



HENGSHI MINING INVESTMENTS LIMITED

恒实矿业投资有限公司

Revenue of the Hengshi Mining was RMB753.7 million

Sales volume of iron ore reached new high

(Hong Kong, 30 March 2016) The board (the “Board”) of directors (the “Directors”) of Hengshi Mining Investments Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2015 (the “Reporting Period”).

During 2015, affected by depressed international and domestic macroeconomic situation, the price of iron ore product continued to slump. The revenue of Group for the Reporting Period was approximately RMB753.7 million, representing a decrease of approximately RMB354.5 million or 32.0% as compared to the corresponding period last year. However, due to further reduction of the cost of the Group’s products and continuous improvement of operations, the Group’s cost of sales for the Reporting Period declined to approximately RMB487.3 million, representing a decrease of approximately RMB65.7 million or 11.9% as compared to the corresponding period last year. Above all, the gross profit of the Group was approximately RMB266.3 million, representing a decrease of approximately RMB288.8 million or 52.0% as compared to the corresponding period last year. The Group’s gross profit margin for the Reporting Period decreased to approximately 35.3% from approximately 50.1% as compared to the corresponding period last year.

As a result of the expected declining trend of iron ore product price forecasts and the consequent deferral of mine development plan in the second half of 2015, the Group identified indications of impairment in relation to Laiyuan County Jingyuancheng Mining Co., Ltd. (the “Jingyuancheng Mining”) and Laiyuan Xinxin Mining Co., Ltd. (the “Xinxin Mining”). Based on the results of the corresponding impairment tests, an impairment charge of approximately RMB393.6 million was

recognized in the consolidated statement of profit or loss and other comprehensive income for the Reporting Period. Given these concerns the loss attributable to the equity shareholders of the Company was approximately RMB235.1 million. However, it is a comfort to see that the Group's net cash generated from operating activities for the Reporting Period amounted to approximately RMB123.7 million by implementing the sales strategies and stable management system.

Since Laiyuan Jiheng Mining Co., Ltd. (the "Jiheng Mining") acquired the wet processing plant, the direct sale of low value-added products like iron ore and preliminary concentrates have decreased significantly. The full operation of Jiheng Mining's wet processing plant in the year resulted in the production and sale of iron ore concentrates reaching a new high. For the Reporting Period, production of iron ore concentrates of the Group reached 1,608.0 thousand tons (corresponding period in 2014: 1,459.6 thousand tons), representing a year-on-year growth of approximately 10.2%. Sales volume of iron ore concentrates reached 1,642.2 thousand tons (corresponding period in 2014: 1,347.0 thousand tons), representing a year-on-year growth of approximately 21.9%.

During the Reporting Period, the Group has completed the planned three-year infrastructural stripping projects, further releasing the productivity of current mines. But due to the hosting of the IAAF World Championships and the celebration activities in respect of the 70th anniversary of the victory of the Chinese people's war of resistance against Japanese aggression in Beijing, short-term discontinuation of production in areas around Beijing was required according to the serious pollution weather Grade I responsive measure. In addition, the recession of upstream and downstream markets, the slide of the product's price as well as the decreasing domestic demand of iron ore further led to the intermittent discontinuation of some of our subsidiaries in the second half of the year, which had negative effect on the Group's results. The Group has taken measures to cut cost, including improving productivity through facility upgrade, cutting personnel of administrative functions and increasing the levels of refined management. Meanwhile, positive marketing strategy was also adopted in an effort to deal with the challenge brought by decreasing downstream demand and lowering price.

Looking forward to 2016, the Group will keep on seeking development opportunities in a time of recession of the industry by leveraging on its advantages and catching up with the situation. In dealing with the current market conditions, the management has taken various measures to improve the overall business efficiency and retain shareholder value, including: focus on operation efficiency and properly plan the annual production of each mine, and watching closely the change of market conditions, considering cutting of production or discontinuation of the high-cost and loss-making mines; and, continue to improve the level of refined management of the Group, cutting cost by adjustment of management organization, downsizing of personnel, control of operation expenditure and cutting of investment, in hopes of

improving cash flow.

As the Chinese economy entered the New Normal, together with the in-depth restructuring of the industry and the gradual transformation to a mature economy of coordinated development of consumption, investment and export, the management will keep a close eye on the market change and seek new business opportunities with high potential.

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The press release issued by Zhixin Financial Ltd. with the representative of the Hengshi Mining Investments Limited.

Investor and Media Enquiries:

Hong Kong Zhixin Financial News Agency Ltd.

Li Jun	Tel: 0755 8279 5362	Email: lijun@zhixincaijing.com
Luo Anhuan	Tel: 0755 8323 9767	Email: luoanhuan@zhixincaijing.com