



HENGSHI MINING INVESTMENTS LIMITED

恒實礦業投資有限公司

Hengshi Mining Announces 2014 Annual Results

Record High Production and Sales of Iron Ore Concentrates, Increasing Respectively by 71.3% and 52.4% YOY

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2014:

- The revenue of the Group amounted to RMB1,108.1 million
- The net profit attributable to equity shareholders of the Company amounted to RMB263.00 million
- The basic and diluted earnings per share was RMB0.17 per share

(20 March 2015 – Hong Kong) Hengshi Mining Investments Limited (“Hengshi Mining” or the “Company”, Stock code: 1370.HK) is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2014.

The revenue of the Group in 2014 was approximately RMB 1,108.1 million, representing a decrease of approximately RMB177.9 million or 13.8% as compared to the corresponding period last year, which is mainly due to the decline of the average selling price in the global and domestic iron ore market, and the effect had been partly offset by the increase of the production volume and sales volume of the Group’s products. The Group’s gross profit was approximately RMB555.1 million in 2014; the Group’s gross profit margin in 2014 slightly decrease by 5.2% to 50.1% as compared to the corresponding period last year, which was mainly due to the decline of the average unit selling price of iron ore concentrates, and the effect had been partly offset by the decline of the cost.

Record high production and sales of iron ore concentrates

In 2014, in order to further enhance the mining capacity of ores and production capacity of iron ore concentrates, the Group upgraded and reconstructed the existing mines through a series of construction as well as invested in construction of new mineral processing equipment. With mine infrastructure projects, enhanced production capacity as a result of the dry processing technique and commencement of operation of the new wet processing plant of Jiheng Mining, the production of iron

ore concentrates of the Group reached a new record. For the whole year in 2014, the production of iron ore concentrates of the Group reached 1459.6 thousand tonnes (corresponding period on 2013: 851.9 thousand tons), representing a year-on-year growth of approximately 71.3%. Sales volume of iron ore concentrates reached 1,347.0 thousand tons (corresponding period in 2013: 884.0 thousand tons), representing a year-on-year growth of approximate 52.4%.

Continued to maintain low cost operation cost

The Group's favorable ores quality and geological conditions, well-designed mining plan and well-equipped processing facilities enabled the Group to continue to maintain its low cost production which led the market. As at 31 December 2014, the cash operation costs of iron ore concentrates were approximately RMB362.5 per tonne, representing a decrease of approximately 15.9% as compared to the corresponding period last year, mainly due to an increase in the share of low cost iron ore concentrates of Jiheng Mining as a result of the commencement of operation of the new wet processing plant of Jiheng Mining at the end of June 2014, and fine management and stringent control by the Company.

In 2014, the Group had several development projects and acquisitions. For Jingyuancheng Mining, as at 31 December 2014, the actual investment was approximately RMB57.4 million, and accumulative investment was approximately RMB115.8 million for building infrastructure and stripping project. The project is expected to be complete by the end of 2015. A new dry processing plant with a processing capacity of 8.0 Mtpa was constructed in 2014 to support the mining capacity expansion of JIngyuancheng Mining. The project accumulative investment was approximately RMB79.9 million and, has been completed and put into operation in the third quarter of 2014. For Xinxin Mining, as at 31 December 2014, the actual investment was approximately RMB49.5 million, and the accumulative investment was approximately RMB102.9 million for building infrastructure and stripping project. The project is expected to be completed by the end of 2015. Aowei Minng, a wholly-owned subsidiary of the Group, acquired 10% non-controlling interests in Jiheng Mining held by Laiyuan Jiantou at a consideration of RMB118.0 million, and Jiheng Mining thereby became a wholly-own subsidiary of the Company, which lays a solid foundation for Jiheng Mining to further consolidate its surrounding resources. After then, Jiheng Mining acquired the relevant assets of a wet processing plant with a processing capacity of 1.8 Mtpa at a consideration of approximately RMB114.1 million and commenced its production. and commenced its production, which would further strengthen the Group's core competitiveness of low-cost operation. And Jiheng Mioning acquired the mining rights assets of Yaobeigou Iron Ore Mine from Yucheng Processing Plant and Wanxing Shiye (萬興實業) at a consideration of RMB 217.0 million and RMB104.0 million, respectively, Yucheng Processing Plant, Wanxing Shiye (萬興實業) and the Group are independent third parties, and each of them owned the mining permit of Yaobeigou Iron Ore Mine, through which Jiheng Mining would facilitate the consolidation works in its surrounding mines. Jingyuancheng Mining acquired the mining rights and relevant assets from Xingcheng Kuangye (興城礦業) at a consideration of RMB109.0 million. Jingyuancheng Mining would further expand the coverage of its mining licenses to implement the plan of mining in scale.

Looking forward, Mr. Li Yanjun, Chairman, said, “We will continue to focus on raising the productivity and maintain our low-cost competitive advantage, increase resources and reserves through new exploration plan and expansion on coverage of mining license. We will actively explore and apply new technology and continue to maintain its core market competitiveness by way of increasing added value through adjustment of product structure. While maintaining stable income from existing mines, we will leverage on occasion when the industry is in its seasonal low to acquire mineral resources of high quality with prudent merger strategies and more attractive valuation, and continuously enlarge the resources reserve and the operational scale of the Group. New exploration plan is expected to be implemented after the completion of the consolidation works in the surrounding mines of Jiheng Mining in 2015.”

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About Hengshi Mining Investments Limited

Hengshi Mining Investments Limited (Hengshi Mining or the company, stock code: 1370.HK) is a holding company to engage in investment and operation of iron ore in China, with three principal operating subsidiaries, namely, Jiheng Mining, Jingyuancheng Mining and Xinxin Mining. The company currently owns and operates four iron ore mines located in Laiyuan County, Hebei Province, namely, Gufen Mine, Wang’ergou Mine, Shuanmazhuang Mine and Zhijiazhuang Mine. Leveraging its low cash operating costs, strategic location, experienced and stable management team, commercially attractive attributes of our products and strong growth potential through our expansion of mining and processing capacities, the company believes that it is well-positioned to benefit from the significant shortage in domestically produced iron ore products in China, especially in Hebei and Shanxi Provinces. In the course of development, Hengshi Mining always upholds core philosophy: to create the wealth for the society, to create the value for the shareholders, to create a bright future for the employees. The company carries forward its company spirits: loyalty, devotion, practicality, innovation and never give up, and strive to become the international outstanding, low operating costs mines.

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

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