Nickel Resources International Holdings Company Limited
鎳資源國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 02889)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue	**150,276**	33,406
Gross Profit/(Loss)	**4,458**	(41,401)
Loss before Interest, Tax, Depreciation and Amortisation ("LBITDA")	**(91,921)**	(21,097)
Loss before Tax	**(287,290)**	(222,946)
Loss Attributable to Equity Holders of the Company	**(287,095)**	(221,844)
Gross Profit/(Loss) Margin	**3.0%**	(123.9%)
LBITDA Margin	**(61.2%)**	(63.2%)
Net Loss Margin	**(191.2%)**	(668.7%)

The directors (the "Directors") of Nickel Resources International Holdings Company Limited (the "Company") do not recommend the payment of an interim dividend for the year ending 31 December 2017. The unaudited interim condensed consolidated financial information for the six months ended 30 June 2017 has been reviewed by the Company's audit committee.

The board of Directors (the "Board") would like to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2017, together with the comparative figures for the corresponding period in 2016 as follows.

BOARD'S CONSIDERATION — MITIGATION MEASURES TO GOING CONCERN ISSUE

The Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain measures have been taken to mitigate the liquidity pressure and to improve its financial position which include, but not limited to, the following:

(1) On 5 March 2016, the Company and a potential investor (the "Potential Investor" or "Subscriber") entered into a share subscription agreement to subscribe for a total of 1,465,898,410 new ordinary shares of the Company at a subscription price of HK$0.1876 per share (the "Subscription Shares"), with proposed gross proceeds totalling approximately HK$275 million (the "Subscription"), subject to certain conditions precedent which, among others, include the following:

- approval from the Company's shareholders, or independent shareholders when appropriate, for (i) allotment and issuance of the Subscription Shares; (ii) a Whitewash Waiver; and (iii) a Special Deal (as defined hereunder), at the extraordinary general meeting of the Company ("EGM");

- Whitewash Waiver being granted by The Securities and Futures Commission of Hong Kong ("SFC") in respect of any obligation of the Subscriber and parties acting in concert with it to make a mandatory general offer in cash for all the issued shares and other relevant securities of the Company not already owned (or agreed to be acquired) by the Subscriber and parties acting in concert with it which might otherwise arise as a result of the Subscription;

- the consent from the SFC for repayment to any creditor who is a shareholder of the Company using the proceeds from the Subscription under a proposed debt restructuring as mentioned below (the "Special Deal");

- approval of resumption of trading of the Company's shares, and listing of the Subscription Shares from the Stock Exchange; and

- completion of a debt restructuring by the Company by way of the "Schemes" (Note) (the "Debt Restructuring Proposal"). The debt restructuring refers to a plan for restructuring of the indebtedness of the Company which involves, among other things: (i) the reduction and cancellation of the outstanding principal amount of the Bonds by at least 80%; (ii) the reduction and cancellation of all the outstanding accrued interests of the Bonds; (iii) the release and discharge of all security collateral provided in relation to the 12% Coupon Senior Bonds and the 8% Coupon Convertible Bonds; and (iv) the reduction and cancellation of all other indebtedness and contingent liabilities of the Company as referred to in the Debt Restructuring Proposal, by at least 80%.

In respect of the above, the Company appointed a financial advisor and debt restructuring scheme advisor to facilitate the Subscription and Debt Restructuring Proposal.

At the meetings of the holders of the 12% Coupon Senior Bonds and the 8% Coupon Convertible Bonds held on 21 June 2016 and 6 July 2016, respectively, separate extraordinary resolutions ("Extraordinary Resolutions") were passed and resolved, among others, to approve the Debt Restructuring Proposal, not to enforce any security of the Bonds until approval of the Schemes and release the security as required under the Schemes following the Schemes becoming effective, vote the entire principal amount in favour of the Schemes at the meetings of the Schemes, waive any event of default or potential event of default which might or has occurred and not to demand repayment of any amount due under the Bonds.

Following the passing and effectiveness of the Extraordinary Resolutions by 6 July 2016, the Company is preparing the necessary documents to submit to the courts for the relevant creditors' approval and court sanction for the Cayman Scheme and the Hong Kong Scheme under the Debt Restructuring Proposal.

The Company is also actively negotiating with other creditors of the Company for the execution of the Debt Restructuring Proposal.

Note: The proposed scheme of arrangement pursuant to Section 86 of the Companies Law (2007 Revision) of the Cayman Islands between the Company and the creditors under such scheme (the "Cayman Scheme") and the proposed scheme of arrangement of pursuant to Sections 670, 673 and 674 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) between the Company and the creditors under such scheme (the "Hong Kong Scheme"), collectively are referred to as the "Schemes".

(2) In relation to the secured bank loan of HK$96,728,000 which contains a repayable on demand clause, the Group is actively negotiating with the bank for the waiver of the relevant clause.

(3) In relation to the syndicated bank loan and the bank loan under the Unsecured Loan Facility to the extent of HK$573,926,000 and HK$408,648,000, respectively, the Group is actively negotiating with the respective banks for the waiver of the breach of the undertaking and restrictive covenant requirements. In July 2017, the Company has obtained in principal support and conditional consent from all relevant PRC banks to waive their rights to recall the secured syndicated bank loan amounting to HK$573,926,000.

(4) On 21 January 2013, the Group entered into a non-binding framework agreement with Beijing Wincapital Management Co., Ltd. ("Beijing Wincapital") in relation to the disposal of a 30% equity interest in S.E.A. Mineral Limited ("SEAM"), a wholly-owned subsidiary of the Group. The aggregate disposal consideration is expected to be approximately US$150 million (approximately HK$1,170 million). The proposed transaction is yet to complete and no formal sales and purchase agreement has been entered into up to the date of approval of the interim condensed consolidated financial information. Longer than expected time was spent on negotiation of the detailed terms and conditions because of the rapid change in operating and regulatory environment of SEAM since the framework agreement was signed. The Group is currently negotiating with Beijing Wincapital to modify the structure and detailed terms of the disposal on equity interest in SEAM.

In connection with the proposed disposal, Beijing Wincapital arranged certain loan finance to the Group ("Financing Loans"), which can be settled by offsetting against the disposal consideration should the proposed disposal be completed.

As at 30 June 2017, the outstanding Financing Loans amounted to approximately RMB400 million (equivalent to HK$460,883,000), all of these Financing Loans were overdue for repayments. Up to the date of approval of the interim condensed consolidated financial information, the Group has not received any letter from these lenders demanding for repayment of these loans. Management is currently negotiating with the relevant parties to formally extend the repayments of these loans to facilitate the completion of the proposed disposal. Management believes that with bona fide intention for both parties, the proposed disposal will be completed and the Group will be able to offset all these borrowings against the disposal consideration.

(5) Apart from the borrowings mentioned in (1) to (4) above, the Group had other borrowings from certain related parties of the Group, related parties of the Potential Investor and other third parties of HK$83,504,000, HK$278,731,000 and HK$78,250,000, respectively that were either overdue or due for immediate repayment as at 30 June 2017. The Group has been actively negotiating with the lenders for the renewal and extension of the repayment dates of these borrowings, of which an extension of the repayments of the borrowings from related parties of the Potential Investor for a term of 2 years is currently under discussion.

(6) The Group is also negotiating with various financial institutions and identifying various options for financing the Group's working capital and commitments in the foreseeable future, including identification of potential investors to invest in various projects undertaken by the Group.

(7) The Group is also maximizing its sales effort, including speeding up of sales of its existing inventories and seeking new orders from overseas markets or new customers on developed new products, and implementing more stringent cost control measures with a view to improving operating cash flows. During the six months ended 30 June 2017 and up to the date of approval of this interim condensed consolidated financial information, the Group received certain new sales orders of its stainless steel products from several independent third party customers and the Group also entered into a contract with an independent third party for providing processing management services. Management believes that the Group will be able to record a significant increase in sales in the coming twelve months after the reporting period.

(8) The Group has engaged legal advisors to handle all claims and disputes. In preparing this interim condensed consolidated financial information, the directors have also obtained advice from legal advisors on these matters and, based upon which, are of the view that the Group will be able to resolve those outstanding claims and disputes, with no significant cash outflows in the next twelve months.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2017

		Six months ended 30 June	
		2017	2016
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**150,276**	33,406
Cost of sales		**(145,818)**	(74,807)
Gross profit/(loss)		**4,458**	(41,401)
Other (losses)/gains, net	*4*	**(17,520)**	37,880
Selling and distribution expenses		**(802)**	(2,600)
Administrative expenses		**(116,086)**	(59,522)
Finance income	*6*	**99**	3,295
Finance costs	*6*	**(155,237)**	(160,019)
Other expenses		**(2,202)**	(579)
Loss before tax	*5*	**(287,290)**	(222,946)
Income tax expense	*7*	**–**	(444)
Loss for the period		**(287,290)**	(223,390)
Attributable to:			
Owners of the Company		**(287,095)**	(221,844)
Non-controlling interests		**(195)**	(1,546)
		(287,290)	(223,390)
Loss per share attributable to owners of the Company			
— Basic (HK dollar)	*9*	**(0.09)**	(0.08)
— Diluted (HK dollar)	*9*	**(0.09)**	(0.08)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss for the period	**(287,290)**	(223,390)
Other comprehensive (loss)/income		
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	**(36,590)**	10,756
Other comprehensive (loss)/income for the period, net of tax	**(36,590)**	10,756
Total comprehensive loss for the period	**(323,880)**	(212,634)
Attributable to:		
Owners of the Company	**(323,718)**	(212,358)
Non-controlling interests	**(162)**	(276)
	(323,880)	(212,634)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Notes	**30 June 2017 HK$'000 (Unaudited)**	31 December 2016 HK$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**438,289**	450,329
Prepaid land lease payments		**167,891**	164,162
Intangible asset		**2,384,543**	2,384,543
Other non-current assets		**1,472**	1,428
		2,992,195	3,000,462
Current assets			
Inventories		**198,249**	230,600
Trade and notes receivables	*10*	**14,980**	26,412
Prepayments, deposits and other receivables		**111,583**	144,668
Pledged time deposits		**13**	1,687
Cash and cash equivalents		**17,114**	20,143
		341,939	423,510
Total assets		**3,334,134**	3,423,972
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		**308,813**	308,813
Reserves		**(900,972)**	(577,276)
		(592,159)	(268,463)
Non-controlling interests		**5,844**	6,006
Total shareholders' deficit		**(586,315)**	(262,457)

	Notes	**30 June 2017** *HK$'000* **(Unaudited)**	31 December 2016 *HK$'000* (Audited)
LIABILITIES			
Non-current liabilities			
Other long term payables		**8,539**	8,374
Deferred tax liabilities		**1,241**	1,204
		9,780	9,578
Current liabilities			
Trade payables	*11*	**138,664**	120,358
Notes payables	*11*	**1,944**	1,444
Other payables and accruals		**1,289,174**	1,143,954
Bank and other borrowings		**2,400,880**	2,331,498
Convertible bonds		**46,775**	46,775
Derivative financial instruments		**–**	–
Tax payable		**33,232**	32,822
		3,910,669	3,676,851
Total liabilities		**3,920,449**	3,686,429
Total equity and liabilities		**3,334,134**	3,423,972

NOTES:

1 GENERAL INFORMATION

Nickel Resources International Holdings Company Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 11 March 2004 under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company and its subsidiaries (collectively referred as "the Group") is located at No.7, Block F, Runhua Business Garden, No. 24 Jinshui Road, Jinshui District, Zhengzhou city, Henan Province, the People's Republic of China (the "PRC"), 450012. The principal place of business of the Company is located at Room 1705, West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong.

The principal activities of the Company are investment holding and the trading of ore. The Group is principally engaged in the manufacture and sale of iron and steel products in the PRC and the trading of ore. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

In the opinion of the directors of the Company (the "Directors"), Easyman Assets Management Limited ("Easyman"), a company incorporated in the British Virgin Islands and wholly owned by Mr. Dong Shutong ("Mr. Dong"), an Executive Director, is the ultimate holding company of the Group.

The interim condensed consolidated financial information for the six months ended 30 June 2017 is unaudited and has been reviewed by the audit committee of the Company. This interim condensed consolidated financial information is presented in Hong Kong dollar ("HK$"), unless otherwise stated, and has been approved for issue by the board of directors on 23 August 2017.

2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2017 has been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim financial reporting" and the disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange.

This interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

2.1 Going concern

In preparing this interim condensed consolidated financial information for the six months ended 30 June 2017, the Directors have considered the future liquidity of the Group.

During the six months ended 30 June 2017, the Group incurred a net loss of HK$287,290,000. As at 30 June 2017, the Group had a shareholders' deficit of HK$586,315,000 and net current liabilities of HK$3,568,730,000, and the Group's total borrowings amounted to HK$2,449,599,000 which comprised bank and other borrowings, convertible bonds and notes payables of HK$2,400,880,000, HK$46,775,000 and HK$1,944,000, respectively as at 30 June 2017. Cash and cash equivalents of the Group amounted to HK$17,114,000 as at 30 June 2017.

As at 30 June 2017, the Group's borrowings to the extent of HK$2,446,835,000 were either overdue or due for immediate repayment despite the original contractual repayment dates of some of these borrowings are beyond twelve months after 30 June 2017. This is mainly because:

(i) on 19 December 2014, the Group failed to make interest payment totalling HK$16,108,000 under the relevant terms and conditions of its Modified 10% Coupon Bonds, 12% Coupon Senior Bonds and 8% Coupon Convertible Bonds (together the "Bonds"). This constituted an event of default under the respective terms of the Bonds. Up to 30 June 2017, the Group failed to pay interest payment of the Bonds in aggregate of HK$152,734,000. As a result, the outstanding principal amounts of the Bonds totalling HK$466,165,000 (2016: HK$466,165,000) became immediately due and payable (subject to the terms and conditions), out of which the 12% Coupon Senior Bonds of HK$390,990,000 (2016: HK$390,990,000) with original contractual repayment date in December 2018 have been classified as current liabilities as at 30 June 2017;

(ii) as at 30 June 2017, a non-current secured bank loan of HK$96,728,000 with contractual repayment date in 2019 contains a repayable on demand clause. As a result, the outstanding amount has been classified as current liabilities as at 30 June 2017;

(iii) as at 30 June 2017, other loans to the extent of HK$460,883,000 had become overdue;

(iv) other borrowings to the extent of HK$323,131,000 were overdue and HK$117,354,000 were on repayable on demand terms;

(v) the Group has obtained a 3-year syndicated loan of approximately RMB498 million (equivalent to HK$573,926,000) in January 2016 from a syndicate of banks in the PRC (i) to replace certain outstanding bank loans and notes payable of the Group as at 31 December 2015 to the extent of RMB268,620,000 and RMB79,737,000, respectively with the syndicated loan of the same amount; and (ii) to provide additional loan facilities to the Group as working capital for an amount of RMB150,000,000 (the "New Facilities") for a 3-year term. The New Facilities have been fully drawn down during the year ended 31 December 2016. The syndicated loan is secured by certain property, plant and equipment and prepaid land lease payments of certain subsidiaries of the Group. However, the Group failed to fulfil certain undertakings and restrictive covenant requirements under these syndicated loan facilities upon signing the syndicated loan agreement. As a result, the outstanding amount of the 3-year syndicated loan of HK$573,926,000 became immediately due and payable as at 30 June 2017; and

(vi) the Group has obtained an unsecured 3-year loan facility from a PRC bank for an amount of RMB360 million (the "Unsecured Loan Facility") in June 2016. Up to 31 December 2016 and as at 30 June 2017, approximately RMB355 million (equivalent to HK$408,648,000) (2016: HK$396,496,000) of the Unsecured Loan Facility has been drawn down. However, the Group failed to fulfil certain undertakings and restrictive covenant requirements under this Unsecured Loan Facility upon signing the loan agreement. As a result, the outstanding amount of this loan of HK$408,648,000 was immediately due and payable as at 30 June 2017.

Together with the accrued interest for borrowings to the extent of HK$686,007,000 as at 30 June 2017 included in other payables and accruals, the aggregate borrowings and interest that were either overdue or due for immediate repayment amounted to HK$3,132,842,000 as at 30 June 2017.

In addition, the Company and a subsidiary are parties to various legal claims as detailed in Note 12.

The aforementioned conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern such that it may not be able to realise its assets and discharge its liabilities in the normal course of business.

In view of such circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain measures have been taken to mitigate the liquidity pressure and to improve its financial position which include, but not limited to, the following:

(1) On 5 March 2016, the Company and a potential investor (the "Potential Investor" or "Subscriber") entered into a share subscription agreement to subscribe for a total of 1,465,898,410 new ordinary shares of the Company at a subscription price of HK$0.1876 per share (the "Subscription Shares"), with proposed gross proceeds totalling approximately HK$275 million (the "Subscription"), subject to certain conditions precedent which, among others, include the following:

- approval from the Company's shareholders, or independent shareholders when appropriate, for (i) allotment and issuance of the Subscription Shares; (ii) a Whitewash Waiver; and (iii) a Special Deal (as defined hereunder), at the extraordinary general meeting of the Company ("EGM");

- Whitewash Waiver being granted by The Securities and Futures Commission of Hong Kong ("SFC") in respect of any obligation of the Subscriber and parties acting in concert with it to make a mandatory general offer in cash for all the issued shares and other relevant securities of the Company not already owned (or agreed to be acquired) by the Subscriber and parties acting in concert with it which might otherwise arise as a result of the Subscription;

- the consent from the SFC for repayment to any creditor who is a shareholder of the Company using the proceeds from the Subscription under a proposed debt restructuring as mentioned below (the "Special Deal");

- approval of resumption of trading of the Company's shares, and listing of the Subscription Shares from the Stock Exchange; and

- completion of a debt restructuring by the Company by way of the "Schemes" *(Note)* (the "Debt Restructuring Proposal"). The debt restructuring refers to a plan for restructuring of the indebtedness of the Company which involves, among other things: (i) the reduction and cancellation of the outstanding principal amount of the Bonds by at least 80%; (ii) the reduction and cancellation of all the outstanding accrued interests of the Bonds; (iii) the release and discharge of all security collateral provided in relation to the 12% Coupon Senior Bonds and the 8% Coupon Convertible Bonds; and (iv) the reduction and cancellation of all other indebtedness and contingent liabilities of the Company as referred to in the Debt Restructuring Proposal, by at least 80%.

In respect of the above, the Company appointed a financial advisor and debt restructuring scheme advisor to facilitate the Subscription and Debt Restructuring Proposal.

At the meetings of the holders of the 12% Coupon Senior Bonds and the 8% Coupon Convertible Bonds held on 21 June 2016 and 6 July 2016, respectively, separate extraordinary resolutions ("Extraordinary Resolutions") were passed and resolved, among others, to approve the Debt Restructuring Proposal, not to enforce any security of the Bonds until approval of the Schemes and release the security as required under the Schemes following the Schemes becoming effective, vote the entire principal amount in favour of the Schemes at the meetings of the Schemes, waive any event of default or potential event of default which might or has occurred and not to demand repayment of any amount due under the Bonds.

Following the passing and effectiveness of the Extraordinary Resolutions by 6 July 2016, the Company is preparing the necessary documents to submit to the courts for the relevant creditors' approval and court sanction for the Cayman Scheme and the Hong Kong Scheme under the Debt Restructuring Proposal.

The Company is also actively negotiating with other creditors of the Company for the execution of the Debt Restructuring Proposal.

Note:

The proposed scheme of arrangement pursuant to Section 86 of the Companies Law (2007 Revision) of the Cayman Islands between the Company and the creditors under such scheme (the "Cayman Scheme") and the proposed scheme of arrangement of pursuant to Sections 670, 673 and 674 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) between the Company and the creditors under such scheme (the "Hong Kong Scheme"), collectively are referred to as the "Schemes".

(2) In relation to the secured bank loan of HK$96,728,000 which contains a repayable on demand clause, the Group is actively negotiating with the bank for the waiver of the relevant clause.

(3) In relation to the syndicated bank loan and the bank loan under the Unsecured Loan Facility to the extent of HK$573,926,000 and HK$408,648,000, respectively, the Group is actively negotiating with the respective banks for the waiver of the breach of the undertaking and restrictive covenant requirements.

(4) On 21 January 2013, the Group entered into a non-binding framework agreement with Beijing Wincapital Management Co., Ltd. ("Beijing Wincapital") in relation to the disposal of a 30% equity interest in S.E.A. Mineral Limited ("SEAM"), a wholly-owned subsidiary of the Group. The aggregate disposal consideration is expected to be approximately US$150 million (approximately HK$1,170 million). The proposed transaction is yet to complete and no formal sales and purchase agreement has been entered into up to the date of approval of the interim condensed consolidated financial information. Longer than expected time was spent on negotiation of the detailed terms and conditions because of the rapid change in operating and regulatory environment of SEAM since the framework agreement was signed. The Group is currently negotiating with Beijing Wincapital to modify the structure and detailed terms of the disposal on equity interest in SEAM.

In connection with the proposed disposal, Beijing Wincapital arranged certain loan finance to the Group ("Financing Loans"), which can be settled by offsetting against the disposal consideration should the proposed disposal be completed.

As at 30 June 2017, the outstanding Financing Loans amounted to approximately RMB400 million (equivalent to HK$460,883,000), all of these Financing Loans were overdue for repayments. Up to the date of approval of the interim condensed consolidated financial information, the Group has not received any letter from these lenders demanding for repayment of these loans. Management is currently negotiating with the relevant parties to formally extend the repayments of these loans to facilitate the completion of the proposed disposal. Management believes that with bona fide intention for both parties, the proposed disposal will be completed and the Group will be able to offset all these borrowings against the disposal consideration.

(5) Apart from the borrowings mentioned in (1) to (4) above, the Group had other borrowings from certain related parties of the Group, related parties of the Potential Investor and other third parties of HK$83,504,000, HK$278,731,000 and HK$78,250,000, respectively that were either overdue or due for immediate repayment as at 30 June 2017. The Group has been actively negotiating with the lenders for the renewal and extension of the repayment dates of these borrowings, of which an extension of the repayments of the borrowings from related parties of the Potential Investor for a term of 2 years is currently under discussion.

(6) The Group is also negotiating with various financial institutions and identifying various options for financing the Group's working capital and commitments in the foreseeable future, including identification of potential investors to invest in various projects undertaken by the Group.

(7) The Group is also maximizing its sales effort, including speeding up of sales of its existing inventories and seeking new orders from overseas markets or new customers on developed new products, and implementing more stringent cost control measures with a view to improving operating cash flows. During the six months ended 30 June 2017 and up to the date of approval of this interim condensed consolidated financial information, the Group received certain new sales orders of its stainless steel products from several independent third party customers and the Group also entered into a contract with an independent third party for providing processing management services. Management believes that the Group will be able to record a significant increase in sales in the coming twelve months after the reporting period.

(8) The Group has engaged legal advisors to handle all claims and disputes as detailed in Note 12 to the interim condensed consolidated financial information. In preparing this interim condensed consolidated financial information, the directors have also obtained advice from legal advisors on these matters and, based upon which, are of the view that the Group will be able to resolve those outstanding claims and disputes, with no significant cash outflows in the next twelve months.

The directors have reviewed the Group's cash flow projections prepared by management that covered a period of not less than twelve months from the end of the reporting period and considered that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the end of the reporting period, and therefore it is appropriate to prepare the interim condensed consolidated financial information on a going concern basis.

Notwithstanding the above, significant multiple uncertainties exist as to whether management of the Company will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to manage its indebtedness, and generate adequate financing and operating cash flows through:

(1) successful completion of the issuance of the Subscription Shares after fulfilling all conditions precedent as detailed, but not limited to, above and in particular by the successful completion of the Debt Restructuring Proposal;

(2) successful negotiation with the banks for the waiver of the repayable on demand clause and breach of the undertaking and restrictive covenant requirements;

(3) successful negotiation with the financiers to extend the repayment dates of their loans to the Group until completion of the proposed disposal of the 30% interest in SEAM, at a disposal consideration of US$150 million, and be able to collect the remaining disposal consideration of approximately US$92 million (equivalent to approximately HK$718 million) in full immediately upon completion of the transaction after properly offsetting the disposal consideration against the above-mentioned borrowings of approximately RMB400 million;

(4) successful negotiation with the related parties of the Group, related parties of the Potential Investor and other third party lenders for extension of their relevant borrowings, by maintaining relationship with them such that no action will be taken by these lenders to demand immediate repayment of the overdue borrowings under negotiation;

(5) successful negotiation with the lenders for obtaining additional new financing and other sources of funding as and when required;

(6) successful implementation of its operation plans described above to control costs and generate adequate operating cash flows; and

(7) successful resolution of the outstanding claims and disputes, and without significant cash outflows in the next twelve months.

Should the Group fail to achieve the above mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in this interim condensed consolidated financial information.

2.2 Accounting policies

The preparation of the interim condensed consolidated financial information requires management to make judgments, 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 interim condensed consolidated financial information, the significant judgments 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 annual financial statements for the year ended 31 December 2016.

The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31 December 2016, except as mentioned below.

(a) New and amended standards adopted by the Group

The Group has adopted the following new and amended standards that have been issued and effective for the Group's financial year beginning on 1 January 2017:

Annual Improvements Project-IFRS 12 (Amendment)	Annual Improvements 2014–2016 cycle
IAS 7 (Amendment)	Disclosure Initiative
IAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses

The adoption of the above new and amended standards has no significant impact on Group's results and financial position.

(b) New standards, amendments to standards and interpretations that have been issued but are not effective

New standards, amendments to existing standards and interpretations that have been issued but are not effective:

Annual Improvements Project — IFRS 1 and IAS 28 (Amendment)	Annual Improvements 2014-2016 cycle[(2)]
IFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions[(2)]
IFRS 4 (Amendment)	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[(2)]
IFRS 9	Financial Instruments[(2)]
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[(1)]
IFRS 15	Revenue from Contracts with Customers[(2)]
IFRS 15 (Amendment)	Clarifications to IFRS15[(2)]
IFRS 16	Leases[(3)]
IAS 40 (Amendment)	Transfers of Investment Property[(2)]
IFRIC-Int22	Foreign Currency Transactions and Advance Consideration[(2)]
IFRIC-Int23	Uncertainty over Income Tax Treatments

(1) Effective date to be determined
(2) Effective for the Group for annual period beginning on 1 January 2018
(3) Effective for the Group for annual period beginning on 1 January 2019

The Group has commenced an assessment on the impact of these new and amended standards and interpretations, but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.

3 OPERATING SEGMENT INFORMATION

For management purposes, the Group has one reportable operating segment: the trading of ore and the manufacturing and sale of iron and special steel products. Management monitors the operating results of its business units as a whole for the purpose of making decisions about resources allocation and performance assessment.

4 REVENUE AND OTHER (LOSSES)/GAINS

Revenue represents the net invoiced value of goods sold, net of value-added tax.

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Revenue		
Sale of goods:		
Stainless steel base materials	**103,420**	4,066
Ni-Cr alloy steel ingot	**8,930**	11,311
Ferro-nickel alloys and others	**37,926**	18,029
Total revenue	**150,276**	33,406
Other (losses)/gains, net		
Change in fair value of derivative financial instruments	**–**	19,887
Foreign exchange loss, net	**(18,690)**	(2,416)
Loss on disposal of property, plant and equipment	**(158)**	(444)
Reversal of impairment loss on property, plant and equipment	**–**	15,627
Write off of trade and other payables	**1,282**	3,848
Others	**46**	1,378
Other (losses)/gains, net	**(17,520)**	37,880

5 LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Staff costs (including Directors' remuneration):		
Salaries	**25,887**	25,222
Retirement benefit scheme contributions and other costs	**5,544**	570
Equity-settled share-based compensation expense	**22**	113
Total staff costs	**31,453**	25,905
Cost of inventories sold	**145,818**	74,807
Research expenses	**286**	–
Depreciation	**38,022**	42,996
Amortisation of prepaid land lease payment	**2,209**	2,129
Minimum lease payments under operating leases in respect of buildings and equipment	**2,597**	4,396

6 FINANCE COSTS, NET

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Finance income		
Interest income on time deposits	**99**	3,295
Finance costs		
Interest on bank loans and other borrowings	**(152,395)**	(154,340)
Interest on convertible bonds	**(2,842)**	(5,679)
Total interest expense	**(155,237)**	(160,019)
Finance costs, net	**(155,138)**	(156,724)

7 INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

The applicable Hong Kong profits tax rate of the Company and its subsidiaries, which operate in Hong Kong was 16.5% (2016: 16.5%) based on existing legislation. The applicable income tax rate of subsidiaries of the Group incorporated in Singapore was 17% (2016: 17%). The subsidiaries of the Group incorporated in Indonesia were subject to a single income tax rate of 25% (2016: 25%).

According to the PRC Corporate Income Tax Law, the applicable income tax rate of the PRC subsidiaries of the Group was 25% for the six months ended 30 June 2017 (2016: 25%).

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Current income tax		
— Singapore		
— Under-provision in prior years	**–**	444
Income tax charge	**–**	444

8 DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the year ending 31 December 2017 (2016: Nil).

9 LOSS PER SHARE

Basic

The calculation of basic loss per share is based on the loss for the period attributable to owners of the Company, and the weighted average number of ordinary shares of 3,088,131,105 (2016: 2,786,889,848) in issue during the period.

Diluted

The calculation of diluted loss per share for the six months ended 30 June 2017 is based on the loss attributable to owners of the Company, adjusted to reflect the interest on, and any change in fair value of the derivative component of the convertible bonds and share options. The weighted average number of ordinary shares used in the calculation is the weighted average number of the ordinary shares in issue during the period, as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

Diluted loss per share is the same as basic loss per share for the six months ended 30 June 2017 because the impact of dilution of the convertible bonds and share options is anti-dilutive.

10 TRADE AND NOTES RECEIVABLES

	Notes	**30 June 2017** *HK$'000*	31 December 2016 *HK$'000*
Trade receivables	*(a)*	**46,142**	56,157
Notes receivables	*(b)*	**230**	112
		46,372	56,269
Less: provision for impairment		**(31,392)**	(29,857)
		14,980	26,412

The Group's trading terms with its customers are mainly on credit, except for new customers and customers of limonitic ores, where payment in advance is normally required. The credit period is generally one to two months. During the period, the Group generated its revenue from sales of special steel products, thereby exposing the Group to concentration of credit risk in the steel industry. The Group does not hold any collateral or other credit enhancements over these balances. Trade and notes receivables are non-interest-bearing. The carrying amounts of trade and notes receivables approximate their fair values.

(a) Trade receivables

An ageing analysis of trade receivables at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2017 *HK$'000*	31 December 2016 *HK$'000*
Within 90 days	**12,823**	25,108
91 to 180 days	**276**	456
181 to 365 days	**1,651**	736
Over 1 year	**31,392**	29,857
	46,142	56,157

(b) Notes receivables

As at the end of the reporting period, the maturity period of the Group's notes receivables is as follows:

	30 June 2017 *HK$'000*	31 December 2016 *HK$'000*
Within 90 days	**230**	56
91 to 180 days	**–**	56
	230	112

11 TRADE AND NOTES PAYABLES

	Notes	**30 June 2017** *HK$'000*	31 December 2016 *HK$'000*
Trade payables	*(a)*	**138,664**	120,358
Notes payables	*(b)*	**1,944**	1,444
		140,608	121,802

(a) Trade payables

An ageing analysis of the trade payables at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2017 *HK$'000*	31 December 2016 *HK$'000*
Within 90 days	**19,331**	22,843
91 to 180 days	**18,972**	2,718
181 to 365 days	**9,351**	4,987
1 to 2 years	**5,755**	4,940
2 to 3 years	**12,493**	18,183
Over 3 years	**72,762**	66,687
	138,664	120,358

Trade payables are normally settled on terms of 60 to 180 days. The carrying amounts of trade payables approximate their fair values at the end of the reporting period.

(b) Notes payables

As at 31 December 2016, notes payable of HK$1,444,000 were secured by time deposits amounting to HK$1,674,000. As at 30 June 2017, no notes payables were secured by time deposits.

An ageing analysis of the notes payables of the Group at 30 June 2017 is as follows:

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
Within 90 days	**–**	1,444
91 to 180 days	**1,944**	–
	1,944	1,444

12 CONTINGENT LIABILITIES, CLAIMS AND DISPUTES

The Group follows the guidance of IAS37 "Provisions, Contingent Liabilities and Contingent Assets" to determine when contingent liabilities should be recognised, which requires significant judgement.

A contingent liability will be disclosed when a possible obligation has arisen, but its existence has to be confirmed by future events outside the Group's control, or when it is not possible to calculate the amount. Realisation of any contingent liabilities not currently recognised or disclosed could have a material impact on the Group's financial position.

The Group reviews significant outstanding litigations in order to assess the need for provisions. Among the factors considered are the nature of the litigation, legal processes and potential level of damages, the opinions and views of the legal counsels and advisors, and the management's intentions to respond to the litigations. To the extent the estimates and judgements do not reflect the actual outcome, this could materially affect the results for the period and the financial position.

(a) Litigation with Rock Resource Limited ("RR") and United Mineral Limited ("UM") (collectively referred to as the "Buyers")

In March 2014, the Company received certain legal letters (the "Letters") from the Buyers dated 20 March 2014, which purported to be statutory demands serviced to the Company pursuant to section 178(1)(a) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap.32) ("Statutory Demand").

The Letters concern disputes between the Group and the Buyers relating to certain primary contracts for the sale and purchase of Indonesian iron ores, and contain claims for (i) an amount of US$10,347,698 (equivalent to approximately HK$80,242,000) which comprises the demand for return of an advance payment made by RR to the Group of US$3,000,000 (equivalent to approximately HK$23,264,000) and interest thereon to the extent of US$7,347,698 (equivalent to approximately HK$56,978,000) payable up to 20 March 2014; and (ii) an amount of RMB70,355,783 (equivalent to approximately HK$89,488,000) which comprises the demand for return of an advance payment made by UM to the Group of RMB20,000,000 (equivalent to approximately HK$25,438,000) and interest thereon to the extent of RMB50,355,783 (equivalent to approximately HK$64,050,000) payable up to 20 March 2014. The Company as guarantor to the abovementioned primary contracts is therefore also a party to these litigations.

On 4 April 2014, the Group issued a legal letter to the legal representative of the Buyers requesting them to withdraw the Statutory Demand as the Group considers that it has bona fide defences on substantial grounds to the claims asserted from the Buyers, and the Group also considers it has very substantial counterclaims against the Buyers as a result of their non-performance of the relevant contracts.

On 7 April 2014, the Group received another legal letter from the legal representative of the Buyers informing that the Buyers will not present their winding up petition against the Company without serving a 3-day notice.

On 11 April 2014, the Company received another statutory demand from the legal representative of UM to claim for certain interest charge ("Interest Charge") on certain loans provided by UM to the Group (the principal of which had been fully repaid before 31 December 2014) calculated up to 11 April 2014 (as supplemented by another legal letter dated 15 April 2014), together with the related penalty, to the extent of US$3,839,000 (equivalent to approximately HK$29,770,000). The Group has subsequently replied, through its legal representative, that most of the claimed Interest Charge are unenforceable at law but agreed to pay the relevant interest charge (after tax) calculated under normal contract terms in the amount of US$345,000 (equivalent to approximately HK$2,675,000) which had been provided for during the year ended 31 December 2013.

On 9 May 2014, the Group received another legal letter from the legal representative of UM informing that UM will not present its winding up petition against the Company without serving a 3-day notice.

In October 2014, the legal representative of UM issued a letter to the Group requesting payment for the amount of US$345,000 and the Group fully settled the amount in November 2014.

On 18 November 2014, a subsidiary of the Group received a legal letter from RR, which purported to be statutory demand serviced to the subsidiary pursuant to section 254(2)(a) of the Singapore Companies Act (Cap.50), requesting for settlement of a payable of US$1,726,000 (equivalent to approximately HK$13,387,000) (the "Unpaid Invoices"), which has been included as current liabilities of the Group in the interim condensed consolidated financial information.

On 8 December 2014, the Group issued a legal letter to RR requesting RR to withdraw such statutory demand and confirm that RR will not commence winding up of the aforementioned subsidiary as the Group considers it has bona fide defences on substantial grounds to the claims asserted in RR's letter dated 18 November 2014 and significant cross-claims against RR and therefore the Unpaid Invoices should not be settled at this stage since the Group would be entitled to set these sums off against its very substantial counterclaims for RR and/or UM.

On 8 September 2015, Easyman entered into a Swap of Debt Agreement with RR and CNR Group Holdings Pte Ltd ("CNRG"), a subsidiary of the Group, which gave effect to provide a charge over a total of 31,762,295 shares in the Company to RR as a security for the above litigation. These shares can be used by RR for settlement of any liabilities that may arise and become payable by the Group to RR in respect of the above litigation.

In order to resolve certain of the above claims and disputes, Yongtong Special Steel and CNRG, subsidiaries of the Group, also entered into an agreement with RR on 6 June 2016, pursuant to which, and on a "no admission of liability" basis that, Yongtong Special Steel shall deliver certain equipment to RR as a consideration for offsetting any payables due by the Group to RR to the extent of RMB30,000,000. Upon delivery of all relevant equipment and acknowledgement receipt by RR, any liabilities that the Group may owe to RR shall be reduced by RMB30,000,000. These equipment have been delivered to and acknowledged receipt by RR before 31 December 2016.

(b) Dispute on Contracts of Affreightment ("COAs")

The Group entered into certain COAs with various marine vessel owners committing certain minimum number of cargoes per calendar month for exporting iron ores from Indonesia. As a result of the unfavourable economic environment and the various changes in rules and regulations stipulated by the Indonesian government authorities since year 2012, the Group's ores export was adversely affected and therefore unable to fulfil the minimum cargoes commitments as stipulated by some of these COAs.

During the year ended 31 December 2014, the Group received various legal letters from TORM A/S ("TORM"), a marine vessel owner, to (i) claim for an outstanding freight charges payable by the Group to TORM of approximately US$1,834,000 (equivalent to approximately HK$14,268,000) ("Outstanding Freight Charges"); and (ii) notify the commencement of arbitration proceedings pursuant to the terms of the relevant COAs to claim for loss and damage suffered by TORM ("Other Losses") with respect to approximately 51 unfulfilled cargoes under the terms of the relevant COAs which is estimated by TORM to be approximately US$11,828,000 (equivalent to approximately HK$91,721,000) up to 27 March 2014 (the amount stated in the latest claim submissions from TORM).

The dispute with TORM in respect of the Outstanding Freight Charges had been settled at an amount of US$419,000 (equivalent to HK$3,253,000) during the year ended 31 December 2014 and the claim had been fully discharged in June 2014.

In connection with the claims on Other Losses, the Group has engaged legal advisors to commence arbitration procedures with TORM in February 2014.

During the period ended 30 June 2017, the Group has been actively negotiating with TORM on settlement of the above claims on Other Losses. In preparing this interim condensed consolidated financial information, the directors have obtain legal advice in this respect and, based on the current status of the proceedings, evidence exchanged and the latest communication with TORM, consider that most likely the Group will be able to settle the claims on Other Losses at a consideration of approximately US$5 million (equivalent to HK$38,782,000). A provision for claims of the same amount has been made by the Group during the year ended 31 December 2015.

As at 30 June 2017 and up to the date of approval of the interim condensed consolidated financial information, based on the best knowledge and information of the directors, there are no other major claims in relation to any COAs that the Group has entered into saved as disclosed in this interim condensed consolidated financial information.

Should the resolution of these legal claims and disputes turn out to be unfavourable to the Group, the Group may need to record additional losses in respect of these claims and disputes in future reporting periods.

(c) Others

In March 2017, the Group received an Order of Court from The High Court of the Republic of Singapore which ordered that, amongst others, CNRG be wounded up and a liquidator be appointed to commence the winding up proceedings. Up to the date of approval of this interim financial information, the Group has been working on the winding up matters and the directors consider that the winding up of CNRG would not result in any further material adverse effect to the Group's financial position.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING ENVIRONMENT ANALYSIS

Impact of Export Ban

The Group purchases ores for both trading of limonitic ore business and self-use manufacturing of iron and special steel products. In the past few years, the Group enjoyed fixed price in ore supply through an exclusive offtake agreement entered into with PT. Yiwan Mining ("Yiwan") ("EOA").

Pursuant to the relevant regulations promulgated in Indonesia, unprocessed ore export by mining business licence holders in Indonesia ("IUP Holders") has been banned from 12 January 2014 onwards unless the IUP Holders have carried out processing and refining domestically according to Government Regulation No. 23 of 2010 regarding implementation of activities of business of minerals and coal mining and have conducted refining and smelting in accordance with Law No. 4 of 2009 regarding minerals and coal mining ("Export Ban"). Due to the Export Ban, Yiwan can no longer export unprocessed ore to the Group.

After the Export Ban, the ore trading business of the Group continued suspension in the first half of 2017.

Besides the direct impact on the ore trading business, the Export Ban also adversely affected the manufacturing of iron and special steel products. Without ore supply in stable price under the EOA, the Group had to purchase the ores from the PRC market with volatile ore price fluctuation which affected the cost of manufacturing of the iron and special steel products.

Operating environment in the first half of 2017

The steel product price along with the iron ore price remains steady in the first half of 2017.

Despite the rebound of the PRC steel market in 2016, we remain pessimistic about the steel market in the PRC in the short term due to the continuation of over-supply and the persisting weak steel price under fierce competition in the steel market. Although the PRC government started to implement certain solutions to mitigate the over-supply situation, we expect the prices of iron and steel products may not have significant rebound in the near future. However, in the long term, we expect the global economy will gradually recover and the economy of the PRC will maintain its healthy growth trend. Going forward, domestic market in the PRC will become quality-oriented, which will impose higher requirements on products in terms of environmental-friendliness, safety and durability, sustainability and recycling. We expect that the quantitative demand for high quality steel products will increase significantly in the long run, and product development will incline to the high-end market.

To capture these business opportunities, the Group has shifted to the production of high quality iron and special steel products through the application of more environmental-friendly production method. Moreover, the Group completed the innovation on the new "high-strength special steel" product in 2014 which can be applied to bridge construction, offshore oil platform construction, marine construction, ship construction, power transmission engineering and marine transport facilities. The Directors believe that the "high-strength special steel" product can contribute substantially to the Group's future operating profits upon the successful exploration and development of the new "high-strength special steel" products in the PRC steel market in the near future.

BUSINESS REVIEW

Project Progress

In the PRC

Lianyungang City East Harvest Mining Company Limited, a wholly-owned subsidiary of the Company, has constructed a production plant to produce nickel fine powder. The first production line of the production plant started trial production in 2012. The nickel fine powder can be treated as finished product for direct sales; alternatively, it can be treated in a blast furnace and processed into nickel-iron alloy fluid, which becomes a high-quality raw material for the production of stainless steel. The Lianyungang plant applies low carbon metallurgical technology developed by the Group. Ordinary coal, rather than coke used in traditional process, is used in the reduction purification process, under which the consumption of carbon may decrease by up to 40%. In addition, the plant can utilise low grade nickel ore for production, the cost of which is much lower than that used in traditional production process. The project is highly recognised by the local government. Moreover, the plant is situated at the Lianyungang port and benefits from geographical advantages. Ores and other raw materials from overseas can be conveniently transported to the plant, largely reducing the inland transportation costs and logistics pressure.

In Indonesia

Our project located at Kalimandan of Indonesia is recognised as a key iron and special steel mill construction project of Indonesia with strong support from Indonesia central government, and offers manufacturing capability that is valuable considering the new mining regulations in Indonesia. The special steel mill project will produce special steel bar for concrete reinforcement to capture the market opportunities in Indonesia. This processing facility can save shipping fee, loading and unloading charges and inland port charges. After the Export Ban which affected our cash flow position together with the delay in disposal of 30% equity interest of SEAM, a wholly-owned subsidiary of the Company, the Group is seeking other financing sources to facilitate the development of the project. Management is currently negotiating with the relevant parties to facilitate the completion of the proposed disposal or to modify the structure of the proposed disposal despite longer than expected time was spent as a result of the rapid changes in the environment that SEAM operates in.

Business Development

Ore trading business

The Group purchases ores from Indonesia through the EOA at fixed price for self-use or for sale, and has started selling ores to third parties since the end of 2009. The ore trading business had a remarkable contribution to our profitability and cash flows due to strong demand from the PRC customers in the past.

However, the ore trading business of the Group has been suspended upon the Export Ban and it is anticipated that this will have a continuous significant negative impact on the financial and operating results of the Group.

It is possible that the relevant mining regulations in Indonesia may be amended but there is no guarantee that the Export Ban will be uplifted in near future.

The Directors are considering any possible alternatives, including but not limited to, co-operation with local enterprises for building up special steel mills in Indonesia.

Special steel-making operations

For the special steel-making operations of the Group, sales volume increased substantially as compared to the first half of 2016 whereas the profit margins of stainless steel products and Ni-Cr alloy steel ingots remain positive during the period. In order for deploying the Group's readjustment of the business operations, the production plant of Zhengzhou Yongtong Special Steel Company Limited ("Yongtong Special Steel"), a wholly-owned subsidiary of the Company, suspended production from early of May 2017 to early of June 2017 and resumed production in middle of June 2017 gradually.

While we expect the keen competition in the steel market of the PRC will continue in 2017, the demand for steel products will gradually pick up. Following the Environmental Protection Bureau taking measures to monitor and control the air pollution index in 2016, we expect the environmental protection issues will continue in 2017 and the supply of the stainless steel products market may be affected. Therefore, the Group will take this opportunity to produce substantially the market needed stainless steel products in near future. The Group is also actively developing new high value-added special steel products and identifying PRC and overseas markets with growth potentials to strengthen our product portfolio and reduce market concentration risk.

Financing Arrangement

As at 30 June 2017, the Group had net current liabilities of approximately HK$3,568.7 million. The Group has been actively negotiating with PRC and overseas banks and institutional investors for new borrowings and renewal of existing borrowings when they fall due. During the period, the Group had successfully obtained bank and other borrowings of HK$37.5 million to finance its operation and for repayment of certain borrowings when they fall due.

In addition, based on the framework agreement with a potential investor for the disposal of 30% equity interest of SEAM, a wholly-owned subsidiary of the Group, the aggregate consideration will be approximately US$150 million (equivalent to approximately HK$1.2 billion). The transaction is still in progress or may be modified in near future (currently under negotiation with relevant parties) due to the rapid change in operating and regulatory environment of SEAM, and the potential investor needs more time for conducting due diligence work.

Subscription agreement

References are made to the announcements of the Company dated 7 March 2016 and 29 September 2016 in respect of, among other things, the (i) proposed issue of Subscription Shares under the Specific Mandate; (ii) application for the Whitewash Waiver; and (iii) Special Deal (the "Subscription Announcements"). Unless otherwise stated, capitalised terms used in these announcements shall have the same meanings as defined in the Subscription Announcements.

On 5 March 2016, the Company and a potential investor (the "Potential Investor" or "Subscriber") entered into a share subscription agreement pursuant to which the Subscriber agreed to subscribe for a total of 1,465,898,410 new ordinary shares of the Company at a subscription price of approximately HK$0.1876 per share (the "Subscription Shares"), with proposed gross proceeds totalling HK$275 million (the "Subscription"), subject to certain conditions precedent which, among others, include the following:

- approval from the Company's shareholders, or independent shareholders when appropriate, for (i) allotment and issuance of the Subscription Shares; (ii) a Whitewash Waiver; and (iii) a Special Deal (as defined hereunder), at the extraordinary general meeting of the Company ("EGM");

- a Whitewash Waiver being granted by The Securities and Futures Commission of Hong Kong ("SFC") in respect of any obligation of the Subscriber and parties acting in concert with it to make a mandatory general offer in cash for all the issued shares and other relevant securities of the Company not already owned (or agreed to be acquired) by the Subscriber and parties acting in concert with it which might otherwise arise as a result of the Subscription;

- the consent from the SFC for repayment to any creditor who is a shareholder of the Company using the proceeds from the Subscription under a proposed debt restructuring as mentioned below (the "Special Deal");

- approval of resumption of trading of the Company's shares, and listing of the Subscription Shares from the Stock Exchange; and

- completion of a debt restructuring by the Company by way of the "Schemes" (the "Debt Restructuring Proposal"). The debt restructuring refers to a plan for restructuring of the indebtedness of the Company which involves, among other things: (i) the reduction and cancellation of the outstanding principal amount of the Bonds by at least 80%; (ii) the reduction and cancellation of all the outstanding accrued interests of the Bonds; (iii) the release and discharge of all security collateral provided in relation to the 12% Coupon Senior Bonds and the 8% Coupon Convertible Bonds; and (iv) the reduction of and cancellation of all other indebtedness and contingent liabilities of the Company as referred to in the Debt Restructuring Proposal, by at least 80%.

On 29 September 2016, the Company and the Subscriber agreed to extend the Long Stop Date from 31 December 2016 to 30 September 2017. As at the date of this announcement, the Company has commenced to discuss with the Subscriber to further extend the Long Stop Date to a later period.

Update on the status of the Debt Restructuring Proposal and Event of Default and Cross-Default

Bonds

References are made to the announcements of the Company dated 30 May 2016, 13 June 2016 and 24 June 2016 regarding the convening of Meetings and Adjourned Meetings of Bondholders (the "Bond Announcements"). Capitalised terms used herein have the same meanings as those defined in the Bond Announcements unless defined otherwise.

Since December 2014, the Group had continuous default in payment of due interest and principal under the terms and conditions of the Bonds, the default may trigger a cross-default in accordance with respective terms and conditions of the Bonds. In such an event, DB Trustees (Hong Kong) Limited, in its respective capacities as trustee for the holders of the Bonds is entitled to, amongst other things, accelerate the Company's obligations under the Bonds and declare the outstanding principal amounts of the Bonds to be immediately due and payable, together with outstanding interest and all other sums payable. Upon the passing of the Extraordinary Resolutions by the Company on 21 June 2016 and 6 July 2016, no Senior Bondholder or Convertible Bondholder shall demand repayment of any amount due under such Bonds or take any action to enforce the payment of monies or exercise any other right thereunder or otherwise take any action against the Company whether or not under the terms and conditions of such Bonds or request or require the relevant bonds trustee to take any action against the Company from the date of the Extraordinary Resolutions to (and including) the date upon which the Schemes are implemented.

As disclosed in the announcement of the Company dated 13 June 2016, (i) the principal amount of the 12% Coupon Senior Bonds of HK$390,990,000 and the accrued interest of HK$90,769,000 are outstanding; (ii) the principal amount of the 8% Coupon Convertible Bonds of HK$117,525,000 and the accrued interest of HK$18,725,000 are outstanding; and (iii) the principal amount of the Modified 10% Coupon Bonds of HK$28,400,000 and the accrued interest of HK$5,996,000 are outstanding.

Following the passing and effectiveness of the Extraordinary Resolutions by 6 July 2016, (for details of background of the meetings of the Bondholders and the results of the Bondholders' meetings, please refer to paragraphs below headed "Background of the meetings of the Bondholders", "Meetings of the Bondholders", "Results, adjournment and dissolution of the meetings of the Bondholders" and "Results of the adjourned meeting of the convertible bondholders"), the Company is preparing the necessary documents to submit to the courts for the creditors' approval and court sanction for the Cayman Scheme and Hong Kong Scheme under the Debt Restructuring Proposal. As disclosed in the Company's announcements, completion of the Subscription is conditional upon, among other things, the approval of the Schemes by the courts under the Debt Restructuring Proposal. The application to the courts and the approval of the Schemes by the creditors at the Scheme Meetings will be the next steps towards the satisfaction of the condition precedent to completion of the Subscription.

As at the date of this announcement, there was no new material development to report since the publication of the periodic announcement by the Company on 27 July 2017.

Background of the meetings of the Bondholders

As disclosed in the announcement of the Company dated 7 March 2016, completion of the Subscription is conditional upon, among other things, the necessary order of the High Court of Hong Kong and consent of the other relevant parties with respect to the execution of an approved scheme of arrangement between the Company and the creditors under the Debt Restructuring Proposal having been obtained.

As an initial step of the Debt Restructuring Proposal, separate meetings of the Convertible Bondholders, the Senior Bondholders and the 10% Bondholders were convened in order to give effect to the following:

- the Convertible Bondholders to be treated as a separate and single class under the Schemes, not as part of the class of secured creditors of the Company, who are creditors under the Schemes nor as part of the same class as the Senior Bondholders;

- the Senior Bondholders to be treated as part of the same class as the existing unsecured creditors of the Company (including the 10% Bondholders), who are creditors under the Schemes;

- the cancellation of all outstanding principal on the Bonds;

- the cancellation of all outstanding interest, accrued and unpaid, on the Bonds; and

- the release and discharge of all of the Convertible Bonds Security and the Senior Bonds Security, respectively,

in return for, in the case of the Senior Bonds and the 10% Bonds, a Cash Distribution and in the case of the Convertible Bonds, either a Cash Distribution or a Shares Distribution. No Convertible Bondholders shall be entitled to receive a combination of a Cash Distribution and a Shares Distribution. For details, please refer to the Bond Announcements.

Meetings of the Bondholders

Separate meetings of the Convertible Bondholders, the Senior Bondholders and the 10% Bondholders were convened by the Company to consider and, if thought fit, pass separate extraordinary resolutions of the Convertible Bondholders, the Senior Bondholders and the 10% Bondholders, as the case may be (the "Extraordinary Resolutions"):

- for the Convertible Bondholders and the Senior Bondholders, as the case may be, to agree, and to instruct the relevant bonds trustee and the Security Trustee, not to enforce the Security in relation to the Convertible Bonds and the Senior Bonds, as the case may be, from the date of the meeting to the date the Schemes become Effective, or if the Debt Restructuring Proposal is not approved at the Scheme Meetings, the completion of the Scheme Meetings;

- to approve the terms of the Debt Restructuring Proposal; and

- to give instructions to the relevant Bonds Trustee to vote the full principal amount of the relevant Bonds which are outstanding in favour of the Schemes at the Scheme Meetings and any adjourned or rescheduled Scheme Meeting.

Results, adjournment and dissolution of the meetings of the Bondholders

As at the date of the Meetings of the Bondholders, according to DB Trustees (Hong Kong) Limited, in its capacities as trustees for the relevant Bonds, the outstanding principal amounts of the Convertible Bonds, the Senior Bonds and the 10% Bonds were HK$87,850,000, HK$390,990,000 and HK$28,400,000, respectively.

The Company announced that:

(a) as a quorum was not present at the Meeting of the Convertible Bondholders convened and held at 10:30 a.m. (Hong Kong time) on 21 June 2016 after 15 minutes since the time appointed for holding such Meeting, such Meeting was adjourned in accordance with the terms of the Convertible Bonds Trust Deed to 6 July 2016 at 10:30 a.m. (Hong Kong time) at the same address as the original Meeting of the Convertible Bondholders, i.e. Room 3501, 35th Floor, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong. The notice for the adjourned Meeting of the Convertible Bondholders will be published in accordance with the terms of the Convertible Bonds Trust Deed.

(b) the Meeting of the Senior Bondholders convened and held at 11:00 a.m. (Hong Kong time) on 21 June 2016 was quorate at the first calling and the number of votes cast at such Meeting was as follows:

	FOR	AGAINST
Total number of votes cast	14,270	104
Votes as a percentage of all votes cast (%)	99.28%	0.72%
Votes as a percentage of all outstanding Senior Bonds (%)	91.24%	0.67%

As at least three-quarters of the votes cast at the Meeting of the Senior Bondholders were cast in favour of the Extraordinary Resolution, the Extraordinary Resolution put forward to the Senior Bondholders was passed, and will become effective subject to the Extraordinary Resolution to be considered by the Convertible Bondholders also being passed at the adjourned Meeting of the Convertible Bondholders (or any further adjournment thereof). No holder of the Senior Bonds was required to abstain from voting on the Extraordinary Resolution at the Meeting of the Senior Bondholders; and

(c) as a quorum was not present at the Meeting of the 10% Bondholders convened and held at 11:30 a.m. (Hong Kong time) on 21 June 2016 after 15 minutes since the time appointed for holding such Meeting, as agreed by the Company and the 10% Bonds Trustee, such Meeting was dissolved in accordance with the 10% Bonds Trust Deed.

Results of the adjourned meeting of the convertible bondholders

As at the date of the adjourned Meeting of the Convertible Bondholders, according to DB Trustees (Hong Kong) Limited, in its capacity as trustee for the Convertible Bonds, the outstanding principal amount of the Convertible Bonds was HK$46,775,000.

The Company announced that the adjourned Meeting of the Convertible Bondholders convened and held at 10:30 a.m. (Hong Kong time) on 6 July 2016 was quorate and the number of votes cast at such adjourned Meeting was as follows:

	FOR	AGAINST
Total number of votes cast	1,446	285
Votes as a percentage of all votes cast (%)	83.54%	16.46%
Votes as a percentage of all outstanding Convertible Bonds (%)	77.28%	15.23%

As at least three-quarters of the votes cast at the adjourned Meeting of the Convertible Bondholders were cast in favour of the Extraordinary Resolution, the Extraordinary Resolution put to the Convertible Bondholders was passed and became effective. No holder of the Convertible Bonds was required to abstain from voting on the Extraordinary Resolution at the adjourned Meeting of the Convertible Bondholders.

The Extraordinary Resolution put to the Meeting of the Senior Bondholders which was passed on 21 June 2016 has also become effective from the time the Extraordinary Resolution put to the Convertible Bondholders at the adjourned Meeting of the Convertible Bondholders was passed.

The Second and the Third Delisting Stage and Resumption Conditions

On 4 July 2016, the Stock Exchange issued a letter to the Company stating, among other things, that the Stock Exchange considered that the resumption proposal dated 6 June 2016 had not satisfactorily demonstrated sufficiency of operations or assets as required under Rule 13.24 of the Listing Rules. Accordingly, the Stock Exchange decided to place the Company into the second delisting stage under Practice Note 17 to the Listing Rules (the "Second Delisting Stage").

The Company is required to submit a viable resumption proposal addressing the resumption conditions below at least 10 business days before the expiry of the Second Delisting Stage:

1. demonstrate its compliance with Rule 13.24 of the Listing Rules;

2. publish all outstanding financial results and address any audit qualifications;

3. demonstrate that the Company has sufficient working capital for its operation for at least twelve months from its expected resumption date;

4. demonstrate that the Company has put in place adequate financial reporting procedures and internal control systems to meet its Listing Rules obligations; and

5. inform the market of all material information for the shareholders of the Company and the investors to appraise the Company's position.

The Stock Exchange may impose further resumption conditions if necessary. The Second Delisting Stage expired on 3 January 2017.

On 13 January 2017, the Stock Exchange issued a letter to the Company stating, among other things, that the Stock Exchange considered that the Company had not satisfactorily demonstrated sufficiency of operations or assets as required under Rule 13.24 of the Listing Rules. Accordingly, the Stock Exchange decided to place the Company into the third delisting stage under Practice Note 17 to the Listing Rules (the "Third Delisting Stage").

The Company was required to submit a viable resumption proposal addressing the resumption conditions mentioned above at least 10 business days before the expiry of the Third Delisting Stage.

The viable resumption proposal must be clear, plausible and coherent, and contain sufficient details (including forecasts and clear plan for future business development) for the Stock Exchange's assessment. The Company must demonstrate that it has business of substance and the business model is viable and sustainable. The resumption proposal should also comply with the Listing Rules and all applicable laws and regulations.

The Third Delisting Stage would expire on 24 July 2017. At the end of the Third Delisting Stage, if no viable resumption proposal is received by the Stock Exchange, the Company's listing would be cancelled.

As disclosed in the announcement of the Company dated 27 July 2017, a resumption proposal ("Resumption Proposal") has been submitted to the Stock Exchange to demonstrate that the Company can satisfy the resumption conditions via the successful completion of its revised proposed restructuring (the "Revised Proposed Restructuring"). The Revised Proposed Restructuring has two major elements, namely (1) the readjustment of business operations of the Group and (2) the proposed financial restructuring of the Company.

The Group is progressing and is committed to progressing with the implementation of all the plans contained in the Resumption Proposal once the Stock Exchange grants its in-principle approval of the Resumption Proposal. The Company will publish further announcement(s) to update the Shareholders in relation to the Resumption Proposal as and when appropriate and in compliance with the Listing Rules and the Takeovers Code.

WINDING UP OF AN OVERSEAS SUBSIDIARY

CNR Group Holdings Pte. Ltd. ("CNRG"), a wholly-owned subsidiary of the Group, received a statutory demand letter dated 25 August 2016 from a legal adviser acting for the Comptroller of Singapore Income Tax (the "Comptroller") demanding a sum of approximately S$5,159,000 (equivalent to approximately HK$28,756,000), comprising the unpaid income tax and penalties imposed by the Comptroller to be paid or secured or compounded to the Comptroller's satisfaction within three weeks from the date of the statutory demand, failing which the legal advisor had instructions to commence winding-up proceedings against CNRG pursuant to section 254(1)(e) read with section 254(2)(a) of the Singapore Companies Act (Cap.50). These liabilities have been fully provided for by the Group in 2016.

On 1 November 2016, CNRG was notified that an application was filed on 28 October 2016 to the High Court of the Republic of Singapore seeking the winding up of CNRG and appointment of liquidator of CNRG pursuant to Rule 31 of the Companies (Winding Up) Rules R1 (the "Winding Up Application").

The Group received an Order of Court upon the hearing of the Winding Up Application at the High Court of the Republic of Singapore held on 6 March 2017. The High Court of the Republic of Singapore ordered that, amongst others, CNRG be wounded up and a liquidator be appointed to commence the winding up proceedings. Up to the date of this announcement, the winding up proceedings are still in progress. The Directors consider that the winding up of CNRG would not result in any further material adverse effect to the Group's financial position.

FINANCIAL REVIEW

Turnover and sales volume

Major products of the Group were stainless steel products, ferro-nickel alloys and Ni-Cr alloy steel ingot. The tables below set out the turnover and sales volume of the Group's products for the periods indicated.

Turnover

	2017 First Half		2016 First Half	
	HK$'000	*%*	*HK$'000*	*%*
Iron and Steel Products:				
Stainless steel products	**103,420**	**69%**	4,066	12%
Ferro-nickel alloys and others	**37,926**	**25%**	18,029	54%
Ni-Cr alloy steel ingot	**8,930**	**6%**	11,311	34%
Total	**150,276**	**100%**	33,406	100%

Sales volume

	2017 First Half		2016 First Half	
	Tonnes	*%*	*Tonnes*	*%*
Iron and Steel Products:				
Stainless steel products	**14,851**	**56%**	545	5%
Ferro-nickel alloys and others	**9,409**	**35%**	6,348	64%
Ni-Cr alloy steel ingot	**2,458**	**9%**	3,041	31%
Total	**26,718**	**100%**	9,934	100%

In the first half of 2017, the total revenue recorded an increase of HK$116.9 million or 349.8% comparing to the same period of 2016.

In 2017, around 69% of the revenue of the Group was contributed by sales of stainless steel products, which was increased by HK$99.3 million or 2,443.5% to HK$103.4 million (2016: HK$4.1 million). The sales volume was increased by 14,306 tonnes or 2,625.0% to 14,851 tonnes (2016: 545 tonnes). The average selling price per tonne was decreased by HK$497, or 6.7% to HK$6,964 (2016: HK$7,461).

Another significant contributor to the Group revenue was sales of Ferro-nickel alloy steel ingot and others, which was increased by HK$19.9 million or 110.4% to HK$37.9 million (2016: HK$18.0 million). The sales volume was increased by 3,061 tonnes, or 48.2% to 9,409 tonnes (2016: 6,348 tonnes). The average selling price per tonne was increased by HK$1,191, or 41.9% to HK$4,031 (2016: HK$2,840).

The sales of Ni-Cr alloy steel ingot recorded a decrease of HK$2.4 million, or 21.1% to HK$8.9 million (2016: HK$11.3 million). The sales volume was decreased by 583 tonnes, or 19.2% to 2,458 tonnes (2016: 3,041 tonnes). The average selling price per tonne was decreased slightly by HK$87, or 2.3% to HK$3,633 (2016: HK$3,720).

On the other hand, the Group's ore trading business, which was the key revenue and cash flows contributor of the Group before the Export Ban, remained suspended in 2017. Unprocessed iron ore export from Yiwan to our Group has been suspended from 12 January 2014 onwards due to the Export Ban. It is possible that the relevant mining regulations in Indonesia may be amended but there is no guarantee that the Export Ban will be uplifted in near future.

Cost of Sales

The cost of sales in 2017 was increased by HK$71.0 million, or 94.9%, to approximately HK$145.8 million (2016: HK$74.8 million). The increase in cost of sales was due to increase in sales.

The unit costs of sales in 2017 for stainless steel products, Ferro-nickel alloy steel ingot and others and Ni-Cr alloy steel ingot and were HK$7,016 (2016: HK$3,101), HK$3,690 (2016: HK$5,364) and HK$3,361 (2016: HK$9,959) per tonne respectively.

Gross profit/(loss)

The Group's recorded a gross profit amounted to HK$4.5 million in 2017 (2016: gross loss of HK$41.4 million). The gross profit margin in 2017 was 3.0% (2016: gross loss margin of 123.9%).

Other (losses)/gains, net

Other (losses)/gains, net in 2017 decreased by HK$55.4 million or 146.3% to losses of HK$17.5 million (2016: gains of HK$37.9 million). The decrease was mainly due to gain from change in fair value of derivative financial instruments and reversal of impairment loss on property, plant and equipment incurred in 2016 only but not in 2017, and foreign exchange loss in 2017.

Selling and distribution expenses

Selling and distribution expenses in 2017 decreased by HK$1.8 million, or 69.2%, to HK$0.8 million (2016: HK$2.6 million), representing 0.5% of turnover (2016: 7.8%).

Administrative expenses

Administrative expenses in 2017 increased by HK$56.6 million, or 95.0%, to HK$116.1 million (2016: HK$59.5 million). The increase in administrative expenses was mainly due to the non-production administrative overheads and staffs cost increased substantially when comparing with same period in 2016. The reason for increase in non-production administrative costs charged was substantially due to the increase in the Group's product development expenses for modifying existing products as well as the launching of new products to the various market segments during the period. In the first half of 2016, the non-production administrative cost was relatively low.

Finance income

Finance income in 2017 decreased by HK$3.2 million, or 97.0% to HK$0.1 million (2016: HK$3.3 million) mainly due to the decrease in pledged time deposits.

Finance costs

Finance costs in 2017 decreased by HK$4.8 million, or 3.0% to HK$155.2 million (2016: HK$160.0 million) mainly due to repayment of notes payable in the correspondence period in 2016.

Other expenses

Other expenses in 2017 increased by HK$1.6 million, or 280.3%, to HK$2.2 million (2016: HK$0.6 million).

Loss before tax

As a result of the factors discussed above, the loss before tax for the period ended 30 June 2017 was HK$287.3 million (2016: HK$222.9 million). The Group's loss before tax margin was 191.2% (2016: 667.4%). The loss before interest, tax, depreciation and amortisation (LBITDA) margin was 61.2% (2016: 63.2%).

Income tax expense

The applicable Hong Kong profits tax rate of the Company and its subsidiaries which operate in Hong Kong is 16.5% based on existing legislation. The entities within the Group which operate in the PRC, Singapore and Indonesia are subject to corporate income tax at rates of 10% to 25% for the period ended 30 June 2017. There was no income tax expense in 2017 (2016: HK$0.4 million).

Loss for the period and loss attributable to equity holders of the Company

As a result of the factors discussed above, the Group's 2017 loss for the period was HK$287.3 million (2016: HK$223.4 million) and the 2017 loss attributable to equity holders of the Company was HK$287.1 million (2016: HK$221.8 million).

Key financial ratios

	Notes	**Six months ended 30 June 2017**	Year ended 31 December 2016
Current ratio	*1*	**9%**	12%
Inventory turnover days	*2*	**246 days**	538 days
Debtor turnover days	*3*	**18 days**	55 days
Creditor turnover days	*4*	**175 days**	284 days
Interest cover	*5*	**-0.9 time**	-1.0 time
Interest-bearing gearing ratio	*6*	**-413%**	-886%
Debt to LBITDA ratio	*7*	**-26.6 times**	-12.7 times
Net debt/Capital and net debt ratio	*8*	**118%**	108%

Notes:

1. Current assets/current liabilities X 100%

2. Inventories/cost of sales X 181 days or 365 days

3. Trade and notes receivables/turnover X 181 days or 365 days

4. Trade and notes payables/cost of sales X 181 days or 365 days

5. Profit before interest and tax/net interest expense

6. Interest-bearing loans and other borrowings (including convertible bonds)/equity attributable to equity holders of the Company X 100%

7. Interest-bearing loans and other borrowings (including convertible bonds)/EBITDA

8. Net debt*/Capital and net debt X 100%

* Net debt included bank and other borrowings, convertible bonds (the liability component), trade and notes payables and other payables and accruals less cash and cash equivalents and pledged time deposits.

Property, plant and equipment

Property, plant and equipment as at 30 June 2017 mainly comprised plant and machinery, buildings and construction in progress. The decrease in balance by HK$12.0 million or 2.7% to HK$438.3 million (2016: HK$450.3 million) was mainly due to the depreciation charged for the period, netted off by addition and fluctuation of exchange rates on Renminbi, in which the property, plant and equipment were denominated, against Hong Kong dollar, the presentation currency of the Group's financial statements.

Intangible asset

The intangible asset solely represents the unamortised amount of the EOA from Yiwan secured by the Group in May 2007.

Inventories

Inventories balance decreased by HK$32.4 million, or 14.0%, to HK$198.2 million (2016: HK$230.6 million). Decrease in inventory balance was mainly due to management's effort to reduce the inventory level and the inventory turnover days which decreased from 538 days in 2016 to 246 days in 2017.

Trade and notes receivables

The trade and notes receivables balance reduced by HK$11.4 million, or 43.3%, to HK$15.0 million (2016: HK$26.4 million). The decrease was mainly due to the stringent control on debt collection and in turn the debtor turnover days shortened from 55 days in 2016 to 18 days in 2017.

Cash and cash equivalents, pledged time deposits and restricted cash

The aggregate amount of cash and cash equivalents, pledged time deposits and restricted cash decreased by approximately HK$4.7 million, or 21.5%, to HK$17.1 million as at 30 June 2017 (2016: HK$21.8 million). The decrease in balance was mainly due to cash used in payment of loan principal and interest netted off by cash generated from operations and new loans drawdown.

Trade and notes payables

The creditor turnover days decreased from 284 days in 2016 to 175 days in 2017. As at 30 June 2017, trade and notes payables balance increased by HK$18.8 million, or 15.4%, to HK$140.6 million (2016: HK$121.8 million). The increase in trade and notes payables balance was due to increased purchase during the period. The trade payables are unsecured, interest-free and are normally settled on terms of 60 to 180 days while the bank bills are generally on terms of 90 to 180 days.

Convertible bonds

There was no conversion during the period and hence the balance remained unchanged.

Bank and other borrowings

As at 31 December 2016, total bank and other borrowings balance were increased by HK$69.4 million, or 3.0%, to HK$2,400.9 million (2016: HK$2,331.5 million). Increase in the bank and other borrowings was mainly due to new financing for the Group during the period.

Liquidity, going concern and capital resources

During the six months ended 30 June 2017, the Group incurred a loss of approximately HK$287.3 million and had a net operating cash inflow of approximately HK$14.1 million. As at 30 June 2017, the Group's had a shareholders' deficit of HK$586.3 million and current liabilities exceeded its current assets by HK$3,568.7 million. Its total bank and other borrowings amounted to HK$2,400.9 million are overdue or repayable on demand. The cash and cash equivalents of the Group amounted to HK$17.1 million as at 30 June 2017.

Following the Export Ban which has substantially affected the cash generating ability from operations of the Group, a series of remedial measures to mitigate the liquidity pressure were taken in 2017 to improve its financial and liquidity position of the Group, details of which are set out in the "Board's consideration — Mitigation measures to going concern issue" of this announcement. Please also refer to the details regarding uncertainties on the going concern of the Group as stipulated in the section headed "Going concern" in Note 2.1.

The Group's working capital has been principally sourced from cash generated from operations and from long-term and short-term borrowings.

As at 30 June 2017, the Group had current liabilities of HK$3,910.7 million, of which HK$2,400.9 million were bank and other borrowings overdue or due for immediate repayment and HK$1,289.2 million were other payables and accruals.

Interest rate risk

The Group's bank borrowings mainly bear floating rates. The Group has implemented certain interest rate management which includes, among the others, close monitoring of interest rate movements and refinancing on existing banking facilities or entering into new banking facilities when good pricing opportunities arise.

Foreign currency risk

The Group's purchase and sales during the period are mainly denominated in Renminbi ("RMB"). As at 30 June 2017, the bonds were denominated in Hong Kong dollar ("HK$") while bank and other borrowings were mainly denominated in RMB, and other assets and liabilities of the Group are mainly denominated in RMB.

As at 30 June 2017, the Group did not enter into any hedging transactions to manage the potential fluctuation in foreign currency as the Directors considered the Group had no significant foreign currency risk. However, the Group will closely monitor the foreign currency risk and consider using necessary financial instruments for hedging purposes if they foresee the foreign currency risk is significant.

Material acquisitions and disposals of investments

The Group did not undertake any material acquisitions or disposals of investments during the period under review.

CONCLUSION AND PROSPECTS

The year of 2017 continues to be a challenging year for both the PRC steel market and the Group. The over-supply situation had not fundamentally improved amid the increasingly fierce competition between similar products in the steel market although the PRC government started to implement certain solutions to mitigate the over-supply situation affecting the iron and steel market. During the period, despite the recent rebound of the PRC steel market, the steel price was persistently weak but remains steady. In addition, Export Ban which was implemented in early 2014 by the relevant governmental authorities of Indonesia has continuously casted significant doubt on the Group's financial performance and cash flows in 2017.

Followings the confirmed orders, indicative orders or framework agreements obtained from customers in 2016 and in the first half of 2017, the continuous development of the high strength stainless structural special steel products by the Group and the success of launching market strategies which would generate higher margin and be less affected by macro-economic environment for household, electricity, communications, photovoltaic and animal husbandry uses, we foresee the Group will launch various new products to the higher margin market in the near future.

We also expect the economy of the PRC will continue its healthy growth and the demand for and profitability of the stainless steel products will rebound in the foreseeable future.

In the longer term, we expect the PRC will continue its modernisation and urbanisation that the demand of high quality special steel products for public infrastructure and equipment manufacturing will increase steadily. This definitely will bring enormous business opportunities for our Group.

We believe that after the technology industrialisation and modernisation of special steel products, the Group will have a stronger competitive advantage in the industry as well as the new market segments.

In view of the recent readjustment of the business operations and the proposed financial restructuring of the Group, we are confident that the Group will have a stronger position in the industry as well as in the special steel products market segments.

EMPLOYEES REMUNERATION POLICY

As at 30 June 2017, the Group had approximately 1,000 employees, of whom 22 were management personnel. The remuneration policy of the Group to reward its employees and Executive Directors is based on their performance, qualifications, competence displayed, market comparable and the performance of the Group. Remuneration packages typically comprise salary, housing allowances, discretionary bonus, other fringe benefits and the Group's contribution to retirement benefits schemes. The remuneration of executive Directors and senior management are determined by the remuneration committee of the Company which will review them regularly.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the year ending 31 December 2017 (2016: Nil).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2017.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Directors recognise the importance of good corporate governance in the management of the Group. During the six months ended 30 June 2017, the Company has complied with the code provisions of the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Listing Rules, except for the following deviations:

(1) Code Provision A.2.1

The Executive Director, Mr. Dong Shutong, served as the Chairman and Chief Executive Officer of the Company. The Chairman is responsible for overseeing the Company's operations in respect of compliance with both internal rules and statutory requirements, and promoting the corporate governance of the Company. The Company did not appoint another individual to act as the Chief Executive Officer for the period ended 30 June 2017. This constitutes a deviation from code provision A.2.1. The Board believes that it is in the best interests of the Company and the shareholders as a whole since Mr. Dong Shutong is knowledgeable in the business of the Group and possesses the essential leadership skills to guide discussions of the Board. Important decision-making and the day-to-day management of the Company are carried out by all of the Executive Directors. Although the roles of the Chairman and the Chief Executive Officer of the Company are not segregated, the functions of the chief executive were carried out by all of the Executive Directors collectively.

The Board considered that the Group's prevailing structures and systems met the code provisions in the CG Code. The current practices will be reviewed and updated regularly to follow the latest practices in corporate governance.

(2) Code Provision A.4.1

Under code provision A.4.1, Non-executive Directors should be appointed for a specific term. Except for Mr. Fahmi Idris, Independent Non-executive Director, who was appointed for a term of three years, Mr. Yang Tianjun, Non-executive Director and the remaining Independent Non-executive Directors including Mr. Bai Baohua, Mr. Huang Changhuai and Mr. Wong Chi Keung were not appointed for a specific term. This constitutes a deviation from code provision A.4.1. However, according to the articles of association of the Company, one-third of the Directors for the time being shall retire from office by rotation at each annual general meeting and the Directors to retire by rotation shall be those who have been longest in office since their last re-election or appointment. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practice in this respect is in line with that provided in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code for securities transactions by Directors. Having made specific enquiries, the Company has confirmed that all Directors have compiled with the requirements set out in the Model Code.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

This announcement will be published on the Company's website (ir.nickelholdings.com) and Stock Exchange's website (www.hkexnews.hk). The 2017 Interim Report containing all the information required by the Listing Rules will be published on the websites of the Company and the Stock Exchange and despatched to the shareholders of the Company in due course.

SUSPENSION OF TRADING

At the request of the Company, trading in its shares on the Stock Exchange has been suspended since 9:00 a.m. on 1 April 2015. Publication of 2017 Interim Results and 2017 Interim Report is not an indication that the trading of the Company's shares will be resumed. The Company is required to fulfil all the resumption conditions, as detailed in the announcement published by the Company on 24 July 2015, imposed by the Stock Exchange before resumption of trading in the Company's shares. The remaining resumption conditions include addressing the audit qualifications, demonstration sufficient working capital of its operation for at least 12 months from the expected resumption date, putting in place adequate financial reporting procedures and internal control systems and informing the market of all material information.

On 7 December 2015, the Stock Exchange issued a letter informing the Company that in view of, among others, the facts that: (i) the Group has suspended its ore trading business since January 2014 and its remaining steel manufacturing business is suffered from adverse market condition, and the Group's gross profit margin for the first half of 2015 was thin and unable to cover its operating expenses; (ii) the fairness of the intangible asset value stated in the Group's financial statements approximately HK$2.4 billion was in doubt and hence the assets of the Group is considered insufficient to meet rule 13.24 of the Listing Rules requirements; and (iii) approximately HK$1.99 billion of the Group's borrowings were in default up to 31 August 2015. Eventually, the Company is placed in the first delisting stage (the "First Delisting Stage") under Practice Note 17 to the Listing Rules.

The First Delisting Stage would expire on 6 June 2016. The Company is required to submit a viable resumption proposal (the "Resumption Proposal") addressing the resumption conditions at least 10 business days before the expiry of the first delisting stage.

On 4 July 2016, the Stock Exchange issued a letter to the Company stating, among other things, that the Stock Exchange considered that the resumption proposal dated 6 June 2016 had not satisfactorily demonstrated sufficiency of operations or assets as required under Rule 13.24 of the Listing Rules. Accordingly, the Stock Exchange decided to place the Company into the second delisting stage under Practice Note 17 to the Listing Rules (the "Second Delisting Stage").

The Company is required to submit a viable resumption proposal addressing the resumption conditions below at least 10 business days before the expiry of the Second Delisting Stage:

1. demonstrate its compliance with Rule 13.24 of the Listing Rules;

2. publish all outstanding financial results and address any audit qualifications;

3. demonstrate that the Company has sufficient working capital for its operation for at least twelve months from its expected resumption date;

4. demonstrate that the Company has put in place adequate financial reporting procedures and internal control systems to meet its Listing Rules obligations; and

5. inform the market of all material information for the shareholders of the Company and the investors to appraise the Company's position.

The Stock Exchange may impose further resumption conditions if necessary. The Second Delisting Stage expired on 3 January 2017.

On 13 January 2017, the Stock Exchange issued a letter to the Company stating, among other things, that the Stock Exchange considered that the Company had not satisfactorily demonstrated sufficiency of operations or assets as required under Rule 13.24 of the Listing Rules. Accordingly, the Stock Exchange decided to place the Company into the third delisting stage under Practice Note 17 to the Listing Rules (the "Third Delisting Stage").

The Company is required to submit a viable resumption proposal addressing the resumption conditions below at least 10 business days before the expiry of the Third Delisting Stage:

The viable resumption proposal must be clear, plausible and coherent, and contain sufficient details (including forecasts and clear plan for future business development) for the Stock Exchange's assessment. The Company must demonstrate that it has business of substance and the business model is viable and sustainable. The resumption proposal should also comply with the Listing Rules and all applicable laws and regulations.

The Third Delisting Stage would expire on 24 July 2017. At the end of the Third Delisting Stage, if no viable resumption proposal is received by the Stock Exchange, the Company's listing would be cancelled.

As disclosed in the announcement of the Company dated 27 July 2017, a resumption proposal ("Resumption Proposal") has been submitted to the Stock Exchange to demonstrate that the Company can satisfy the resumption conditions via the successful completion of its revised proposed restructuring (the "Revised Proposed Restructuring". The Revised Proposed Restructuring has two major elements, namely (1) the readjustment of business operations of the Group and (2) the proposed financial restructuring of the Company.

The Group is progressing and is committed to progressing with the implementation of all the plans contained in the Resumption Proposal once the Stock Exchange grants its in-principle approval of the Resumption Proposal. The Company will publish further announcement(s) to update the Shareholders in relation to the Resumption Proposal as and when appropriate and in compliance with the Listing Rules and the Takeovers Code.

The trading in the shares of the Company will continue to be suspended until further notice.

On Behalf of the Board
Nickel Resources International Holdings Company Limited
Dong Shutong
Chairman

Hong Kong, 23 August 2017

As at the date of this announcement, the executive directors of the Company are Mr. Dong Shutong (Chairman), Mr. Dong Chengzhe, Mr. Wang Ping, Mr. Song Wenzhou and Mr. Yang Fei; the non-executive director of the Company is Mr. Yang Tianjun; and the independent non-executive directors of the Company are Mr. Bai Baohua, Mr. Huang Changhuai, Mr. Wong Chi Keung and Mr. Fahmi Idris.