



愛德新能源投資控股集團有限公司

Add New Energy Investment Holdings Group Limited

(Formerly known as China Zhongsheng Resources Holdings Limited  
(incorporated in the Cayman Islands with limited liability))

Stock Code: 2623

Interim Report **2016**

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# Corporate Information

## Board of Directors

### Executive Directors

Li Yunde (*Chairman*)  
Geng Guohua (*Chief Executive Officer*)  
Lang Weiguo

### Non-executive Director

Chau Ching

### Independent Non-executive Directors

Li Xiaoyang  
Lin Chu Chang  
Zhang Jingsheng

### Company Secretary

Chan Yuen Ying, Stella

### Authorised Representatives

Geng Guohua  
Chan Yuen Ying, Stella

### Audit Committee

Lin Chu Chang (*Committee Chairman*)  
Li Xiaoyang  
Zhang Jingsheng

### Remuneration Committee

Lin Chu Chang (*Committee Chairman*)  
Li Yunde  
Zhang Jingsheng

### Nomination Committee

Li Yunde (*Committee Chairman*)  
Li Xiaoyang  
Zhang Jingsheng

### Auditor

PricewaterhouseCoopers

### Legal Advisers

*As to Cayman Islands law:*  
Appleby

### Registered Office

Clifton House  
75 Fort Street  
PO Box 1350  
Grand Cayman  
KY1-1108  
Cayman Islands

### Headquarters in the PRC

Qin Jia Zhuang  
Yangzhuang Town  
Yishui County  
Shandong Province  
The PRC

### Principal Place of Business in Hong Kong

Room 1502, 15th Floor  
The Chinese Bank Building  
61-65 Des Voeux Road Central  
Hong Kong

### Principal Share Registrar and Transfer Office

Estera Trust (Cayman) Limited  
Clifton House  
75 Fort Street  
PO Box 1350  
Grand Cayman  
KY1-1108  
Cayman Islands

### Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### Principal Bankers

Agricultural Bank of China, Yishui Branch  
China Construction Bank Corporation, Yishui Branch  
Bank of China Limited, Yishui Branch  
Industrial and Commercial Bank of China Ltd,  
Yishui Branch  
Rural Commercial Bank of Shandong Yishui  
Linshang Bank, Yishui Branch  
Shanghai Pudong Development Bank, Linyi Branch  
Ping An Bank Co., Ltd., Linyi Branch  
Industrial Bank Co., Ltd., Linyi Branch

### Stock Code

2623

### Company Website

[www.addnewenergy.com.hk](http://www.addnewenergy.com.hk)

The board (the "Board") of directors (the "Director(s)") of Add New Energy Investment Holdings Group Limited (the "Company") presents the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2016 together with the comparative figures for the corresponding period in 2015. The interim results has not been audited but has been reviewed by the audit committee of the Company (the "Audit Committee").

## Unaudited Interim Condensed Consolidated Balance Sheet

As at 30 June 2016 (Amounts expressed in thousands of RMB)

		As at 30 June 2016 (unaudited)	As at 31 December 2015 (audited)
	Note		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	305,180	352,930
Intangible assets	8	58,150	61,287
Available-for-sale financial assets	9	739	432
Deferred income tax assets	10	11,172	8,432
Long-term receivables	11	50,611	58,264
Other non-current assets	12	7,529	–
<b>Total non-current assets</b>		<b>433,381</b>	481,345
<b>Current assets</b>			
Inventories	13	27,873	39,796
Trade receivables	14	85,041	133,619
Notes receivables	15	29,800	91,800
Prepayments and other receivables	16	51,784	39,987
Current portion of long-term receivables	11	15,098	14,689
Financial assets at fair value through profit or loss ("FVPL")	17	24,270	22,895
Cash and cash equivalents	18	133,031	98,090
Term deposits	18	50,000	100,000
Restricted bank deposits	18	93,308	45,000
<b>Total current assets</b>		<b>510,205</b>	585,876
<b>Total assets</b>		<b>943,586</b>	1,067,221

# Unaudited Interim Condensed Consolidated Balance Sheet

As at 30 June 2016 (Amounts expressed in thousands of RMB)

	Note	As at 30 June 2016 (unaudited)	As at 31 December 2015 (audited)
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital and share premium	19	623,097	628,066
Reserves		64,496	64,388
Accumulated losses		(140,707)	(68,152)
		<b>546,886</b>	624,302
<b>Non-controlling interests</b>		<b>1,046</b>	1,426
<b>Total equity</b>		<b>547,932</b>	625,728
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	20	104,998	100,827
Provisions for close down, restoration and environmental costs	21	26,382	25,759
Deferred income tax liabilities	10	1,546	2,366
<b>Total non-current liabilities</b>		<b>132,926</b>	128,952
<b>Current liabilities</b>			
Borrowings	20	130,000	170,000
Trade payables	22	32,484	47,654
Notes payables	23	50,550	50,000
Accruals and other payables	24	48,532	42,388
Dividend payables	32	–	1,337
Current income tax liabilities		1,162	1,162
<b>Total current liabilities</b>		<b>262,728</b>	312,541
<b>Total liabilities</b>		<b>395,654</b>	441,493
<b>Total equity and liabilities</b>		<b>943,586</b>	1,067,221

# Unaudited Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2016 (Amounts expressed in thousands of RMB)

		Six months ended 30 June	
	Note	2016 (unaudited)	2015 (unaudited)
<b>Revenue</b>	25	<b>27,003</b>	181,677
Cost of sales	26	<b>(23,267)</b>	(189,735)
<b>Gross profit/(loss)</b>		<b>3,736</b>	(8,058)
Other income	27	<b>666</b>	–
Other losses – net	28	<b>(2,541)</b>	(13,213)
Distribution costs	26	<b>(1,544)</b>	(1,786)
Administrative expenses	26	<b>(65,727)</b>	(60,670)
<b>Operating loss</b>		<b>(65,410)</b>	(83,727)
Finance income	29	<b>1,605</b>	710
Finance costs	29	<b>(12,817)</b>	(10,067)
<b>Finance costs – net</b>	29	<b>(11,212)</b>	(9,357)
<b>Loss before income tax</b>		<b>(76,622)</b>	(93,084)
Income tax credit	30	<b>3,560</b>	16,349
<b>Loss for the period</b>		<b>(73,062)</b>	(76,735)
<b>Loss attributable to:</b>			
Owners of the Company		<b>(72,610)</b>	(76,050)
Non-controlling interests		<b>(452)</b>	(685)
		<b>(73,062)</b>	(76,735)

# Unaudited Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2016 (Amounts expressed in thousands of RMB)

	Note	Six months ended 30 June	
		2016 (unaudited)	2015 (unaudited)
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Fair value gains on available-for-sale financial assets	9	279	–
Currency translation differences		(44)	(55)
<b>Total comprehensive loss for the period</b>		<b>(72,827)</b>	<b>(76,790)</b>
<b>Total comprehensive loss for the period attributable to:</b>			
Owners of the Company		(72,447)	(76,088)
Non-controlling interests		(380)	(702)
		<b>(72,827)</b>	<b>(76,790)</b>
<b>Losses per share for loss attributable to owners of the Company (expressed in RMB per share)</b>			
Basic losses per share	31	(0.017)	(0.019)
Diluted losses per share	31	(0.017)	(0.019)

# Unaudited Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016 (Amounts expressed in thousands of RMB)

	Attributable to owners of the Company					Non-controlling interests	Total equity
	Note	Share capital and share premium (Note 19)	Reserves	Accumulated losses	Total		
Balance at 1 January 2016 (audited)		628,066	64,388	(68,152)	624,302	1,426	625,728
<b>Comprehensive income</b>							
Loss for the period		-	-	(72,610)	(72,610)	(452)	(73,062)
<b>Other comprehensive income</b>							
Available-for-sale financial assets	9	-	194	-	194	85	279
Currency translation differences		-	(31)	-	(31)	(13)	(44)
<b>Total transactions with owners, recognised directly in equity</b>							
Repurchase of shares		(4,969)	-	-	(4,969)	-	(4,969)
Utilisations		-	(55)	55	-	-	-
Balance at 30 June 2016 (unaudited)		623,097	64,496	(140,707)	546,886	1,046	547,932



# Unaudited Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016 (Amounts expressed in thousands of RMB)

	Attributable to owners of the Company				Non-controlling interests	Total equity
	Share capital and share premium (Note 19)	Reserves	Retained earnings	Total		
Balance at 1 January 2015 (audited)	473,696	65,195	177,900	716,791	3,397	720,188
<b>Comprehensive income</b>						
Loss for the period	–	–	(76,050)	(76,050)	(685)	(76,735)
<b>Other comprehensive income</b>						
Currency translation differences	–	(38)	–	(38)	(17)	(55)
<b>Total transactions with owners, recognised directly in equity</b>						
Utilisations	–	(19,198)	19,198	–	–	–
Share-based payments	–	15,731	–	15,731	16	15,747
Exercise of warrants	34,773	(1,178)	–	33,595	–	33,595
Proceeds from shares issued	119,232	–	–	119,232	–	119,232
<b>Balance at 30 June 2015 (unaudited)</b>	<b>627,701</b>	<b>60,512</b>	<b>121,048</b>	<b>809,261</b>	<b>2,711</b>	<b>811,972</b>

# Unaudited Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016 (Amounts expressed in thousands of RMB)

	Note	Six months ended 30 June	
		2016 (unaudited)	2015 (unaudited)
<b>Cash flows from operating activities</b>			
Cash generated from operations		82,458	43,094
Interest paid		(7,640)	(9,529)
Interest received		1,864	710
<b>Cash flows from operating activities – net</b>		<b>76,682</b>	<b>34,275</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment and intangible assets		(779)	(5,084)
Proceeds on disposal of property, plant and equipment		225	350
Advance construction funds from government		3,500	7,200
Decrease/(increase) in term deposits		50,000	(63,450)
Increase in restricted bank deposits		(48,308)	(100,000)
<b>Cash flows from investing activities – net</b>		<b>4,638</b>	<b>(160,984)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issuance of ordinary shares		–	152,827
Proceeds from borrowings		70,000	134,519
Repayments of borrowings		(110,000)	(117,550)
Dividends paid to shareholders	32	(1,337)	–
Repurchase of shares	19(a)	(4,969)	–
<b>Cash flows from financing activities – net</b>		<b>(46,306)</b>	<b>169,796</b>
<b>Net increase in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of the period	18	98,090	142,024
Exchange losses		(73)	(26)
<b>Cash and cash equivalents at end of the period</b>	<b>18</b>	<b>133,031</b>	<b>185,085</b>

# Notes to the Unaudited Condensed Consolidated Interim Financial Information

(Amounts expressed in thousands of RMB)

## 1. GENERAL INFORMATION

China Zhongsheng Resources Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 8 February 2011 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. The address of its registered office is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands.

On 10 June 2016, The Board of Directors proposed to change the name from “China Zhongsheng Resources Holdings Limited” to “Add New Energy Investment Holdings Group Limited”, the present, which has been passed as a special resolution at an extraordinary general meeting of the Company held on 15 July 2016 (“EGM”), to better reflect the Company’s strategic business plans to expand into clean energy, water and soil pollution treatment business and to continue the development of iron and titanium concentrates.

The Company is an investment holding company. The Company and its subsidiaries (together, the “Group”) are principally engaged in iron ore mining and processing, ilmenite ore mining and processing, sales of iron concentrates and titanium concentrates, and finance lease activities in the People’s Republic of China (the “PRC”) and exploration of metal reserves in Australia. In the future, the Group will also develop business in clean energy, water and soil pollution treatment business in the PRC. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 27 April 2012.

The directors considered Hongfa Holdings Limited (“Hongfa Holdings”), a company incorporated in the British Virgin Islands (“BVI”) and wholly owned by Mr. Li Yunde (the “Controlling Shareholder”), to be the ultimate holding company.

This condensed consolidated interim financial information is presented in Renminbi (“RMB”), unless otherwise stated, and has been approved for issue by the Board of Directors of the Company on 25 August 2016.

This condensed consolidated interim financial information has not been audited.

### Key events

The Company has repurchased a total of 29,528,000 shares of its own shares on The Stock Exchange of Hong Kong Limited in January and February 2016. Further details are given in Note 19(a).

On 14 April 2016, the Board of Directors announced a report on the Group’s latest business strategies, which are to focus on the development of titanium business by timely adjusting production of iron concentrates, expanding into clean energy, water pollution treatment and soil pollution treatment business using microbial biotechnology.

On 1 August 2016, the Company entered into a placing agreement to conditionally place up to 600,000,000 new shares. Further details are given in Note 35(b).

# Notes to the Unaudited Condensed Consolidated Interim Financial Information

(Amounts expressed in thousands of RMB)

## 2. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2016 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”. The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

## 3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those annual financial statements except for the adoption of amendments to HKFRSs effective for the financial year ending 31 December 2016.

- (a) Amendments to HKFRSs effective for the financial year ending 31 December 2016 do not have a material impact on the Group.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

### (b) Impact of standards issued but not yet applied by the Group

#### (i) *HKFRS 9 Financial instruments*

HKFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The standard does not need to be applied until 1 January 2018 but is available for early adoption. The Group is currently assessing the impact of this new standard and whether it should adopt HKFRS 9 before its mandatory date.

The financial assets held by the Group include

- equity instruments currently classified as available-for-sale for which a fair value through other comprehensive income (“FVOCI”) election is available; and
- debt investments currently measured at fair value through profit or loss which would likely continue to be measured on the same basis under HKFRS 9.

Accordingly the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the Group’s accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

# Notes to the Unaudited Condensed Consolidated Interim Financial Information

(Amounts expressed in thousands of RMB)

The new impairment model requires the recognition of impairment provisions based on expected credit losses (“ECL”) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group’s disclosures about its financial instruments particularly in the year of the adoption of the new standard.

## (ii) **HKFRS 15 Revenue from contracts with customers**

The Hong Kong Institute of Certified Public Accountants (“HKICPA”) has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers revenue arising from the sale of goods and the rendering of services and HKAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim periods within annual reporting periods beginning on or after 1 January 2018, and will allow early adoption.

Management is currently assessing the effects of applying the new standard on the Group’s financial statements and has identified the following areas that are likely to be affected:

- accounting for costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15; and
- rights of return – HKFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation.

At this stage, the Group is not able to estimate the effect of the new rules on the Group’s financial statements. The Group will make more detailed assessments of the effect over the next twelve months. The Group does not expect to adopt the new standard before 1 January 2018.

# Notes to the Unaudited Condensed Consolidated Interim Financial Information

(Amounts expressed in thousands of RMB)

## (iii) HKFRS 16 Leases

HKFRS 16 Leases addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces HKAS 17 Leases, and related interpretations.

An entity shall apply HKFRS 16 for annual periods beginning on or after 1 January 2019 and earlier application is permitted subject to the entity adopting HKFRS 15 Revenue from contracts with customers at the same time.

## 4. ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015, with the exception of changes in estimates that are required in determining the provision for income taxes.

## 5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

### 5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2015.

There have been no changes in the risk management policies since year end.

### 5.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

# Notes to the Unaudited Condensed Consolidated Interim Financial Information

(Amounts expressed in thousands of RMB)

## 5.3 Fair value estimation

Financial instruments carried at fair value are measured by different levels defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The Group's FVPL and available-for-sale financial assets measured at fair value belong to level 1 investment.

The carrying amounts of the Group's financial assets, including cash and cash equivalents, term deposits, restricted bank deposits, trade receivables, notes receivables, other receivables, current portion of long-term receivables, and financial liabilities, including trade payables, other payables and short-term borrowings, approximate their fair values due to their short maturities. The carrying amounts of long-term bonds approximate their fair values as the fluctuation of comparable interest rates with similar terms is relatively low.

## 6. SEGMENT INFORMATION

### (a) General information

The Group's chief operating decision-maker ("CODM") has been identified as the Senior Executive Management ("SEM") who reviews the Group's internal reporting in order to allocate resources and assess performance. The SEM has determined the operating segments based on these reports.

The SEM considers the business from both a geographic and industrial perspective. Geographically, management considers the performance in the PRC and Australia. From an industrial perspective, management separately considers activities of ore mining and processing and sales of concentrates and activities of finance lease in these geographies.

The SEM assesses the performance of the operating segments based on a measure of profit or loss contributed by the respective segments.

The SEM assesses the performance of the three reportable segments as follows:

- (i) Shandong Ishine Mining Industry Co., Ltd. ("Shandong Ishine") and Linyi Luxing Titanium Co., Ltd. ("Luxing Titanium"), which were both incorporated in the PRC and are engaged in iron ore mining and processing, ilmenite ore mining and processing and sales of iron concentrates and titanium concentrates in the PRC;
- (ii) Tianjin Ever Grand Financial Leasing Co., Ltd. ("Ever Grand"), which was incorporated in the PRC in 2015 and is principally engaged in finance lease business in the PRC; and
- (iii) Ishine International Resources Limited ("Ishine International"), which was incorporated in Australia and is engaged in the exploration of metal reserves in Australia.

# Notes to the Unaudited Condensed Consolidated Interim Financial Information

(Amounts expressed in thousands of RMB)

## (b) Information about reportable segment profit or loss, assets and liabilities

The measurement of profit or loss, assets and liabilities of the operating segments are the same as those described in the summary of significant accounting policies in the annual financial statements for the year ended 31 December 2015. The amounts of segment information of Shandong Ishine, Luxing Titanium and Ever Grand, and Ishine International are denominated in RMB and AUD respectively. The segment information of Ishine International is translated into RMB for the reports used by the SEM.

Expenses, assets and liabilities of the holding companies (the Company, Alliance Worldwide Investment Limited (“Alliance Worldwide”), Fortune Shine Investment Limited (“Fortune Shine”), Shine Mining Investment Limited (“Shine Mining”), Ishine Mining International Limited (“Ishine Mining”), China Rongsheng Holdings Limited (“Rongsheng”), Alpha Charm Investments Limited (“Alpha Charm”), Grandson Holdings Limited (“Grandson”) and Active Fortune Group Limited (“Active Fortune”)) in the Group are presented as ‘unallocated’ in the segment information.

The segment information provided to the SEM for the comparative periods is as follows:

	Shandong Ishine and Luxing Titanium	Ever Grand	Ishine International	Unallocated	Inter-segment elimination	Total
<b>Six months ended</b>						
<b>30 June 2016 (unaudited)</b>						
Revenue	25,012	2,904	344	-	(1,257)	27,003
Tenement and exploration expenses	-	-	(87)	-	-	(87)
Gross profit	1,891	2,845	257	-	(1,257)	3,736
Finance income	1,598	7	-	-	-	1,605
Finance costs	(6,120)	(1)	53	(8,006)	1,257	(12,817)
(Impairment provisions)/Reversal of provisions	(37,439)	-	-	-	-	(37,439)
- Property, plant and equipment	(36,163)	-	-	-	-	(36,163)
- Intangible assets	(3,137)	-	-	-	-	(3,137)
- Inventories	857	-	-	-	-	857
- Trade receivables	1,004	-	-	-	-	1,004
Income tax credit	3,560	-	-	-	-	3,560
Net loss	(58,005)	(29)	(608)	(14,420)	-	(73,062)
<b>Other information</b>						
Depreciation	11,196	-	3	6	-	11,205
Expenditures for non-current assets	-	-	-	-	-	-
<b>As at 30 June 2016 (unaudited)</b>						
<b>Segment assets and liabilities</b>						
Total assets	870,477	190,363	2,205	748,619	(868,078)	943,586
Total liabilities	492,362	5,232	3,286	118,040	(223,266)	395,654



# Notes to the Unaudited Condensed Consolidated Interim Financial Information

(Amounts expressed in thousands of RMB)

	Shandong Ishine and Luxing Titanium	Ever Grand	Ishine International	Unallocated	Inter-segment elimination	Total
<b>Six months ended</b>						
<b>30 June 2015 (unaudited)</b>						
Revenue	180,442	427	1,235	-	(427)	181,677
Tenement and exploration expenses	-	-	(799)	-	-	(799)
Gross (loss)/profit	(8,470)	403	436	-	(427)	(8,058)
Finance income	706	817	-	-	(813)	710
Finance costs	(8,611)	-	(18)	(2,678)	1,240	(10,067)
Impairment provisions	(20,254)	-	(40)	-	-	(20,294)
- Property, plant and equipment	(7,649)	-	-	-	-	(7,649)
- Intangible assets	(11,088)	-	-	-	-	(11,088)
- Available-for-sale financial assets	-	-	(40)	-	-	(40)
- Inventories	(1,517)	-	-	-	-	(1,517)
Income tax credit	16,349	-	-	-	-	16,349
Net loss	(54,634)	(135)	(848)	(21,118)	-	(76,735)
<b>Other information</b>						
Depreciation	16,370	-	17	10	-	16,397
Expenditures for non-current assets	24,867	-	-	5	-	24,872
<b>As at 31 December 2015 (audited)</b>						
<b>Segment assets and liabilities</b>						
Total assets	945,587	189,363	1,602	788,569	(857,900)	1,067,221
Total liabilities	533,501	4,204	2,309	114,567	(213,088)	441,493

# Notes to the Unaudited Condensed Consolidated Interim Financial Information

(Amounts expressed in thousands of RMB)

## 7. PROPERTY, PLANT AND EQUIPMENT

	Buildings and structures	Mining infrastructures	Vehicles, equipment and others	Construction in progress	Total
<b>Six months ended 30 June 2016</b> (unaudited)					
Opening net book amount	71,951	123,387	94,602	62,990	352,930
Disposals – net	–	–	(383)	–	(383)
Depreciation	(2,753)	(201)	(8,251)	–	(11,205)
Impairment (Note 8(b)(iii))	(9,370)	(15,887)	(10,906)	–	(36,163)
Effect of foreign exchange rate changes	–	–	1	–	1
<b>Closing amount as at 30 June 2016</b>	<b>59,828</b>	<b>107,299</b>	<b>75,063</b>	<b>62,990</b>	<b>305,180</b>
<b>Six months ended 30 June 2015</b> (unaudited)					
Opening net book amount	84,738	119,864	130,021	57,303	391,926
Additions	–	21,096	168	3,608	24,872
Disposals – net	–	–	(64)	–	(64)
Depreciation	(4,249)	(867)	(11,281)	–	(16,397)
Impairment (Note 8(b)(iii))	(1,537)	(1,806)	(4,306)	–	(7,649)
Effect of foreign exchange rate changes	–	–	(2)	–	(2)
<b>Closing amount as at 30 June 2015</b>	<b>78,952</b>	<b>138,287</b>	<b>114,536</b>	<b>60,911</b>	<b>392,686</b>

# Notes to the Unaudited Condensed Consolidated Interim Financial Information

(Amounts expressed in thousands of RMB)

## 8. INTANGIBLE ASSETS

	Six months ended 30 June	
	2016 (unaudited)	2015 (unaudited)
Mining rights		
Opening net book amount	61,287	131,366
Amortisation	–	(23)
Impairment (b)(i)	(3,137)	(11,088)
Closing net book amount	58,150	120,255

- (a) As at 30 June 2016 and 31 December 2015, bank borrowings were secured by a mining right of Shandong Ishine, in Shandong Province, the PRC (Note 20(b)).
- (b) Due to an outlook of the market price of iron concentrates and ilmenite concentrates as at 30 June 2016, management of the Group carried out an impairment test on the related assets of Shandong Ishine and Luxing Titanium respectively, which were considered as two separate cash-generating units (“CGUs”).

As at 30 June 2016, management estimated the recoverable amounts of property, plant and equipment of Shandong Ishine and Luxing Titanium, comprising buildings and structures, mining infrastructures, vehicles, equipment and others, and mining right of Luxing Titanium.

The recoverable amounts of the CGUs were determined based on value-in-use calculations. These calculations used cash flow projections based on financial budgets approved by management covering a six-year period, reflecting cash flows from sales of iron and ilmenite concentrates from the production of the mines of each CGU less estimated costs, discounted at 12.3%. Cash flows beyond the six-year period were extrapolated using a zero growth rate until the end of a twenty-year period. The key assumptions used in the value-in-use calculations were as follows:

- Sales price – Sales price is based on current industry trends; and
- Discount rate – The discount rate used reflects specific risks relating to the CGUs.

# Notes to the Unaudited Condensed Consolidated Interim Financial Information

(Amounts expressed in thousands of RMB)

## (i) Impairment loss recognised on intangible assets

Impairment loss of RMB3,137,000 (30 June 2015: RMB11,088,000) has been included in the statement of comprehensive income during the six months ended 30 June 2016 to write down the carrying amount of intangible assets of Luxing Titanium to its recoverable amount of RMB58,150,000 (30 June 2015: RMB95,790,000) as at 30 June 2016.

## (ii) Impairment loss recognised on property, plant and equipment

Impairment losses of RMB34,144,000 (30 June 2015: nil) and RMB2,019,000 (30 June 2015: RMB7,649,000) have been included in the statement of comprehensive income during the six months ended 30 June 2016 to write down the carrying amounts of property, plant and equipment of Shandong Ishine and Luxing Titanium to their recoverable amounts of RMB267,719,000 (30 June 2015: RMB326,566,000) and RMB37,442,000 (30 June 2015: RMB66,078,000), respectively, as at 30 June 2016.

## 9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Six months ended 30 June	
	2016 (unaudited)	2015 (unaudited)
Opening amount	432	416
Effect of foreign exchange rate changes	28	(25)
Gain from revaluation	279	–
Impairment	–	(40)
Closing amount	739	351

## 10. DEFERRED INCOME TAX ASSETS AND LIABILITIES

The gross movement on the deferred income tax account is as follows:

	Six months ended 30 June	
	2016 (unaudited)	2015 (unaudited)
Opening amount	6,066	(12,575)
Credit to statement of comprehensive income	3,560	16,349
Closing amount	9,626	3,774

# Notes to the Unaudited Condensed Consolidated Interim Financial Information

(Amounts expressed in thousands of RMB)

## 11. LONG-TERM RECEIVABLES

	As at 30 June 2016 (unaudited)	As at 31 December 2015 (audited)
<b>Non-current receivables</b>		
Finance leases – gross receivables	55,025	64,196
Unearned finance income	(4,414)	(5,932)
	<b>50,611</b>	<b>58,264</b>
<b>Current receivables</b>		
Finance leases – gross receivables	18,341	18,341
Unearned finance income	(3,243)	(3,652)
	<b>15,098</b>	<b>14,689</b>
Gross receivables from finance leases:		
– No later than 1 year	18,341	18,341
– Later than 1 year and no later than 5 years	55,025	64,196
	<b>73,366</b>	<b>82,537</b>
Unearned future finance income on finance leases	(7,657)	(9,584)
<b>Net investment in finance leases</b>	<b>65,709</b>	<b>72,953</b>
The net investment in finance leases may be analysed as follows:		
– No later than 1 year	15,098	14,689
– Later than 1 year and no later than 5 years	50,611	58,264
	<b>65,709</b>	<b>72,953</b>

All long-term receivables are due within five years from the end of the period and are carried at amortised cost using the effective interest method. Amortisation of long-term receivables calculated using the effective interest method is recognised in the statement of comprehensive income as part of revenue.

The effective interest rate on long-term receivables was 5.51% for the six months ended 30 June 2016 (year ended 31 December 2015: 5.51%).

# Notes to the Unaudited Condensed Consolidated Interim Financial Information

(Amounts expressed in thousands of RMB)

## 12. OTHER NON-CURRENT ASSETS

	As at 30 June 2016 (unaudited)	As at 31 December 2015 (audited)
Land restoration deposits	3,790	–
Prepaid taxes	3,739	–
	<hr/> 7,529	<hr/> –

## 13. INVENTORIES

	As at 30 June 2016 (unaudited)	As at 31 December 2015 (audited)
Raw materials		
– Iron ore and ilmenite ore	15,514	15,514
– Others	7,538	23,930
Finished goods	8,424	12,702
Spare parts and others	9,808	9,651
Provision for inventories	<b>(13,411)</b>	<b>(22,001)</b>
	<hr/> 27,873	<hr/> 39,796

The Group has reversed RMB7,733,000 of the previous provision during the six months ended 30 June 2016. The amount reversed has been included in 'cost of sales' in the statement of comprehensive income.

Due to a minor increase in the market price of iron concentrates, the Group reversed RMB857,000 of the previous provision for inventory as at 30 June 2016.

# Notes to the Unaudited Condensed Consolidated Interim Financial Information

(Amounts expressed in thousands of RMB)

## 14. TRADE RECEIVABLES

	<b>As at 30 June 2016 (unaudited)</b>	As at 31 December 2015 (audited)
Trade receivables	<b>93,550</b>	143,132
Less: allowance for impairment of trade receivables	<b>(8,509)</b>	(9,513)
<b>Trade receivables – net</b>	<b>85,041</b>	133,619

The majority of the Group's sales are with credit terms of 90 days. As of 30 June 2016, trade receivables of RMB78,063,000 were past due but not impaired (31 December 2015: RMB73,597,000). At 30 June 2016 and 31 December 2015, the ageing analysis of trade receivables was as follows:

	<b>As at 30 June 2016 (unaudited)</b>	As at 31 December 2015 (audited)
Within 3 months	<b>7,265</b>	63,252
3 to 6 months	<b>3,777</b>	6,033
6 months to 1 year	<b>22,722</b>	28,037
Over 1 year	<b>59,786</b>	45,810
	<b>93,550</b>	143,132

As at 31 June 2016, no trade receivables were secured as collateral for bank borrowings.

As at 31 December 2015, bank borrowings were secured by trade receivables with carrying amount of RMB60,385,000 (Note 20(b)(ii)).

# Notes to the Unaudited Condensed Consolidated Interim Financial Information

(Amounts expressed in thousands of RMB)

## 15. NOTES RECEIVABLES

	<b>As at 30 June 2016 (unaudited)</b>	As at 31 December 2015 (audited)
Bank acceptance notes	<b>21,800</b>	75,800
Trade acceptance notes	<b>8,000</b>	16,000
	<b>29,800</b>	91,800

The ageing of notes receivables is within 12 months for the six months ended 30 June 2016.

## 16. PREPAYMENTS AND OTHER RECEIVABLES

	<b>As at 30 June 2016 (unaudited)</b>	As at 31 December 2015 (audited)
Advance to suppliers	<b>33,711</b>	12,002
Prepaid taxes	<b>9,651</b>	9,635
Undeducted input VAT	<b>2,234</b>	3,847
Advance to employees	<b>868</b>	1,133
Land restoration deposits	–	7,098
Others	<b>5,320</b>	6,272
	<b>51,784</b>	39,987

## 17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>As at 30 June 2016 (unaudited)</b>	As at 31 December 2015 (audited)
Debt securities – held for trading	<b>24,270</b>	22,895

Changes in fair values of FVPL are recorded in 'other losses – net' in the statement of comprehensive income (Note 28).

The fair value of all debt securities is based on their current bid prices in an active market.



# Notes to the Unaudited Condensed Consolidated Interim Financial Information

(Amounts expressed in thousands of RMB)

## 18. CASH AND CASH EQUIVALENTS, TERM DEPOSITS AND RESTRICTED BANK DEPOSITS

	As at 30 June 2016 (unaudited)	As at 31 December 2015 (audited)
Cash and cash equivalents		
– Cash on hand	349	336
– Cash at banks	132,682	97,754
	<b>133,031</b>	98,090
Term deposits – maturity over 3 months	50,000	100,000
Restricted bank deposits		
– Deposits for bank acceptance notes	90,000	45,000
– Deposits for land restoration	3,308	–
	<b>93,308</b>	45,000
	<b>276,339</b>	243,090

Cash and cash equivalents, term deposits and restricted bank deposits are denominated in the following currencies:

	As at 30 June 2016 (unaudited)	As at 31 December 2015 (audited)
RMB	269,347	218,973
USD	2,906	10,948
HKD	2,645	12,219
AUD	1,441	950
	<b>276,339</b>	243,090

# Notes to the Unaudited Condensed Consolidated Interim Financial Information

(Amounts expressed in thousands of RMB)

## 19. SHARE CAPITAL AND SHARE PREMIUM

	As at 30 June 2016 (unaudited)		As at 30 June 2015 (unaudited)	
	Number of shares	HKD	Number of shares	HKD
<b>Authorised:</b>				
Ordinary shares of HKD0.002 each	<b>15,000,000,000</b>	<b>30,000,000</b>	<b>15,000,000,000</b>	<b>30,000,000</b>

### Ordinary shares, issued and fully paid:

	Number of shares	Share capital	Share premium	Total
<b>At 1 January 2016 (audited)</b>	<b>4,426,857,920</b>	<b>7,136</b>	<b>620,930</b>	<b>628,066</b>
Repurchase of shares (a)	(29,528,000)	(50)	(4,919)	(4,969)
<b>At 30 June 2016 (unaudited)</b>	<b>4,397,329,920</b>	<b>7,086</b>	<b>616,011</b>	<b>623,097</b>
<b>At 1 January 2015 (audited)</b>	3,907,857,920	6,314	467,382	473,696
Proceeds from shares issued (b)	392,000,000	621	118,611	119,232
Exercise of warrants (c)	125,750,000	199	34,574	34,773
<b>At 30 June 2015 (unaudited)</b>	<b>4,425,607,920</b>	<b>7,134</b>	<b>620,567</b>	<b>627,701</b>

(a) Repurchase of shares

The Group purchased 29,528,000 of its own shares on The Stock Exchange of Hong Kong Limited in January and February 2016 and cancelled the shares in March 2016. The total amount paid to purchase the shares was HKD5,887,000 (equivalent to RMB4,969,000) and has been deducted from shareholders' equity.

(b) On 1 March 2015, the Company entered into a subscription agreement with X. Mining Resources Group Limited, a third-party company incorporated in the BVI with limited liability (the "Subscriber"), pursuant to which the Subscriber has agreed to subscribe for and the Company has agreed to issue and allot 392,000,000 shares (the "Subscription Shares") in cash at the share subscription price of RMB0.304 (equivalent to approximately HKD0.384) per Subscription Share. On 16 March 2015, the Subscriber successfully subscribed for 392,000,000 Subscription Shares.

(c) In July 2014, the Company issued non-listed warrants (the "2014 Warrants") to certain independent third parties at par value of HKD0.01 each. Each warrant entitled the holder to subscribe for one new share of the Company at any time during a period of 12 months from the date of issue.

During the six months ended 30 June 2015, warrants of 125,750,000 shares were exercised at the price of HKD0.338 and were credited to share capital with an amount of HKD252,000 (equivalent to RMB199,000). The excess of the exercise price over the par value was recognised as share premium.

# Notes to the Unaudited Condensed Consolidated Interim Financial Information

(Amounts expressed in thousands of RMB)

## 20. BORROWINGS

	As at 30 June 2016 (unaudited)	As at 31 December 2015 (audited)
<b>Non-current</b>		
Bonds	104,998	100,827
<b>Current</b>		
Bank borrowings	130,000	170,000
	<b>234,998</b>	<b>270,827</b>
Representing:		
Unsecured		
– Bonds wholly payable after 7.5 years (a)	104,998	100,827
Secured		
– Pledged (b)	100,000	140,000
– Guaranteed (c)	30,000	30,000
	<b>234,998</b>	<b>270,827</b>

Movements in borrowings is analysed as follows:

	Six months ended 30 June	
	2016 (unaudited)	2015 (unaudited)
<b>Opening amount</b>	<b>270,827</b>	222,044
Proceeds of new borrowings	70,000	133,728
Repayments of borrowings	(110,000)	(117,550)
Amortisation of agency fee	1,968	1,225
Effect of foreign exchange rate changes	2,203	(434)
<b>Closing amount</b>	<b>234,998</b>	239,013

# Notes to the Unaudited Condensed Consolidated Interim Financial Information

(Amounts expressed in thousands of RMB)

## (a) Unsecured bonds

During the years ended 31 December 2015 and 2014, the Company issued bonds to several independent third parties with a coupon rate of 7.00% per annum, payable in 7.5 years from the respective issue dates.

As at 30 June 2016 and 31 December 2015, the aggregate carrying amount of the bonds was HKD122,852,000 (equivalent to RMB104,998,000) and HKD120,350,000 (equivalent to RMB100,827,000), approximating their fair values, respectively. The fair values are determined using the expected future payments discounted at an effective interest rate between 11.07% and 11.55%.

## (b) Pledged borrowings

(i) As at 30 June 2016, bank borrowings of RMB100,000,000 (31 December 2015: RMB100,000,000) were secured by a mining right of Shandong Ishine, in Shandong Province, the PRC.

(ii) As at 31 December 2015, bank borrowings of RMB40,000,000 were secured by a mining right of Shandong Ishine, in Shandong Province, the PRC, and trade receivables with carrying amount of RMB60,385,000.

## (c) Guaranteed borrowings

As at 30 June 2016 and 31 December 2015, the following borrowing of the Group was guaranteed by the following third party:

	<b>As at 30 June 2016 (unaudited)</b>	As at 31 December 2015 (audited)
Yishui Hesheng Minerals Processing Co., Ltd.	<b>30,000</b>	30,000

## 21. PROVISIONS FOR CLOSE DOWN, RESTORATION AND ENVIRONMENTAL COSTS

	<b>Six months ended 30 June</b>	
	<b>2016 (unaudited)</b>	2015 (unaudited)
Opening amount	<b>25,759</b>	24,654
Unwinding of discount	<b>703</b>	671
Utilised during the period	<b>(80)</b>	(42)
Closing amount	<b>26,382</b>	25,283

# Notes to the Unaudited Condensed Consolidated Interim Financial Information

(Amounts expressed in thousands of RMB)

## 22. TRADE PAYABLES

	<b>As at 30 June 2016 (unaudited)</b>	As at 31 December 2015 (audited)
Trade payables	<b>32,484</b>	47,654

At 30 June 2016 and 31 December 2015, the ageing analysis of trade payables was as follows:

	<b>As at 30 June 2016 (unaudited)</b>	As at 31 December 2015 (audited)
Within 6 months	<b>12,188</b>	23,543
6 Months to 1 year	<b>9,521</b>	9,203
Over 1 year	<b>10,775</b>	14,908
	<b>32,484</b>	47,654

## 23. NOTES PAYABLES

	<b>As at 30 June 2016 (unaudited)</b>	As at 31 December 2015 (audited)
Bank acceptance notes	<b>50,550</b>	50,000

The ageing of notes payables is within 12 months for the six months ended 30 June 2016.

# Notes to the Unaudited Condensed Consolidated Interim Financial Information

(Amounts expressed in thousands of RMB)

## 24. ACCRUALS AND OTHER PAYABLES

	<b>As at 30 June 2016 (unaudited)</b>	As at 31 December 2015 (audited)
Advance construction funds from government	14,624	11,124
Guarantee deposits	10,577	10,488
Accrued land compensation costs	7,022	6,780
Employee benefits payable	4,709	4,631
Interest payable	4,293	3,319
Other taxes payable	2,365	2,310
Accrued audit fee	1,000	944
Accrued other professional service and consulting fee	1,352	979
Deposits and receipts in advance	–	156
Others	2,590	1,657
	<b>48,532</b>	<b>42,388</b>

## 25. REVENUE

	<b>Six months ended 30 June</b>	
	<b>2016 (unaudited)</b>	2015 (unaudited)
Production		
– Sales of iron concentrate	2,194	64,274
– Sales of titanium concentrate	1,136	–
Trading		
– Sales of coarse iron powder	21,681	116,168
Others	1,992	1,235
	<b>27,003</b>	<b>181,677</b>

# Notes to the Unaudited Condensed Consolidated Interim Financial Information

(Amounts expressed in thousands of RMB)

## 26. EXPENSE BY NATURE

	Six months ended 30 June	
	2016 (unaudited)	2015 (unaudited)
Changes in inventories of finished goods, iron ore and ilmenite ore	3,215	36,353
Cost of raw materials	19,705	137,850
Payments to mining contractors	–	9,170
Spare parts and others	–	402
Depreciation and amortisation	11,205	16,420
Impairment provision for property, plant and equipment (Note 7)	36,163	7,649
Impairment provision for intangible assets (Note 8)	3,137	11,088
(Reversal of provision)/impairment provision for inventories (Note 13)	(857)	1,517
Reversal of provision for trade receivables (Note 14)	(1,004)	–
Impairment provision for available-for-sale financial assets (Note 9)	–	40
Employee benefit expense	4,654	8,822
Land compensation expenses	4,250	5,390
Professional fees	1,671	2,212
Auditor's remuneration		
– Audit services	1,146	1,407
– Non-audit services	–	–
Travelling expenses	1,476	1,092
Transportation expenses	1,454	2,903
Utilities and electricity	1,379	3,673
Entertainment expenses	604	1,067
Tenement and exploration expenses	87	799
Sales tax surcharges	92	180
Resources tax	–	1,212
Repairs and maintenance	8	773
Other expenses	2,153	2,172
<b>Total cost of sales, distribution costs and administrative expenses</b>	<b>90,538</b>	<b>252,191</b>

## 27. OTHER INCOME

	Six months ended 30 June	
	2016 (unaudited)	2015 (unaudited)
Interest income on FVPL	691	–
Loss on disposal of FVPL	(25)	–
	<b>666</b>	<b>–</b>

# Notes to the Unaudited Condensed Consolidated Interim Financial Information

(Amounts expressed in thousands of RMB)

## 28. OTHER LOSSES – NET

	Six months ended 30 June	
	2016 (unaudited)	2015 (unaudited)
FVPL – fair value losses	(2,170)	–
(Loss)/gain on disposal of property, plant and equipment	(158)	286
Government grants	23	–
Loss on issuance of non-listed warrants (a)	–	(13,484)
Others	(236)	(15)
	<b>(2,541)</b>	<b>(13,213)</b>

- (a) On 1 June 2015, the Company issued 140,000,000 non-listed warrants (the “2015 Warrants”) to X. Mining Resources Group Limited at par value of RMB0.0016 each. Each warrant entitled the holder to subscribe for one new share of the Company at an exercise price of RMB0.319 at any time during a period of 12 months from the date of issue.

The 2015 Warrants were recognised at fair value, determined based on the valuations performed by an independent professionally qualified valuer using the Binominal Model with the following key assumptions:

### Issue date as at 1 June 2015

Exercise price	RMB0.319
Share price	HKD0.495
Volatility	52.43%
Remaining life	12 months
Risk free interest rate	0.07%

The 2015 Warrants were measured at fair value of HKD19,880,000 (equivalent to RMB15,695,000) at initial recognition, and were credited to share-based payment reserve in accordance with HKFRS 2. The excess of the fair value of the 2015 Warrants over the consideration of HKD2,800,000 (equivalent to RMB2,211,000) received, amounting to HKD17,080,000 (equivalent to RMB13,484,000) was recorded in ‘other losses – net’ in the statement of comprehensive income for the six months ended 30 June 2015.

During the six months ended 30 June 2016, the 2015 Warrants expired and have not been exercised.



# Notes to the Unaudited Condensed Consolidated Interim Financial Information

(Amounts expressed in thousands of RMB)

## 29. FINANCE COSTS – NET

	Six months ended 30 June	
	2016 (unaudited)	2015 (unaudited)
Interest expense:		
– Borrowings	<b>(10,582)</b>	(9,529)
– Provisions: unwinding of discount (Note 21)	<b>(703)</b>	(671)
– Discount of bank acceptance notes	–	(1,492)
– Others	<b>(137)</b>	(119)
Net foreign exchange (losses)/gains	<b>(1,395)</b>	1,744
<hr/>		
Finance expenses	<b>(12,817)</b>	(10,067)
<hr/>		
Finance income:		
– Interest income on bank deposits	<b>1,605</b>	710
<hr/>		
Net finance expenses	<b>(11,212)</b>	(9,357)

# Notes to the Unaudited Condensed Consolidated Interim Financial Information

(Amounts expressed in thousands of RMB)

## 30. INCOME TAX CREDIT

	Six months ended 30 June	
	2016 (unaudited)	2015 (unaudited)
Deferred tax (Note 10):		
Origination and reversal of temporary differences	<b>3,560</b>	16,349

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2010 revised) of the Cayman Islands and, accordingly, is exempted from payment of the Cayman Islands income tax.

The subsidiaries incorporated in BVI under the International Business Companies Act of the British Virgin Islands are exempted from payment of BVI income tax.

Hong Kong profits tax has not been provided for the subsidiaries in Hong Kong as there is no estimated assessable profit arising in or derived from Hong Kong during the six months ended 30 June 2016 and 2015.

Australia corporation income tax rate is 30%. Australia corporation income tax has not been provided for the subsidiary in Australia as there is no estimated assessable profit arising in or derived from Australia during the six months ended 30 June 2016 and 2015.

Corporate income tax ("CIT") in the PRC is calculated based on the statutory profit of the subsidiaries incorporated in the PRC in accordance with the PRC tax laws and regulations, after adjusting certain items of income and expenses that are not assessable or deductible for income tax purposes.

In December 2015, Shandong Ishine was awarded with the National High-Tech Enterprise qualification. Pursuant to the related regulations, Shandong Ishine was entitled to the income tax rate of 15%, effective from 1 January 2016, and the relevant deferred tax balances have been re-measured as at 31 December 2015.

The tax rate for the Company's other PRC subsidiaries, Luxing Titanium and Ever Grand, was 25% for the six months ended 30 June 2016 and 2015.

# Notes to the Unaudited Condensed Consolidated Interim Financial Information

(Amounts expressed in thousands of RMB)

## 31. LOSSES PER SHARE

### (a) Basic

Basic losses per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2016 (unaudited)	2015 (unaudited)
Loss attributable to owners of the Company	(72,610)	(76,050)
Weighted average number of ordinary shares in issue	4,401,053,975	4,048,632,578
Basic losses per share (Expressed in RMB per share)	(0.017)	(0.019)

### (b) Diluted

As at 30 June 2016, there were no dilutive factors of the Company.

As at 30 June 2015, there were 430,750,000 units of unexercised warrants that would potentially have a dilutive impact in the future but were anti-dilutive for the six months ended 30 June 2015.

The diluted losses per share were the same way as basic losses per share during both periods.

## 32. DIVIDENDS

The Board of Directors has resolved not to declare any interim dividends related to the six months ended 30 June 2016.

# Notes to the Unaudited Condensed Consolidated Interim Financial Information

(Amounts expressed in thousands of RMB)

## 33. RELATED-PARTY TRANSACTIONS

- (a) During the six months ended 30 June 2016 and 2015, the directors of the Company were of the view that the following individual was a related party of the Group:

Name of related party	Nature of relationship
Mr. Li Yunde	The Controlling Shareholder

### (b) Significant related-party transactions

There were no significant related-party transactions entered into the ordinary course of business between the Group and its related party during the six months ended 30 June 2016.

As at 30 June 2015, bank borrowings of RMB50,000,000 were jointly guaranteed by the Controlling Shareholder and third parties.

Key management compensation amounted to RMB1,588,000 for the six month ended 30 June 2016 (30 June 2015: RMB1,403,000). See below.

	Six months ended 30 June	
	2016 (unaudited)	2015 (unaudited)
Wages, salaries and allowances	1,559	1,375
Contribution to pension scheme	29	28
	<b>1,588</b>	<b>1,403</b>

# Notes to the Unaudited Condensed Consolidated Interim Financial Information

(Amounts expressed in thousands of RMB)

## 34. COMMITMENTS

### (a) Exploration commitments

Ishine International has obligations under the exploration license to spend a minimum amount of exploration expenditures on the projects. The obligations may vary from time to time subject to the approval from the relevant government authorities in Australia. Due to the nature of Ishine International's operations in exploring and evaluating areas of interest, it is difficult to accurately forecast the nature and amount of future expenditures beyond a twelve-month period. Expenditures may be reduced by seeking exemption from individual commitments, by relinquishing of tenure or entering into any new joint venture agreements. Expenditures may be increased when new tenements are granted or joint venture agreements amended.

The existing tenement commitments in accordance with the contracts are as follows:

	<b>As at 30 June 2016 (unaudited)</b>	As at 31 December 2015 (audited)
No later than 1 year	<b>537</b>	2,165
1 to 3 years	–	189
	<b>537</b>	2,354

### (b) Capital commitments

Capital expenditure contracted for at the end of the period but not yet incurred is as follows:

	<b>As at 30 June 2016 (unaudited)</b>	As at 31 December 2015 (audited)
Property, plant and equipment	<b>5,812</b>	5,812

# Notes to the Unaudited Condensed Consolidated Interim Financial Information

(Amounts expressed in thousands of RMB)

## 35. SUBSEQUENT EVENTS

### (a) Change of name of the Company

The special resolution proposed at the EGM was passed on 15 July 2016 and the change of name of the Company became effective from 20 July 2016, on which the Certificate of Incorporation on Change of Name was issued by the Registrar of Companies in the Cayman Islands.

### (b) Placing of new shares

On 1 August 2016, the Company entered into a placing agreement with Chaoshang Securities Limited ("the Placing Agent"), in relation to the placing of new shares ("Placing Shares"). Pursuant to the placing agreement, the Company has conditionally agreed to place, through the Placing Agent, up to 600,000,000 Placing Shares at the price of HKD0.11 (equivalent to RMB0.0944) per Placing Share.

The placing was completed on 24 August 2016 in accordance with the Placing Agreement. An aggregate of 121,800,000 Placing Shares have been placed to six placees who are independent third parties, at the placing price of HKD0.11 (equivalent to RMB0.0944) per Placing Share.

None of the placees became substantial shareholders (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) of the Company as a result of the placing.

The net proceeds from the placing was approximately HKD12,700,000.

### (c) Termination of the proposed acquisition

Ishine International, a non wholly-owned subsidiary of the Company, whose shares were listed on Australian Securities Exchange, entered into a non-binding memorandum of understanding ("MOU") with Sino Australia Pty Ltd. ("Sino Australia") on 11 February 2016, to acquire approximately 280 acres of farmland in Victoria, Australia, a herd of Angus cattle and a Chinese website for selling Angus beef to the PRC ("the Proposed Acquisition"). The completion of the Proposed Acquisition was expected to be taken place in June 2016.

On 5 August 2016, Ishine International announced that it has given a 30 days' notice to Sino Australia to terminate the MOU of the Proposed Acquisition.

# Management Discussion and Analysis

## INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2016 (30 June 2015: Nil).

## BUSINESS REVIEW

The principal activities of the Group are iron ore and ilmenite ore exploration, mining and processing to sell iron concentrates and titanium concentrates in Shandong Province, the PRC. Since 2013, the Group has started to engage in ilmenite ore mining and ilmenite ore processing to produce iron concentrates and titanium concentrates in Shandong Province, the PRC. The Group's major customers are iron pellets makers and steel manufacturers located in close proximity. Since 2015, the Group has started to engage in finance lease activities in the PRC.

Shandong Ishine Mining Industry Co., Ltd. ("Shandong Ishine"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Mr. Yang Wenxing on 19 December 2012 to acquire 95% of the equity interests of Luxing Titanium (臨沂魯興鈦業股份有限公司) at a consideration of RMB20.9 million (the "Acquisition"). The Acquisition was completed in the first quarter of 2013. Luxing Titanium is a mining company based in Shandong Province, the PRC, and is principally engaged in ilmenite ore mining and processing to produce iron concentrates and titanium concentrates. For details of the Acquisition, please refer to the announcement of the Company dated 19 December 2012.

In April 2015, Tianjin Ever Grand Financial Leasing Co., Ltd. ("**Ever Grand**") was incorporated in Tianjin, the PRC, and is principally engaged in finance lease business in respect of domestic and overseas purchase of leased properties, disposal and maintenance of leased properties, and consultation and guarantee on lease transactions in the PRC.

The Group possesses mining rights in respect of Yangzhuang Iron Mine (楊莊鐵礦), an iron ore mine located in Qinjiazhuang Village, Yangzhuang Town, Shandong Province, the PRC ("**Yangzhuang Iron Mine**"), Zhuge Shangyu Ilmenite Mine (諸葛上峪鈦鐵礦), an ilmenite and magnetite mine located in Yishui County, Shandong Province, the PRC ("**Zhuge Shangyu Ilmenite Mine**"), and Luxing Titanium Mine, an ilmenite ore mine located in Yishui County, Shandong Province, the PRC ("**Luxing Titanium Mine**"), and owns the exploration rights over Yangzhuang Iron Mine, Qinjiazhuang Ilmenite Project, an ilmenite ore project located in Qinjiazhuang District, Yishui County, Shandong Province, the PRC ("**Qinjiazhuang Ilmenite Project**"), Zhuge Shangyu Ilmenite Mine and Gaozhuang Shangyu Ilmenite Project, an ilmenite ore project located in Shangyu District, Yishui County, Shandong Province, the PRC ("**Gaozhuang Shangyu Ilmenite Project**").

# Management Discussion and Analysis

The Group's revenue decreased by approximately RMB154.7 million, or 85.1%, to approximately RMB27.0 million for the six months ended 30 June 2016, as compared with approximately RMB181.7 million for the six months ended 30 June 2015. The decrease in revenue was primarily due to (1) the decrease in turnover of trading of coarse iron powder by approximately RMB94.5 million from approximately RMB116.2 million for the six months ended 30 June 2015 to approximately RMB21.7 million for the six months ended 30 June 2016; (2) the decrease in sales of iron concentrates produced from Yangzhuang Iron Mine by approximately RMB42.8 million; (3) the decrease in sales of mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder by approximately RMB16.4 million; which was partially offset by the increase in sales of ilmenite concentrates produced by Zhuge Shangyu Ilmenite Mine by approximately RMB1.1 million.

The total comprehensive loss attributable to owners of the Company was approximately RMB72.4 million for the six months ended 30 June 2016, representing a decrease of approximately RMB3.7 million, or 4.9%, as compared with total comprehensive loss attributable to owners of the Company of RMB76.1 million for the six months ended 30 June 2015.

In the recent years, the entire iron and steel market has demonstrated an ongoing downward moving trend as the economy in China continued to remain sluggish. The average selling price of iron concentrates with 65% iron content decreased to RMB439.0 per tonne for the six months ended 30 June 2016 as compared with RMB488.1 per tonne for the six months ended 30 June 2015.

## Measures adopted by the management during the first half of 2016:

### I. In response to the current global economic downturn, the Group conducted research on its key businesses and sorted them accordingly and made some adjustment to its strategies.

#### (I) *Sticking to the development of titanium business, and adjusting iron concentrates production in a timely manner*

The Group continued to make great efforts in planning and implementation of a comprehensive industrial chain, including mining and processing of ilmenite ore and production of titanium concentrates, high titanium slag, titanium tetrachloride and sponge titanium. Apart from the above-mentioned internal research and development of production technology, the cooperation with Chinese Academy of Sciences and the technology transfer cooperation with the Siberian Branch of the Russian Academy of Sciences under the leadership of the Ministry of Science and Technology of China, the Company also conducted a number of due diligence activities and project selection activities in regard to potential mergers and acquisitions of enterprises in the whole titanium business or other ways of cooperation to seize business opportunities for cooperation.

As for the iron concentrate business, the Group would timely adjust and implement its production plan in due course based on market changes and needs in order to protect the interest of its shareholders and investors.



# Management Discussion and Analysis

## *(II) Expanding into clean energy business.*

The Group also conducted a feasibility study in respect of the encouragement from the central government that qualified private enterprises should engage in the wind energy and photovoltaic electricity business. Where possible, the Company would leverage the resources of large state enterprises and professional listed groups to obtain the planning permissions and grid access to the state grid and to expand into the clean energy business. The Group planned to steadily expand the utilisation of sustainable and renewable energy such as wind power, solar energy and solar thermal power resources in idle areas available for use of the Group's mines first.

## *(III) Expanding into water pollution treatment business.*

In second half of 2015, the Ministry of Environmental Protection of the Peoples' Republic of China published the "Water Pollution Treatment Action Plan" which indicated that water pollution shall not be taken lightly. The implementation of "Water Pollution Treatment Action Plan" brought great opportunities for the market of water pollution. The Group's application of technology of draining residual ores achieved "zero emission" of industrial waste water, making it the first domestic mining company to get rid of tailing dam and achieve the recycle of industrial waste water. The implementation of water recycle projects effectively reduced water consumption. With such achievement, Shandong Ishine was granted a patent certificate for draining tailing system by the State Intellectual Property Office in 2012 and was recognised as the "Highlighted and Demonstrative Project of Draining Tailing in Shandong Province" by the Land and Resources Department of Shandong Province. The Group planned to improve the technology and solutions for treatment of complex water quality based on its existing patent and technology as well as past successful experience and by further introducing new microbial technology. In addition, the Group also planned to develop the above said patent and the most advanced water treatment technology into external business contracting projects for the water treatment of river channels in the PRC and other possible water treatment projects.

## *(IV) Expanding soil pollution treatment business using microbial biotechnology.*

The Ministry of Environmental Protection of the Peoples' Republic of China has drafted the "Soil Pollution Treatment Action Plan" which shall be implemented after the completion of reporting and approval session. Soil pollution treatment has always been taken seriously by the society and, together with the treatment of air pollution and water pollution, constitutes three environmental treatment action plans in the PRC. The Group planned to use microbial technology to extract and synthesise the trace amount of titanium contained in the residual ores in Shandong Ishine together with the humic acid contained in the coal residual ores into microbial fertiliser, which contributes to solving the problems of soil compaction, pesticide and fertiliser residue and heavy metals contamination.

The business strategies numbered 3 and 4 would be supported by the government and further become new growth drivers for the Group.

# Management Discussion and Analysis

## **II. The Board of the Group has changed the company name from China Zhongsheng Resources Holdings Limited to Add New Energy Investment Holdings Group Limited.**

Great love knows no boundary, noble virtue conquers all fences. The change of company name reflects the main direction of business development, which is developing new clean energy improving the entire living environment of human beings, as well as improving water and soil resources through cutting-edge technology and deepening the expansion of basic resources closely related to human destiny such as iron and titanium, all aiming to thoroughly remedy the deficiency of the excessive reliance on resources and the single products structure of the Company so as to improve the Company's risk resistance.

## **III. Further strengthening the management of trade receivables, facilitating payment collection and risk prevention.**

In the first half of the year, the business department accepted advance payments for selling so as to prevent further bad debts. In order to strengthen the management on trade receivables, the salesmen would collect the invoiced payment amount once the business department dispatched the goods, especially for the overdue trade receivables. Particulars such as the client's name, transaction amount, reason for non-payment should be reported to the responsible manager and financial department during payment collection so as to take measures accordingly. The financial department arranged part-time controllers for trade receivables, who should be responsible for payment collection and account statement reconciliation. The controllers should be committed to the trade receivables management, closely monitor the collection progress of and changes in trade receivables and complete ageing analysis. Extra attention should be paid to overdue trade receivables. Specific analysis should be conducted on specific clients on their recent operation and working capital status so as to timely adjust their credit ratings and then report to the business department for handling and collection under respective deadlines.

As at 30 June 2016, trade receivables decreased by approximately RMB49.6 million as compared to the beginning of the year.

## **IV. Actively seeking for official support such as advance construction funds from government.**

The Group actively sought support from government based on the relevant national policy. In the first half of 2016, the Group received advance construction funds from the government amounting to approximately RMB3.5 million.

## **V. Downsizing and pay cuts to reduce operating cost.**

In view of continued downturn of global resources and commodity markets and due to our over-reliance on resources and undiversified products, the performance of the Company was poor. In order to get rid of the downturn in a short period of time, the Company took initiatives to reduce its operating costs. By reducing the total number of staff through layoffs and general pay cuts, the Company reduced the pressure on personnel expense in order to alleviate its economic pressure to overcome the difficulties in operation. Aiming to improve the allocation between the staff and positions, the Company selected the superior and eliminated the inferior to create positions available for excellent talents so as to improve the quality of human resources. As of 30 June 2016, the number of staff decreased by 104 as compared to the end of last year, saving cost of human resources of approximately RMB4.1 million.

# Management Discussion and Analysis

## **VI. Taking initiatives to reduce non-production expenses and management cost.**

In face with the current economic condition, the Company adhered to the principle of austerity at all levels. By further enhancing a series of management rules for savings and consumption reduction, the Company further reduced the operating cost and also plugged the management loopholes and eliminated redundant expenses. In the first half of 2016, by taking further measures on controlling travelling expenses, vehicles, utility expenses, and repair expenses, expenses decreased by approximately RMB8.2 million.

## **VII. Adhering to the management philosophy of “people-oriented”, improving education and training, maintaining stable workforce as well as protecting, motivating and utilising the enthusiasm and creativity of the staff.**

In order to establish harmonious labour relations and safeguard the legitimate rights of workers, all staff enjoyed equality in career development opportunities under diversified job allocation and management. In response to the ever-changing needs of external market and internal management, the Company rationalised its staff allocation according to different gender, age and experience with respect to job requirements. The Company maintained a certain percentage of core staff so as to devote its limited human resources into its core business and management for growth in business volume, corporate transformation and project requirements. The Company also strengthened its education and training to set up an excellent learning team and established a sound personnel mechanism and a platform for fair competition so as to give full scope to the talents.

## **VIII. Making substantial progress in clean energy projects including wind power, photovoltaic electricity and solar thermal power.**

### **Resources and reserves of mines**

The mines and projects owned by the Group have significant iron and titanium ore reserves and resources. According to the report of the independent technical adviser Micromine Consulting Services, as at November 2011 as disclosed in the prospectus of the Company dated 17 April 2012, the total aggregate proved and probable reserve of ore in the Yangzhuang Iron Mine was approximately 43.93Mt at an average grade of approximately 24.58% TFe (total iron); the total proved and probable reserve of ore in the Zhuge Shangyu Ilmenite Mine was approximately 546.29Mt at an average grade of approximately 5.69% TiO<sub>2</sub> and approximately 12.81% TFe (total iron); whereas the total proved and probable reserve of ore in the Group’s Qinjiashuang Ilmenite Project was approximately 86.63Mt at an average grade of approximately 4.50% TiO<sub>2</sub> and approximately 13.56% TFe (total iron).

Micromine Consulting Services (“**Micromine**”) has updated the resources and reserves under the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy (“**JORC**”) in 2013 by adopting the following assumptions:

# Management Discussion and Analysis

## Yangzhuang Iron Mine

1. Resource reporting cutoff grade: 15% TFe.
2. An mFe grade cut-off of 8.0% was applied to each mining block based on the breakeven analysis.
3. The Ore Reserve depletion for the Yangzhuang Iron Mine was 4.6Mt @ 24.6% TFe and 10.6% mFe compared to reported production of 4.5Mt @ 24.1% TFe and 10.5% mFe for the period from November 2011 to December 2013 inclusive.
4. Stope design parameters are 50 metres in length by approximately 16 metres wide (matching the thickness of the orebody) with a 6 metre wide pillar between stopes as well as a crown pillar of 6 metres.
5. It is assumed that there are no significant geotechnical difficulties.
6. Inferred Resources were excluded from the mine design used to determine the reserves.
7. Parameters for Short Hole Shrinkage mining method:

Length of Block: 48m

Minimum width of Block: 8m

Pillar between Blocks: 6m

Crown Pillar: 5m

Distance between levels: 60m

Reason for the changes in the resources and reserves estimates:

During the period from November 2011 to December 2013, reserves were reduced by 4.6 Mt due to mining activities.

## Zhuge Shangyu Ilmenite Mine

1. Resource reporting cutoff grade: 9.2% TiO<sub>2</sub> equivalent.
2. Underground resources and reserves remain unchanged from the previous (2012) Micromine estimate.
3. Mineral resources are inclusive of the ore reserve.
4. The reserve includes diluting material with an assumed diluent grade of 0%, total dilution used was 9%.
5. The Micromine reserve is stated based on titanium with an iron credit.
6. The Open Pit Ore Reserve block model depletion for the Zhuge Shangyu resource was 0.27Mt grading 5.69% TiO<sub>2</sub> and 12.78% TFe compared to reported production of 0.26Mt grading 6.75% TiO<sub>2</sub> and 13.44% TFe for the period from September 2013 to December 2013 inclusive.
7. The underground mining height is 50m to 60m.

# Management Discussion and Analysis

Reason for the changes in the resources and reserves estimates:

During the period from November 2011 to August 2013, there is no difference in resources and reserves. During the period from September 2013 to December 2013, reserves were reduced by 0.27 Mt due to mining activities.

## Qinjiashuang Ilmenite Project

No reported exploration or mining activities have been undertaken at the Qinjiashuang Ilmenite Project between 1 November 2011 and 31 December 2013. Micromine has concluded that there has been no material change to the mineral resources and reserves for the Qinjiashuang Ilmenite Project which remain the same as those published in the previous Micromine report dated 17 April 2012.

There were no exploration or mining activities carried out at the Qinjiashuang Ilmenite Project between 1 January 2014 and 30 June 2016.

Based on (1) the resources and reserves under the JORC for the Yangzhuang Iron Mine, Zhuge Shangyu Ilmenite Mine and Qinjiashuang Ilmenite Project as at November 2011 as disclosed in the prospectus of the Company dated 17 April 2012, and (2) the estimated amount of ores mined by the Group from November 2011 to December 2013, the Group's estimated resources and reserves as at 30 June 2016 were as follows:

JORC Ore Reserve Estimate as of 30 June 2016 (*Note: JORC ore reserves as of 31 December 2013 less exploration during the period from 1 January 2014 to 30 June 2016*):

	Yangzhuang Iron Mine	Zhuge Shangyu Ilmenite Mine	Qinjiashuang Ilmenite Project
Ore reserves (Mt)			
– proved	5.86	199.60	45.33
– probable	31.20	346.20 <sup>(Note)</sup>	41.30
<b>Total ore reserves</b>	<b>37.06</b>	<b>545.80</b>	<b>86.63</b>
Grade of total iron (Tfe) (%)			
– proved	24.15	12.78	13.50
– probable	24.65	12.83	13.61
Average grade of total iron (Tfe) (%)	24.55	12.82	13.56
Grade of titanium dioxide (TiO <sub>2</sub> ) (%)			
– proved	N/A	5.76	4.52
– probable	N/A	5.65	4.48
Average grade of total titanium dioxide (TiO <sub>2</sub> ) (%)	N/A	5.69	4.50

Note: Out of total probable reserve, about 256.29 Mt is underground reserve.

# Management Discussion and Analysis

JORC Ore Reserve Estimate as of 31 December 2015 (*Note: JORC ore reserves as of 31 December 2013 less exploration during the period from 1 January 2014 to 31 December 2015*):

	Yangzhuang Iron Mine	Zhuge Shangyu Ilmenite Mine	Qinjiashuang Ilmenite Project
Ore reserves (Mt)			
– proved	5.86	199.60	45.33
– probable	31.20	346.20 <sup>(Note)</sup>	41.30
<b>Total ore reserves</b>	<b>37.06</b>	<b>545.80</b>	<b>86.63</b>

Note: Out of the total probable reserve, about 256.29Mt is underground reserve.

Yangzhuang Iron Mine Resource Estimate as of 31 December 2015 (*Note: JORC mineral resources as of 31 December 2013 less exploration during the period from 1 January 2014 to 31 December 2015*):

Resource Category	Resources (Mt)	SG (t/m <sup>3</sup> )	TFe (%)	mFe (%)
Measured	11.3	3.25	26.0	10.6
Indicated	50.1	3.25	26.8	10.4
<b>Total Measured and Indicated</b>	<b>61.4</b>	<b>3.25</b>	<b>26.6</b>	<b>10.4</b>
Inferred	17.6	3.22	24.6	8.7
<b>Total Resources</b>	<b>79.0</b>	<b>3.24</b>	<b>26.2</b>	<b>10.0</b>

Note: Numbers have been rounded to reflect that the resources are an estimate.

Note: Resources may not ultimately be extracted at a profit.

# Management Discussion and Analysis

Zhugue Shangyu Ilmenite Mine Resource Estimate as of 31 December 2015 (*Note: JORC mineral resources as of 31 December 2013 less exploration during the period from 1 January 2014 to 31 December 2015*):

Resource Category	Resource (Mt)	SG (t/m <sup>3</sup> )	TiO <sub>2</sub> (%)	TFe (%)
Measured	372.8	3.19	6.23	14.04
Indicated	261.0	3.13	6.14	14.18
<b>Total Measured and Indicated</b>	<b>632.8</b>	<b>3.17</b>	<b>6.19</b>	<b>14.10</b>
Inferred	4.0	3.13	5.92	15.03
<b>Total Resources</b>	<b>636.8</b>	<b>3.16</b>	<b>6.19</b>	<b>14.10</b>

Qinjiazhuang Ilmenite Project Resource Estimate as of 31 December 2015 (*Note: JORC mineral resources as of 31 December 2013, there was no exploration activity during the period from 1 January 2014 to 31 December 2015*):

Resource Category	Resource (Mt)	SG (t/m <sup>3</sup> )	TiO <sub>2</sub> (%)	TFe (%)
Measured	46.2	3.23	4.90	14.72
Indicated	42.1	3.19	4.88	14.84
<b>Total Measured and Indicated</b>	<b>88.3</b>	<b>3.21</b>	<b>4.89</b>	<b>14.78</b>
Inferred	11.3	3.29	5.06	15.05
<b>Total Resources</b>	<b>99.6</b>	<b>3.22</b>	<b>4.91</b>	<b>14.81</b>

## Luxing Titanium

Luxing Titanium is located in Yishui County, Shandong Province, the PRC. Luxing Titanium holds a mining licence in respect of Luxing Titanium Mine issued by the Land and Resources Department of Shandong Province (山東省國土資源廳). Luxing Titanium Mine has a mining license which covers a mining area of 0.829km<sup>2</sup>. According to a resources and reserves verification report in respect of the mine, it was estimated that 0.557km<sup>2</sup> of the mining area had approximately 46.4Mt of resources and reserves of Type 333 or above of ilmenite ores as at 31 December 2009 under PRC classification standard with an average grading of iron and titanium content of approximately 14.6% and 6.6% respectively. As at 31 December 2013, we engaged 8th Institute of Geology and Mineral Exploration of Shandong Province to complete an updated verification report and it was estimated that 0.829km<sup>2</sup> of the mining area had approximately 57.2Mt of resources and reserves of Type 333 or above of ilmenite ores with an average grading of iron and titanium content of approximately 14.5% and 6.6% respectively.

# Management Discussion and Analysis

Reasons for the changes in the resources and reserves estimates:

1. The mining area is increased from 0.557km<sup>2</sup> to 0.829km<sup>2</sup> and the mining depth is changed from +254.7 meters +150 meters to +255 meters +68 meters, which leads to an increase in the reserve by 12.8Mt.
2. The resource estimation of 4-wire sectional S4-2a area is increased from 3,723.46m<sup>2</sup> to 10,396.22m<sup>2</sup>, which leads to an increase in the reserves by 2.17Mt.
3. From 2010 to 2013, reserves were reduced by 4.13Mt due to mining activities.

The mining licence permits a production scale of 1.5Mt per annum by way of open-pit mining. The term of this licence is 9 years commencing from December 2012 to December 2021.

Resources and Reserves Estimate as of 30 June 2016 (*Note: Resources and Reserves Estimate from an updated verification report which was completed by the 8th Institute of Geology and Mineral Exploration of Shandong Province as of 31 December 2013 less exploration during the period from 1 January 2014 to 30 June 2016*):

Resources and Reserves category	Luxing Titanium
Resources and reserves of Type 333 or above of ilmenite ores (Mt) (under PRC classification standard)	56.9
Average grade of total iron (TFe) (%)	14.5
Average grade of total titanium dioxide (TiO <sub>2</sub> ) (%)	6.6

Resources and Reserves Estimate as of 31 December 2015 (*Note: Resources and Reserves Estimate from an updated verification report which was completed by the 8th Institute of Geology and Mineral Exploration of Shandong Province as of 31 December 2013 less exploration during the period from 1 January 2014 to 31 December 2015*):

Resources and Reserves category	Luxing Titanium
Resources and reserves of Type 333 or above of ilmenite ores (Mt) (under PRC classification standard)	56.9
Average grade of total iron (TFe) (%)	14.5
Average grade of total titanium dioxide (TiO <sub>2</sub> ) (%)	6.6



# Management Discussion and Analysis

## Gaozhuang Shangyu Ilmenite project

Gaozhuang Shangyu Ilmenite Project is located in Yishui County and Yinan County of Shandong Province, the PRC. The Company has engaged an independent third-party surveying agency to conduct preliminary exploration work in Gaozhuang Shangyu Ilmenite Project and the work was completed in 2012. The exploration rights covered an area of approximately 1.53km<sup>2</sup>, with the exploration term expiring in March 2017. According to Titanium Mine Detailed Survey Report in respect of the project, it was estimated that the exploration area had approximately 46.0Mt of resources of Type 332 and 333 of ilmenite ores in September 2012 under PRC classification standard with an average grading of iron and titanium content of approximately 12.4% and 6.8% respectively. During the period from October 2012 to June 2016, there was no change in resources and reserves. The Group did not have any plans to carry out mining work or any other expansion plans.

## EXPLORATION LICENCES IN AUSTRALIA

As at 30 June 2016, Ishine International owns three granted exploration licences located in Western Australia, Australia.

Mt. Watson has been under the process of drilling during 2013. The Mt. Watson Project (the “**Project**”) is a joint venture between Ishine International (70%) and Kabiri Resources Pty., Ltd. (“**Kabiri Resources**”) (30%). The Project is situated approximately 120km north of Mt. Isa in north-west Queensland and comprises of two tenements (EPM15933 and EPM15986) covering an area of 103.6km<sup>2</sup>. Seven diamond drillholes (totalling 921.80m) were drilled on tenement EPM15986 and were previously identified as versatile time domain electromagnetic survey (VTEM) anomalies at around 5km to the south-west of the Mt. Watson copper mine. The detailed drillhole coordinates, drilling orientation and drillhole locations are disclosed in the announcement dated 21 March 2014 on Australian Securities Exchange (“**ASX**”). For details of the Project, please refer to the announcement of Ishine International dated 21 March 2014 published on the website of the ASX.

There was no other exploration activity in Australia during the six months ended 30 June 2016.

The following tables are summaries of Ishine International’s tenements in Australia:

### Western Australian Tenements

Tenement	Registered holder/applicant	Grant date	Expiry Date	Area size and locality	Current status	Status of renewal of tenement (if expiring within 1 year)	Target minerals
E80/4478	Ishine International	10-Oct-11	09-Oct-16	39 Blocks Halls Creek Shire, 126km <sup>2</sup>	Active	NA	Nickel, Copper, Cobalt
E39/1582	Ishine International	27-Apr-12	26-Apr-17	6 Blocks Laverton, 18km <sup>2</sup>	Active	NA	Nickel, Gold
E37/1074	Ishine International	14-Sep-11	13-Sep-16	4 Blocks Leonora Shire, 13km <sup>2</sup>	Active	NA	Nickel, Gold

# Management Discussion and Analysis

## FINANCIAL REVIEW

For the six months ended 30 June 2016, the Group recorded revenue of approximately RMB27.0 million as compared with approximately RMB181.7 million for the six months ended 30 June 2015, representing a decrease of approximately 85.1%. For the six months ended 30 June 2016, 12.3% of the Group's total sales consisted of the sales of iron concentrates and titanium concentrates and 80.3% of sales were derived from trading of coarse iron powder while the remaining 7.4% of sales were from Tianin Ever Grand and other income from Ishine International. The Group mainly sold iron concentrates and titanium concentrates produced by the Group to iron pellets and steel producers in Shandong Province, the PRC. In addition to the above customers of iron and titanium concentrates, the Group sold coarse iron powder to other customers engaged in trading and manufacturing of iron-related products in the PRC.

### Prices of the Group's products

#### *Iron Concentrates*

The unit prices of approximately 57% and 65% iron concentrates produced by the Group mainly depend on the iron content contained in the Group's iron concentrates and are affected by the market conditions, including but not limited to the global, China and Shandong supply of and demand for iron ore products and the prosperity of Shandong steel industry.

The Group's average unit selling prices of 65% iron concentrates for the six months ended 30 June 2016 were approximately RMB439.0 per tonne, representing a decrease of approximately 10.1% as compared with the average unit selling prices of approximately RMB488.1 per tonne for the six months ended 30 June 2015. Such decrease was mainly due to the continuous slowdown of China's economy during the first half year of 2016.

#### *Titanium Concentrates*

Since 2013, the Group has been engaging in ilmenite ore exploration, mining and processing. The unit price of titanium concentrates produced by the Group mainly depends on the titanium content contained in the Group's titanium concentrates and is affected by the market conditions, including but not limited to the global, China and Shandong supply of and demand for ilmenite ore products and the prosperity of Shandong steel industry.

The Group's average unit selling prices of ilmenite concentrates for the six months ended 30 June 2016 were approximately RMB598.3 per tonne.

# Management Discussion and Analysis

## Revenue

Revenue was generated from the sales of the Group's products to external customers net of value added tax as well as from the Group's trading activities. The Group's revenue from the sales of the Group's products is mainly affected by the Group's total sales volume which in turn is subject to the Group's mining and processing capacity, market conditions and the prices of the Group's products. The following table sets forth a breakdown of the Group's revenue for the periods indicated:

	Six months ended 30 June 2016		Six months ended 30 June 2015	
	RMB'000	%	RMB'000	%
<b>Revenue</b>				
Sales of iron concentrates produced by the Group				
– from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	2,194	8.1%	44,953	24.8%
– from ilmenite ore of Luxing Titanium Mine (57% iron concentrates)	–	–	2,952	1.6%
– from mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder (65% iron concentrates)	–	–	16,369	9.0%
	<b>2,194</b>	<b>8.1%</b>	64,274	35.4%
Sales of titanium concentrates produced by the Group				
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	1,136	4.2%	–	–
Sales of trading activities				
– from coarse iron powder	21,681	80.3%	116,168	63.9%
Income from Tianjin Ever Grand	1,647	6.1%	–	–
Other income from Ishine International	345	1.3%	1,235	0.7%
	<b>27,003</b>	<b>100%</b>	181,677	100.0%

# Management Discussion and Analysis

The following table sets forth a breakdown of the volume of iron concentrates, titanium concentrates and trading products sold by the Group for the periods indicated:

	<b>Six months ended 30 June 2016 (Kt)</b>	Six months ended 30 June 2015 (Kt)
<b>Sales volume of iron concentrates produced by the Group</b>		
– from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	<b>5.0</b>	92.1
– from ilmenite ore of Luxing Titanium Mine (57% iron concentrates)	–	6.9
– from mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder (65% iron concentrates)	–	33.3
	<b>5.0</b>	132.3
<b>Sales volume of titanium concentrates produced by the Group</b>		
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	<b>1.9</b>	–
<b>Sales volume of trading activities</b>		
– from coarse iron powder	<b>60.4</b>	269.8
	<b>67.3</b>	402.1

# Management Discussion and Analysis

The following table shows the breakdown of the Group's total production volumes of iron concentrates and titanium concentrates by types of materials used for the periods indicated:

	Six months ended 30 June 2016		Six months ended 30 June 2015	
	(Kt)	%	(Kt)	%
<b>Iron concentrates produced by the Group</b>				
Amount of iron concentrates produced from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	–	–	8.3	20.0%
Amount of iron concentrates produced from ilmenite ore of Zhuge Shangyu Ilmenite Mine (57% iron concentrates)	–	–	–	–
Amount of iron concentrates produced from ilmenite ore of Luxing Titanium Mine (57% iron concentrates)	–	–	–	–
Amount of mixing iron concentrates purchased from other suppliers and/or iron concentrates produced from coarse iron powder (65% iron concentrates)	–	–	33.3	80.0%
<b>Total</b>	<b>–</b>	<b>–</b>	<b>41.6</b>	<b>100.0%</b>

For the six months ended 30 June 2016, revenue is mainly derived from sales of coarse iron powder to the Group's trading customers. Revenue is also derived from sales of iron concentrates produced by the Group.

The Group's revenue has decreased by approximately RMB154.7 million, or approximately 85.1% during the six months ended 30 June 2016 as compared to the six months ended 30 June 2015. The decrease in revenue was primarily due to (1) the decrease in turnover of trading of coarse iron powder by approximately RMB94.5 million from approximately RMB116.2 million for the six months ended 30 June 2015 to approximately RMB21.7 million for the six months ended 30 June 2016; (2) the decrease in sales of iron concentrates produced from Yangzhuang Iron Mine by approximately RMB42.8 million; (3) the decrease in sales of mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder by approximately RMB16.4 million; which was partially offset by the increase in sales of ilmenite concentrates produced by Zhuge Shangyu Ilmenite Mine by approximately RMB1.1 million.

The demand in iron and steel market become sluggish as the economy in China slowdown. The management has decided to decrease the trading activities for the first half of 2016. The total sales generated from trading activities significantly decreased by approximately 81.3%, which was mainly due to the decrease of trading turnover of coarse iron powder from approximately RMB116.2 million for the six months ended 30 June 2015 to approximately RMB21.7 million for the six months ended 30 June 2016.

# Management Discussion and Analysis

The decrease in sales of iron concentrates produced from iron ore of Yangzhuang Iron Mine was mainly due to the fact that the management strategically reduced production volume and sales volume during the iron and steel market downturn.

Sales derived from mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder dropped by approximately 100.0% from approximately RMB16.4 million for the six months ended 30 June 2015 to nil for the six months ended 30 June 2016, mainly as a result of the slowdown of China's economy, decline in demand from steel manufacturers in Shandong Province and the strategic decision of the management to reduce production volume and sales volume of iron concentrates produced from mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder.

## Cost of Sales

The following table sets forth a breakdown of the Group's cost of sales for the periods indicated:

	Six months ended 30 June 2016		Six months ended 30 June 2015	
	RMB'000	%	RMB'000	%
<b>Cost of Sales</b>				
<b>Cost of sales of iron concentrates produced by the Group</b>				
– from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	2,109	9.1%	47,566	25.0%
– from ilmenite ore of Luxing Ilmenite Mine (57% iron concentrates)	–	–	2,975	1.6%
– from mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder (65% iron concentrates)	–	–	16,265	8.6%
	<b>2,109</b>	<b>9.1%</b>	<b>66,806</b>	<b>35.2%</b>
<b>Cost of sales of titanium concentrates produced by the Group</b>				
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	1,307	5.6%	–	–
<b>Cost of sales of trading activities</b>				
– from sales of coarse iron powder	19,705	84.7%	122,130	64.4%
<b>Costs from Tianjin Ever Grand</b>	<b>58</b>	<b>0.2%</b>	<b>–</b>	<b>–</b>
<b>Exploration costs incurred by Ishine International</b>	<b>88</b>	<b>0.4%</b>	<b>799</b>	<b>0.4%</b>
	<b>23,267</b>	<b>100%</b>	<b>189,735</b>	<b>100.0%</b>

# Management Discussion and Analysis

Cost of sales was mainly derived from trading of coarse iron powder. The cost of sales during production of iron concentrates and titanium concentrates mainly consists of mining contracting fees, blasting contracting fees, cost of other raw materials, power and utilities expenses, employee benefits, depreciation and amortisation and other overhead costs.

Total cost of sales decreased by approximately 87.7% to approximately RMB23.3 million for the six months ended 30 June 2016, as compared with approximately RMB189.7 million for the corresponding period of 2015. Such decrease was consistent with the decrease in the Group's revenue during the six months ended 30 June 2016, which was mainly due to (1) the decrease in sales volume from trading coarse iron powder by 209.4 Kt for the six months ended 30 June 2016; (2) the decrease in the sales volume of iron concentrates produced from iron ore of Yangzhuang Iron Mine and ilmenite ore of Luxing Titanium Mine by 94 Kt for the six months ended 30 June 2016; and (3) the decreases in sales volume of iron concentrates produced from mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder by 33.3 Kt for the six months ended 30 June 2016.

## Gross profit/(loss) and gross profit/(loss) margin

The following table sets forth a breakdown of the Group's gross profit/(loss) and gross profit/(loss) margins for the periods indicated:

	Six months ended 30 June 2016		Six months ended 30 June 2015	
	RMB'000	%	RMB'000	%
<b>Gross profit/(loss)</b>				
<b>Gross profit/(loss) of iron concentrates produced by the Group</b>				
– from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	85	2.3%	(2,613)	32.4%
– from ilmenite ore of Luxing Ilmenite Mine (57% iron concentrates)	–	–	(23)	0.3%
– from mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder (65% iron concentrates)	–	–	104	(1.3%)
	<b>85</b>	<b>2.3%</b>	<b>(2,532)</b>	<b>31.4%</b>
<b>Gross loss of titanium concentrates produced by the Group</b>				
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	<b>(171)</b>	<b>(4.6%)</b>	–	–
<b>Gross profit/(loss) of trading activities</b>				
– from sales of coarse iron powder	<b>1,976</b>	<b>52.9%</b>	(5,962)	74.0%
<b>Gross profit from Tianjin Ever Grand</b>	<b>1,589</b>	<b>42.5%</b>	–	–
<b>Gross profit of exploration activities</b>	<b>257</b>	<b>6.9%</b>	436	(5.4%)
	<b>3,736</b>	<b>100%</b>	<b>(8,058)</b>	<b>100.0%</b>

# Management Discussion and Analysis

	<b>Six months ended 30 June 2016</b>	Six months ended 30 June 2015
	%	%
<b>Gross profit/(loss) margin</b>		
<b>Gross profit/(loss) margin of iron concentrates</b>		
– from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	<b>3.9%</b>	(5.8%)
– from ilmenite ore of Luxing Ilmenite Mine (57% iron concentrates)	–	(0.8%)
– from mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder (65% iron concentrates)	–	0.6%
	<b>3.9%</b>	(3.9%)
<b>Gross loss margin of titanium concentrates</b>		
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	<b>(15.1%)</b>	–
<b>Gross profit/(loss) margin of trading activities</b>		
– from sales of coarse iron powder	<b>9.1%</b>	(5.1%)
<b>Gross profit margin from Tianjin Ever Grand</b>	<b>96.5%</b>	–
<b>Gross profit margin of exploration activities</b>	<b>74.5%</b>	35.3%
	<b>13.8%</b>	(4.4%)

Gross profit increased by approximately RMB11.8 million from gross loss of approximately RMB8.1 million for the six months ended 30 June 2015 to gross profit of approximately RMB3.7 million for the six months ended 30 June 2016. The main reasons for the increase were (1) the increase in gross profit of trading of coarse iron powder by approximately RMB8.0 million from gross loss of approximately RMB6.0 million for the six months ended 30 June 2015 to gross profit of approximately RMB2.0 million for the six months ended 30 June 2016; (2) the increase in sales gross profit of iron concentrates produced from Yangzhuang Iron Mine by approximately RMB2.7 million from gross loss of approximately RMB2.6 million for the six months ended 30 June 2015 to gross profit of approximately RMB0.1 million for the six months ended 30 June 2016; and (3) the increase in sales gross profit generated by Tianjin Ever Grand by approximately RMB1.6 million from nil for the six months ended 30 June 2015 to approximately RMB1.6 million for the six months ended 30 June 2016.



# Management Discussion and Analysis

Overall gross profit margin increased from gross loss margin of 4.4% to gross profit margin of 13.8% for the six months ended 30 June 2016 as compared with the corresponding period of 2015. The increase in overall gross profit margin was primarily due to the increase in the gross profit margin of trading of coarse iron powder, finance lease activities in Tianjin Ever Grand and the exploration activities in Australia.

## Other losses, net

The Group's other losses were approximately RMB2.5 million for the six months ended 30 June 2016 as compared with other losses of approximately RMB13.2 million for the six months ended 30 June 2015, which was mainly due to the loss from issuance of non-listed warrants in the first half of 2015 of approximately RMB13.5 million. On 1 June 2015, 140,000,000 non-listed warrants were issued at par value of RMB0.0016 each and the exercise price was RMB0.319.

## Finance costs, net

Net finance costs mainly comprised of interest expense on borrowings of the Group, offset by interest income of bank deposits. Finance costs increased by approximately 19.1% from approximately RMB9.4 million for the six months ended 30 June 2015 to approximately RMB11.2 million for the six months ended 30 June 2016, mainly due to the increase in weighted average borrowings during the six months ended 30 June 2016 which increased the interest expense by approximately RMB1.0 million.

## Total comprehensive loss

The total comprehensive loss attributable to owners of the Company was approximately RMB72.4 million for the six months ended 30 June 2016, representing a decrease of approximately RMB3.7 million, or 4.9%, as compared with total comprehensive loss attributable to owners of the Company of RMB76.1 million for the six months ended 30 June 2015.

## Ishine International

Ishine International, the Company's non-wholly owned subsidiary, is principally engaged in the business of the exploration of mineral resources in Australia, and its shares are listed on the Australian Securities Exchange. Net loss incurred by Ishine International for the six months ended 30 June 2016 was approximately RMB0.6 million as compared with net loss of approximately RMB0.8 million for the six months ended 30 June 2015.

## CAPITAL STRUCTURE

The Company's issued share capital as at 30 June 2016 is HK\$8,794,659.84 divided into 4,397,329,920 shares of HK\$0.002 each.

The Group adopts a prudent treasury policy, and its gearing ratio (calculated as total borrowings divided by the aggregate amount of total equity and total borrowings) as at 30 June 2016 was approximately 30.0% (31 December 2015: approximately 30.2%). The current ratio (calculated as current assets divided by current liabilities) as at 30 June 2016 was approximately 1.9 times (31 December 2015: approximately 1.9 times).

# Management Discussion and Analysis

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2016, the total amount of borrowings of the Group was approximately RMB235.0 million (31 December 2015: approximately RMB270.8 million). The Group's cash and bank balances amounted to approximately RMB133.0 million (31 December 2015: approximately RMB98.1 million), which were mainly denominated in RMB.

## SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS OR DISPOSALS

There was no material investment, acquisition or disposal by the Group during the six months ended 30 June 2016.

## EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGE

Shandong Ishine, Luxing Titanium and Ever Grand, operating in the PRC, and Ishine International, operating in Australia, are four major subsidiaries of the Company. Almost all the transactions of Shandong Ishine, Luxing Titanium and Ever Grand, and Ishine International are denominated and settled in their respective functional currencies, i.e. RMB and AUD.

Although the Group may be exposed to foreign exchange risk, the Board does not expect future currency fluctuations to materially impact the Group's operations. There is no hedging by means of derivative instruments by the Group.

## PLEDGE OF GROUP ASSETS

As at 30 June 2016, bank borrowings of RMB100 million were secured by a mining right of Shandong Ishine, in Shandong Province, the PRC.

## EXPLORATION COMMITMENTS AND CAPITAL COMMITMENTS

Ishine International has obligations under its exploration license to spend a minimum amount of exploration expenditures on projects. The obligations may vary from time to time subject to the approval from the relevant government authorities in Australia. Due to the nature of Ishine International's operations in exploring and evaluating areas of interest, it is difficult to accurately forecast the nature and amount of future expenditures beyond the next year. Expenditures may be reduced by seeking exemption from individual commitments, by relinquishing of tenure or any new joint venture agreements. Expenditures may be increased when new tenements are granted or joint venture agreements amended. The total tenement commitment for Ishine International as at 30 June 2016 is approximately RMB0.5 million (equivalent to approximately AUD0.1 million).

## EMPLOYEE BENEFITS AND REMUNERATION POLICIES

As at 30 June 2016, the Group had a total of 108 employees (31 December 2015: 212). The employees of the Group were remunerated based on their experience, qualifications, the Group's performance and market conditions. During the six months ended 30 June 2016, staff costs (including Directors' remunerations) amounted to approximately RMB4.7 million (six months ended 30 June 2015: approximately RMB8.8 million).

## CONTINGENT LIABILITIES

As at 30 June 2016, the Group has no material contingent liabilities.

# Management Discussion and Analysis

## USE OF THE IPO PROCEEDS

Purpose	Amount allocated as provided in the Prospectus <i>RMB million (approximately)</i>	Amount utilised up to the date of the Announcement <sup>(Note)</sup> <i>RMB million (approximately)</i>	Unutilised amount as at the date of the Announcement <i>RMB million (approximately)</i>	Amount to be reallocated to new purposes <i>RMB million (approximately)</i>	Amount utilised up to 31 December 2013 <i>RMB million (approximately)</i>	Unutilised amount as at 30 June 2016 <i>RMB million (approximately)</i>
<b>Purposes disclosed in the Prospectus</b>						
Financing the expansion of mining capacity of Yangzhuang Iron Mine	62.4	36.6	25.8	–	36.6	–
Financing the first stage of development plan of Zhuge Shangyu Ilmenite Mine	42.7	4.1	38.6	12.6	16.7	–
<b>New Purposes</b>						
Commencement of operation of Zhuge Shangyu Ilmenite Mine	–	–	–	22.0	22.0	–
Commencement of the Qinjiazhuang Ilmenite Project	–	–	–	16.0	16.0	–
Technology improvement plan to increase annual processing capacity of Luxing Titanium Mine	–	–	–	3.8	3.8	–
General working capital	–	–	–	10.0	10.0	–
<b>Total</b>	<b>105.1</b>	<b>40.7</b>	<b>64.4</b>	<b>64.4</b>	<b>105.1</b>	<b>–</b>

Note: The Company published an announcement dated 7 February 2013 (the “**Announcement**”) in relation to, among others, change in use of IPO proceeds. On 3 April 2013, the Company published a clarification announcement to clarify the amount utilised for the proposed use of the IPO proceeds as provided in the Prospectus up to the date of the Announcement, the unutilised amount as at the date of the Announcement and the amount to be re-allocated.

# Management Discussion and Analysis

## CURRENT STATUS AND FUTURE PLANS

### I. Production and operation

#### 1. *Yangzhuang Iron Mine*

Currently, the Group possesses a mining permit of Yangzhuang Iron Mine with an approved annual mining production scale of 2.3 Mt.

The Group will decide whether to mine and process its own mines based on the market conditions. It will analyse operating risks and judge the timing for trading, and based on profitability to decide on whether to process with part of coarse powders purchased from other suppliers.

In the first half of 2016, the Group invested approximately RMB0.4 million in Yangzhuang Iron Mine. Due to a market downturn, there was no exploration, mining or processing activity carried out in the mine.

#### 2. *Zhuge Shangyu Ilmenite Mine*

Zhuge Shangyu Ilmenite Mine currently possesses a mining permit with an approved annual mining production scale of 0.4 Mt.

The Group rented an ore processing plant and installed a new titanium processing line in it in 2013. It is currently in production and operation. The Group will use the production line as the platform for testing to continue to strengthen the cooperation with national scientific and research institutions, such as the Chinese Academy of Sciences, in order to improve titanium processing techniques and control production costs and enhance the value of ilmenite ore.

The Group has decided its investment amount in the 2.0 Mt processing line and production line in the mine based on the market conditions since 2013. If the market remains stagnant and less profitable or not profitable at all, the Group will reduce its investments. The construction schedule of the mine will be based on the market conditions.

In the first half of 2016, the Group invested approximately RMB0.3 million in Zhuge Shangyu Ilmenite Mine. Due to a market downturn, there was no exploration, mining or processing activity carried out in the mine.

#### 3. *Qinjiazhuang Ilmenite Mine*

In 2016, the Group will determine whether it will make investment in or conduct production activities at Qinjiazhuang Ilmenite based on market changes.

Due to a market downturn, there was no capital expenditure and no exploration and mining activity carried out in the mine in the first half of 2016.

# Management Discussion and Analysis

## 4. *Luxing Titanium*

Luxing Titanium currently possesses a mining permit with an approved annual mining production scale of 1.5 Mt.

The Group has set its basic business objectives as protecting resources against resource sell-off and for the interest of shareholders based on the market conditions in 2016. The Group will decide to mine and process its own mines based on profitability.

In the first half of 2016, the Group invested approximately RMB0.1 million in Luxing Titanium. Due to a market downturn, there was no exploration, mining or processing activity carried out in the mine.

## 5. *Gaozhuang Shangyu Ilmenite Mine*

In the first half of 2016, there was no capital expenditure and no exploration and mining activity carried out in the mine.

## II. **New business relating to clean energy**

The Group will actively seek for new breakthrough on the basis of maintaining the existing mines. It will invest in construction of photovoltaic project to achieve new progress in the development of clean energy business.

In 2016, the Group may take advantages of the unique locations of its own mines and availability of resources such as solar energy in the investment and construction of the new clean energy industry as encouraged by national policies, so as to achieve breakthrough in profit growth.

In the first half of 2016, the Group actively responded to the government's call to seize the opportunities arising from national policies by developing clean energy such as wind power, photovoltaic power and solar thermal power as new sources of economic growth, which had made substantial progress.

## III. **Business relating to capital markets and others**

1. Capitalising on the platform of re-financing, the Company will continue to expand shareholder base, thus enhancing the liquidity of its shares. Potential merger and acquisition projects, if any, or extension of the titanium industry chain may be financed.

In the first half of 2016, the Company worked hard for the preparation of financing in the second half of the year.

2. The Group always follows the industrial encouragement policy of the central government. Capitalising on its domestic resources and advantages, the Group plans to engage in the financial leasing business and the fund investment and financing business in due course and will strive to make new businesses the new sources of economic growth for the listed group.

In the first half of 2016, the Company engaged in financial leasing business through a financial leasing company established in Tianjin. The company has maintained smooth operation recently.

# Management Discussion and Analysis

## IV. Technological innovation and other business

Based on innovation of existing technology, the Group adheres and commits to technological innovation.

1. In 2016, the approved establishment of Shandong Ishine Mining Academician Workstation will become the basis of closer industry-university-research cooperation for joint research on new techniques relating to hydrometallurgy processing of ilmenite and associated elements with furnace method.

In the first half of 2016, research on new techniques had been orderly progressing.

2. The Group will actively expand the research support from the Institute of Process Engineering of the Chinese Academy of Sciences in order to complete the development of hydrometallurgy processing of 76%-or-above titanium concentrate as soon as possible on the basis of the periodic significant technological results.

In the first half of 2016, the research and development and innovation of hydrometallurgy processing of titanium concentrate had been orderly progressing.

3. The Group will actively advance the cooperation with the Siberian Division of the Russian Academy of Science in relation to introduction of a new technique to efficiently extract titanium from ilmenite mines.

In the first half of 2016, the cooperation of the both parties had been orderly progressing.

## V. Fuel oil business

In 2016, the Group will analyse the market thoroughly with reference to the market conditions of fuel oil, to determine whether to engage in import and sales of fuel oil, in order to grow new profit for the Group.

In the first half of 2016, due to market conditions, there was no import and sale of fuel oil.

## VI. Maintenance of green mines

The Group will focus on greening of the mining area and ecological environment restoration of mines. It will strive to strike a balance between resources development and environmental protection, thereby ensuring a high greening rate in mining area and maintaining a pleasant ecological environment. The Group will aim at meeting the basic standards of scientific mining, highly efficient resources utilisation, standardised management, environmentally friendly production techniques and ecological mining environment, so as to achieve unified coordination between resource, environment and social benefits in mining development. It will strive to establish green mining practices, harmonious community and circular economy. By comprehensively improving resources utilisation rate and technology innovation, conserving energy and reducing emissions, protecting ecological environment and establishing corporate culture, the Group will continue to maintain sustainable national green mines with proper structure, sound management and function systems, and significant social, economic and environment benefits.

# Management Discussion and Analysis

## VII. Harmonious community development

The Group sets its target on establishing a good enterprise-local cooperation relationship and seeking a win-win cooperation model, which will enable the enterprise development to drive the local social and economic development, thereby creating a harmonious and stable mining environment. The Group will insist on its philosophy to place equal emphasis on profit and morality, and strive to contribute to society. It is driven by a strong sense of social responsibility to support charitable and social causes, which helps establish its excellent corporate image.

## VIII. Culture building of mining company

The Group will enhance the internal promotion of green mining. It will practise green mining throughout the daily operation of the mines and incorporate its corporate culture in daily management. It will educate its employees on the culture of the Group so that the idea will integrate into their practices without them knowing. The Group will offer a wide range of activities to enhance staff quality and in turn improve the core competitiveness of the Company.

It will establish a comprehensive skills training system and organize regular trainings with the aim to enhance the professional skills of staff. The Company sees occupational skills training as the driving force of corporate development. Meanwhile, it will enhance the people-oriented staff management by focusing on improving the staff quality as well as work efficiency and quality.

## IX. Ecological restoration

The Group will make further effort on ecological protection and restoration in order to achieve timely restoration and lessen the ecological damage caused by the construction and operation as much as possible. The Group will implement it as a measure of “new techniques directing the old techniques”. The Group will complete the project construction, operating ecological protection, restoration and rebuilding for eradicating the negative ecological impacts brought by the mining of mines.

## X. Safety in production of mines

The Group will facilitate the safety education for workers continuously, enhance the general quality of workers, and maintain various systems of monitoring, inspection, positioning, underground dual-circuit communication and underground voice alarm for the purpose of real-time monitoring the whole production process and guarantee the safety in production of mines.

In conclusion, the Group will timely adjust its work plan in response to market changes in 2016. The Group will further strengthen its work in relation to comprehensive utilisation of resources, recycling economy and green mines and actively develop its clean energy business, water pollution treatment business and soil pollution treatment business. The Group will maintain the development of iron and titanium concentrates business, and deepen and expand the building of the whole industrial chain of titanium products including sponge titanium and high purity titanium. The Group will actively identify new sources of profit growth to reward its shareholders and enhance investor confidence.

# Management Discussion and Analysis

## SEGMENTAL INFORMATION

Details of segmental information of the Group as at 30 June 2016 are set out in note 6 in this report.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2016, the Company repurchased 29,528,000 shares of HK\$0.002 each in the capital of the Company at prices ranged from HK\$0.186 to HK\$0.210 per share on the Stock Exchange. Details of the repurchases are as follows:

Month/Year	Number of shares repurchased	Purchase price per share		Aggregate purchase consideration (excluding expenses) HK\$
		Highest HK\$	Lowest HK\$	
January 2016	26,790,000	0.210	0.186	5,364,564
February 2016	2,738,000	0.192	0.188	522,294
	<b>29,528,000</b>			<b>5,886,858</b>

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.



## Other Information

### CHANGE OF COMPANY NAME

Pursuant to a special resolution passed at the extraordinary general meeting of the Company held on 15 July 2016, the shareholders of the Company have approved to change the name of the Company from “China Zhongsheng Resources Holdings Limited” to “Add New Energy Investment Holdings Group Limited” and “愛德新能源投資控股集團有限公司” has been adopted as its official Chinese name to replace “中國中盛資源控股有限公司”. With the approval of the Registrar of Companies in the Cayman Islands, the change of the company name became effective on 20 July 2016.

Great love knows no boundary, noble virtue conquers all fences. The Board’s decision to change the name of the Company to Add New Energy Investment Holdings Group Limited reflects its main direction of business development, which is developing new clean energy improving the entire living environment of human beings, as well as improving water and soil resources through cutting-edge technology and deepening the expansion of basic resources closely related to human destiny such as iron and titanium, all aiming to thoroughly remedy the deficiency of the excessive reliance on resources and the single products structure of the Company. New business will expand all over the world. As for the domestic market, the new business enjoys great market share and is also suitable to be developed into projects under the policy of “One Belt One Road”, which sees great prospective.

### DIRECTORS’ INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2016, the interests or short positions of the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (the “SFO”)) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), are set out below:

#### Interests or short positions in shares, underlying shares and debentures of the Company

Name of Director	Capacity/Nature of interest	Long position/ short position	Number of ordinary shares held	Approximate percentage of shareholding in the Company
Mr. Li Yunde (“Mr. Li”)	Interest of controlled corporation	Long position	2,048,138,660 (Note 1)	46.58%
Ms. Chau Ching (“Ms. Chau”)	Beneficial Owner	Long position	20,468,000	0.47%
Mr. Lang Weiguo (“Mr. Lang”)	Interest of controlled corporation	Long position	18,700,000 (Note 2)	0.43%

## Other Information

### Interests or short positions in shares, underlying shares and debentures of associated corporations

Name of Director	Name of associated corporation	Capacity/Nature of Interest	Number of ordinary shares held	Approximate percentage of shareholding in the associated corporation
Mr. Li	Hongfa Holdings Limited	Beneficial owner	1 (Note 1)	100.00%
Mr. Li	Ishine International Resources Limited	Beneficial owner	10,000,000	11.45%
Mr. Li	Linyi Luxing Titanium Co., Ltd.	Interest of controlled corporation	1,100,000 (Note 3)	5.00%

#### Notes:

- Mr. Li beneficially holds the entire issued share capital of Hongfa Holdings Limited, a company incorporated in the British Virgin Islands ("BVI") with limited liability, which in turn beneficially holds 2,048,138,660 shares of the Company (the "Share(s)"). For the purposes of the SFO, Mr. Li is deemed or taken to be interested in all the Shares held by Hongfa Holdings Limited.
- Mr. Lang beneficially holds the entire issued share capital of Novi Holdings Limited and All Five Capital Ltd., both of which were incorporated in the BVI with limited liability, which in turn beneficially hold 650,000 Shares and 18,050,000 Shares, respectively. For the purposes of the SFO, Mr. Lang is deemed or taken to be interested in all the Shares held by Novi Holdings Limited and All Five Capital Ltd..
- Mr. Li and his spouse, Ms. Zhang Limei, together hold the entire equity interest of Linyi Run Xing Investment Company Limited, which in turn holds 1,100,000 shares in Linyi Luxing Titanium Co., Ltd.. For the purposes of the SFO, Mr. Li is deemed or taken to be interested in all the shares held by Linyi Run Xing Investment Company Limited.

Save as disclosed above, as at 30 June 2016, none of the Directors, chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations as defined in Part XV of the SFO as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## Other Information

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 June 2016, so far as is known to any Director, the following persons (not being a Director or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein:

Name of Shareholder	Nature of Interest	Long Position/ Short Position	Number of Shares held	Approximate percentage of interest
Hongfa Holdings Limited	Beneficial owner	Long position	2,048,138,660	46.58%
Ms. Zhang Limei	Interest of spouse	Long position	2,048,138,660 (Note 1)	46.58%
X. Mining Resources Group Limited	Beneficial owner	Long position	326,344,000 (Note 2)	7.42%
Mr. Wu Pun Yan ("Mr. Wu")	Interest of controlled corporation	Long position	326,344,000 (Note 3)	7.42%

Notes:

- (1) Ms. Zhang Limei ("Ms. Zhang") is the spouse of Mr. Li. For the purpose of the SFO, Ms. Zhang is deemed or taken to be interested in all the Shares in which Mr. Li is interested.
- (2) Mr. Wu beneficially holds the entire issued share capital of X. Mining Resources Group Limited which in turn beneficially holds 326,344,000 Shares. For the purposes of SFO, Mr. Wu is deemed or taken to be interested in all the Shares held by X. Mining Resources Limited.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 30 June 2016.

## Other Information

### SHARE OPTION SCHEME

To attract and retain the best available personnel, to provide additional incentive to them and to promote the success of the business of the Group, the Company conditionally adopted a share option scheme (the "Scheme") on 9 April 2012 ("Adoption Date") whereby the Board was authorised, at its absolute discretion and subject to the terms of the Scheme, to grant options to subscribe the shares of the Company to, inter alia, any employees (full-time or part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group. The Scheme became unconditional on 27 April 2012.

The principal terms of the Scheme are summarised as follows:

1. The limit on the total number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other scheme(s) of any member of the Group must not exceed 10% of the nominal amount of all the issued share capital of the Company as at the Listing Date, i.e. 27 April 2012 (which was 360,435,790 shares, as adjusted by the share subdivision of every one share of HK\$0.01 each into 5 shares of HK\$0.002 each which became effective on 28 October 2014) unless Shareholders' approval has been obtained, and which must not in aggregate exceed 30% of the shares in issue from time to time.
2. The total number of shares issued and which may be issued upon exercise of all options (whether exercised, cancelled or outstanding) granted to any Participant in any 12-month period shall not exceed 1% of the issued shares as of the proposed grant date.
3. The subscription price for the shares under the options to be granted under the Scheme will be a price determined by the Board at the time of grant of the options, and shall be at least the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant of the options, which must be a business day; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares on the date of grant of the option.
4. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.
5. HK\$1.00 is payable by the participant who accepts the grant of an option in accordance with the terms of the Scheme on acceptance of the grant of an option.
6. The Scheme shall be valid and effective for a period of ten years commencing on the Adoption Date and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the shareholders of the Company in general meeting.

The Company has not granted any option since adoption of the Scheme. Other details of the Scheme are set out in the prospectus of the Company dated 17 April 2012.

## Other Information

### **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Save as disclosed under the section headed "SHARE OPTION SCHEME", at no time during the six months ended 30 June 2016 was the Company, or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of shares in, or debt securities, including debentures, of the Company or any other body corporate.

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors had complied with the required standards as set out in the Model Code during the six months ended 30 June 2016.

### **CORPORATE GOVERNANCE PRACTICES**

The Company has adopted the code provisions set out in the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

In the opinion of the Directors, the Company was in compliance with all the relevant code provisions set out in the CG Code throughout the six months ended 30 June 2016.

### **AUDIT COMMITTEE**

The Company established the Audit Committee on 9 April 2012 with written terms of reference in compliance with the CG Code. It currently comprises of three independent non-executive Directors, namely Mr. Lin Chu Chang (chairman), Mr. Li Xiaoyang and Mr. Zhang Jingsheng. The main objectives of the Audit Committee are to be responsible for relationship with the Company's auditor, review of the Company's financial information and monitoring the Company's financial reporting system and to review the risk management and internal control systems. The Audit Committee had reviewed this interim report and the unaudited interim financial information for the six months ended 30 June 2016 before such documents were tabled at a meeting of the Board held on 25 August 2016 for the Board's review and approval, and was of the opinion that such documents had complied with the applicable accounting standards, the Listing Rules and other applicable legal requirements and that adequate disclosures had been made.

By Order of the Board  
**Add New Energy Investment Holdings Group Limited**  
**Li Yunde**  
*Chairman*

Hong Kong, 25 August 2016