreed to sell 1 share of Xinan Investments Limited (熹南投資有限公司) (the "Target Company"), representing the entire issued share capital of the Target Company at the consideration of RMB213,000,000 (the "Acquisition"). The consideration for the Acquisition shall be settled by the allotment and issuance of 127,486,892 new shares of the Company (the "Consideration Shares") by the Company to the Vendor or its nominees representing approximately 7.8% of the enlarged issued share capital of the Company upon the allotment and issuance of the consideration shares.

On 13 July 2016, completion of the Acquisition took place and the Consideration Shares were allotted and issued to the nominees of the Vendor in accordance with the terms and conditions of the Sale and Purchase Agreement.

For details of the Acquisition, please refer to the announcements of the Company dated 4 July 2016 and 13 July 2016.

Future plan and outlook

The Group will leverage on its advantage of low cost of the operating mines, keep steady operation of the current production units and continue to improve management and operation to cut costs and increase sales in an effort to enhance the Group's profitability in the periodical rebound of the iron ore price. In the meantime, the Group will also properly plan the capital expenditure of the current business to maintain a healthy financial position and cash flow, strengthening the Group's ability to control risk, providing aid and momentum for the business transformation.

Through the acquisition of the Target Company, the Group has entered into the vast medical service market of China by the relevant healthcare industry assets. In the future, the Group will leverage on the Target Company's resources to conduct hospital management services and medical supply chain business by various ways including acquisition and cooperation to build a healthcare management network with focus on the region of Beijing, Tianjin and Hebei.

The Group will optimize the key functions of the hospital's operation, management, financial system, procurement and planning, integrate industrial resources and improve the efficiency of management decision to cut operation costs and generate synergistic effect.

The Group will also cooperate with leading institutes of the industry, introducing excellent specialized departments to improve the clinical techniques of the hospital managed by the Group continuously, promote the medical knowledge communication of the hospitals and advance the standard of operation and service, so as to establish a well-known and influential healthcare brand.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2016, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Interests in the Shares of the Company:

Name of Directors	Capacity/Nature of Interest	Number of Shares (Long position)	Approximate percentage of shareholding
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 (also known as 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 (also known as 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 UNDERLYING SHARES OF THE COMPANY

As at 30 June 2016, the following persons (not being a Director or chief executive of the Company) had interests or short positions in Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO or, as otherwise notified to Company and the Hong Kong Stock Exchange:

Name of Shareholders	Capacity/Nature of Interest	Number of Shares (Long position)	Approximate percentage of shareholding
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%
Asia Equity Value Ltd	Interest in controlled corporation(3)	91,235,000(L)	6.05%
	Person having a security interest	200,717,000(L)	13.31%

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 (also known as 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 (also known as 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.

(3) Asia Equity Value Ltd holds 100% of Heelflik Trading Inc., which in turn owns 91,235,000 Shares.

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 30 June 2016.

SHARE OPTION SCHEME

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

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

The Company has adopted the Model Code as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code of conduct regarding the dealings in the Company's securities by the Directors. Specific enquiry has been made to all Directors and all Directors confirmed that they have complied with the code of conduct and the required standard set out in the Model Code regarding directors' securities transactions for the six months ended 30 June 2016.

CHANGES OF DIRECTORS AND DIRECTOR'S INFORMATION

Mr. Xia Guoan resigned as the chief executive officer and an executive director of the Company on 30 March 2016 and the resignation took effect from that date. The Company appointed Mr. Li Jinsheng as an executive director and Mr. Huang Kai as the chief executive officer of the Company on 30 March 2016 and the appointment took effect from that date.

Details of the above resignation and appointment were set out in the announcement of the Company published on 30 March 2016.

COMPETING BUSINESS AND CONFLICTS OF INTERESTS

As at 30 June 2016, none of the Directors, controlling shareholders or substantial shareholders of the Company or any of their respective close associates (as defined under the Listing Rules) is engaged in any business which competes or is likely to compete with the business of the Group, and none of them has any other conflicts of interests with the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2016, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2016, the Group had 862 employees in total (1,195 employees in total as at 30 June 2015). The total remuneration expenses and the amounts of other employees' benefit were approximately RMB30.6 million (the corresponding period in 2015: approximately RMB44.0 million). Employee costs include basic remuneration, incentive salary, social pension insurance, medical insurance, work-related injury insurance and other insurances required by the PRC government. According to the Group's remuneration policy, the employees' income is linked to the performance of individual employee and the operation performance of the Group.

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

STAFF TRAINING SCHEME

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

CORPORATE GOVERNANCE

Our Directors consider that good corporate governance is important in achieving effective and integrity in management and internal procedures. We have complied with the code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2016.

AUDIT COMMITTEE

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

The Company has adopted the latest requirement of Appendix 14 to the Listing Rules, adding into the responsibilities of the Audit Committee relating to the duty of risk management and internal control, improving the Company’s system of risk management and internal control. During the Reporting Period, the Audit Committee has begun to implement the above responsibilities, reviewing the Company’s risk relating to strategy, operation and finance on a timely basis, enhancing the Company’s capacity to cope with all kinds of risk.

The interim financial results of the Group for the six months ended 30 June 2016 is unaudited but has been reviewed by the Audit Committee, which was of the opinion that the results were prepared in accordance with and complied with the applicable accounting standards and requirements as well as the Listing Rules and that adequate disclosures have been made.

INTERIM DIVIDEND

The Board has resolved not to distribute any interim dividend for the six months ended 30 June 2016.

MAJOR LEGAL PROCEEDING

During the six months ended 30 June 2016, the Group was not involved in any major legal proceedings or arbitrations. To the best knowledge of the Directors, there is no pending or potential major legal proceeding or claim as at the date of this report.

INDEPENDENT REVIEW REPORT

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

INTRODUCTION

We have reviewed the interim financial report set out on pages 22 to 46 which comprises the consolidated statement of financial position of Hengshi Mining Investments Limited (the "Company") as at 30 June 2016 and the related consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

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

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

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

19 August 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME – UNAUDITED

For the six months ended 30 June 2016 – unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June 2016 RMB'000	2015 RMB'000
Revenue	5	**325,616**	455,926
Cost of sales		**(228,078)**	(270,773)
Gross profit		**97,538**	185,153
Distribution costs		**(4,342)**	(14,895)
Administrative expenses		**(50,601)**	(50,537)
Profit from operations		**42,595**	119,721
Finance income	6(a)	**2,870**	3,179
Finance costs	6(a)	**(24,283)**	(15,037)
Net finance costs	6(a)	**(21,413)**	(11,858)
Profit before taxation	6	**21,182**	107,863
Income tax	7	**(14,171)**	(26,541)
Profit attributable to equity shareholders of the Company for the period		**7,011**	81,322
Other comprehensive income for the period	8		
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**460**	(76)
Total comprehensive income attributable to equity shareholders of the Company for the period		**7,471**	81,246
Earnings per share			
Basic and diluted (RMB cents)	9	**0.46**	5.39

The notes on pages 28 to 46 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 23(a).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED

At 30 June 2016 – unaudited
(Expressed in Renminbi)

	Note	**At 30 June 2016 RMB'000**	At 31 December 2015 RMB'000
Non-current assets			
Property, plant and equipment, net	*10*	**790,814**	724,458
Construction in progress	*11*	**25,401**	58,981
Lease prepayments	*12*	**134,676**	143,006
Intangible assets	*13*	**586,645**	602,673
Long-term receivables	*14*	**40,960**	40,960
Prepayments		**1,876**	3,382
Deferred tax assets		**107,850**	107,316
Total non-current assets		**1,688,222**	1,680,776
Current assets			
Inventories	*15*	**94,227**	115,052
Trade and other receivables	*16*	**290,514**	209,520
Restricted bank deposits	*17*	**111,028**	–
Cash and cash equivalents	*18*	**141,697**	59,495
Total current assets		**637,466**	384,067
Current liabilities			
Borrowings	*19*	**310,000**	200,000
Trade and other payables	*20*	**262,626**	130,815
Current taxation		**12,957**	8,868
Current portion of long-term payables	*21*	**5,946**	5,786
Current portion of accrued reclamation obligations	*22*	**6,059**	6,399
Total current liabilities		**597,588**	351,868
Net current assets		**39,878**	32,199
Total assets less current liabilities		**1,728,100**	1,712,975

The notes on pages 28 to 46 form part of this interim financial report.

	Note	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Non-current liabilities			
Long-term payables, less current portion	21	**236,246**	229,885
Accrued reclamation obligations, less current portion	22	**50,379**	49,086
Deferred tax liabilities		**61**	–
Total non-current liabilities		**286,686**	278,971
NET ASSETS		**1,441,414**	1,434,004
CAPITAL AND RESERVES			
Share capital	23	**120**	120
Reserves	23	**1,441,294**	1,433,884
TOTAL EQUITY		**1,441,414**	1,434,004

The notes on pages 28 to 46 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

For the six months ended 30 June 2016 – unaudited
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company							
	Share capital RMB'000 *Note 23(b)*	Share premium RMB'000 *Note 23(c)*	Statutory surplus reserve RMB'000 *Note 23(c)*	Specific reserve RMB'000 *Note 23(c)*	Exchange reserve RMB'000 *Note 23(c)*	Other reserve RMB'000 *Note 23(c)*	Retained earnings RMB'000	Total equity RMB'000
At 1 January 2015	120	928,309	84,556	66,613	(1,953)	(126,229)	705,845	1,657,261
Changes in equity for the six months ended 30 June 2015								
Profit for the period	–	–	–	–	–	–	81,322	81,322
Other comprehensive income	–	–	–	–	(76)	–	–	(76)
Total comprehensive income	–	–	–	–	(76)	–	81,322	81,246
Transfer to specific reserve, net of utilisation	–	–	–	(1,972)	–	–	1,972	–
Deferred tax liabilities arising from undistributed profit of subsidiaries in Mainland China	–	–	–	–	–	–	(3,943)	(3,943)
At 30 June 2015 and 1 July 2015	120	928,309	84,556	64,641	(2,029)	(126,229)	785,196	1,734,564
Changes in equity for the six months ended 31 December 2015								
Loss for the period	–	–	–	–	–	–	(316,403)	(316,403)
Other comprehensive income	–	–	–	–	182	–	–	182
Total comprehensive income	–	–	–	–	182	–	(316,403)	(316,221)
Transfer to specific reserve, net of utilisation	–	–	–	902	–	–	(902)	–
Deferred tax liabilities arising from undistributed profit of subsidiaries in Mainland China	–	–	–	–	–	–	15,661	15,661
At 31 December 2015	120	928,309	84,556	65,543	(1,847)	(126,229)	483,552	1,434,004

The notes on pages 28 to 46 form part of this interim financial report.

	Attributable to equity shareholders of the Company							
	Share capital RMB'000 *Note 23(b)*	Share premium RMB'000 *Note 23(c)*	Statutory surplus reserve RMB'000 *Note 23(c)*	Specific reserve RMB'000 *Note 23(c)*	Exchange reserve RMB'000 *Note 23(c)*	Other reserve RMB'000 *Note 23(c)*	Retained earnings RMB'000	Total equity RMB'000
At 1 January 2016	120	928,309	84,556	65,543	(1,847)	(126,229)	483,552	1,434,004
Changes in equity for the six months ended 30 June 2016								
Profit for the period	–	–	–	–	–	–	7,011	7,011
Other comprehensive income	–	–	–	–	460	–	–	460
Total comprehensive income	–	–	–	–	460	–	7,011	7,471
Transfer to specific reserve, net of utilisation	–	–	–	(2,211)	–	–	2,211	–
Deferred tax liabilities arising from undistributed profit of subsidiaries in Mainland China	–	–	–	–	–	–	(61)	(61)
At 30 June 2016	120	928,309	84,556	63,332	(1,387)	(126,229)	492,713	1,441,414

The notes on pages 28 to 46 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED

For the six months ended 30 June 2016 – unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
	Note	2016 RMB'000	2015 RMB'000
Operating activities			
Cash generated from operations		**186,516**	208,671
Income tax paid		**(10,616)**	(41,401)
Net cash generated from operating activities		**175,900**	167,270
Investing activities			
Payments for the purchase of property, plant and equipment and other non-current assets		**(80,245)**	(141,134)
Restricted bank deposits paid		**(111,028)**	–
Other cash flows arising from investing activities		**2,870**	3,717
Net cash used in investing activities		**(188,403)**	(137,417)
Financing activities			
Proceeds from borrowings		**310,000**	100,000
Repayments of borrowings		**(200,000)**	(100,000)
Other cash flows arising from financing activities		**(15,739)**	(6,717)
Net cash generated from/(used in) financing activities		**94,261**	(6,717)
Net increase in cash and cash equivalents		**81,758**	23,136
Cash and cash equivalents at 1 January		**59,495**	167,431
Effect of foreign exchange rate changes		**444**	(77)
Cash and cash equivalents at 30 June	*18*	**141,697**	190,490

The notes on pages 28 to 46 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

1 CORPORATE INFORMATION

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

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

2 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("IASB"). It was authorised for issue on 19 August 2016.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of these changes in accounting policies are set out in note 3.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2015 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

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

The financial information relating to the financial year ended 31 December 2015 that is included in the interim financial report as comparative information does not constitute the Company's annual consolidated financial statements for that financial year but is derived from those financial statements. The Company's auditor has reported on those financial statements. The auditor's report was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report dated 30 March 2016.

3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

- *Annual improvements to IFRSs 2012-2014 Cycle*

- Amendments to IAS 1, *Presentation of financial statements: Disclosure initiative*

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

Annual Improvements to *IFRSs 2012-2014 Cycle*

This cycle of annual improvements contains amendments to four standards. Among them, IAS 34, *Interim financial reporting*, has been amended to clarify that if an entity discloses the information required by the standard outside the interim financial statements by a cross-reference to the information in another statement of the interim financial report, then users of the interim financial statements should have access to the information incorporated by the cross-reference on the same terms and at the same time. The amendments do not have an impact on the Group's interim financial report as the Group does not present the relevant required disclosures outside the interim financial statements.

Amendments to HKAS 1, *Presentation of financial statements: Disclosure initiative*

The amendments to IAS 1 introduce narrow-scope changes to various presentation requirements. The amendments do not have a material impact on the presentation and disclosure of the Group's interim financial report.

4 SEGMENT REPORTING

The Group has one business segment, the mining, processing and sale of iron ore products. All of the Group's customers are located in the PRC. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group's only operating segment is the mining, processing and sale of iron ore products. Accordingly, no additional business and geographical segment information are presented.

5 REVENUE

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

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Iron ore concentrates	**313,496**	430,119
Preliminary concentrates	**11,068**	24,471
Iron ores	**1,049**	1,190
Others	**3**	146
	325,616	455,926

During the six months ended 30 June 2016, there were three customers with whom transactions have exceeded 10% of the Group's revenue (six months ended 30 June 2015: two customers) and revenue arising from sale of iron ore products to these customers amounted to RMB292,820,000 (six months ended 30 June 2015: RMB348,173,000).

6 PROFIT BEFORE TAXATION

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

(a) Net finance costs:

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Interest income	**(2,870)**	(3,179)
Finance income	**(2,870)**	(3,179)
Interest on interest-bearing borrowings	**16,135**	6,717
Unwinding interest on		
– long-term payables	**6,521**	6,752
– accrued reclamation obligations *(note 22)*	**1,359**	1,567
Foreign exchange loss, net	**268**	1
Finance costs	**24,283**	15,037
Net finance costs	**21,413**	11,858

During the six months ended 30 June 2016, no borrowing costs were capitalised in relation to construction in progress (six months ended 30 June 2015: RMB nil).

6 PROFIT BEFORE TAXATION *(continued)*

(b) Staff costs:

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Salaries, wages and other benefits	**28,852**	38,980
Retirement scheme contributions	**1,698**	5,029
	30,550	44,009

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 bases determined by referencing to the prevailing average salary of Hebei Province and as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

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

(c) Other items:

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Cost of inventories#	**228,078**	270,773
Depreciation and amortisation	**55,341**	57,506
Operating lease charges	**1,855**	2,118
Allowance for doubtful debts *(note 16)*	**4,786**	–
Net gain on disposal of property, plant and equipment	**–**	(26)

During the six months ended 30 June 2016, production stripping costs recognised in profit or loss as part of cost of inventories amounted to RMB96,373,000 (six months ended 30 June 2015: RMB105,080,000).

7 INCOME TAX

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

	Six months ended 30 June 2016 RMB'000	Six months ended 30 June 2015 RMB'000
Current tax		
Provision for PRC enterprise income tax	**14,705**	32,440
Deferred tax		
Origination and reversal of temporary differences	**(534)**	(5,899)
	14,171	26,541

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

	Six months ended 30 June 2016 RMB'000	Six months ended 30 June 2015 RMB'000
Profit before taxation	**21,182**	107,863
Notional tax on profit before taxation, calculated at tax rate of 25% *(note (i))*	**5,296**	26,966
Differential tax rates on subsidiaries' income *(note (iii))*	**(1,728)**	(1,331)
Tax effect of non-deductible items	**258**	59
Tax effect of unused tax losses not recognised	**10,345**	847
Actual tax expense	**14,171**	26,541

Notes:

(i) The PRC enterprise income tax rate is adopted as the Group's operations are mainly conducted in the PRC. Pursuant to the prevailing income tax rules and regulations of the PRC, the applicable 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 periods presented.

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

8 OTHER COMPREHENSIVE INCOME

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

9 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company for the six months ended 30 June 2016 of RMB7,011,000 (six months ended 30 June 2015: RMB81,322,000) and the weighted average number of shares in issue during the six months ended 30 June 2016 of 1,507,843,000 shares (six months ended 30 June 2015: 1,507,843,000 shares).

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

10 PROPERTY, PLANT AND EQUIPMENT, NET

During the six months ended 30 June 2016, additions of property, plant and equipment of the Group, representing mainly processing plant and mining related machinery and equipment, amounted to RMB900,000 (six months ended 30 June 2015: RMB12,873,000). There were no disposals of property, plant and equipment during the six months ended 30 June 2016 (six months ended 30 June 2015: items of property, plant and equipment with a carrying amount of RMB512,000 were disposed of and realised net gain of RMB26,000). As at 30 June 2016, mine properties include capitalised stripping activity asset with a carrying amount of RMB213,509,000 (31 December 2015: RMB305,456,000).

The Group recognised RMB393,637,000 impairment losses on non-financial assets as at 31 December 2015 with reference to an independent valuation report. The directors have been closely monitoring the market situation since then, and believe that there has been no indication of significant variance with those key assumptions used in the estimation made as at 31 December 2015. The directors are of the opinion that the impairment provision is adequate as at 30 June 2016 and no additional or reversal of impairment provision is needed in respect of the Group's non-financial assets.

The Group's property, plant and equipment are substantially located in the PRC. As of 30 June 2016, the Group had not obtained title certificates of certain of its buildings and plants with an aggregate carrying amount of RMB53,700,000 (31 December 2015: RMB108,247,000). The directors are of the opinion that the Group is entitled to lawfully and validly occupy or use of the above-mentioned properties.

As of 30 June 2016, certain of the Group's borrowings were secured by the Group's property, plant and equipment (see note 19(c)) with a carrying amount of RMB40,031,000 (31 December 2015: RMB nil).

11 CONSTRUCTION IN PROGRESS

Construction in progress is mainly related to processing plant and mining related machinery and equipment under construction and/or installation.

12 LEASE PREPAYMENTS

Lease prepayments comprise interests in leasehold land held for own use under operating leases located in the PRC, with original lease periods from 5 to 50 years.

As of 30 June 2016, certain of the Group's borrowings were secured by the Group's land use rights (see note 19(c)) with a carrying amount of RMB11,362,000 (31 December 2015: RMB nil).

13 INTANGIBLE ASSETS

Intangible assets represent the mining rights acquired and related acquisition premium paid by the Group in prior years.

As of 30 June 2016, certain of the Group's borrowings were secured by the Group's mining rights (see note 19(c)) with a carrying amount of RMB68,122,000 (31 December 2015: RMB81,020,000).

14 LONG-TERM RECEIVABLES

Long-term receivables represent the environmental reclamation deposits placed with relevant government authorities in respect of the Group's reclamation obligations for mine closures and are not expected to be refunded within the next 12 months.

15 INVENTORIES

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

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Weakly mineralised wall rock#	**19,095**	19,467
Iron ores	**28,528**	37,759
Preliminary concentrates	**18,085**	8,431
Iron ore concentrates	**5,500**	28,120
	71,208	93,777
Consumables and supplies	**23,019**	21,275
	94,227	115,052

Weakly mineralised wall rock represents sub-graded mineral materials.

15 INVENTORIES *(continued)*

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

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Carrying amount of inventories sold	**228,078**	270,773

16 TRADE AND OTHER RECEIVABLES

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Accounts receivable	**106,909**	92,252
Bills receivable	**13,580**	–
	120,489	92,252
Less: allowance for doubtful debts *(note 6(c))*	**286**	–
Trade receivables *(note 16(a))*	**120,203**	92,252
Other receivables *(note 16(b))*	**170,311**	117,268
	290,514	209,520

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

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Current	**120,124**	91,966
Over 6 months but less than 1 year	**79**	286
	120,203	92,252

The Group generally delivers goods to its customers after receiving full payments in advance. Under certain circumstances, credit periods from 180 to 240 days are granted to customers that have good track record with Group and in good credit condition.

16 TRADE AND OTHER RECEIVABLES *(continued)*

(b) Other receivables

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Prepayments and deposits#	**172,416**	114,759
Value added tax recoverable	**1,051**	1,810
Amounts due from related parties *(note 26(b))*	**650**	3
Others	**694**	696
	174,811	117,268
Less: allowance for doubtful debts *(note 6(c))*	**4,500**	–
	170,311	117,268

Prepayments and deposits mainly represent advance payments made to the Group's contractors of mining operations, which are independent third parties. As at 30 June 2016, the carrying amounts of prepayments to Tangshan Hengsheng Blasting Engineering Co., Ltd. for blasting services, to Laiyuan County Huiguang Logistics Co., Ltd. for on-site loading services and to Laiyuan County Ao Tong Transportation Co., Ltd. for transportation services amounted to RMB23,216,000, RMB64,597,000 and RMB65,530,000 (31 December 2015: RMB31,723,000, RMB23,693,000 and RMB45,435,000), respectively.

Based on agreements with the respective contractors of mining operations, the prepaid amounts are interest-free and the Group anticipates the amounts to be subsequently recovered within one year.

The Group has provided for all trade and other receivables where, based on best estimate of the board of directors, it is probable that such receivables may not be recoverable in full. The Group does not hold any collateral from counterparties.

As at 30 June 2016, other than deposits amounted to RMB1,998,000 (31 December 2015: RMB1,935,000), which are included in prepayments and deposits, all other receivables were aged within one year and were expected to be recovered or expensed off within one year.

17 RESTRICTED BANK DEPOSITS

Restricted bank deposits mainly represent cash at bank pledged as deposits for bills payable.

18 CASH AND CASH EQUIVALENTS

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Cash in hand	**109**	57
Cash at bank	**141,588**	59,438
	141,697	59,495

19 BORROWINGS

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

	At 30 June 2016		At 31 December 2015	
	Interest rate per annum %	**RMB'000**	Interest rate per annum %	RMB'000
Renminbi denominated				
Short-term borrowings:				
– secured bank loans *(note 19(c))*	**4.400~6.525**	**310,000**	5.360	100,000
Current portion of long-term borrowings:				
– secured bank loans *(note 19(c))*	**–**	**–**	5.930	100,000
		310,000		200,000

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

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Within 1 year	**310,000**	200,000

(c) The Group's banking facilities comprise:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Secured by:		
Mining rights, land use rights and properties of the Group *(notes 10, 12 and 13)*	**200,000**	220,000
Land use rights and properties of a related party[#] *(note 26(b))*	**160,000**	160,000
	360,000	380,000

On 15 December 2015, the Group entered into a banking facility agreement with the aggregate amount of RMB160,000,000, including bank loan facilities of RMB110,000,000 and bank acceptance bill facilities of RMB50,000,000, respectively. Such banking facilities are secured by the land use rights and properties owned by Beijing Tong Da Guang Yue Trading Co., Ltd, a company jointly owned by Mr. Li Yanjun (see note 26(b)).

As at 30 June 2016, the above banking facilities of the Group were utilised to the extent of RMB360,000,000, including bank loan facilities of RMB310,000,000 and bank acceptance bill facilities of RMB50,000,000 (31 December 2015: RMB200,000,000, including bank loan facilities of RMB200,000,000 and bank acceptance bill facilities of RMB nil), respectively.

19 BORROWINGS *(continued)*

The Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's financial statement ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As of the end of the reporting period, none of the covenants relating to drawn down facilities had been breached.

20 TRADE AND OTHER PAYABLES

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Trade payables	**34,350**	39,974
Bills payables	**160,000**	–
Receipts in advance	**6,966**	18,052
Payables for construction work, equipment purchases	**21,198**	30,284
Other taxes payable	**16,654**	12,359
Amounts due to related parties *(note 26(b))*	**915**	1,780
Others#	**22,543**	28,366
	262,626	130,815

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

As at 30 June 2016, all trade payables were due and payable on presentation or within one year. All of the other trade other payables were expected to be settled within one year or repayable on demand.

21 LONG-TERM PAYABLES

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Consideration payables for acquisition of mining rights	**242,192**	235,671
Less: current portion of long-term payables	**5,946**	5,786
	236,246	229,885

In March 2012 and January 2013, the Group acquired the Gufen Mine, Wang'ergou Mine, Shuanmazhuang Mine and Zhijiazhuang Mine from Hebei Provincial Department of Land and Resources for considerations of RMB365,545,000 in aggregate and repayable by annual instalments with original payment periods over five to seven years.

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

21 LONG-TERM PAYABLES *(continued)*

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

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Within 1 year	**5,946**	5,786
After 1 year but within 2 years	**44,276**	43,084
After 2 years but within 5 years	**130,705**	127,188
After 5 years	**61,265**	59,613
	242,192	235,671

22 ACCRUED RECLAMATION OBLIGATIONS

	2016 RMB'000	2015 RMB'000
At 1 January	**55,485**	47,858
Additions	**–**	5,706
Accretion expenses# *(note 6(a))*	**1,359**	2,345
Utilised during the period/year#	**(406)**	(424)
At 30 June/31 December	**56,438**	55,485
Less: current portion of accrued reclamation obligations	**6,059**	6,399
	50,379	49,086

During the six months ended 30 June 2015, accretion expenses recognised in profit or loss as part of finance costs and accrued reclamation obligations utilised amounted to RMB1,567,000 and RMB169,000, respectively.

The accrual for reclamation costs has been determined based on management's best estimates. The estimate of related 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 of the end of the reporting period, the Group reassessed the estimated costs and adjusted the accrued reclamation obligations, where necessary. The directors are of the opinion that the accrued reclamation obligations at the end of the reporting period are adequate and appropriate. The accrual is based on estimates and therefore, the ultimate liability may exceed or be less than such estimates.

23 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

The board of directors of the Company does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2016 (six months ended 30 June 2015: RMB nil).

(b) Share capital

As of the end of the reporting period, the Company's share capital was as follows:

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

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(c) 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 respective 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 utilised 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

Pursuant to the relevant PRC regulations, appropriation for safety production and other related expenditures are accrued by the Group at fixed rates based on production volume (the "safety production fund"). The Group is required to make a transfer for the appropriation of safety production fund from retained earnings to a specific reserve. The appropriation for safety production fund may cease if the balance of the specific reserve at the beginning of the year has reached 5% of the revenue of the relevant PRC subsidiaries in the previous year. The safety production fund could be utilised when expenses or capital expenditures on safety production measures are incurred. The amount of safety production fund utilised would be transferred from specific reserve back to retained earnings.

23 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

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

(iv) Exchange reserve

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

(v) Other reserve

The 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.

24 FAIR VALUE MEASUREMENT

(a) Financial assets and liabilities measured at fair value

Fair value hierarchy

The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1: valuation is based on unadjusted quoted prices in active markets for identical financial assets and liabilities.
- Level 2: valuation is based on inputs (other than quoted prices included within Level 1) that are observable for the financial asset or liability, either directly or indirectly.
- Level 3: valuations is based on unobservable inputs.

As of the end of the reporting period, none of the Group's financial assets or liabilities were measured at fair value (on a recurring or non-recurring basis) in the consolidated statement of financial position across the three levels of the fair value hierarchy as defined in IFRS 13, *Fair value measurement*. Neither were there any transfers between Level 1 and Level 2, or transfers into or out of Level 3 during the six months ended 30 June 2016 (six months ended 30 June 2015: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as of the end of the reporting period in which they occur.

24 FAIR VALUE MEASUREMENT *(continued)*

(b) Fair value of financial assets and liabilities carried at other than fair value

All of the Group's financial assets and liabilities are initially recognised at the fair value of consideration paid or received and subsequently carried at amortised costs or fair value, as appropriate.

The financial assets and liabilities are presented by class in the tables below at their carrying amounts, which generally approximate to fair values except for long-term receivables and borrowings as indicated below.

	At 30 June 2016			At 31 December 2015		
	Loans and receivables RMB'000	Other financial assets and liabilities at amortised costs RMB'000	Total RMB'000	Loans and receivables RMB'000	Other financial assets and liabilities at amortised costs RMB'000	Total RMB'000
Cash and cash equivalents *(note (i))*	**141,697**	**-**	**141,697**	59,495	–	59,495
Restricted bank deposits *(note (i))*	**111,028**	**-**	**111,028**	–	–	–
Trade and other receivables *(note (ii))*	**290,514**	**-**	**290,514**	209,520	–	209,520
Long-term receivables *(note (i))*	**40,960**	**-**	**40,960**	40,960	–	40,960
Trade and other payables *(note (ii))*	**-**	**(262,626)**	**(262,626)**	–	(130,815)	(130,815)
Borrowings *(note (i))*	**-**	**(310,000)**	**(310,000)**	–	(200,000)	(200,000)
Total financial assets/(liabilities)	**584,199**	**(572,626)**	**11,573**	309,975	(330,815)	(20,840)
Non-financial assets/(liabilities)	**1,741,489**	**(311,648)**	**1,429,841**	1,754,868	(300,024)	1,454,844
Total assets/(liabilities)	**2,325,688**	**(884,274)**	**1,441,414**	2,064,843	(630,839)	1,434,004

Notes:

(i) The fair values of the Group's cash and cash equivalents, restricted bank deposits, long-term receivables and borrowings approximates carrying amounts as a result of their short maturity or because they carry floating rates of interest.

(ii) The carrying amounts of trade and other receivables and trade and other payables are a reasonable approximation of their fair values.

25 COMMITMENTS AND CONTINGENCIES

(a) Capital commitments outstanding not provided for in the interim financial report:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Contracted for		
– property, plant and equipment	–	3,168
Authorised but not contracted for		
– stripping activity asset	–	–
– exploration and evaluation asset	–	–
	–	3,168

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

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Within 1 year	2,791	3,827

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

(c) Environmental contingencies

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

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

(ii) the extent of required clean-up efforts;

(iii) varying costs of alternative remediation strategies;

(iv) changes in environmental remediation requirements; and

(v) the identification of new remediation sites.

25 COMMITMENTS AND CONTINGENCIES *(continued)*

(c) Environmental contingencies *(continued)*

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

(d) Governmental and regulatory levies

The Group is subject to certain levies (mineral resources compensation, water and soil loss compensation, pollutant discharge fee and etc.) imposed by relevant government authorities in accordance with relevant PRC laws and regulations. Under such laws and regulations, the Group has fully fulfilled their responsibilities in paying the respective levies during the periods presented. The directors are of the opinion that the Group had no other material obligations or liabilities of such levies as at 30 June 2016.

26 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

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

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Basic salaries, allowances and benefits in kind	**3,263**	2,992
Retirement scheme contributions	**39**	99
	3,302	3,091

26 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(b) Other related party transactions

During the periods 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
Aowei International Developments Limited	A company ultimately owned by Mr. Li Yanjun and Mr. Leung Hongying Li Ziwei
Hengshi Holdings Limited	A company ultimately owned by Mr. Li Yanjun and Mr. Leung Hongying Li Ziwei
Hengshi International Investments Limited	A company ultimately owned by Mr. Li Yanjun and Mr. Leung Hongying Li Ziwei
Beijing Tong Da Guang Yue Trading Co., Ltd.	A company jointly owned by Mr. Li Yanjun

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

	Six months ended 30 June	
	2016 **RMB'000**	2015 RMB'000
Property leasing charges *(note (i))*	**915**	950
Advances to related parties *(note (ii))*	**647**	192

The outstanding balances arising from the above transactions at the end of the reporting period are as follows:

	At 30 June 2016 **RMB'000**	At 31 December 2015 RMB'000
Amounts due to related parties *(note (i))*	**915**	1,780
Amounts due from related parties *(note (ii))*	**650**	3

26 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(b) Other related party transactions *(continued)*

Notes:

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

(ii) Advances to related parties represent payments made on behalf of Hengshi Holdings Limited, Aowei International Developments Limited, Hengshi International Investments Limited and Mr. Li Yanjun, respectively. The amounts are unsecured, interest-free and have no fixed terms of repayment.

(iii) On 15 December 2015, the Group entered into a banking facility agreement with the aggregate amount of RMB160,000,000, including bank loan facilities of RMB110,000,000 and bank acceptance bill facilities of RMB50,000,000, respectively. The banking facility agreement has a term of 12 months from the date of drawdown and is collectively guaranteed by Laiyuan County Aowei Mining Investments Co., Ltd., Laiyuan County Jingyuancheng Mining Co., Ltd. and Laiyuan Xinxin Mining Co., Ltd., as well as the land use rights and properties of Beijing Tong Da Guang Yue Trading Co., Ltd., a company jointly owned by Mr. Li Yanjun.

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

(c) Commitments with related parties

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 years ended 31 December 2014 and 2015 and the year ending 31 December 2016.

The estimated total future minimum lease payments to Hebei Aowei Industrial Group Co., Ltd. under non-cancellable operating leases were payable as follows:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Within 1 year	**1,890**	1,950

27 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

Pursuant to the sale and purchase agreement entered into by the Company with Jovial Link Investments Limited dated 4 July 2016, the Company completed the acquisition on 13 July 2016 of 100% issued share capital of Xinan Investments Limited at the consideration of approximately RMB213,000,000. The consideration was satisfied by the issuance of 127,486,892 consideration shares of the Company on 13 July 2016.