



HENGSHI MINING INVESTMENTS LIMITED

恒實礦業投資有限公司

Hengshi Mining Investments Announces 2013 Annual Results

Profit before tax of the Group was RMB572.3, up 638.8% y-o-y

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2013:

- The revenue of the Group amounted to approximately RMB1, 286.1 million, representing an increase of approximately 121.1% as compared with last year.
- The net profit attributable to equity holders of the Company amounted to approximately RMB397.5 million, representing an increase of approximately 720.5% as compared with last year.
- The profit before tax of the Group was approximately RMB572.3 million, representing an increase of approximately 638.8% as compared with last year.
- The basic earnings per share were RMB0.34 per share, representing an increase of RMB0.3 per share as compared with last year.

The board of directors (the “Board”) of Hengshi Mining Investments Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2013 (the “Annual Results for 2013”).

In 2013, the revenue of the Group was approximately RMB1, 286.1 million, up by approximately RMB704.1million as compared to last year, representing a year-on-year increase of 121.1%, which was primarily due to trial production and commercial production officially commenced in 2013, with a significant increase in the sales volume of various products. The Group’s gross profit was approximately RMB 710.8 million in 2013, representing a year-on-year increase of 277.6%. The Group’s gross profit margin in 2013 soared to 55.3% from 32.4% of last year, primarily due to the increase in selling price arising from the higher grade of iron ores and preliminary concentrates as well as the effective cost control of the Group.

Mr. Li Yanjun, Chairman of the Company, said “in the past ten years, the demand for steel in China has continued to grow drastically driven by the urbanization and the construction of infrastructures. Being one of the key raw materials for steel refining, the demand for iron ores in China has shown the

strongest growth trend. The Group will enhance production management and sales by leveraging on (i) lower cash operating costs of business units; (ii) premium and high-graded iron ore concentrates; (iii) flexible sales strategy and nearby major customers; and (iv) strategic advantages such as larger production scale with steady supply, to maintain its competitiveness.”

Increase mining capacity through on-going slope correction and stripping engineering

The Group’s target is to increase mining capacity from 10.4 Mtpa in 2013 to 21.4 Mtpa by the end of 2015 (based on JORC Code compliant reserves with a cut-off grade of 8%). In order to meet planned mining capacity, estimated total investment for related slope correction and stripping engineering projects is approximately RMB346.40 million. In 2013, the Group’s annual mining capacity was increased from 10.4 Mtpa to 13.2 Mtpa, and has incurred an expense of RMB165.78 million in the relevant projects.

Expand processing capacity by technical renovation and construction of new processing plants

For XinXin Mining, the technical renovation works for dry processing and wet processing plants have been completed in 2013. For Jingyuancheng Mining, the new wet processing plant with a processing capacity of 2.4 Mtpa has been put into operations in March 2013. In 2014, a new dry processing plant with a processing capacity of 8 Mtpa will be constructed, and technical renovation will be made to the existing processing plant to elevate production capacity. In 2015, a new wet processing plant with a processing capacity of 1.2 Mtpa will be constructed. For Jiheng Mining, the new dry processing plant of a processing capacity of 2.5 Mtpa has been put into operations in January 2013. Technical renovation and upgrade of the old dry processing plant has been completed in the third quarter. In 2014, a new wet processing plant with a processing capacity of 1.6 Mtpa and auxiliary tailings pond will be constructed.

Looking forward to the future, Mr. Li said “in 2014, the Group will continue to abide by the core strategy that focuses on the expansion of iron ore business. The Group will emphasize on the development idea of “quick expansion with low costs” in the progress of production and operation. First, we will expand the production capacity and scale of the existing mines, enhance industrial techniques, optimize management modes, improve the management capabilities and lower the production costs. Second, we will carry out consolidation and exploration work in the surrounding mines by fully leveraging the consolidation principal status in the respective zones in order to lay a solid foundation for further expansion in the future production capacity. Third, we will implement the external exploration strategy, aim at the surrounding the core zones in terms of the iron ore demands, actively explore the high-quality mines with low costs by leveraging the corporate strengths and commence merger and acquisition. Our Group will continue to grow by enhancing mining capabilities and processing facilities, expanding resources and external exploration, enhancing corporate management and establishment of a green mining enterprise.”

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About Hengshi Mining Investments Limited

The Group is primarily engaged in mining of iron ores, processing of ores and manufacturing and sales of iron ore concentrates. The Group owns and operates four iron ore mines, namely Gufen Mine, in respect of which Laiyuan County Xinxin Mining Ltd (“Xinxin Mining”, our wholly owned subsidiary) has one mining license, Wang’ ergou Mine and Shuanmazhuang Mine, in respect of which Laiyuan County Jingyuancheng Mining Ltd (“Jingyuancheng Mining”, our wholly owned subsidiary) has two mining licenses, and Zhijiazhuang Mine, in respect of which Laiyuan County Jiheng Mining Ltd (“Jiheng Mining”, owned as to 90% by us) has one mining license. All of our subsidiaries are located in Hebei Province, the province with the largest steel production capacity and iron ore consumption volumes in China.

The Group will adhere to its core strategy of iron ore development, aiming at showing its development concept of “low cost, fast expansion.” Through the expansion of production capacities of self-owned mines, the integration of surrounding mines, as well as merger and acquisition and reorganization in core iron ore demand regions, continuous development, and strive to be the leading mining group in China. The Group was officially listed on the Hong Kong Stock Exchange on 28 November, 2013.

This press release is issued by Wonderful Sky Financial Group Limited on behalf of Hengshi Mining Investment Limited.

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