大愛無疆・德行天下

愛德新能源投資控股集團有限公司

Add New Energy Investment Holdings Group Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code: 2623

Interim Report 2017

CONTENTS

Corporate Information

Board of Directors

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

Non-executive Director
Chau Ching

Independent Non-executive Directors
Li Xiaoyang
Lin Chu Chang
Zhang Jingsheng

Company Secretary
Chan Yuen Ying, Stella

Authorised Representatives
Geng Guohua
Chan Yuen Ying, Stella

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

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

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

Auditor
PricewaterhouseCoopers

Legal Advisers
As to Cayman Islands law:
Appleby

Registered Office
Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands

Headquarters in the PRC
Qin Jia Zhuang
Yangzhuang Town
Yishui County
Shandong Province
The PRC

Principal Place of Business in Hong Kong
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Tower 6, The Gateway
Harbour City, 9 Canton Road
Tsim Sha Tsui, Kowloon
Hong Kong

Principal Share Registrar and Transfer Office
Estera Trust (Cayman) Limited
Clifton House
75 Fort Street
PO Box 1350
Grand Cayman
KY1-1108
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office
Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

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

Stock Code
2623

Company Website
www.addnewenergy.com.hk

The board (the "Board") of directors (the "Director(s)") of Add New Energy Investment Holdings Group Limited (the "Company") presents the unaudited interim consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2017 together with the comparative figures for the corresponding period in 2016. The unaudited interim financial information has not been audited but has been reviewed by the audit committee of the Company (the "Audit Committee").

Unaudited Interim Condensed Consolidated Balance Sheet

As at 30 June 2017 (Amounts expressed in thousands of RMB)

	Note	**As at 30 June 2017 (unaudited)**	As at 31 December 2016 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	*7*	**300,188**	302,137
Intangible assets	*8*	**58,150**	58,150
Available-for-sale financial assets	*9*	**1,168**	1,665
Deferred income tax assets	*10*	**14,438**	15,044
Other non-current assets	*11*	**7,294**	7,370
Total non-current assets		**381,238**	384,366
Current assets			
Inventories	*12*	**45,733**	32,275
Trade receivables	*13*	**51,456**	77,419
Notes receivables	*14*	**65,000**	7,000
Prepayments and other receivables	*15*	**33,394**	133,775
Cash and cash equivalents	*16*	**144,197**	120,354
Term deposits with original maturity over three months	*16*	**160,000**	100,000
Restricted bank deposits	*16*	**88,308**	28,308
Total current assets		**588,088**	499,131
Total assets		**969,326**	883,497

Unaudited Interim Condensed Consolidated Balance Sheet

As at 30 June 2017 (Amounts expressed in thousands of RMB)

	Note	As at 30 June 2017 (unaudited)	As at 31 December 2016 (audited)
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium	*17*	**644,393**	644,393
Reserves		**64,626**	66,726
Accumulated losses		**(206,419)**	(185,209)
		502,600	525,910
Non-controlling interests		**3,724**	5,247
Total equity		**506,324**	531,157
LIABILITIES			
Non-current liabilities			
Borrowings	*18*	**109,662**	111,412
Provisions for close down, restoration and environmental costs	*19*	**27,556**	26,992
Deferred Income		**5,432**	501
Deferred income tax liabilities	*10*	**18,117**	17,433
Total non-current liabilities		**160,767**	156,338
Current liabilities			
Borrowings	*18*	**80,000**	100,000
Trade payables	*20*	**16,526**	19,447
Notes payables	*21*	**160,000**	20,000
Accruals and other payables	*22*	**44,508**	55,354
Current portion of long-term liabilities		**39**	39
Current income tax liabilities		**1,162**	1,162
Total current liabilities		**302,235**	196,002
Total liabilities		**463,002**	352,340
Total equity and liabilities		**969,326**	883,497

The notes on pages 10 to 31 form an integral part of this unaudited interim condensed consolidated financial information.

Unaudited Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2017 (Amounts expressed in thousands of RMB, except for per share data)

		Six months ended 30 June	
		2017	2016
	Note	**(unaudited)**	(unaudited)
Revenue	*23*	**6,560**	27,003
Cost of sales	*24*	**(6,123)**	(23,267)
Gross profit		**437**	3,736
Other income	*25*	**–**	666
Other gains/(losses) – net	*26*	**19**	(2,541)
Distribution costs	*24*	**(57)**	(1,544)
Administrative expenses	*24*	**(15,523)**	(65,727)
Operating loss		**(15,124)**	(65,410)
Finance income	*27*	**1,561**	1,605
Finance costs	*27*	**(9,634)**	(12,817)
Finance costs – net	*27*	**(8,073)**	(11,212)
Loss before income tax		**(23,197)**	(76,622)
Income tax (expense)/credit	*28*	**(1,290)**	3,560
Loss for the period		**(24,487)**	(73,062)
Loss attributable to:			
Owners of the Company		**(23,205)**	(72,610)
Non-controlling interests		**(1,282)**	(452)
		(24,487)	(73,062)

Unaudited Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2017 (Amounts expressed in thousands of RMB, except for per share data)

		Six months ended 30 June	
		2017	2016
	Note	**(unaudited)**	(unaudited)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Fair value (losses)/gains on available-for-sale financial assets	*9*	**(559)**	279
Currency translation differences		**213**	(44)
Total comprehensive loss for the period		**(24,833)**	(72,827)
Total comprehensive loss for the period attributable to:			
Owners of the Company		**(23,310)**	(72,447)
Non-controlling interests		**(1,523)**	(380)
		(24,833)	(72,827)
Losses per share attributable to owners of the Company (expressed in RMB per share)			
Basic losses per share	*29*	**(0.005)**	(0.017)
Diluted losses per share	*29*	**(0.005)**	(0.017)

The notes on pages 10 to 31 form an integral part of this unaudited interim condensed consolidated financial information.

Unaudited Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017 (Amounts expressed in thousands of RMB)

		Attributable to owners of the Company					
	Note	**Share capital and share premium** *(Note 17)*	**Reserves**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2017 (audited)		**644,393**	**66,726**	**(185,209)**	**525,910**	**5,247**	**531,157**
Loss for the period		**–**	**–**	**(23,205)**	**(23,205)**	**(1,282)**	**(24,487)**
Other comprehensive income							
Available-for-sale financial assets	9	**–**	**(169)**	**–**	**(169)**	**(390)**	**(559)**
Currency translation differences		**–**	**64**	**–**	**64**	**149**	**213**
Total comprehensive loss		**–**	**(105)**	**(23,205)**	**(23,310)**	**(1,523)**	**(24,833)**
Total transactions with owners, recognised directly in equity							
Net utilisations of safety fund and future development fund		**–**	**(1,995)**	**1,995**	**–**	**–**	**–**
Balance at 30 June 2017 (unaudited)		**644,393**	**64,626**	**(206,419)**	**502,600**	**3,724**	**506,324**

Unaudited Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017 (Amounts expressed in thousands of RMB)

	Note	Attributable to owners of the Company					
		Share capital and share premium *(Note 17)*	Reserves	Accumulated losses	Total	Non-controlling interests	Total equity
Balance at 1 January 2016 (audited)		628,066	64,388	(68,152)	624,302	1,426	625,728
Loss for the period		–	–	(72,610)	(72,610)	(452)	(73,062)
Other comprehensive income							
Available-for-sale financial assets	9	–	194	–	194	85	279
Currency translation differences		–	(31)	–	(31)	(13)	(44)
Total comprehensive loss		–	163	(72,610)	(72,447)	(380)	(72,827)
Total transactions with owners, recognised directly in equity							
Repurchase of shares		(4,969)	–	–	(4,969)	–	(4,969)
Net utilisations of safety fund and future development fund		–	(55)	55	–	–	–
Balance at 30 June 2016 (unaudited)		623,097	64,496	(140,707)	546,886	1,046	547,932

The notes on pages 10 to 31 form an integral part of this unaudited interim condensed consolidated financial information.

Unaudited Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017 (Amounts expressed in thousands of RMB)

	Note	Six months ended 30 June 2017 (unaudited)	2016 (unaudited)
Cash flows from operating activities			
Cash generated from operations		**83,295**	82,458
Interest paid		**(7,034)**	(7,640)
Interest received		**1,022**	1,864
Cash flows generated from operating activities – net		**77,283**	76,682
Cash flows from investing activities			
Purchases of property, plant and equipment and intangible assets		**(4,753)**	(779)
Proceeds from disposal of property, plant and equipment		**15**	225
Advance construction funds from government		**1,000**	3,500
(Increase)/decrease in term deposits with original maturity over three months		**(60,000)**	50,000
Increase in restricted bank deposits		**(60,000)**	(48,308)
Cash flows (used in)/generated from investing activities – net		**(123,738)**	4,638
Cash flows from financing activities			
Proceeds from borrowings		**90,000**	70,000
Repayments of borrowings		**(20,000)**	(110,000)
Dividends paid to shareholders		**–**	(1,337)
Repurchase of shares	*17(a)*	**–**	(4,969)
Cash flows generated from/(used in) financing activities – net		**70,000**	(46,306)
Net increase in cash and cash equivalents		**23,545**	35,014
Cash and cash equivalents at beginning of the period	*16*	**120,354**	98,090
Exchange gains/(losses)		**298**	(73)
Cash and cash equivalents at end of the period	*16*	**144,197**	133,031

The notes on pages 10 to 31 form an integral part of this unaudited interim condensed consolidated financial information.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2017 (Amounts expressed in thousands of RMB)

1. GENERAL INFORMATION

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

The Company is an investment holding company. The Company and its subsidiaries (collectively the "Group") are principally engaged in iron ore mining and processing, ilmenite ore mining and processing, sales of iron concentrates and titanium concentrates, the establishment of the full titanium industrial chain and finance lease activities in the People's Republic of China (the "PRC") and exploration of metal reserves in Australia. The Company listed its shares on the Main Board of The Stock Exchange of Hong Kong Limited on 27 April 2012.

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

This interim condensed consolidated financial information is presented in Renminbi ("RMB"), unless otherwise stated, and has been approved for issue by the Board of Directors of the Company on 25 August 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 HKAS 34, 'Interim financial reporting'. The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with HKFRSs.

3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements except for the adoption of amendments to HKFRSs effective for the financial year ending 31 December 2017.

(a) Amendments to HKFRSs effective for the financial year ending 31 December 2017 do not have a material impact on the Group.

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

(i) HKFRS 9 Financial instruments

HKFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has decided not to adopt HKFRS 9 until it becomes mandatory on 1 January 2018.

The financial assets held by the Group are equity instruments currently classified as available-for-sale for which a fair value through other comprehensive income ("FVOCI") election is available in future HKFRS 9, and accordingly the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

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

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in earlier recognition of credit losses.

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

(ii) HKFRS 15 Revenue from contracts with customers

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

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

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

At this stage, the Group did not identify any area that may likely be affected.

4. ESTIMATES

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

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016.

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

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

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2016.

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

5.2 Liquidity risk

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

5.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

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

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

6. SEGMENT INFORMATION

(a) General information

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

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

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

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

(i) Shandong Ishine Mining Industry Co., Ltd. ("Shandong Ishine") and Linyi Luxing Titanium Co., Ltd. ("Luxing Titanium"), which were both incorporated in the PRC and are engaged in iron ore mining and processing, ilmenite ore mining and processing and sales of iron concentrates and titanium concentrates in the PRC;

(ii) Ishine International Resources Limited ("Ishine International"), which was incorporated in Australia and is engaged in the exploration of metal reserves in Australia; and

(iii) Tianjin Ever Grand Financial Leasing Co., Ltd. ("Ever Grand"), which was incorporated in the PRC and is principally engaged in finance lease business.

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

The measurement of profit or loss, assets and liabilities of the operating segments are the same as those described in the summary of significant accounting policies in the annual financial statements for the year ended 31 December 2016. The amounts of segment information of Shandong Ishine, Luxing Titanium and Ever Grand are denominated in RMB, while those for Ishine International are denominated in AUD. The segment information of Ishine International is translated into RMB for the reports used by the SEM.

Expenses, assets and liabilities of the holding companies (the Company, Alliance Worldwide Investment Limited ("Alliance Worldwide"), Fortune Shine Investment Limited ("Fortune Shine"), Shine Mining Investment Limited ("Shine Mining"), Ishine Mining International Limited ("Ishine Mining"), China Rongsheng Holdings Limited ("Rongsheng"), Alpha Charm Investments Limited ("Alpha Charm"), Grandson Holdings Limited ("Grandson"), Active Fortune Group Limited ("Active Fortune"), and Yishui Shengrong New Energy Limited ("Yishui Shengrong")) in the Group are presented as 'unallocated' in the segment information.

For the six months ended 30 June 2017 (Amounts expressed in thousands of RMB)

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

	Shandong Ishine and Luxing Titanium	Ever Grand	Ishine International	Unallocated	Inter-segment elimination	Total
Six months ended 30 June 2017 (unaudited)						
Revenue	6,560	–	–	–	–	6,560
Tenement and exploration expenses	–	–	–	–	–	–
Gross profit	437	–	–	–	–	437
Finance income	1,556	–	–	5	–	1,561
Finance costs	(5,836)	(3)	(47)	(3,748)	–	(9,634)
Reversal of provisions of trade receivables	1,095	–	–	–	–	1,095
Income tax expense	(1,290)	–	–	–	–	(1,290)
Net loss	(13,690)	(625)	(1,089)	(9,083)	–	(24,487)
Other information						
Depreciation	7,534	–	1	–	–	7,535
Expenditures for non-current assets	5,162	–	–	439	–	5,601
As at 30 June 2017 (unaudited)						
Segment assets and liabilities						
Total assets	952,095	183,206	4,687	879,356	(1,050,018)	969,326
Total liabilities	526,031	138	342	126,863	(190,372)	463,002

For the six months ended 30 June 2017 (Amounts expressed in thousands of RMB)

	Shandong Ishine and Luxing Titanium	Ever Grand	Ishine International	Unallocated	Inter-segment elimination	Total
Six months ended 30 June 2016 (unaudited)						
Revenue	25,012	2,904	344	–	(1,257)	27,003
Tenement and exploration expenses	–	–	(87)	–	–	(87)
Gross profit/(loss)	1,891	2,845	257	–	(1,257)	3,736
Finance income	1,598	7	–	–	–	1,605
Finance costs	(6,120)	(1)	53	(8,006)	1,257	(12,817)
Impairment provisions/reversal of provisions						
– Property, plant and equipment	(36,163)	–	–	–	–	(36,163)
– Intangible assets	(3,137)	–	–	–	–	(3,137)
– Available-for-sale financial assets	857	–	–	–	–	857
– Inventories	1,004	–	–	–	–	1,004
Income tax credit	3,560	–	–	–	–	3,560
Net loss	(58,005)	(29)	(608)	(14,420)	–	(73,062)
Other information						
Depreciation	11,196	–	3	6	–	11,205
Expenditures for non-current assets	–	–	–	–	–	–
As at 31 December 2016 (audited)						
Segment assets and liabilities						
Total assets	792,974	188,607	7,564	776,711	(882,359)	883,497
Total liabilities	353,918	4,914	1,784	126,196	(134,472)	352,340

For the six months ended 30 June 2017 (Amounts expressed in thousands of RMB)

7. PROPERTY, PLANT AND EQUIPMENT

	Buildings and structures	Mining infrastructures	Vehicles, equipment and others	Construction in progress	Total
Six months ended 30 June 2017 (unaudited)					
Opening net book amount	57,625	106,508	67,793	70,211	302,137
Additions	–	–	23	5,578	5,601
Depreciation	(2,468)	(4,916)	(151)	–	(7,535)
Disposals – net	–	–	(16)	–	(16)
Effect of foreign exchange differences	–	–	1	–	1
Closing net book amount	55,157	101,592	67,650	75,789	300,188
Six months ended 30 June 2016 (unaudited)					
Opening net book amount	71,951	123,387	94,602	62,990	352,930
Depreciation	(2,753)	(201)	(8,251)	–	(11,205)
Disposals – net	–	–	(383)	–	(383)
Impairment *(Note 8(b)(ii))*	(9,370)	(15,887)	(10,906)	–	(36,163)
Effect of foreign exchange differences	–	–	1	–	1
Closing net book amount	59,828	107,299	75,063	62,990	305,180

For the six months ended 30 June 2017 (Amounts expressed in thousands of RMB)

8. INTANGIBLE ASSETS

	Six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
Mining rights		
Opening net book amount	**58,150**	61,287
Impairment *(b)(i)*	**–**	(3,137)
Closing net book amount	**58,150**	58,150

(a) As at 30 June 2017 and 31 December 2016, all the Group's mining rights are in Shandong Province, the PRC, and have been secured for the Group's bank borrowings (Note 18(b)).

(b) Due to the relatively low market price of iron concentrates and ilmenite concentrates as at 30 June 2017, management of the Group carried out an impairment test on the related assets of Shandong Ishine and Luxing Titanium respectively, which were considered as two separate cash-generating units ("CGUs").

As at 30 June 2017, management estimated the recoverable amounts of property, plant and equipment of Shandong Ishine and Luxing Titanium, comprising buildings and structures, mining infrastructures, vehicles, equipment and others, and mining right of Luxing Titanium.

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

- Sales price – Sales price is based on current industry trends; and

- Discount rate – The discount rate used reflects specific risks relating to the CGUs.

For the six months ended 30 June 2017 (Amounts expressed in thousands of RMB)

(i) Impairment loss recognised on intangible assets

No impairment loss was considered required during the six months ended 30 June 2017 (30 June 2016: impairment loss RMB3,137,000).

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

No impairment loss was considered required during the six months ended 30 June 2017 (30 June 2016: impairment loss RMB36,163,000).

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets represents 7.8% of the ordinary share capital of Athena Resources Limited ("Athena", a company listed in Australian Securities Exchange) held by Ishine International. The movement in available-for-sale financial assets is as follows:

	Six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
Opening balance	**1,665**	432
(Loss)/gain from revaluation	**(559)**	279
Effect of foreign exchange differences	**62**	28
Closing balance	**1,168**	739

10. DEFERRED INCOME TAX ASSETS AND LIABILITIES

The net movement on the deferred income tax assets and (liabilities) is as follows:

	Six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
Opening amount	**(2,389)**	6,066
(Charge)/credit to statement of comprehensive income	**(1,290)**	3,560
Closing amount	**(3,679)**	9,626

For the six months ended 30 June 2017 (Amounts expressed in thousands of RMB)

11. OTHER NON-CURRENT ASSETS

	As at 30 June 2017 (unaudited)	As at 31 December 2016 (audited)
Land restoration deposits	**3,790**	3,790
Prepaid taxes	**3,504**	3,580
	7,294	7,370

12. INVENTORIES

	As at 30 June 2017 (unaudited)	As at 31 December 2016 (audited)
Raw materials		
– Iron ore and ilmenite ore	**5,300**	12,428
– Others	**2,475**	5,228
Finished goods	**28,682**	5,067
Spare parts and others	**9,276**	9,552
	45,733	32,275

13. TRADE RECEIVABLES

	As at 30 June 2017 (unaudited)	As at 31 December 2016 (audited)
Trade receivables	**60,019**	87,077
Less: allowance for impairment of trade receivables	**(8,563)**	(9,658)
Trade receivables – net	**51,456**	77,419

As at 30 June 2017 and 31 December 2016, the carrying amounts of the Group's trade receivables approximated their fair values.

For the six months ended 30 June 2017 (Amounts expressed in thousands of RMB)

As at 30 June 2017 and 31 December 2016, the ageing analysis of trade receivables was as follows:

	As at 30 June 2017 (unaudited)	As at 31 December 2016 (audited)
Within 3 months	**–**	3,057
3 to 6 months	**–**	–
6 months to 1 year	**–**	2,344
Over 1 year	**60,019**	81,676
	60,019	87,077

The majority of the Group's sales are with credit terms of 90 days. As of 30 June 2017, trade receivables of RMB51,456,000 were past due but not impaired (31 December 2016: RMB74,362,000).

14. NOTES RECEIVABLES

	As at 30 June 2017 (unaudited)	As at 31 December 2016 (audited)
Bank acceptance notes	**65,000**	7,000

For the six months ended 30 June 2017 (Amounts expressed in thousands of RMB)

15. PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2017 (unaudited)	As at 31 December 2016 (audited)
Advance to suppliers	**13,291**	54,212
Prepaid taxes	**7,350**	9,651
Value-added tax recoverable	**5,844**	3,321
Advance to employees	**1,312**	929
Deposits for purchase of land use right	**2,571**	2,571
Receivables arising from finance lease	**–**	58,264
Others	**3,026**	4,827
	33,394	133,775

16. CASH AND CASH EQUIVALENTS, TERM DEPOSITS AND RESTRICTED BANK DEPOSITS

	As at 30 June 2017 (unaudited)	As at 31 December 2016 (audited)
Cash and cash equivalents		
– Cash on hand	**355**	367
– Cash at banks	**143,842**	119,987
	144,197	120,354
Term deposits with original maturity over three months	**160,000**	100,000
Restricted bank deposits		
– Deposits for bank acceptance notes	**85,000**	25,000
– Deposits for land restoration	**3,308**	3,308
	88,308	28,308
	392,505	248,662

For the six months ended 30 June 2017 (Amounts expressed in thousands of RMB)

Cash and cash equivalents, term deposits with original maturity over three months and restricted bank deposits are denominated in the following currencies:

	As at 30 June 2017 (unaudited)	As at 31 December 2016 (audited)
RMB	**356,049**	202,289
USD	**25,193**	30,680
HKD	**6,174**	9,869
AUD	**5,089**	5,824
	392,505	248,662

17. SHARE CAPITAL AND SHARE PREMIUM

	As at 30 June 2017 (unaudited)		**As at 31 December 2016 (audited)**	
	Number of shares	*HKD*	*Number of shares*	*HKD*
Authorised:				
Ordinary shares of HKD0.002 each	**15,000,000,000**	**30,000,000**	15,000,000,000	30,000,000

Ordinary shares, issued and fully paid:

	Number of shares	**Share capital**	**Share premium**	**Total**
At 1 January and 30 June 2017 (unaudited)	**4,616,379,920**	**7,464**	**636,929**	**644,393**
At 1 January 2016 (audited)	4,426,857,920	7,136	620,930	628,066
Repurchase of shares *(a)*	(29,528,000)	(50)	(4,919)	(4,969)
At 30 June 2016 (unaudited)	4,397,329,920	7,086	616,011	623,097

(a) Repurchase of shares

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

For the six months ended 30 June 2017 (Amounts expressed in thousands of RMB)

18. BORROWINGS

	As at 30 June 2017 (unaudited)	As at 31 December 2016 (audited)
Non-current		
Bonds *(a)*	**109,662**	111,412
Current		
Secured borrowings *(b)*	**80,000**	100,000
	189,662	211,412

Movements in borrowings is analysed as follows:

	Six months ended 30 June	
	2017 (unaudited)	2016 (unaudited)
Opening balance	**211,412**	270,827
Proceeds of new borrowings	**–**	70,000
Repayments of borrowings	**(20,000)**	(110,000)
Unwinding of discount	**1,562**	1,968
Effect of foreign exchange differences	**(3,312)**	2,203
Closing balance	**189,662**	234,998

(a) Bonds

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

As at 30 June 2017 and 31 December 2016, the aggregate carrying amount of the bonds was HKD126,351,000 (equivalent to RMB109,662,000) and HKD124,551,000 (equivalent to RMB111,412,000), approximating their fair values, respectively. The fair values are determined using the expected future payments discounted at an effective interest rate between 11.07% and 11.55%.

(b) Pledged borrowings

As at 30 June 2017, bank borrowings of RMB80,000,000 (31 December 2016: RMB100,000,000) were secured by a mining right of Shandong Ishine (Note 8 (a)).

For the six months ended 30 June 2017 (Amounts expressed in thousands of RMB)

19. PROVISIONS FOR CLOSE DOWN, RESTORATION AND ENVIRONMENTAL COSTS

	Six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
Opening amount	**26,992**	25,759
Unwinding of discount	**564**	703
Utilised during the period	**–**	(80)
Closing amount	**27,556**	26,382

20. TRADE PAYABLES

At 30 June 2017 and 31 December 2016, the ageing analysis of trade payables was as follows:

	As at	As at
	30 June 2017	31 December 2016
	(unaudited)	(audited)
Within 6 months	**3,791**	8,192
6 Months to 1 year	**2,330**	958
Over 1 year	**10,405**	10,297
	16,526	19,447

21. NOTES PAYABLES

	As at	As at
	30 June 2017	31 December 2016
	(unaudited)	(audited)
Bank acceptance notes	**160,000**	20,000

For the six months ended 30 June 2017 (Amounts expressed in thousands of RMB)

22. ACCRUALS AND OTHER PAYABLES

	As at 30 June 2017 (unaudited)	As at 31 December 2016 (audited)
Advance construction funds from government	**14,906**	18,856
Accrued land compensation costs	**8,445**	10,492
Employee benefits payable	**5,682**	5,523
Guarantee deposits	**4,774**	10,247
Interest payable	**3,718**	4,005
Other taxes payable	**2,317**	2,198
Accrued audit fee	**1,000**	1,760
Accrued other professional service and consulting fee	**805**	1,273
Others	**2,861**	1,000
	44,508	55,354

23. REVENUE

	Six months ended 30 June	
	2017 (unaudited)	2016 (unaudited)
Production		
– Sales of iron concentrate	**1,596**	2,194
– Sales of titanium concentrate	**250**	1,136
Trading		
– Sales of coarse iron powder	**4,714**	21,681
Others	**–**	1,992
	6,560	27,003

For the six months ended 30 June 2017 (Amounts expressed in thousands of RMB)

24. EXPENSE BY NATURE

	Six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
Changes in inventories of finished goods, iron ore and ilmenite ore	**(16,487)**	3,215
Cost of raw materials	**11,547**	19,705
Depreciation and amortisation	**7,535**	11,205
Impairment provision for property, plant and equipment *(Note 7)*	**–**	36,163
Impairment provision for intangible assets *(Note 8)*	**–**	3,137
Reversal of provision for inventories	**–**	(857)
Reversal of provision for trade receivables *(Note 13)*	**(1,095)**	(1,004)
Employee benefit expense	**5,115**	4,654
Land compensation expenses	**3,716**	4,250
Professional fees	**886**	1,671
Auditor's remuneration		
– Audit services	**1,044**	1,146
– Non-audit services	**–**	–
Travelling expenses	**771**	1,476
Transportation expenses	**–**	1,454
Utilities and electricity	**5,650**	1,379
Other expenses	**3,021**	2,944
Total cost of sales, distribution costs and administrative expenses	**21,703**	90,538

25. OTHER INCOME

	Six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
Interest income on financial assets at fair value through profit or loss ("FVPL")	**–**	691
Loss on disposal of FVPL	**–**	(25)
	–	666

For the six months ended 30 June 2017 (Amounts expressed in thousands of RMB)

26. OTHER GAINS/(LOSSES) – NET

	Six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
FVPL – fair value losses	**–**	(2,170)
Loss on disposal of property, plant and equipment	**(1)**	(158)
Government grants	**20**	23
Others	**–**	(236)
	19	(2,541)

27. FINANCE COSTS – NET

	Six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
Finance income:		
– Interest income on bank deposits	**1,561**	1,605
Interest expense:		
– Borrowings	**(8,309)**	(10,582)
– Provisions: unwinding of discount *(Note 19)*	**(564)**	(703)
– Discount of bank acceptance notes	**(2,946)**	–
Net foreign exchange gains/(losses)	**2,410**	(1,395)
Others	**(225)**	(137)
Finance expenses	**(9,634)**	(12,817)
Net finance expenses	**(8,073)**	(11,212)

For the six months ended 30 June 2017 (Amounts expressed in thousands of RMB)

28. INCOME TAX (EXPENSE)/CREDIT

	Six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
Deferred income tax	**(1,290)**	3,560

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

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

Hong Kong profits tax has not been provided for the subsidiaries in Hong Kong as there is no estimated assessable profit arising in or derived from Hong Kong during the six months ended 2017 and 2016.

Australia corporation income tax rate is 30%. Australia corporation income tax has not been provided for the subsidiary in Australia as there is no estimated assessable profit arising in or derived from Australia during the six months ended 30 June 2017 and 2016.

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

In December 2015, Shandong Ishine was awarded with the National High-Tech Enterprise qualification. Pursuant to the related regulations, Shandong Ishine was entitled to the income tax rate of 15%, effective from 1 January 2016.

The tax rate for the Company's other PRC subsidiaries, Luxing Titanium, Ever Grand and Yishui Shengrong, was 25% for the six months ended 30 June 2017 and 2016.

For the six months ended 30 June 2017 (Amounts expressed in thousands of RMB)

29. LOSSES PER SHARE

(a) Basic

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

	Six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
Loss attributable to owners of the Company	**(23,205)**	(72,610)
Weighted average number of ordinary shares in issue	**4,616,379,920**	4,401,053,975
Basic losses per share (Expressed in RMB per share)	**(0.005)**	(0.017)

(b) Diluted

As at 30 June 2017 and 2016, there were no dilutive factors of the Company. As such, the diluted losses per share were calculated in the same way as basic losses per share during both periods.

30. DIVIDENDS

The Board of Directors has resolved not to declare any interim dividends related to the six months ended 30 June 2017.

For the six months ended 30 June 2017 (Amounts expressed in thousands of RMB)

31. RELATED PARTY TRANSACTIONS

(a) During the six months ended 30 June 2017 and 2016, the directors of the Company were of the view that the following individual was a related party of the Group:

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

(b) Significant related party transactions

During the six months ended 30 June 2017 and 2016, the Group had no significant transactions with related parties.

Key management compensation:

	Six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
Wages, salaries and allowances	**1,639**	1,559
Contribution to pension scheme	**30**	29
	1,669	1,588

32. COMMITMENTS

(a) Capital commitments

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

	As at 30 June 2017 (unaudited)	As at 31 December 2016 (audited)
Property, plant and equipment	**4,842**	5,712

Management Discussion and Analysis

BUSINESS REVIEW

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

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

The Company actively responded to the government's call and seized the opportunities provided by national policies by developing clean energy such as wind power, photovoltaic power and solar thermal power into new economic growth points, which have made substantial progress. In order to better reflect the Company's strategic business plan and expanding into new business including (but not limited to) clean energy business, water pollution treatment business and soil pollution treatment business, sticking to the development of iron and titanium concentrates business, deepening and expanding the building of whole industrial chain of titanium products including sponge titanium and high purity titanium.

The Group's revenue decreased by approximately RMB20.4 million, or 75.6%, to approximately RMB6.6 million for the six months ended 30 June 2017, as compared with approximately RMB27.0 million for the six months ended 30 June 2016. The decrease in revenue was primarily due to (1) the fact that the management strategically decreased the mining and production volume of crude ores during the downturn of the market to protect crude ores resources and avoid unnecessary loss in crude ores. Meanwhile, the Group intentionally reserved inventories and waited for the recovery of the market price for the purpose of selling inventories at a higher price and enhancing the sales value of the inventories. The sales of iron concentrates produced from Yangzhuang Iron Mine decreased by approximately RMB0.6 million. The sales of ilmenite concentrates produced by Zhuge Shangyu Ilmenite Mine decreased by approximately RMB0.9 million. (2)The demand in the steel market became sluggish as the economy in China slowed down, resulting in greater market price fluctuations. In the first half of 2017, the management decided to decrease the trading activities to avoid trading risks. The turnover of trading of coarse iron powder decreased by approximately RMB17.0 million from approximately RMB21.7 million for the six months ended 30 June 2016 to approximately RMB4.7 million for the six months ended 30 June 2017.

The total comprehensive loss attributable to owners of the Company was approximately RMB23.3 million for the six months ended 30 June 2017, representing a decrease of approximately RMB49.1 million, or 67.8%, as compared with total comprehensive loss attributable to owners of the Company of approximately RMB72.4 million for the six months ended 30 June 2016. This was mainly due to (1) the administrative expenses was decreased by approximately RMB50.2 million from approximately RMB65.7 million for the six months ended 30 June 2016 to approximately RMB15.5 million for the six months ended 30 June 2017; (2) the finance cost was decreased by approximately RMB3.1 million from approximately RMB11.2 million for the six months ended 30 June 2016 to approximately RMB8.1 million for the six months ended 30 June 2017; and (3) the decrease in the fair value loss of financial assets by approximately RMB2.2 million from approximately RMB2.2 million for the six months ended 30 June 2016 to nil for the six months ended 30 June 2017; which was offset by the decrease in gross profit of approximately RMB3.3 million.

Measures adopted by the management during the first half of 2017:

I. Enhancing cash flow management to ensure stable and healthy corporate operations

In the first half of 2017, the Company's loss has decreased by 68.0% as compared to the corresponding period of last year, despite being in a state of loss. More importantly, net cash flows from operating activities amounted to approximately RMB77.3 million. In respect of operations, the Company focused on increasing its revenue and reducing its operation costs, and set cash flows management as one of the priorities. The Company also improved the recovery of trade receivables (especially for the payment collection) and effectively controlled the market risks, allowing the Company to maintain optimal liquidity, thus enhancing its risk resistance effectively.

II. Enhancing safety production management to ensure compliance safety production

The PRC has stressed on safety production management since the beginning of 2017. Under the sluggish industry environment, the Group strictly complied with the requirements of the national laws and regulations related to safety production. We increased the investment in safety production, and strengthened mine backfilling. The backfilling work supported the hanging-wall rock and footwall rock of the mine, solidifying the mine and rib pillar around and creating favorable conditions for mining recovery of rib pillar and the mines around, which greatly enhanced the mining recovery rate. The backfilling work also eliminated the potential safety risks in mined-out area by keeping surface configuration, thus maintaining the balance between safety production of the mine and the ecosystem and laying a solid foundation for further development of the Company.

III. Strengthening the research and development of the full titanium industrial chain and increasing the titanium and iron concentrate production capacity

The Company continued to maintain its business relationship with the Chinese Academy of Sciences and the Russian Academy of Sciences. We constantly made great efforts in technology research and development and full titanium industrial chain development, looked for suitable partners for every section of the titanium industrial chain, and made certain progress in these aspects. Meanwhile, based on market recovery trend, the Company especially increased the production capacity for 46% titanium concentrates and the 65% iron concentrates. The Company aimed to maximize profits by promoting sales in the market window period. The Company made a significant progress particularly in enhancement of production technology for 46% titanium concentrates. In June 2017, the Group's Comprehensive Utilization of Ultra-low Vanadium Bearing Tinano-magnetite Iron Ore Resources Project won the Shandong Industrial Outstanding Contribution Project Award.

IV. Adjusting the directions for new energy technology development and optimizing strategic plans to lay a solid foundation for future development of the Company

During the first half of 2017, the management has been continuously adjusting the ways on making full use of national policy related to new energy industry. It has conducted in-depth researches on the application of wind power generation, photovoltaic power generation and integrated technology of solar thermal power. Adhering to the long-term strategic plans instead of short-term planning, the Company optimized the development direction and focused on plans on highlighting the Company's edges in sustainable development. In particular, the Company made progress in the transformation of the integrated utilization of solar thermal power technology through continuous exploration and researches.

V. Valuing talent reserves, strengthening employee trainings and improving remuneration system to maintain stable workforce

In order to meet the needs for the Company's steady and long-term development, the Company sought excellent talents through investigation and assessment, and nurtured them with extra resources to establish a back-up talent team.

The Company strengthened the training and education for its employees. It particularly provided safety trainings, professional skills enhancement trainings and management enhancement trainings for employees in key positions and technicians.

The Company implemented strict remuneration management, and constantly improved the remuneration assessment and assignment system, making the system more reasonable and fully motivating the enthusiasm of employees.

Resources and reserves of mines

The mines and projects owned by the Group have significant iron and titanium ore reserves and resources. According to the report of the independent technical adviser Micromine Consulting Services, as at November 2011 as disclosed in the prospectus of the Company dated 17 April 2012, the total aggregate proved and probable reserve of ore in the Yangzhuang Iron Mine was approximately 43.93Mt at an average grade of approximately 24.58% TFe (total iron); the total proved and probable reserve of ore in the Zhuge Shangyu Ilmenite Mine was approximately 546.29Mt at an average grade of approximately 5.69% TiO_2 and approximately 12.81% TFe (total iron); whereas the total proved and probable reserve of ore in Qinjiazhuang Ilmenite Project was approximately 86.63Mt at an average grade of approximately 4.50% TiO_2 and approximately 13.56% TFe (total iron).

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

Yangzhuang Iron Mine

1. Resource reporting cutoff grade: 15% TFe.

2. An mFe grade cut-off of 8.0% was applied to each mining block based on the breakeven analysis.

3. The Ore Reserve depletion for the Yangzhuang Iron Mine was approximately 4.6Mt @ 24.6% TFe and 10.6% mFe compared to reported production of 4.5Mt @ 24.1% TFe and 10.5% mFe for the period from November 2011 to December 2013 inclusive.

4. Stope design parameters are 50 metres in length by approximately 16 metres wide (matching the thickness of the orebody) with a 6 metre wide pillar between stopes as well as a crown pillar of 6 metres in width.

5. It is assumed that there are no significant geotechnical difficulties.

6. Inferred Resources were excluded from the mine design used to determine the reserves.

7. Parameters for Short Hole Shrinkage mining method:

   Length of Block: 48m
   Minimum width of Block: 8m
   Pillar between Blocks: 6m
   Crown Pillar: 5m
   Distance between levels: 60m

Reason for the changes in the resources and reserves estimates:

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

Zhuge Shangyu Ilmenite Mine

1. Resource reporting cutoff grade: 9.2% TiO_2 equivalent.

2. Underground resources and reserves remain unchanged from the previous (2012) Micromine estimate.

3. Mineral resources are inclusive of the ore reserve.

4. The reserve includes diluting material with an assumed diluent grade of 0%, total dilution used was 9%.

5. The Micromine reserve is stated based on titanium with an iron credit.

6. The Open Pit Ore Reserve block model depletion for the Zhuge Shangyu resource was approximately 0.27Mt grading 5.69% TiO_2 and 12.78% TFe compared to reported production of 0.26Mt grading 6.75% TiO_2 and 13.44% TFe for the period from September 2013 to December 2013 inclusive.

7. The underground mining height is 50m to 60m.

Reason for the changes in the resources and reserves estimates:

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

Qinjiazhuang Ilmenite Project

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

There were no exploration or mining activities carried out at the Qinjiazhuang Ilmenite Project between 1 January 2014 and 30 June 2017.

Based on (1) the resources and reserves under the JORC for the Yangzhuang Iron Mine, Zhuge Shangyu Ilmenite Mine and Qinjiazhuang Ilmenite Project as at November 2011 as disclosed in the prospectus of the Company dated 17 April 2012, and (2) the estimated amount of ores mined by the Group from November 2011 to December 2013, the Group's estimated resources and reserves as at 30 June 2017 were as follows:

JORC Ore Reserve Estimate as of 30 June 2017 ***(Note: JORC ore reserves as of 31 December 2013 less exploration during the period from 1 January 2014 to 30 June 2017)***:

	Yangzhuang Iron Mine	Zhuge Shangyu Ilmenite Mine	Qinjiazhuang Ilmenite Project
Ore reserves (Mt)			
– proved	5.86	199.45	45.33
– probable	31.20	346.20 (Note)	41.30
Total ore reserves	37.06	545.65	86.63
Grade of total iron (Tfe) (%)			
– proved	24.15	12.78	13.50
– probable	24.65	12.83	13.61
Average grade of total iron (Tfe) (%)	24.55	12.82	13.56
Grade of titanium dioxide (TiO_2) (%)			
– proved	N/A	5.76	4.52
– probable	N/A	5.65	4.48
Average grade of total titanium dioxide (TiO_2) (%)	N/A	5.69	4.50

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

Management Discussion and Analysis

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

	Yangzhuang Iron Mine	Zhuge Shangyu Ilmenite Mine	Qinjiazhuang Ilmenite Project
Ore reserves (Mt)			
– proved	5.86	199.60	45.33
– probable	31.20	346.20 (Note)	41.30
Total ore reserves	37.06	545.80	86.63

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

Yangzhuang Iron Mine Resource Estimate as of 31 December 2016 ***(Note: JORC mineral resources as of 31 December 2013 less exploration during the period from 1 January 2014 to 31 December 2016)***:

Resource Category	Resources *(Mt)*	SG *(t/m³)*	TFe *(%)*	mFe *(%)*
Measured	11.3	3.25	26.0	10.6
Indicated	50.1	3.25	26.8	10.4
Total Measured and Indicated	61.4	3.25	26.6	10.4
Inferred	17.6	3.22	24.6	8.7
Total Resources	79.0	3.24	26.2	10.0

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

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

Zhuge Shangyu Ilmenite Mine Resource Estimate as of 31 December 2016 ***(Note: JORC mineral resources as of 31 December 2013 less exploration during the period from 1 January 2014 to 31 December 2016)***:

Resource Category	Resource (Mt)	SG (t/m^3)	TiO_2 (%)	TFe (%)
Measured	372.8	3.19	6.23	14.04
Indicated	261.0	3.13	6.14	14.18
Total Measured and Indicated	632.8	3.17	6.19	14.10
Inferred	4.0	3.13	5.92	15.03
Total Resources	636.8	3.16	6.19	14.10

Qinjiazhuang Ilmenite Project Resource Estimate as of 31 December 2016 ***(Note: JORC mineral resources as of 31 December 2013, there was no exploration activity during the period from 1 January 2014 to 31 December 2016)***:

Resource Category	Resource (Mt)	SG (t/m^3)	TiO_2 (%)	TFe (%)
Measured	46.2	3.23	4.90	14.72
Indicated	42.1	3.19	4.88	14.84
Total Measured and Indicated	88.3	3.21	4.89	14.78
Inferred	11.3	3.29	5.06	15.05
Total Resources	99.6	3.22	4.91	14.81

Luxing Titanium

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

Reasons for the changes in the resources and reserves estimates:

1. The mining area is increased from $0.557km^2$ to $0.829km^2$ and the mining depth is changed from +254.7 meters +150 meters to +255 meters +68 meters, which leads to an increase in the reserve by 12.8Mt.

2. The resource estimation of 4-wire sectional S4-2a area is increased from $3,723.46m^2$ to $10,396.22m^2$, which leads to an increase in the reserves by 2.17Mt.

3. From 2010 to 2013, reserves were reduced by 4.13Mt due to mining activities.

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

Resources and Reserves Estimate as of 30 June 2017 ***(Note: Resources and Reserves Estimate from an updated verification report which was completed by the 8th Institute of Geology and Mineral Exploration of Shandong Province as of 31 December 2013 less exploration during the period from 1 January 2014 to 30 June 2017)***:

Resources and Reserves category	**Luxing Titanium**
Resources and reserves of Type 333 or above of ilmenite ores (Mt) (under PRC classification standard)	56.9
Average grade of total iron (TFe) (%)	14.5
Average grade of total titanium dioxide (TiO_2) (%)	6.6

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

Resources and Reserves category	**Luxing Titanium**
Resources and reserves of Type 333 or above of ilmenite ores (Mt) (under PRC classification standard)	56.9
Average grade of total iron (TFe) (%)	14.5
Average grade of total titanium dioxide (TiO_2) (%)	6.6

Gaozhuang Shangyu Ilmenite project

Gaozhuang Shangyu Ilmenite Project is located in Yishui County and Yinan County of Shandong Province, the PRC. The Company has engaged an independent third-party surveying agency to conduct preliminary exploration work in Gaozhuang Shangyu Ilmenite Project and the work was completed in 2012. The exploration rights covered an area of approximately 1.53km^2, with the exploration term expiring in March 2019. According to Titanium Mine Detailed Survey Report in respect of the project, it was estimated that the exploration area had approximately 46.0Mt of resources of Type 332 and 333 of ilmenite ores in September 2012 under PRC classification standard with an average grading of iron and titanium content of approximately 12.4% and 6.8% respectively. During the period from October 2012 to June 2017, there was no change in resources and reserves. The Group did not have any plans to carry out mining work or any other expansion plans.

EXPLORATION LICENCES IN AUSTRALIA

As at 30 June 2017, Ishine International owns one granted exploration licences located in Western Australia, Australia.

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

There was no other exploration activity in Australia during the six months ended 30 June 2017.

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

Western Australian Tenements

Tenement	Registered holder/applicant	Grant date	Expiry Date	Area size and locality	Current status	Status of renewal of tenement (if expiring within 1 year)	Target minerals
E39/1582	Ishine International	27-Apr-17	27-Apr-22	6 Blocks Laverton, 18km^2	Active	N/A	Nickel, Gold

FINANCIAL REVIEW

For the six months ended 30 June 2017, the Group recorded revenue of approximately RMB6.6 million as compared with approximately RMB27.0 million for the six months ended 30 June 2016, representing a decrease of approximately 75.6%. For the six months ended 30 June 2017, 28.1% of the Group's total sales consisted of the sales of iron concentrates and titanium concentrates and 71.9% of sales were derived from trading of coarse iron powder. The Group mainly sold iron concentrates and titanium concentrates produced by the Group to iron pellets and steel producers in Shandong Province, the PRC. In addition to the above customers of iron and titanium concentrates, the Group sold coarse iron powder to other customers engaged in trading and manufacturing of iron-related products in the PRC.

Prices of the Group's products

Iron Concentrates

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

The Group's average unit selling prices of 65% iron concentrates for the six months ended 30 June 2017 were approximately RMB683.8 per tonne, representing an increase of approximately 55.8% as compared with the average unit selling prices of approximately RMB439.0 per tonne for the six months ended 30 June 2016.

Titanium Concentrates

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

The Group's average unit selling prices of 46% titanium concentrates for the six months ended 30 June 2017 were approximately RMB1,636.2 per tonne, representing an increase of approximately 173.5% as compared with the average unit selling prices of approximately RMB598.3 per tonne for the six months ended 30 June 2016.

Revenue

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

	Six months ended 30 June 2017		Six months ended 30 June 2016	
	RMB'000	**%**	*RMB'000*	%
Revenue				
Sales of iron concentrates produced by the Group – from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	**1,596**	**24.3%**	2,194	8.1%
Sales of titanium concentrates produced by the Group – from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	**250**	**3.8%**	1,136	4.2%
Sales of trading activities – from coarse iron powder	**4,714**	**71.9%**	21,681	80.3%
Income from Tianjin Ever Grand	**–**	**–**	1,647	6.1%
Other income from Ishine International	**–**	**–**	345	1.3%
	6,560	**100%**	27,003	100%

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

	Six months ended 30 June 2017	Six months ended 30 June 2016
	(Kt)	*(Kt)*
Sales volume of iron concentrates produced by the Group		
– from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	**2.3**	5.0
Sales volume of titanium concentrates produced by the Group		
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	**0.2**	1.9
Sales volume of trading activities		
– from coarse iron powder	**10.9**	60.4
	13.4	67.3

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

	Six months ended 30 June 2017		Six months ended 30 June 2016	
	(Kt)	**%**	*(Kt)*	%
Iron concentrates produced by the Group				
Amount of iron concentrates produced from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	**25.8**	**84.9%**	–	–
Amount of iron concentrates produced from ilmenite ore of Zhuge Shangyu Ilmenite Mine (57% iron concentrates)	**2.0**	**6.6%**	–	–
Titanium Concentrates produced by the Group				
Amount of titanium concentrates produced from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	**2.6**	**8.5%**	–	–
Total	**30.4**	**100%**	–	–

For the six months ended 30 June 2017, revenue is mainly derived from sales of coarse iron powder to the Group's trading customers. Revenue is also derived from sales of iron concentrates produced by the Group.

The Group's revenue decreased by approximately RMB20.4 million, or 75.6%, to approximately RMB6.6 million for the six months ended 30 June 2017, as compared with approximately RMB27.0 million for the six months ended 30 June 2016. The decrease in revenue was primarily due to (1) the decrease in sales of iron concentrates produced from Yangzhuang Iron Mine by approximately RMB0.6 million; (2) the decrease in sales of ilmenite concentrates produced by Zhuge Shangyu Ilmenite Mine by approximately RMB0.9 million; and (3) the decrease in turnover of trading of coarse iron powder by approximately RMB17.0 million from approximately RMB21.7 million for the six months ended 30 June 2016 to approximately RMB4.7 million for the six months ended 30 June 2017;

The management strategically decreased the mining and production volume of crude ores during the downturn of the market to protect crude ores resources and avoid unnecessary loss in crude ores. Meanwhile, the Group intentionally reserved inventories and waited for the recovery of the market price for the purpose of selling inventories at a higher price and enhancing the sales value of the inventories.

The decrease in sales of iron concentrates produced from iron ore of Yangzhuang Iron Mine was mainly due to the fact that the management strategically reserved inventories and reduced sales volume during the steel market downturn. The reserves of iron concentrates produced from iron ore of Yangzhuang Iron Mine reached 35.1Kt as at 30 June 2017. The total sales of iron concentrates produced from iron ore of Yangzhuang Iron Mine decreased by approximately 27.3%, or RMB0.6 million, from approximately RMB2.2 million for the six months ended 30 June 2016 to approximately RMB1.6 million for the six months ended 30 June 2017. The decrease was primarily due to the decrease of approximately 2.7Kt in sales volume of iron concentrates produced from iron ore of Yangzhuang Iron Mine as compared to the corresponding period of last year, resulting in the decrease in revenue.

The decrease in total sales of ilmenite concentrates produced by Zhuge Shangyu Ilmenite Mine was due to the fact that the management strategically reserved inventories and reduced sales volume. The total sales of ilmenite concentrates produced by Zhuge Shangyu Ilmenite Mine decreased by approximately 78.0%, or RMB0.9 million, from approximately RMB1.1 million for the six months ended 30 June 2016 to approximately RMB0.2 million for the six months ended 30 June 2017. The decrease was primarily due to the decrease of approximately 1.7 Kt in sales volume of ilmenite concentrates produced by Zhuge Shangyu Ilmenite Mine as compared to the corresponding period of last year, resulting in the decrease in revenue.

The demand in the steel market became sluggish as the economy in China slowed down, resulting in greater market price fluctuations. In the first half of 2017, the management decided to decrease the trading activities to avoid trading risks. The total sales generated from trading activities significantly decreased by approximately 78.3%, or RMB17.0 million, from approximately RMB21.7 million for the six months ended 30 June 2016 to approximately RMB4.7 million for the six months ended 30 June 2017. The decrease was primarily due to the decrease of approximately 49.5 Kt in sales volume of trading of coarse iron powder as compared to the corresponding period of last year, resulting in the decrease in revenue.

Cost of Sales

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

	Six months ended 30 June 2017		Six months ended 30 June 2016	
	RMB'000	**%**	*RMB'000*	%
Cost of Sales				
Cost of sales of iron concentrates produced by the Group				
– from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	**1,548**	**25.3%**	2,109	9.1%
Cost of sales of titanium concentrates produced by the Group				
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	**156**	**2.5%**	1,307	5.6%
Cost of sales of trading activities				
– from sales of coarse iron powder	**4,419**	**72.2%**	19,705	84.7%
Costs from Tianjin Ever Grand	**–**	**–**	58	0.2%
Exploration costs incurred by Ishine International	**–**	**–**	88	0.4%
	6,123	**100%**	23,267	100%

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

Total cost of sales decreased by approximately 73.8% to approximately RMB6.1 million for the six months ended 30 June 2017, as compared with approximately RMB23.3 million for the corresponding period of 2016. Such decrease was consistent with the decrease in the Group's revenue during the six months ended 30 June 2017, which was mainly due to (1) the decrease in sales volume from trading coarse iron powder by 49.5 Kt for the six months ended 30 June 2017; (2) the decrease in the sales volume of iron concentrates produced from iron ore of Yangzhuang Iron Mine by 2.7 Kt for the six months ended 30 June 2017; and (3) the decreases in sales volume of titanium concentrates produced from ilmenite ore of Zhuge Shangyu Ilmenite Mine by 1.7 Kt for the six months ended 30 June 2017.

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

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

	Six months ended 30 June 2017		Six months ended 30 June 2016	
	RMB'000	**%**	*RMB'000*	%
Gross profit/(loss)				
Gross profit of iron concentrates produced by the Group				
– from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	**48**	**11.0%**	85	2.3%
Gross profit/(loss) of titanium concentrates produced by the Group				
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	**94**	**21.5%**	(171)	(4.6%)
Gross profit of trading activities				
– from sales of coarse iron powder	**295**	**67.5%**	1,976	52.9%
Gross profit from Tianjin Ever Grand	**–**	**–**	1,589	42.5%
Gross profit of exploration activities	**–**	**–**	257	6.9%
	437	**100%**	3,736	100%

	Six months ended 30 June 2017 %	Six months ended 30 June 2016 %
Gross profit/(loss) margin		
Gross profit margin of iron concentrates		
– from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	**3.0%**	3.9%
Gross profit/(loss) margin of titanium concentrates		
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	**37.6%**	(15.1%)
Gross profit margin of trading activities		
– from sales of coarse iron powder	**6.3%**	9.1%
Gross profit margin from Tianjin Ever Grand	**–**	96.5%
Gross profit margin of exploration activities	**–**	74.5%
	6.7%	13.8%

Gross profit decreased by approximately RMB3.3 million from gross profit of approximately RMB3.7 million for the six months ended 30 June 2016 to gross profit of approximately RMB0.4 million for the six months ended 30 June 2017. The main reasons for the decrease were (1) the decrease in gross profit of trading of coarse iron powder by approximately RMB1.7 million from gross profit of approximately RMB2.0 million for the six months ended 30 June 2016 to gross profit of approximately RMB0.3 million for the six months ended 30 June 2017; (2) the decrease in sales gross profit generated by Tianjin Ever Grand by approximately RMB1.6 million from approximately RMB1.6 million for the six months ended 30 June 2016 to nil for the six months ended 30 June 2017; which offset by the increase in gross loss of titanium concentrates produced from Zhuge Shangyu Ilmenite Mine by approximately RMB0.2 million from gross loss of approximately RMB0.1 million for the six months ended 30 June 2016 to gross profit of approximately RMB0.1 million for the six months ended 30 June 2017;

Overall gross profit margin decreased from gross profit margin of 13.8% to gross profit margin of 6.7% for the six months ended 30 June 2017 as compared with the corresponding period of 2016. The decrease in overall gross profit margin was primarily due to the decrease in the gross profit margin of trading of coarse iron powder, finance lease activities in Tianjin Ever Grand and the exploration activities in Australia.

Other gains, net

The Group's other gains were approximately RMB0.02 million for the six months ended 30 June 2017 as compared with other losses of approximately RMB2.5 million for the six months ended 30 June 2016, which was mainly due to the decrease in fair value loss of financial assets from approximately RMB2.2 million for the six months ended 30 June 2016 to nil for the six months ended 30 June 2017.

Finance costs, net

Net finance costs mainly comprised of interest expense on borrowings of the Group, offset by interest income of bank deposits. Finance costs decreased by approximately 27.7% from approximately RMB11.2 million for the six months ended 30 June 2016 to approximately RMB8.1 million for the six months ended 30 June 2017, mainly due to the decrease in weighted average borrowings during the six months ended 30 June 2017 which decreased the interest expense by approximately RMB2.3 million.

Total comprehensive loss

The total comprehensive loss attributable to owners of the Company was approximately RMB23.3 million for the six months ended 30 June 2017, representing a decrease of approximately RMB49.1 million, or 67.8%, as compared with total comprehensive loss attributable to owners of the Company of approximately RMB72.4 million for the six months ended 30 June 2016. This was mainly due to (1) the administrative expenses was decreased by approximately RMB50.2 million from approximately RMB65.7 million for the six months ended 30 June 2016 to approximately RMB15.5 million for the six months ended 30 June 2017; (2) the finance cost was decreased by approximately RMB3.1 million from approximately RMB11.2 million for the six months ended 30 June 2016 to approximately RMB8.1 million for the six months ended 30 June 2017; and (3) the decrease in the fair value loss of financial assets by approximately RMB2.2 million from approximately RMB2.2 million for the six months ended 30 June 2016 to nil for the six months ended 30 June 2017; which was offset by the decrease in gross profit of approximately RMB3.3 million.

Ishine International

Ishine International, the Company's non-wholly owned subsidiary, is principally engaged in the business of the exploration of mineral resources in Australia, and its shares are listed on the Australian Securities Exchange. Net loss incurred by Ishine International for the six months ended 30 June 2017 was approximately RMB1.1 million as compared with net loss of approximately RMB0.6 million for the six months ended 30 June 2016.

CAPITAL STRUCTURE

The Company's issued share capital as at 30 June 2017 was HK$9,232,759.84 divided into 4,616,379,920 shares of HK$0.002 each.

The Group adopts a prudent treasury policy, and its gearing ratio (calculated as total borrowings divided by the aggregate amount of total equity and total borrowings) as at 30 June 2017 was approximately 27.3% (31 December 2016: approximately 28.5%). The current ratio (calculated as current assets divided by current liabilities) as at 30 June 2017 was approximately 1.9 times (31 December 2016: approximately 2.5 times).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2017, the total amount of borrowings of the Group was approximately RMB189.6 million (31 December 2016: approximately RMB211.4 million). The Group's cash and cash equivalents balances amounted to approximately RMB144.2 million (31 December 2016: approximately RMB120.4 million), which were mainly denominated in RMB.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS OR DISPOSALS

There was no material investment, acquisition or disposal by the Group during the six months ended 30 June 2017.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGE

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

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

PLEDGE OF GROUP ASSETS

As at 30 June 2017, bank borrowings of RMB80.0 million were secured by a mining right of Shandong Ishine, in Shandong Province, the PRC.

EXPLORATION COMMITMENTS AND CAPITAL COMMITMENTS

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

EMPLOYEE BENEFITS AND REMUNERATION POLICIES

As at 30 June 2017, the Group had a total of 174 employees (31 December 2016: 165). The employees of the Group were remunerated based on their experience, qualifications, the Group's performance and market conditions. During the six months ended 30 June 2017, staff costs (including Directors' remunerations) amounted to approximately RMB5.1 million (six months ended 30 June 2016: approximately RMB4.7 million).

CONTINGENT LIABILITIES

As at 30 June 2017, the Group has no material contingent liabilities.

CURRENT STATUS AND FUTURE PLANS

By closely following market changes, the Group will stick to the development of titanium business, adjust titanium and iron concentrates production in a timely manner and further expand new energy business so as to protect the interests of shareholders and investors.

I. Continuing sparing no efforts to develop titanium business

The Group will continue to make great efforts to plan and implement a comprehensive industrial chain, including mining and processing of ilmenite ore and production of titanium concentrates, high titanium slag, titanium tetrachloride and sponge titanium. Apart from the above-mentioned internal research and development of production, the Group has resumed the production of 46% titanium concentrates since this year in view of the optimistic market prospects. The Group will continue to enhance the technology transfer cooperation with the Chinese Academy of Sciences and with the Russian Academy of Sciences, closely monitor market changes, prepare for making timely investment and strive to transform above-mentioned technical advantage into productivity, with an aim to improve the profitability of the Company.

II. Expanding into new business relating to clean energy

Riding on the breakthrough made in respect of new energy projects in 2016, the Group will integrate external resource to deepen cooperation and achieve results in respect of the development of renewable resources, such as wind power, solar energy and solar thermal power so as to seek for a breakthrough in profit increase.

In the first half of 2017, the Group invested approximately RMB0.8 million in the wind power project of Yishui Shengrong. For solar thermal comprehensive energy engineering application, the Group has mastered the leading technology in China and made substantial progress.

III. Advancing soil pollution treatment business by way of promptly putting microbial technology into practical use

In order to solve soil pollution problems, the Ministry of Environmental Protection of the PRC has drafted and implemented the Soil Pollution Treatment Action Plan. By transforming and making use of the technique of efficient and high quality microbial fertilizer mastered by the Company, the Company will endeavor to made investment or carry out cooperation in a timely manner on production of efficient and organic microbial fertilizer pursuant to market demand so as to participate in solving the problems of soil compaction, pesticide and fertilizer residue and heavy metals contamination currently facing by China, capitalizing on which the Company will be able to increase new profit and improve its profitability.

IV. Titanium concentrates and iron concentrates production and operation

1. *Yangzhuang Iron Mine*

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

The Group will decide whether to mine and process its own mines based on the market conditions. It will analyze operating risks and judge the timing for trading, and based on profitability to decide on whether to process with part of coarse powders purchased from other suppliers. In the first half of 2017, Yangzhuang Iron Mine processed iron ore of approximately 0.18 Mt and produced iron concentrates with 65% iron content of approximately 0.026 Mt.

In the first half of 2017, the Group invested approximately RMB0.8 million in Yangzhuang Iron Mine. Due to the market condition, there was no exploration or mining activity carried out in the mine.

2. *Zhuge Shangyu Ilmenite Mine*

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

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

If the market recovers, the Group will increase its investment in the 2.0 Mt processing line and production line in the mine and commence operation in the current year. If the market remains stagnant and less profitable or not profitable at all, the Company will reduce its investment. The construction schedule of the mine will depend on the market conditions. In the first half of 2017, the Group invested approximately RMB3.0 million in the processing line and the production line as well as the infrastructure in Zhuge Shangyu Ilmenite Mine.

In the first half of 2017, the Group mined ilmenite ore of approximately 0.15 Mt, processed ilmenite ore of approximately 0.14 Mt, produced titanium concentrates with 46% titanium content of approximately 0.003 Mt and produced iron concentrates with 57% iron content of approximately 0.002 Mt at Zhuge Shangyu Ilmenite Mine. There was no exploration activity carried out in the mine.

3. *Qinjiazhuang Ilmenite Mine*

In 2017, the Group will determine whether it will make investment in or conduct production activities at Qinjiazhuang Ilmenite based on market changes.

Due to the market condition, there was no investment, exploration or production activity carried out in the mine in the first half of 2017.

4. ***Luxing Titanium***

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

The Group has set its basic business objectives as protecting resources against resource sell-off and for the interest of shareholders based on the market conditions in 2017. The Group will decide whether to mine and process its own mines based on profitability.

In the first half of 2017, the Group invested approximately RMB0.1 million in Luxing Titanium. There was no exploration, mining or processing activity carried out in the mine.

V. Building of mines

The Group will enhance the internal construction of green mining. It will practise green mining throughout the daily operation of the mines; improve corporate management system and safety measures; organize regular trainings with the aim to enhance the professional skills of staff and extend corporate culture. It will enhance the interaction with local communities and establish a sound system of consultation and coordination. On top of that, it will increase the enterprise-local cooperation on projects by capitalizing on its own advantages as an enterprise so as to actively promote the local economic development and the enterprise-local integration. By way of legal, scientific and green mining, the Group will gradually turn its resource advantages into economic, social and environmental advantages with an aim to realize green mining practices, harmonious community, circular economy and diversified and sustainable development.

In 2017, by closely following market changes, the Group will stick to the development of titanium business, adjust titanium and iron concentrates production in a timely manner and focus on the expansion of new energy business, in particular the solar thermal power projects. The Group will make targeted adjustment to its working plan and actively seek for new sources of economic growth, with a view to rewarding the investors with better results.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2017 (30 June 2016: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2017, the interests or short positions of the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (the "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), are set out below:

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

Name of Director	Capacity/Nature of interest	Long position/ short position	Number of ordinary shares held	Approximate percentage of shareholding in the Company
Mr. Li Yunde ("Mr. Li")	Interest of controlled corporation	Long position	2,048,138,660 *(Note 1)*	44.37%
Ms. Chau Ching ("Ms. Chau")	Beneficial owner	Long position	20,468,000	0.44%
Mr. Lang Weiguo ("Mr. Lang")	Interest of controlled corporation	Long position	18,700,000 *(Note 2)*	0.41%
Mr. Geng Guohua ("Mr. Geng")	Beneficial owner	Long position	1,484,000	0.03%

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

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

Notes:

1. Mr. Li beneficially holds the entire issued share capital of Hongfa Holdings Limited, a company incorporated in the British Virgin Islands ("BVI") with limited liability, which in turn beneficially holds 2,048,138,660 shares of the Company (the "Share(s)"). For the purposes of the SFO, Mr. Li is deemed or taken to be interested in all the Shares held by Hongfa Holdings Limited.

2. Mr. Lang beneficially holds the entire issued share capital of Novi Holdings Limited and All Five Capital Ltd., both of which were incorporated in the BVI with limited liability, which in turn beneficially hold 650,000 Shares and 18,050,000 Shares, respectively. For the purposes of the SFO, Mr. Lang is deemed or taken to be interested in all the Shares held by Novi Holdings Limited and All Five Capital Ltd..

3. Mr. Li and his spouse, Ms. Zhang Limei, together hold the entire equity interest of Linyi Run Xing Investment Company Limited, which in turn holds 1,100,000 shares in Linyi Luxing Titanium Co., Ltd.. For the purposes of the SFO, Mr. Li is deemed or taken to be interested in all the shares held by Linyi Run Xing Investment Company Limited.

Save as disclosed above, as at 30 June 2017, none of the Directors, chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations as defined in Part XV of the SFO as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 June 2017, so far as is known to any Director, the following persons (not being a Director or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein:

Name of Shareholder	Nature of Interest	Long Position/ Short Position	Number of Shares held	Approximate percentage of interest
Hongfa Holdings Limited	Beneficial owner	Long position	2,048,138,660	44.37%
Ms. Zhang Limei	Interest of spouse	Long position	2,048,138,660 *(Note1)*	44.37%
X. Mining Resources Group Limited	Beneficial owner	Long position	326,344,000 *(Note2)*	7.07%
Mr. Wu Pun Yan ("Mr. Wu")	Interest of controlled corporation	Long position	326,344,000 *(Note 3)*	7.07%

Notes:

(1) Ms. Zhang Limei ("Ms. Zhang") is the spouse of Mr. Li. For the purpose of the SFO, Ms. Zhang is deemed or taken to be interested in all the Shares in which Mr. Li is interested.

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

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 30 June 2017.

SHARE OPTION SCHEME

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

The principal terms of the Scheme are summarised as follows:

1. The limit on the total number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other scheme(s) of any member of the Group must not exceed 10% of the nominal amount of all the issued share capital of the Company as at the Listing Date, i.e. 27 April 2012 (which was 360,435,790 shares, as adjusted by the share subdivision of every one share of HK$0.01 each into 5 shares of HK$0.002 each which became effective on 28 October 2014) unless Shareholders' approval has been obtained, and which must not in aggregate exceed 30% of the shares in issue from time to time.

2. The total number of shares issued and which may be issued upon exercise of all options (whether exercised, cancelled or outstanding) granted to any Participant in any 12-month period shall not exceed 1% of the issued shares as of the proposed grant date.

3. The subscription price for the shares under the options to be granted under the Scheme will be a price determined by the Board at the time of grant of the options, and shall be at least the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant of the options, which must be a business day; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares on the date of grant of the option.

4. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

5. HK$1.00 is payable by the participant who accepts the grant of an option in accordance with the terms of the Scheme on acceptance of the grant of an option.

6. The Scheme shall be valid and effective for a period of ten years commencing on the Adoption Date and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the shareholders of the Company in general meeting.

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section headed "SHARE OPTION SCHEME", at no time during the six months ended 30 June 2017 was the Company, or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of shares in, or debt securities, including debentures, of the Company or any other body corporate.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors had complied with the required standards as set out in the Model Code during the six months ended 30 June 2017.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. In the opinion of the Directors, the Company was in compliance with all the relevant code provisions set out in the CG Code throughout the six months ended 30 June 2017.

AUDIT COMMITTEE

The Company established the Audit Committee on 9 April 2012 with written terms of reference in compliance with the CG Code. It currently comprises of three independent non-executive Directors, namely Mr. Lin Chu Chang (chairman), Mr. Li Xiaoyang and Mr. Zhang Jingsheng. The main objectives of the Audit Committee are to be responsible for relationship with the Company's auditor, review of the Company's financial information and monitoring the Company's financial reporting system and to review the risk management and internal control systems. The Audit Committee had reviewed this unaudited interim consolidated results for the six months ended 30 June 2017 before such documents were tabled at a meeting of the Board held on 25 August 2017 for the Board's review and approval, and was of the opinion that such documents had complied with the applicable accounting standards, the Listing Rules and other applicable legal requirements and that adequate disclosures had been made.

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

Hong Kong, 25 August 2017