新礦資源有限公司

NEWTON RESOURCES LTD

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1231

Interim Report 2018

Contents

Chairman's Statement

Dear Shareholders,

Green development and a model of sustainable development featuring increased production, higher living standards and healthy ecosystems are the current directions for the development of China. To cope with the implementation of more robust regulations and anti-pollution regime to protect the environment, I have requested our management team to evaluate the impact of these new rules and policies as and when they were rolled out and plan for measures and/or adjustments as may be required for the Group to adapt to the ever-changing business environment.

In the first half of 2018, the Renewal of the Mining Permit of our Yanjiazhuang Mine remains the utmost important task for Xingye Mining. Since my appointment in April, I have instructed the management of Xingye Mining to closely monitor the progress of the Renewal application. To my understanding, Xingye Mining has actively and continuously liaised with the relevant government authorities. However, due to the government policies to achieve further reduction of pollution as a goal in the Beijing-Tianjin-Hebei region, the Group is still waiting for approval on Land Use Adjustment which is being liaised among various government authorities. It could be foreseen that the PRC government authorities will need more time and/or further information to consider and process the Land Use Adjustment and the application for the Renewal, which may not be within our control. In addition, a number of major environmental protection campaigns were carried out in 2018, impacting production at steel mills and iron mines in Hebei Province. It could be anticipated that the Group will be experiencing more stringent anti-pollution regime and Xingye Mining may have to further adjust its business, facilities and measures to catch up with the difficult operating environment of the mining industry before a smooth operation at the Yanjiazhuang Mine could be resumed.

Apart from the Yanjiazhuang Mine, the Group has commenced the Trading Business of iron ores and coals. The Group recorded overall revenue of approximately RMB118.3 million, mainly derived from our Trading Business. In addition, we have been able to secure the supply of coals from the coal mines in Inner Mongolia with a view to expand our product offerings in the Trading Business. The Trading Business shall continue to be our primary income stream and I am looking forward to its profit contributions to the Group when the Trading Business is gradually ramped up.

Besides, we continue to look for and evaluate mining and resources projects with potentials in order to enrich the Group's business portfolio, enhance its income stream and maintain its sustainable development. In July 2018, we have extended the exclusivity period for the potential mining projects in Inner Mongolia and Suriname so as to allow time to better understand the projects and negotiate for the terms where appropriate. We are also looking for the possibility of other new investment opportunities in Inner Mongolia, which is well known for its affluent mining reserves and resources and the close proximity to the end customers, and other regions. We will provide update on these progresses as and when appropriate.

Last but not least, I would like to express my heartfelt gratitude to my fellow Board members, the management team and all the staff members for their dedication and commitment made for the Group. On behalf of the Board, I would like to take this opportunity to express our sincere gratitude to Dr. Cheng Kar Shun for his invaluable contributions to the Group and leadership to the Board during his tenure of service and wish him every success in his future endeavours. I would also like to express my sincere thanks to the Shareholders, customers, suppliers, banks and business partners for their support.

Chong Tin Lung, Benny
Chairman

Hong Kong, 30 August 2018

Management Discussion and Analysis

Market Overview

For the first half of 2018, the PRC's gross domestic product grew by approximately 6.8% when compared to that of the Corresponding Prior Period, representing a continual trend of steady economic growth.

With the economy transitioning from high-speed to high-quality growth, China is facing conventional and unconventional challenges and difficulties. In the 19th National Congress, President Xi Jinping affirms China's commitment on green development, and China must pursue a model of sustainable development featuring increased production, higher living standards and healthy ecosystems, reiterating his often-mentioned refrain of "lucid waters and lush mountains are invaluable assets". Premier Li Keqiang laid down plans to promote green development and tackle pollution and implement more robust regulations to protect the environment and the top priority was tackling air pollution.

Recently, in early July 2018, the State Council of China rolled out the Three-year Action Plan for Winning the Blue Sky Defence Battle (the "Action Plan"). The Action Plan stresses the importance to carry forward the air pollution control initiatives, especially in the Beijing-Tianjin-Hebei cluster and surrounding areas, and other heavily polluted regions by wielding the economic, legal, technical and administrative instruments, if necessary, by upholding the new development philosophy, mobilising the whole nation, and controlling the pollution at the source, so as to win the blue sky defence battle and achieve multiple wins in the environmental, economic, and social dimensions. According to the Action Plan, a number of measures will be carried out, including cutting outdated production capacity in sectors such as steel and iron. Outdated production capacity must be eradicated, and the number of projects should be controlled.

To this end, the Chinese government put forward several measures with quantifiable indicators and timelines, including optimising the industrial layout, strictly controlling the production capacity of resource-intensive and highly polluting industries, tightening the integrated management of the unregulated random polluters, further controlling the industrial pollution and vigorously fostering the green and environmentally friendly industry.

In addition to that, a number of major environmental protection campaigns were carried out in 2018, impacting production at steel mills and iron mines in Hebei Province and smoggy cities. The Ministry of Ecology and Environment of the PRC launched the first round of nationwide environmental inspections since June 2018 to spur local governments to control air pollutants. Based on past experiences, inspections are usually followed by output cuts or even suspensions of some operations. Severe penalties will be imposed on violators to ensure more blue-sky days. Meanwhile, the PRC government puts emphasis on the control from sources of pollution, enhancement of measures to eliminate the overcapacity in polluting industries (including the open-pit mines) and adoption of scientific and innovative environmental monitoring modules so as to achieve further reduction of pollution as a goal in the Beijing-Tianjin-Hebei region.

China's economic development is in the direction of high quality and high technology. The unwavering implementation of the supply-side reform in the iron and steel industry by the PRC government will cause the steel mills and iron mines in Hebei Province to further consolidate and reduce their outputs and even suffer from the risk of relocation, suspension of production and close down. The overall reduction in the production outputs and supply of steel products had driven up the steel price significantly in 2017 which remained at a high level for the first half of 2018. Although mills in northern China have been subject to restrictions on operations of blast furnaces for certain periods during the first half of 2018, steelmakers still enjoyed a high profit margin which could stimulate those which have survived under the environmental regulations to run at full capacity.

Market Overview *(Continued)*

According to reports, while high steel prices, a positive outlook for industrial production and a seasonal rebound in construction activity in China's spring months are all expected to provide some price support for 2018, it is expected to decline in coming years as a result of moderating demand and growing supply. China's steel production is also projected to decline with ongoing capacity reductions and policies to address air pollution. The effect of declining steel production on iron ore imports is expected to be partially offset by a projected decline in China's iron ore production. Australian miners' medium grade iron ores are the foundation of China's sinter feed. As a result, the seaborne iron ore prices continue to stay range-bound with most of the action taking place in the way grade and impurities are assessed.

The development of the environmental protection policies in China is perceived to be less favourable to the mining industry, especially the open-pit mines, and in light of the US-China trade friction, the Group will keep abreast of the latest economic development and the PRC government's policies on environmental protection, production safety as well as the mining industry development and consider the impact thereof so as to build an environmentally friendly mine at the Yanjiazhuang Mine area and to set out the direction of the Group's long-term business development.

Business Review

In the first half of 2018, the Group continues to principally engage in two businesses, namely, the Trading Business of iron ore, other commodities and construction materials and the Mining Businesses at the Yanjiazhuang Mine (i.e. the Iron Concentrate Business and the Gabbro-Diabase and Stone Business). With the management's effort to secure long term supply, the Group's Trading Business remained the primary income source for the Reporting Period. To diversify the Group's interests in the mining and resources sector, the Group has established the first subsidiary in Inner Mongolia during the Reporting Period and secured the supply of coals from coal mines in Inner Mongolia which shall be a new income driver to enhance the financial performances of the Group in future. Meanwhile, the Group strives to get through the approval process for the Renewal of the Mining Permit of the Yanjiazhuang Mine and develop a harmonious and environmentally friendly mine at the Yanjiazhuang Mining area and a safe workplace for the stakeholders. Nevertheless, the Group's management endeavour to develop the Group's businesses in an amicable manner despite the business, operating and economic environments remain challenging with high uncertainties in near future.

Trading Business

During the Reporting Period, the Group sold approximately 0.3 Mt (Corresponding Prior Period: approximately 0.6 Mt) of iron ores and recognised income from Trading Business of iron ores and other commodities of approximately RMB117.1 million (Corresponding Prior Period: approximately RMB289.2 million), representing a decrease of approximately 60%. Subsequent to 30 June 2018, the Group continues to develop the Trading Business and entered into contracts for the purchase and sales of iron ores of approximately 0.4 Mt and contracts with customers for the sales of coals of approximately 0.4 Mt subject to market prices.

Business Review *(Continued)*

Trading Business *(Continued)*

During the Reporting Period, the Group has been focusing its effort on securing the supply of iron ores from an Australian mine and its long term supplier, SCIT, with major products coming from Australia, which are perceived to be well accepted by the trading-arms of steel mills and certain State-owned enterprises. According to reports, demand for Australian iron ore remains as strong as ever, especially from China, and China is the end destination for around 80% of all Australian iron ore exports in the first half of 2018 despite iron ore port inventories in China already sitting at the highest level on record. However, the market competition was fierce leading to the Group's volume of iron ores traded to decrease and the Group's sales decreased accordingly.

Besides, the Group's iron ores are purchased and sold at relatively low prices after adjustments for grade and impurities as compared to the Corresponding Prior Period. During the Reporting Period, the seaborne iron ore prices continue to stay range-bound with most of the action taking place in the way of grade and impurities assessed. The seaborne iron ore prices were in the range of USD60 to USD80 per tonne for the first half of 2018, which has dropped by about 12% to 33% as compared to the highest price of over USD90 in early 2017. Added to that, the price adjustments for lower grade and impurities in Australian iron ores has shot upwards. The radical changes in procurement preference in China in the first half of 2018 have pushed down the price of the Group's Australia-origin iron ores. The average unit selling price for iron ores traded by the Group was approximately USD50 per tonne for the Reporting Period (Corresponding Prior Period: approximately USD70 per tonne), the decrease of which was in line with the trend of the international iron ore market prices and market adjustments within the Reporting Period.

Nevertheless, Chinese steel mill margins will remain the most important driver of short term iron ore price movements, as mills capitalise on higher margins to boost output. Looking ahead, Chinese steel market sentiment is generally unchanged with domestic orders expected to remain stable. But domestic supply and demand will depend on the impact of environmental protection curbs, and low steel stocks will also help support prices. While it is supported by the high profit margins of Chinese steel mill, a structural preference for medium grade iron ores shall continue as the policy makers look to combat pollution and boost productivity of steel industry. Australian miners' medium grade iron ores are foundation of China's sinter feed. With high steel prices, a positive outlook for industrial production and a seasonal rebound in construction activity in China's spring months are all expected to provide some price support for iron ores this year.

In the near future, the Australian iron ores shall remain the Group's primary products for the Trading Business which is well accepted by the customers. Indeed, the commissioning and ramp up of some iron ore projects in Australia are expected to drive increases in the output volume, which will ease some market competition, and deliver more high-grade products, which will help to improve the Group's average selling prices, in future years. The Group's management team will also focus its attention on the development of new customers, relationship continuity and repeated orders so as to bring back the Trading Business to a sustainable growth in the long run.

Apart from trading of iron ores, the Group has been exploring and developing new business relationships with other mines, traders and market players with an aim to further expand the sources for commodity supply and to broaden the income spectrum.

Business Review *(Continued)*

Trading Business *(Continued)*

During the Reporting Period, the Group has established a wholly-owned foreign enterprise as its first subsidiary and the trading arm in Inner Mongolia. This strategic development evidenced the establishment of the Group's business presence in Inner Mongolia, which is well known for its affluent mining reserves and resources. According to reports, as economic growth remained decent in China and hydro power failed to deliver in the first half of 2018, thermal power posted solid growth and it is anticipated that the forecast growth in coal-fired power generation will continue. This certainly bodes well for thermal coal demand as power generation accounted for more than half of the coal consumption in China for 2017. In March 2018, the Group entered into a coal purchase agreement, pursuant to which, among others, the Group secured the supply of not less than 500,000 tonnes of coals from the designated coal distributor of the coal mining company. The offtake of coals is considered to be an opportunity to diversify the product offerings in the Trading Business and bring a new income stream to the Group.

After its establishment, the new subsidiary has begun to build its customer base in Inner Mongolia and nearby provinces through business visits and networking. As a start-up, the revenue and profit contributions from the coal trading were not substantial during the Reporting Period (Corresponding Prior Period: Nil). Subsequent to the Reporting Period, the Group has entered into contracts with customers for the sales of coals of approximately 0.4 Mt subject to market prices, which demonstrates the management's effort in scaling up the Group's coal trading business. In the last couple of years, there have been supply-side reform and safety checks in the PRC coal industry, which has lifted the market prices since 2016. In addition, the domestic thermal coal price in China started to rebound since April 2018 and shall stay high, especially with some tightened safety inspection recently and the depreciation of RMB against the USD, which has greatly dampened Chinese demand for seaborne coals. In view of the stable demand for coals in the northern China for industrial use, power supply and heating, and the close proximity of the coal mines to the customers, it is believed that the Group could, through the trading of coals, improve its operating and financial performances in the near future.

With the continual effort of the Group's management and through the above product diversification and business collaboration, it is believed that the Trading Business could continue to grow and bring in strong income, profit and cash flow to support the development of the Group in the long run.

Iron Concentrate Business

The Group, through Xingye Mining, owns and operates the Yanjiazhuang Mine in Hebei Province, the PRC. The Yanjiazhuang Mine is a large-scale open-pit iron ore and gabbro-diabase mine. However, the Mining Permit had expired in July 2017. During 2017, the Group commenced the application for the Renewal, which is still in progress. Throughout the Reporting Period, the management of the Xingye Mining has been working closely with various PRC government authorities in respect of the Renewal. One of the proposals is to adjust and narrow down the Yanjiazhuang Mine area so as to preserve the nature reserves area in the region and to positively respond to the PRC government's direction and development of ecology and environmental policies, while this may help Xingye Mining to reduce its remaining resources fee payable in relation to gabbro-diabase. Such proposal together with the government's domestic development plan triggered the Land Use Adjustment, which become one of the steps for the Renewal of the Mining Permit. The management of Xingye Mining has been in regular contact with the relevant government authorities so as to give impetus to the assessment and approval process regarding the Land Use Adjustment. The Group is still waiting for approval on Land Use Adjustment which is being liaised among various government authorities. The Renewal application is still in progress, and the Group has not received any notice in respect of the rejection of the Renewal application or the withdrawal of the Mining Permit from the relevant government authorities as at the date of this report.

Business Review *(Continued)*

Iron Concentrate Business *(Continued)*

In 2018, there are several developments in the environmental protection policies in China, which are perceived to be less favourable to the mining industry, especially the open-pit mines. The Action Plan (as mentioned earlier) aims to improve the overall air quality in China, especially the Beijing-Tianjin-Hebei region and some areas with smoggy weather. The Action Plan puts emphasis on the control from sources of pollution, enhancement of measures to eliminate the over-capacity in polluting industries (including the open-pit mines) and adoption of scientific and innovative environmental monitoring modules so as to achieve further reduction of pollution as the goal. Besides, China launched the first round of nationwide environmental inspections with Hebei Province covered under the scheme. Based on past experiences, inspections are usually followed by output cuts or even suspensions of some operations. Severe penalties will be imposed on violators to ensure more blue-sky days. In view of these more stringent environmental protection measures being put in place by the PRC government which were not foreseen by the Group, it could be anticipated that the PRC government authorities will need more time and/or further information to consider and process the Land Use Adjustment and the application for the Renewal, which may not be within the control of the Group.

Apart from the Mining Permit, Xingye Mining had also made application for the renewal of a production safety permit for the Iron Concentrate Business in prior years. Because of the tightening of the environmental protection measures by the PRC government and pending for the Renewal, Xingye Mining has not yet received further information regarding the renewal of the production safety permit after its submission of required documents to the relevant authorities for approval, and the representatives from the Safety Authority completing the on-site inspection, assessment and acceptance procedures and confirming the Group's production safety qualification in a prior year. The management of Xingye Mining expects that it may take longer time for the government authorities to coordinate and arrange for the issuance of the production safety permit, which is beyond the control of the Group. Upon the completion of the Renewal, Xingye Mining shall submit documents to the Safety Authority and other regulatory bodies for the update of Mining Permit information. In light of the repeated delays in the renewal of the production safety permit over the past few years, the management of Xingye Mining could not ascertain the timing for Xingye Mining to obtain the production safety permit, which has added uncertainties to the future development of the Iron Concentrate Business and the Yanjiazhuang Mine. The management of Xingye Mining will continue to follow up on the renewal of the production safety permit as and when the Renewal is expedited.

Moreover, Xingye Mining had to cope with the resumption of the Iron Concentrate Business. In order to foster the local villagers to resolve the local matters in an agreeable manner, the management of Xingye Mining has been under discussions with governmental and village representatives and has proposed an award sharing proposal so that the villagers will be entitled to benefit from the resumption, smooth operation and performance of the Yanjiazhuang Mine in the long run. Taking into account the demands of local villagers, it is believed that, by increasing the Group's effort in explaining and transmitting such proposal among local villagers, this proposal has a higher chance of receiving general acceptance by the local villagers. Besides, the management of Xingye Mining has been exploring more alternatives and considering other collaboration possibilities as appropriate with the aim to bring back the operations at the Yanjiazhuang Mine. Recently, Xingye Mining also noticed that the PRC government has been promoting the development of rural complex pilot project. The project aims to carry out a large-scale comprehensive planning, development and operation in the rural areas through the cooperation between the enterprises and the local villages and turn out to form a new community and lifestyle and let the local have an opportunity to participate in the process and gain benefits from it. It aims at preserving the ecology environment while enhancing the rural productivity. As far as known to Xingye Mining, the Yanjiazhuang Mine is near the locations with ecological development and tourism value. It could be possible that the development and integration of "Agricultural-Cultural-Ecological-Tourism" business model to the Mining Businesses of Xingye Mining may bring new business environment to the Yanjiazhuang Mine area, which could help to smooth out the local issues and to cater for the green development trend of the PRC government. Aiming at resolving the local issues at an amicable manner, the management of Xingye Mining has been actively negotiating with local village representatives to understand the development potential and economic values of this new ecological proposal so as to evaluate and adjust the business plan, as and when appropriate.

Business Review *(Continued)*

Iron Concentrate Business *(Continued)*

In view of the above-mentioned circumstances, the expansion plans for the Yanjiazhuang Mine were hindered and the Group did not incur any material capital expenditure or carry out any material infrastructure development for the Iron Concentrate Business.

Gabbro-Diabase and Stone Business

Aiming to capture the business opportunities arising from the infrastructure development of highways and high-speed rails in the region, the Group built two production facilities for producing highway crushed stone and railway ballast at the Yanjiazhuang Mine in prior years.

In line with the general trend in the policy for environmental protection and emission reduction in China and with the purpose of constructing an environmentally friendly mine and enhancing the utilisation rate of ore resources, the Group installed environmental protection structures at these production facilities and other sites for the production of gabbro-diabase and stone, so as to mitigate any adverse impact on surrounding area during the production process. The Group also placed great emphasis on production safety at these production facilities, making every effort to provide staff with a safe working environment. However, attributed to the requirements for the Environmental Upgrade and local new demands and nuisance as a result of the Disaster, the Group's production at these production facilities has been suspended. As such, the management of Xingye Mining implemented certain cost-saving measures so as to reduce the operating and administrative costs of the Yanjiazhuang Mine.

As mentioned in the "Iron Concentrate Business" section, the Mining Permit had expired in July 2017 and the management of Xingye Mining has been working closely on the Renewal matters during the Reporting Period. However, in view of these more stringent environmental protection measures being put in place by the PRC government, it could be anticipated that the PRC government authorities will need more time and/or further information to consider and process the Land Use Adjustment and the application for the Renewal, which may not be within the control of the Group.

In respect of the Mining Permit for gabbro-diabase at the Yanjiazhuang Mine, the remaining instalments of the resources fee payable, which amounted to approximately RMB21.5 million, in aggregate, together with the associated cost of funds, were due for settlement, but remained unpaid up to date. In view of the tightening environmental protection measures and unfavourable economic and market outlook, the management of Xingye Mining has been in communication with the relevant government authorities and seeking to negotiate for more favourable payment terms under the Renewal. One of the proposals is to adjust and narrow down the Yanjiazhuang Mine area so as to preserve the nature reserves area in the region and to positively respond to the PRC government's direction and development of ecology and environmental policies, while this may help Xingye Mining to reduce the aforesaid remaining resources fee payable in relation to gabbro-diabase. Such proposal together with the government's domestic development plan triggered the Land Use Adjustment, which become one of the steps for the Renewal of the Mining Permit. The Group is still waiting for approval on Land Use Adjustment which is being liaised among various government authorities.

Business Review *(Continued)*

Gabbro-Diabase and Stone Business *(Continued)*

Since late 2017, Xingye Mining has been pushing forward the remaining outstanding works on the Environmental Upgrade with an aim to attain the requirements for the Environmental Upgrade and shall then arrange for an on-site inspection of the environmental protection measures at the Yanjiazhuang Mine by the relevant environmental protection authority (the "EPA"). However, the progress is slow and further construction and remedial works are required before another inspection could be arranged. Xingye Mining has arranged its staff members to attend to these follow-up works so as to attain the required standards for satisfactory completion of the Environmental Upgrade. Also, the management of Xingye Mining has been actively addressing the demands in relation to the Disaster, including the dredging of reservoirs, repair or construction of retaining walls and dams near the local villages and repairs of damaged roads as a result of the Disaster, with the village representatives. It is believed that, by satisfying these demands in an agreeable manner, the village representatives will focus on the negotiation with the Group in relation to the award sharing proposal or the ecological tourism business integration project with a view to achieving consensus and swift settlement of the disputes and other issues surrounding the Yanjiazhuang Mine.

However, given the uncertainty inherent in the changing environmental protection requirements and policies towards heavy polluting industries, the management of Xingye Mining expects that it may need more time and effort to work on the aforesaid Renewal matters, including but not limited to liaising with the relevant government authorities about the Renewal options and the reduction and/or payment terms of remaining resources fee payable for gabbro-diabase, and obtain the required governmental approval for the Land Use Adjustment, so as to complete the Renewal process as soon as practicable.

Apart from the Mining Permit, Xingye Mining had also made application for a production safety permit for the Gabbro-Diabase Business in a prior year. Because of the tightening of the environmental protection policy by the PRC government and pending for the Renewal, Xingye Mining has not yet received further information regarding the issuance of the production safety permit after its submission of required documents to the relevant authorities for approval, and the representatives from the Safety Authority completing the on-site inspection, assessment and acceptance procedures and confirming the Group's production safety qualification in a prior year. The management of Xingye Mining expects that it may take longer time for the government authorities to coordinate and arrange for the issuance of the production safety permit, which is beyond the control of the Group. Upon the completion of the Renewal, Xingye Mining shall submit documents to the Safety Authority and other regulatory bodies for the update of Mining Permit information. In light of the repeated delays in obtaining the production safety permit over the past few years, the management of Xingye Mining could not ascertain the timing for Xingye Mining to obtain the production safety permit, which has added uncertainties to the future development of the Gabbro-Diabase and Stone Business. The management of Xingye Mining will continue to follow up on the issuance of the production safety permit as and when the Renewal is expedited.

As mentioned above, except for the works carried out on the Environmental Upgrade, the Group did not incur any material capital expenditure or carry out any material infrastructure development for the Gabbro-Diabase and Stone Business during the Reporting Period.

Business Review *(Continued)*

Other businesses

Car-Park Business

The Group's subsidiary also engaged in operating car-parks in a commercial building in the Hong Kong Island since 2016 but has yet been able to expand the Car-Park Business due to severe competition among car-park operators and limited scale of operation. In the first half of 2018, the Car-Park Business was still operating at a segmental loss. After the end of the Reporting Period, the Group has disposed of the Car-Park Business so as to focus its management efforts on the Group's mining and resources related projects.

Other Mining Projects

In 2018, the Group entered into two supplemental memorandums of understanding in connection with the extension of exclusivity period of the potential investments in a metal mine in Inner Mongolia, the PRC and a gold mine in Suriname, South America, respectively. For further discussion on these projects, please refer to the section headed "Significant Investments, Acquisitions and Disposals".

The Group will keep exploring these mining projects and other new investment and/or development opportunities with an aim to bring new business development and growth to the Group's business portfolio and to create value for the Shareholders in the long run.

Capital Expenditure and Infrastructure Development

During the Reporting Period, the Group incurred capital expenditure amounting to approximately RMB0.1 million, mainly represented the works in relation to the Environmental Upgrade.

Gabbro-Diabase and Stone Business

During the Reporting Period, the Group carried out works in relation to the Environmental Upgrade.

Capital expenditure of the Gabbro-Diabase and Stone Business during the six-month periods ended 30 June 2018 and 2017 are indicated below:

	Six-month period ended 30 June	
	2018	2017
	RMB'million	RMB'million
	(Unaudited)	(Unaudited)
Construction costs	**0.1**	1.0

During the Reporting Period, the new contract and commitment entered into by the Group for the Gabbro-Diabase and Stone Business including those related to infrastructure projects (road and railway), subcontracting agreements and purchases of equipment amounted to approximately RMB0.1 million (Corresponding Prior Period: Nil). It is expected that upon the completion of the Renewal, Xingye Mining will further proceed with the relevant constructions so as to support the development of the Gabbro-Diabase and Stone Business as and when appropriate.

Capital Expenditure and Infrastructure Development *(Continued)*

Iron Concentrate Business

Due to the land expropriation disputes and the disturbances around and expiration of the Mining Permit in July 2017, the remaining construction of Phase Two and Phase Three expansion plans were suspended during the Reporting Period, and the Group did not incur any material capital expenditure or carry out any material infrastructure development for the Iron Concentrate Business during the six-month periods ended 30 June 2018 and 2017.

There was no new contract and commitment entered into by the Group for the Iron Concentrate Business including those related to infrastructure projects (road and railway), subcontracting agreements and purchases of equipment during the six-month periods ended 30 June 2018 and 2017. It is expected that when disputes and disturbances regarding the iron concentrate production at the Yanjiazhuang Mine are smoothed out and after the completion of the Renewal, Xingye Mining will further proceed with the relevant constructions so as to support the development of the Iron Concentrate Business as and when appropriate.

Exploration Activities

During the Reporting Period, the Group did not have any exploration, development or production activity nor incur any expense or capital expenditure in any such activity at the Yanjiazhuang Mine.

Production Costs of the Yanjiazhuang Mine

Gabbro-Diabase and Stone Business

The Group's production costs for the Gabbro-Diabase and Stone Business amounted to approximately RMB0.1 million as recognised in the cost of sales during the Reporting Period (approximately RMB0.4 million for the Corresponding Prior Period).

Production Costs of the Yanjiazhuang Mine *(Continued)*

Gabbro-Diabase and Stone Business *(Continued)*

The following table presents, for the periods indicated, the Group's production costs for the Gabbro-Diabase and Stone Business:

	Six-month period ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Processing costs		
– Subcontracting fees	**33**	200
Overheads		
– Depreciation and amortisation	**7**	45
– Hauling	**15**	91
– Staff costs	**2**	13
– Others	**2**	7
	26	156
Total production costs for the Gabbro-Diabase and Stone Business	**59**	356

Iron Concentrate Business

During the six-month periods ended 30 June 2018 and 2017, the Group's iron concentrate production had not yet resumed and therefore no production cost of iron concentrates was recorded.

Iron Ore Resource and Reserve Estimates

During the Reporting Period, the Group has yet to resume its production of iron concentrates at the Yanjiazhuang Mine and there were no significant changes in the Group's mineral resources and ore reserves prepared under the JORC Code as at 30 June 2018 as compared to those disclosed in the 2017 Annual Report.

As previously mentioned, the Renewal application is still in progress. Given the uncertainty inherent in the stringent environmental protection requirements and policies towards heavy polluting industries, the management of Xingye Mining expects that it may need more time and effort to work on the aforesaid Renewal matters and obtain the required governmental approval for the Land Use Adjustment so as to push forward the Renewal process as soon as practicable. Further discussion of the Renewal are set out in the "Business Review – Iron Concentrate Business" section.

Gabbro-Diabase Resource Estimates

The Mining Permit had expired in 2017 and the production of gabbro-diabase at the Yanjiazhuang Mine was suspended during the Reporting Period. The gabbro-diabase resources at the Yanjiazhuang Mine at 30 June 2018 was largely the same as those disclosed in the 2017 Annual Report.

As mentioned in the "Business Review – Gabbro-Diabase and Stone Business" section, the Renewal application is still in progress, and the remaining instalments of the resources fee payable, which amounts to approximately RMB21.5 million, in aggregate, together with the associated cost of funds, were due for settlement, but remained unpaid up to date. In view of the tightening environmental protection measures and unfavourable economic and market outlook, the management of Xingye Mining has been in communication with the relevant government authorities and seeking to negotiate for more favourable payment terms under the Renewal. However, the negotiations have yet to turn into any attainment.

Given the uncertainty inherent in the changing environmental protection requirements and policies towards heavy polluting industries, the management of Xingye Mining expects that it may need more time and effort to work on the aforesaid Renewal matters, including but not limited to liaising with the relevant government authorities about the Renewal options, and the reduction and/or payment terms of remaining resources fee payable for gabbro-diabase and obtain the required governmental approval for the Land Use Adjustment, so as to complete the Renewal process as soon as practicable. Further discussion of the Renewal are set out in the "Business Review – Gabbro-Diabase and Stone Business" section.

Production Safety and Environmental Protection

The Group has been placing great emphasis on production safety and environmental protection. A team of trained staff are responsible for production safety and management at the Yanjiazhuang Mine. This team has been consistently promoting safety standards and strengthening environmental protection measures so as to raise the Group's sense of social responsibility and safety awareness. During the Reporting Period, no significant safety-related incidents were recorded in the operations at the Yanjiazhuang Mine.

Considering the smoggy weather in Mainland China, especially in Beijing-Tianjin-Hebei cluster, the PRC government is laying down plans to further tighten the relevant environmental protection measures towards heavy polluting industries, such as open-pit mines. To cope with the potential impact of these policy moves on the Mining Businesses, the Group will keep abreast of the latest regulatory requirements and changes, and adopt appropriate environmental and other measures from time to time to facilitate the resumption of operation and production at the Yanjiazhuang Mine.

As mentioned earlier, Xingye Mining has made applications for the renewal of a production safety permit of the Iron Concentrate Business and the grant of a production safety permit of the Gabbro-Diabase Business in a prior year. In light of the repeated delays on such matters over the past few years, the renewal or issuance of the production safety permits are beyond the control of the Group, and the management of Xingye Mining will continue to follow up on the progresses.

Production Safety and Environmental Protection *(Continued)*

Moreover, in a prior year, Xingye Mining received a notice from the EPA requiring it to carry out the Environmental Upgrade at the Yanjiazhuang Mine. Although the management of Xingye Mining has been developing a preliminary plan for the Environmental Upgrade, inclement weather and the Disaster in Hebei Province, the PRC, had caused the originally planned Environmental Upgrade to be postponed. Since late 2017, Xingye Mining has been pushing forward the remaining outstanding works on the Environmental Upgrade with an aim to attain the requirements for the Environmental Upgrade and shall then arrange for an on-site inspection by the EPA. However, the progress is slow and further construction and remedial works are required before another inspection could be arranged. Xingye Mining has arranged its staff members to attend to these follow-up works so as to attain the required standards for satisfactory completion of the Environmental Upgrade.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the Reporting Period (Nil for the Corresponding Prior Period).

Financial Review

During the Reporting Period, the Group recognised revenue of approximately RMB118.3 million (approximately RMB290.9 million for the Corresponding Prior Period), decreased by 59%, which mainly came from the Trading Business of iron ores and other commodities. During the Reporting Period, the Group has been focusing on securing the stable supply of Australian iron ores which are perceived to be well accepted by the trading arms of steel mills and certain State-owned enterprises. However, the market competition was fierce leading to the volume of iron ores traded to decrease and the Group's sales decreased accordingly. Also, the average selling price of iron ores has been decreased by 29% to as compared to that for the Corresponding Prior Period to reflect the decrease in market iron ore prices and the market adjustments on lower grade products and impurities.

The net loss of the Group for the Reporting Period was approximately RMB84.9 million (approximately RMB18.8 million for the Corresponding Prior Period), representing an increase by about 3.5 times. The loss attributable to owners of the Company amounted to approximately RMB83.8 million (approximately RMB18.3 million for the Corresponding Prior Period). The basic and diluted loss per share for the Reporting Period was approximately RMB2.10 cents (approximately RMB0.46 cents for the Corresponding Prior Period).

The overall increase in net loss was mainly attributed to the recognition of impairment loss arising on the non-current assets at the Yanjiazhuang Mine (the "Impairment") of approximately RMB58.3 million during the Reporting Period (as further detailed in notes 10, 11 and 12 to the interim condensed consolidated financial statements), the increase in the estimated possible payments of approximately RMB2.6 million accrued for the outstanding gabbro-diabase resources fee payable during the Reporting Period, the overall decrease in the Group's revenue of approximately RMB172.6 million, and the absence of write-back of over-accrual of interest and other costs of approximately RMB4.8 million in relation to a litigation that has been settled in the Corresponding Prior Period.

Financial Review *(Continued)*

Revenue, Gross Profit and Gross Profit Margin

During the Reporting Period, the Group recognised revenue of approximately RMB118.3 million (approximately RMB290.9 million for the Corresponding Prior Period), decreased by 59%, which mainly came from the Trading Business of iron ores and other commodities. During the Reporting Period, the Group has been focusing on securing the stable supply of Australian iron ores which are perceived to be well accepted by the trading arms of steel mills and certain State-owned enterprises. However, the market competition was fierce leading to the volume of iron ores traded to decrease and the Group's sales decreased accordingly. The volume of iron ore traded has decreased by 50% to approximately 0.3 Mt during the Reporting Period, as compared to approximately 0.6 Mt for the Corresponding Prior Period. As discussed in more details in the "Business Review – Trading Business" section, the average selling price of iron ores supplied by the Group decreased by 29% from about USD70 per tonne during the Corresponding Prior Period to about USD50 per tonne for the Reporting Period, which was in line with the trend of the international iron ore market prices and market adjustments on lower grade products and impurities within the Reporting Period.

In line with the drop in revenue, the Group recorded an overall decrease in gross profit to approximately RMB0.4 million (approximately RMB0.7 million for the Corresponding Prior Period) with slightly improving gross profit margin to 0.3% during the Reporting Period (0.2% for the Corresponding Prior Period).

Cost of Sales

The Group's cost of sales for the Reporting Period decreased by 59% to approximately RMB117.9 million, as compared to approximately RMB290.2 million for the Corresponding Prior Period. The decrease in cost of sales was in line with the decrease in market price and trading volume of iron ores from the Trading Business.

Being an international commodity, iron ore prices have been subject to market fluctuation from time to time. Instead of engaging in price speculation by stocking up iron ores or entering into future contracts with its customers, the Group takes a prudent approach by securing the supply of iron ores and confirming sales orders with the customers in short time intervals. This allows the Group to achieve a faster inventory turnover and therefore the decrease in cost of sales of the Trading Business largely follows the market trends and the Group's sales revenue.

Administrative Expenses

During the Reporting Period, the Group's administrative expenses were approximately RMB13.8 million, lower than that for the Corresponding Prior Period of approximately RMB16.0 million by 14%. The decrease was mainly due to the reduction in staff costs by approximately RMB1.5 million for the Reporting Period as a result of the measures taken to streamline the labour force and reduce the operating outlays of Xingye Mining since 2017.

Finance Expense

Finance expense increased by 14% to approximately RMB4.2 million during the Reporting Period, as compared to approximately RMB3.7 million for the Corresponding Prior Period. The increase was mainly due to the reduction in interest income earned by approximately RMB0.6 million as the bank deposit interest decreased.

Financial Review *(Continued)*

(Other Expenses)/Other Income and Gains

Other expenses mainly represented the estimated possible payments on the outstanding gabbro-diabase resources fee payable of approximately RMB7.8 million. During the Corresponding Prior Period, such estimated possible payments of approximately RMB5.2 million was included in other income and gains and was net off with the write-back of over-accrual of interest and other costs of approximately RMB4.8 million in relation to a litigation that has been settled in that period.

Impairment Losses

Attributed to additional time that may be required to obtain the approval for Land Use Adjustment and the Renewal leading to possible postponement in the resumption of iron concentrate trial production, the Group recognised impairment losses on property, plant and equipment of approximately RMB57.8 million, intangible assets of approximately RMB0.2 million and prepaid land lease payments of approximately RMB0.3 million. Details of these impairment losses are further set out in notes 10, 11 and 12 to the interim condensed consolidated financial statements.

Income Tax Expense

No income tax was recognised in Hong Kong for the Reporting Period as the Group has over-provision of Hong Kong profits tax in the prior year. No income tax was recognised in the PRC as the Group made losses in the PRC in both periods.

Also, it is considered to be premature to recognise the deferred tax assets for tax losses arising in the PRC and Hong Kong as at 30 June 2018. Further details about the Group's income tax are set out in note 7 to the interim condensed consolidated financial statements.

Property, Plant and Equipment

As at 30 June 2018, the Group's property, plant and equipment had a net book value of approximately RMB206.2 million (approximately RMB266.2 million as at 31 December 2017), representing mainly the mining and related assets at the Yanjiazhuang Mine and accounted for 32% (34% as at 31 December 2017) of total assets of the Group. The substantial decrease during the Reporting Period was mainly attributable to the recognition of impairment loss of approximately RMB57.8 million (Nil for the Corresponding Prior Period). Further details about the Group's property, plant and equipment are set out in note 10 to the interim condensed consolidated financial statements.

Other Current Financial Assets at Amortised Cost

As at 30 June 2018, the balance of other current financial assets at amortised cost mainly represented deposits to suppliers of approximately RMB56.9 million to secure the coal supply and iron ores for the Trading Business. As at 31 December 2017, these balances were classified as "other current assets" and details of the impact of new standards adopted by the Group are set out in note 2.2 of the interim condensed consolidated financial statements.

Other Current Financial Liabilities

As at 30 June 2018, the balance of other current financial liabilities mainly represented gabbro-diabase resources fee payable and accrual for the estimated possible payments accrued thereon and payables to suppliers or contractors for the addition of items of property, plant and equipment of approximately RMB21.5 million, RMB28.7 million and RMB10.2 million respectively. As at 31 December 2017, these balances were classified as "other payables and accruals" and details of the impact of new standards adopted by the Group are set out in note 2.2 of the interim condensed consolidated financial statements.

Financial Review *(Continued)*

Other Current Financial Liabilities *(Continued)*

In respect of the Mining Permit for gabbro-diabase at the Yanjiazhuang Mine, the remaining three instalments of the resources fee payable, which amounts to approximately RMB21.5 million, in aggregate, together with the associated cost of funds, were due for settlement, but remained unpaid up to date, further discussions of which are set out in the “Business Review” section and note 15 to the interim condensed consolidated financial statements.

Liquidity and Financial Resources

As at 30 June 2018, the Group’s cash and cash equivalents amounted to approximately RMB99.9 million (approximately RMB164.3 million as at 31 December 2017), of which 65% are denominated in RMB, 5% are denominated in HKD and 30% are denominated in USD (3% are denominated in RMB, 5% are denominated in HKD and 92% are denominated in USD as at 31 December 2017), representing 15% (21% as at 31 December 2017) of total assets of the Group. The decrease in cash and cash equivalents was attributed to the payment of trade deposits of RMB50 million for the coal supply of the Trading Business. The Group would also negotiate for other new trade finance facilities with the banks so as to support the further development of the Trading Business in future.

The Group’s net cash position (calculated as total cash and bank balances less total borrowings) was approximately RMB82.6 million as at 30 June 2018 (approximately RMB164.6 million as at 31 December 2017), while the Group’s liquidity ratio (calculated as current assets divided by current liabilities) was approximately 1.3 as at 30 June 2018 and 31 December 2017, both of which are considered to be steady and strong.

During the Reporting Period, the Group paid approximately RMB0.1 million for the settlement of the Group’s addition of items of property, plant and equipment, mainly related to the works in relation to the Environmental Upgrade (approximately RMB0.7 million for the Corresponding Prior Period).

Capital Structure and Gearing Ratio

The Group calculates its net gearing ratio by dividing its net debt position (calculated as total borrowings less total cash and bank balances) by its total equity.

As at 30 June 2018, the total equity of the Group amounted to approximately RMB301.2 million (approximately RMB386.1 million as at 31 December 2017).

As the Group had net cash position of approximately RMB82.6 million and RMB164.6 million as at 30 June 2018 and 31 December 2017, respectively, it is therefore not considered to have any net gearing as at these dates.

Loans, Indebtedness and Maturity Date

As at 30 June 2018, the Group had HKD-denominated secured bank borrowing amounted to HK$250.0 million (equivalent to approximately RMB210.8 million) (HK$250.0 million (equivalent to approximately RMB209.0 million) as at 31 December 2017). As at 30 June 2018 and 31 December 2017, the Group’s bank borrowing is secured by time deposits of HK$250.0 million, in aggregate, (equivalent to approximately RMB210.8 million and RMB209.0 million as at 30 June 2018 and 31 December 2017 respectively) and carries interest at floating rate. The maturity of the Group’s bank borrowing is subject to the bank’s overriding right of repayment on demand.

Loans, Indebtedness and Maturity Date *(Continued)*

The Group's Trading Business utilised trade finance facilities offered by banks that mainly include letters of credit and bills discounting. As at 30 June 2018, the Group utilised approximately 7% of the trade finance facilities (Nil as at 31 December 2017), that included an advance drawn on bills discounted to a bank of approximately RMB17.3 million (Nil as at 31 December 2017).

As at 30 June 2018 and 31 December 2017, no property, plant and equipment or leasehold land or land use rights were pledged for the Group's bank borrowings or banking facilities.

Pledge of Assets

As at 30 June 2018 and 31 December 2017, the Group's time deposits of HK$250.0 million, in aggregate, (equivalent to approximately RMB210.8 million and RMB209.0 million respectively) have been utilised as securities for the Group's bank borrowing.

Funding and Treasury Policy

The Group has a funding and treasury policy to monitor its funding requirements and perform ongoing liquidity review. This approach takes into consideration the maturity of its financial instruments, financial assets and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowing and trade finance and treasury facilities.

Exposure to Fluctuations in Exchange Rates

The Group's functional currency is RMB as the assets and operations at the Yanjiazhuang Mine are primarily located in the PRC with transactions settled in RMB while the Group's Trading Business was settled in USD and RMB.

During the Reporting Period, the Group has transactional currency exposures. Such exposures arose from the sales and purchases of products and other transactions of operating units in currencies other than the Group's functional currencies. Approximately 99% and 99% of the Group's sales and purchases, respectively during both periods, and approximately 12% of the Group's net assets as at 30 June 2018 (approximately 40% as at 31 December 2017) were denominated in foreign currency (the USD). Currently, the Group does not have a foreign currency hedging policy. The fluctuation of RMB against USD and HKD during the Reporting Period led to the recognition of net foreign exchange losses of approximately RMB4.0 million (losses of approximately RMB3.8 million during the Corresponding Prior Period).

In view of the diversification of the Group's businesses and products, the management will closely observe the movements in RMB exchange rates and market interest rates and consider any rearrangement of its sources of financing and deposit portfolio where appropriate.

Segment Information

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments, the "Iron Concentrate Business" segment, "Gabbro-Diabase and Stone Business" segment, "Trading Business" segment and "Car-Park Business" segment. An analysis of the Group's revenue by operating segment is as follows:

	Six-month period ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Trading Business	**117,085**	289,195
Iron Concentrate Business (Note)	**–**	–
Gabbro-Diabase and Stone Business	**83**	488
Car-Park Business	**1,155**	1,204
	118,323	290,887

Note: No revenue had been recorded for the "Iron Concentrate Business" segment for the Reporting Period (Nil for the Corresponding Prior Period) as the Group had yet to resume the trial production of the Iron Concentrate Business at the Yanjiazhuang Mine during the Reporting Period.

Furthermore, the majority of the Group's non-current assets are located in the PRC in both periods. An analysis of the Group's revenue from the external customers by geographical segment is as follows:

	Six-month period ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Hong Kong	**92,615**	160,570
Mainland China	**25,708**	488
North America	**–**	86,906
Asia	**–**	42,923
	118,323	290,887

Further details of the Group's segment information and segment results are set out in note 3 to the interim condensed consolidated financial statements, and further discussions on business performance of each business segment of the Group are set out in the sections headed "Market Overview" and "Business Review".

Capital Commitments

The Group had the following capital commitments at the end of the reporting periods:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Contracted, but not provided for:		
– Property, plant and equipment	**38,595**	38,595
– Capital contributions to an associate upon its establishment	**–**	1,500
	38,595	40,095

The Group intends to finance these capital expenditure by internally generated funds.

Events after the Reporting Period

As abovementioned, the Group has yet been able to expand the Car-Park Business due to severe competition among car-park operators and limited scale of operation, and the Car-Park Business was still operating at a segmental loss during the Reporting Period.

In August 2018, the Group entered into an agreement for sale and purchase with the non-controlling shareholder of the Car-Park Business for the disposal of its entire interests in the Car-Park Business for a total consideration of HK$0.2 million (equivalent to approximately RMB0.2 million). The disposal has been completed in August 2018 with no material gain or loss resulted.

Significant Investments, Acquisitions and Disposals

In July 2018, the Group entered into two supplemental memorandums of understanding in relation to the exploration right for a metal mine in Inner Mongolia and the exploitation right for a gold mine in Suriname, so as to extend the exclusivity period for these mining projects to 30 June 2019.

In addition, a new Sino-foreign equity joint venture (the "JV") was formed in March 2018 under the agreement (the "JV Agreement") entered into by the Group in October 2017 with a view to carrying out business activities and operations aiming to make contributions to environmental restoration and greening services in the PRC. The Group has satisfied its share of registered capital by internal resources during the Reporting Period.

The Group will continue to explore, evaluate and may proceed with these and other new mining and/or investment opportunities, as appropriate, primarily using internal resources so as to create value for the Shareholders in the long run.

During the Reporting Period, except as disclosed above, the Group had no other significant investments, acquisitions or disposals.

Employees and Remuneration Policies

As at 30 June 2018, the Group had a total of 87 (as at 31 December 2017: 80) employees in Hong Kong and Mainland China (excluding workers under the reward scheme based on production outputs and workers of the independent third-party contractors).

Hit by a number of unfavourable factors including the Renewal matters and the Disaster, the Iron Concentrate Business continued to be suspended and the Environmental Upgrade had a slow progress. The management of Xingye Mining implemented certain cost-saving measures, and informed local employees of production, operation and sales functions to suspend from attending work until further notice so as to reduce the operating and administrative costs of Xingye Mining. Certain employees left the Group upon the expiry of their contracts or for other reasons. The management of Xingye Mining will review the situation and get the appropriate employees back to work in an orderly and timely manner.

The Group formulates its human resources allocation and recruitment plans based on its development strategies. The remuneration packages of the employees are structured by reference to job nature (including geographical locations) and prevailing market conditions. The remuneration policy of the Group is subject to periodic review, and year-end bonuses and share options are available to reward employees in line with their individual performances and industry practice. In addition, the Group encourages its employees to receive training that is suitable to their job nature and caters to the needs of obtaining certain professional qualifications, such as seminars and training for different professional knowledge. Appropriate training programmes and/or seminar subsidies are also offered to ensure continuous staff training and development.

The emoluments of the Directors, comprise Director's fee, annual salary package, discretionary bonus and share options, are reviewed and determined by the Board based on the recommendation from the remuneration committee of the Company (the "Remuneration Committee") with reference to the Company's performance, his duties and responsibilities with the Company, and the prevailing market conditions. The Director's remuneration will be subject to annual review by the Remuneration Committee and the Board with the authorisation granted by the Shareholders at the annual general meeting of the Company.

The Human Resources Department is responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration. The Remuneration Committee consults with the chairman of the Board about these recommendations on remuneration policy and structure and remuneration packages. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

Use of Net Proceeds

The net proceeds raised from the IPO of the Company (the "Net Proceeds") in 2011 amounted to approximately RMB1,052 million. As at 30 June 2018, the application of the Net Proceeds is set out as below.

		Net Proceeds Utilised			Unutilised
	Revised use of proceeds* RMB'million	At beginning of the Reporting Period RMB'million	During the Reporting Period RMB'million	At end of the Reporting Period RMB'million	At end of the Reporting Period RMB'million
Development of the Iron Concentrate Business at Yanjiazhuang Mine, the Securities and Treasury Investment Business, the Debt Investment and Financing Business and the Trading Business	463	463	–	463	–
Development of the gabbro-diabase business, Trading Business and working capital (Note)	173	95	78	173	–
Repayment of shareholders' loans	105	105	–	105	–
Working capital	32	32	–	32	–
General working capital, acquisitions, financial management and other new business	279	279	–	279	–
	1,052	974	78	1,052	–

Note: These IPO proceeds were mainly utilised for the deposit paid for the coal supply and purchases made for the purpose of the Trading Business during the Reporting Period.

* In 2014 and 2016, the Company approved the reallocation of the above unutilised Net Proceeds. In March 2018, the Board has resolved to further change the use of the unutilised Net Proceeds, details of which are set out in the Company's announcement dated 27 March 2018.

Outlook and Future Plans

The Group's business development remains challenging and contains uncertainties in 2018 and the foreseeable future. Recently, the US-China trade friction has induced greater uncertainty in the global political, business and economic outlook.

The Renewal of the Mining Permit and the resumption of operation and production at the Yanjiazhuang Mine are still the Group's top priority. However, the new requirements on the environmental policies and the strict enforcement by the PRC government could lead the Group to consider adjustments on its plan for Xingye Mining, as and when appropriate.

Moreover, the Group will continue to develop and grow the Trading Business in the second half of 2018. The Group has successfully secured the supply of coals in the low season, and it is expected that the coal trading could help the Group to widen the customer base and build its reputation over time in Inner Mongolia; therefore the Group can gradually increase its business volume and achieve higher margin.

Last but not least, the Group will cautiously capture China and overseas mergers and acquisitions and other collaboration or investment opportunities in the foreseeable future. However, the project progress depends on the negotiations, the project-specific circumstances and future changes in political, market and economic conditions. The Group endeavours to capture those prosperous investment opportunities as and when they arise so as to achieve sustainable development of the Group and create value for the Shareholders in the long run.

Report on Review of Interim Condensed Consolidated Financial Statements

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To the Board of Directors of Newton Resources Ltd
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the accompanying interim condensed consolidated financial statements set out on pages 25 to 56, which comprise the interim condensed consolidated statement of financial position of Newton Resources Ltd (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2018 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim condensed consolidated financial statements to be in compliance with the relevant provisions thereof and International Accounting Standards 34 "Interim Financial Reporting" ("IAS 34").

The directors of the Company are responsible for the preparation and presentation of this interim financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagements, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express such opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong

30 August 2018

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

Six-month period ended 30 June 2018

	Notes	Six-month period ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Revenue	4	**118,323**	290,887
Cost of sales		**(117,930)**	(290,237)
Gross profit		**393**	650
Selling and distribution costs		**(268)**	(63)
Administrative expenses		**(13,847)**	(15,956)
Impairment loss on property, plant and equipment	10	**(57,782)**	–
Impairment loss on intangible assets	11	**(216)**	–
Impairment loss on prepaid land lease payments	12	**(296)**	–
Impairment loss on other current assets		**(881)**	–
(Other expenses)/other income and gains		**(7,779)**	274
Finance expense, net	6	**(4,173)**	(3,723)
Share of loss of an associate		**(13)**	–
Loss before tax	5	**(84,862)**	(18,818)
Income tax expense	7	**–**	–
Loss for the period		**(84,862)**	(18,818)
Other comprehensive (loss)/income			
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(12)**	6
Other comprehensive (loss)/income for the period, net of tax		**(12)**	6
Total comprehensive loss for the period		**(84,874)**	(18,812)
Loss attributable to:			
Owners of the Company		**(83,804)**	(18,349)
Non-controlling interests		**(1,058)**	(469)
		(84,862)	(18,818)
Total comprehensive loss attributable to:			
Owners of the Company		**(83,801)**	(18,352)
Non-controlling interests		**(1,073)**	(460)
		(84,874)	(18,812)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (RMB cent)	9	**(2.10)**	(0.46)

Details of dividends are disclosed in Note 8 to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Financial Position

30 June 2018

	Notes	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	10	**206,168**	266,162
Intangible assets	11	**722**	938
Prepaid land lease payments	12	**958**	1,266
Investment in an associate		**1,487**	–
		209,335	268,366
Current assets			
Inventories	13	**5,392**	5,452
Trade and bills receivables	14	**43,621**	77,331
Other current financial assets at amortised cost	15	**58,613**	–
Other current assets		**23,490**	49,910
Cash and bank balances	16	**310,723**	373,598
		441,839	506,291
Current liabilities			
Trade and bills payables	17	**26,773**	79,074
Other current financial liabilities	15	**76,378**	–
Contract liabilities		**3,984**	–
Other payables and accruals		**6,396**	92,175
Interest-bearing bank borrowings	18	**228,084**	208,975
Income tax payables		**7,875**	7,875
		349,490	388,099
Net current assets		**92,349**	118,192
Total assets less current liabilities		**301,684**	386,558
Non-current liabilities			
Non-current financial liabilities	15	**500**	–
Long-term payable		**–**	500
		500	500
Net assets		**301,184**	386,058
Equity			
Equity attributable to owners of the Company			
Share capital	19	**331,960**	331,960
Reserves		**(25,455)**	58,346
		306,505	390,306
Non-controlling interests		**(5,321)**	(4,248)
Total equity		**301,184**	386,058

Interim Condensed Consolidated Statement of Changes in Equity

Six-month period ended 30 June 2018

	Attributable to owners of the Company							
	Share capital RMB'000 Note 19	Share premium account RMB'000	Capital reserves RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
(Unaudited)								
At 1 January 2018	**331,960**	**719,871**	**80,864**	**(25)**	**(742,364)**	**390,306**	**(4,248)**	**386,058**
Loss for the period	**–**	**–**	**–**	**–**	**(83,804)**	**(83,804)**	**(1,058)**	**(84,862)**
Other comprehensive income/(loss) for the period:								
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**3**	**–**	**3**	**(15)**	**(12)**
Total comprehensive income/(loss) for the period	**–**	**–**	**–**	**3**	**(83,804)**	**(83,801)**	**(1,073)**	**(84,874)**
At 30 June 2018	**331,960**	**719,871***	**80,864***	**(22)***	**(826,168)***	**306,505**	**(5,321)**	**301,184**
At 1 January 2017	331,960	719,871	80,864	–	(695,819)	436,876	(3,382)	433,494
Loss for the period	–	–	–	–	(18,349)	(18,349)	(469)	(18,818)
Other comprehensive income/(loss) for the period:								
Exchange differences on translation of foreign operations	–	–	–	(3)	–	(3)	9	6
Total comprehensive loss for the period	–	–	–	(3)	(18,349)	(18,352)	(460)	(18,812)
At 30 June 2017	331,960	719,871	80,864	(3)	(714,168)	418,524	(3,842)	414,682

* These reserve accounts comprise the deficiency in reserves of RMB25,455,000 in the interim condensed consolidated statement of financial position.

Interim Condensed Consolidated Statement of Cash Flows

Six-month period ended 30 June 2018

	Notes	Six-month period ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Cash flows from operating activities			
Loss before tax		**(84,862)**	(18,818)
Adjustments for:			
Depreciation of items of property, plant and equipment	5	**2,348**	2,304
Amortisation of prepaid land lease payments	5	**21**	21
Impairment loss on property, plant and equipment		**57,782**	–
Impairment loss on intangible assets		**216**	–
Impairment loss on prepaid land lease payments		**296**	–
Impairment loss on other current assets		**881**	–
Reversal of write-down of inventories to net realisable value	5	**(16)**	(114)
Finance expense, net	6	**4,173**	3,723
Share of loss of an associate		**13**	–
Cash flows before working capital changes		**(19,148)**	(12,884)
Decrease in inventories		**76**	524
Decrease in trade and bills receivables		**33,710**	38,279
Increase in other current financial assets at amortised cost		**(47,453)**	–
Decrease/(increase) in other current assets		**13,716**	(58,399)
Decrease/(increase) in restricted bank deposits		**314**	(202)
Decrease in trade and bills payables		**(52,301)**	(217)
Increase in other current financial liabilities		**4,795**	–
Decrease in contract liabilities		**(9,052)**	–
(Decrease)/increase in other payables and accruals		**(1,856)**	52,798
Cash (used in)/from operations		**(77,199)**	19,899
Interest received		**3,300**	2,917
Bank charges paid		**(131)**	(365)
Net cash flows (used in)/from operating activities		**(74,030)**	22,451
Cash flows from investing activities			
Purchase of items of property, plant and equipment		**(136)**	(699)
Investment in an associate		**(1,500)**	–
Net cash flows used in investing activities		**(1,636)**	(699)

Interim Condensed Consolidated Statement of Cash Flows

Six-month period ended 30 June 2018

	Notes	Six-month period ended 30 June	
		2018	2017
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Cash flows from financing activities			
Advance on discounted bills		**17,309**	–
Increase in restricted bank deposits		**–**	(216,975)
Interest paid		**(2,033)**	(2,275)
Net cash flows from/(used in) financing activities		**15,276**	(219,250)
Net decrease in cash and cash equivalents		**(60,390)**	(197,498)
Cash and cash equivalents at beginning of period		**164,309**	401,378
Effect of foreign exchange rate changes, net		**(3,971)**	(10,441)
Cash and cash equivalents at end of period		**99,948**	193,439
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	16	**310,723**	412,082
Restricted bank balances	16	**(210,775)**	(218,643)
Cash and cash equivalents at end of period		**99,948**	193,439

Notes to the Interim Condensed Consolidated Financial Statements

Six-month period ended 30 June 2018

1. Corporate Information

Newton Resources Ltd (the "Company") is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

During the period, the principal activity of the Company is investment holding and the principal activities of its subsidiaries include trading business, mining, processing and sale of iron concentrates and gabbro-diabase and stone products and car-park business.

2. Basis of Preparation and Significant Accounting Policies

2.1 Basis of Preparation

The unaudited interim condensed consolidated financial statements of the Company and its subsidiaries (together, the "Group") for the six-month period ended 30 June 2018 (the "Interim Financial Statements") have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* issued by the International Accounting Standards Board and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited.

The Interim Financial Statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2017.

2.2 New Standards and Amendments Adopted by the Group

The accounting policies adopted in the preparation of the Interim Financial Statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017, except for the adoption of new International Financial Reporting Standards ("IFRSs") effective as of 1 January 2018. The Group has not early adopted any other accounting standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments*, for the six-month period ended 30 June 2018. The nature and the impact of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the Interim Financial Statements of the Group.

2. Basis of Preparation and Significant Accounting Policies *(Continued)*

2.2 New Standards and Amendments Adopted by the Group *(Continued)*

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 using the modified retrospective method of adoption. The Group applied IFRS 15 to contracts that are initiated after the effective date and contracts that had remaining obligations as of the effective date. In respect of the prior periods, the Group retain prior period's figures as reported under the previous standards, recognising the cumulative effect of applying IFRS 15 as an adjustment to the opening balance of equity as at 1 January 2018. The Group concluded that the transitional adjustment to be made on 1 January 2018 to accumulated losses upon initial adoption of IFRS 15 is nil. It is because the Group recognises revenue upon the transfer of significant risks and rewards, which coincides with the fulfilment of performance obligations. Additionally, the Group's contracts with customers generally has only one performance obligation.

The impact on the Group's consolidated statement of financial position as at 1 January 2018:

	Under IAS 18 RMB'000	**Reclassifications** RMB'000	**Under IFRS 15** RMB'000
Contract liabilities	–	13,036	13,036
Other payables and accruals	92,175	(13,036)	79,139

The Group received short-term advances from customers. Prior to the adoption of IFRS 15, the Group recognised these advances as other payables and accruals in the consolidated statement of financial position. Upon the adoption of IFRS 15, the Group reclassified these advances to "contract liabilities".

The adoption of IFRS 15 does not impact the interim condensed consolidated statement of profit or loss and other comprehensive income and the interim condensed consolidated statement of cash flows for the six-month period ended 30 June 2017.

The Group principally derives revenue from sale of iron ores and coals.

Revenue is measure at the fair value of the consideration received or receivable, and represents amounts receivable for goods sold or services provided, stated net of discounts, returns and value-added taxes. The Group recognises revenue when the specific criteria have been met for the Group's activities, as described below.

2. Basis of Preparation and Significant Accounting Policies *(Continued)*

2.2 New Standards and Amendments Adopted by the Group *(Continued)*

IFRS 15 Revenue from Contracts with Customers *(Continued)*

The Group's contracts with customers for the sale of iron ores, coals and other products or provision of car parking services generally include one performance obligation. Revenue from sale of products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products.

Determining whether revenue of the Group should be reported gross or net is based on a continuing assessment of various factors. Since the Group has sole discretion in determining the pricing, takes full responsibility of the goods sold or services provided to the customers, and also is responsible for the risk associated with the goods before change of control over the goods, and the customers' complaints and requests, the Group considers it controls the specified goods or services before their delivery to its customers and is a principal in the transactions. Accordingly, the Group recognises revenues on the gross basis. Otherwise, the Group records the net amount earned as commissions from products sold or services provided.

IFRS 9 Financial Instruments

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The adoption of IFRS 9 *Financial Instruments* from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out below. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

On 1 January 2018 (the date of initial application of IFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories.

2. Basis of Preparation and Significant Accounting Policies *(Continued)*

2.2 New Standards and Amendments Adopted by the Group *(Continued)*

IFRS 9 Financial Instruments *(Continued)*

The following adjustments were made to the consolidated statement of financial position at the date of initial application, 1 January 2018. The effect of adopting IFRS 9 is, as follows:

	Under IAS 39	Reclassifications	Under IFRS 9
	RMB'000	RMB'000	RMB'000
Financial assets at amortised cost:			
Other current assets	49,910	(11,814)	38,096
Other current financial assets at amortised cost	–	11,814	11,814
Financial liabilities at amortised cost:			
Other current financial liabilities	–	(71,583)	(71,583)
Contract liabilities	–	(13,036)	(13,036)
Other payables and accruals	(92,175)	84,619	(7,556)
Non-current financial liabilities	–	(500)	(500)
Long-term payable	(500)	500	–

The adoption of IFRS 9 does not impact the interim condensed consolidated statement of profit or loss and other comprehensive income and the interim condensed consolidated statement of cash flows for the six month period ended 30 June 2017.

(a) Classification and measurement

Under IFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under IFRS 9 debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion (solely payments of principal and interest on the principal amount outstanding). This category includes the Group's trade and bills receivables and other receivables included in current financial assets.

The assessment of the Group's business models was made as of the date of initial application, 1 January 2018. The assessment on whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the fact and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under IAS 39. Similar to the requirements of IAS 39, IFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in profit or loss.

2. Basis of Preparation and Significant Accounting Policies *(Continued)*

2.2 New Standards and Amendments Adopted by the Group *(Continued)*

IFRS 9 Financial Instruments *(Continued)*

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach.

IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade and bills receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other receivables included in current financial assets, the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

The Group considers a financial asset in default when contractual payment are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The adoption of the ECL requirements of IFRS 9 do not result in increases in impairment allowances of the Group's debt financial assets.

3. Segment Information

Operating Segment Information

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

Iron Concentrate Business	–	mining, processing and sale of iron concentrates
Gabbro-Diabase and Stone Business	–	mining, processing and sale of gabbro-diabase and stone products
Trading Business	–	supply and trading of iron ores, steel products, coals, other commodities and construction materials
Car-Park Business	–	own, operate and manage car-parking spaces

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's loss before tax except that interest income, finance costs as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude cash and bank balances and other unallocated head office and corporate assets, which are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, income tax payables and other unallocated head office and corporate liabilities, which are managed on a group basis.

3. Segment Information *(Continued)*

Operating Segment Information *(Continued)*

The following tables present revenue and results information for the Group's operating segments for the six-month periods ended 30 June 2018 and 2017, respectively.

	Iron Concentrate Business RMB'000	Gabbro-Diabase and Stone Business RMB'000	Trading Business RMB'000	Car-Park Business RMB'000	Total RMB'000
Six-month period ended 30 June 2018 (Unaudited)					
Segment Revenue:					
Sales to external customers	–	83	117,085	1,155	118,323
Segment Results	(60,618)	(8,639)	250	(642)	(69,649)
Reconciliation:					
Interest income					2,646
Corporate and other unallocated expenses					(15,130)
Interest expenses					(2,729)
Loss before tax					(84,862)
Other segment information:					
Reversal of write-down of inventories to net realisable value	–	(16)	–	–	(16)
Impairment loss on property, plant and equipment	57,782	–	–	–	57,782
Impairment loss on intangible assets	216	–	–	–	216
Impairment loss on prepaid land lease payments	296	–	–	–	296
Impairment loss on other current assets	456	425	–	–	881
Depreciation and amortisation	1,779	383	–	26	2,188
Corporate and other unallocated depreciation					181
					2,369
Capital expenditure	–	133	–	–	133
Corporate and other unallocated capital expenditure					3
					136

3. Segment Information *(Continued)*

Operating Segment Information *(Continued)*

	Iron Concentrate Business RMB'000	Gabbro-Diabase and Stone Business RMB'000	Trading Business RMB'000	Car-Park Business RMB'000	Total RMB'000
Six-month period ended 30 June 2017 (Unaudited)					
Segment Revenue:					
Sales to external customers	–	488	289,195	1,204	290,887
Segment Results	3,776	(5,574)	790	(795)	(1,803)
Reconciliation:					
Interest income					3,221
Corporate and other unallocated expenses					(17,458)
Interest expenses					(2,778)
Loss before tax					(18,818)
Other segment information:					
Reversal of write-down of inventories to net realisable value	–	(114)	–	–	(114)
Depreciation and amortisation	1,784	315	–	26	2,125
Corporate and other unallocated depreciation					200
					2,325
Capital expenditure	–	1,012	–	26	1,038
Corporate and other unallocated capital expenditure					50
					1,088

3. Segment Information *(Continued)*

Operating Segment Information *(Continued)*

The following table presents assets and liabilities information for the Group's operating segments as at 30 June 2018 and 31 December 2017, respectively:

	Iron Concentrate Business RMB'000	Gabbro-Diabase and Stone Business RMB'000	Trading Business RMB'000	Car-Park Business RMB'000	Total RMB'000
30 June 2018 (Unaudited)					
Segment assets	**209,404**	**10,925**	**96,992**	**688**	**318,009**
Corporate and other unallocated assets					**333,165**
Total assets					**651,174**
Segment liabilities	**15,623**	**58,844**	**29,512**	**1,563**	**105,542**
Corporate and other unallocated liabilities					**244,448**
Total liabilities					**349,990**
31 December 2017 (Audited)					
Segment assets	270,700	11,660	94,496	1,865	378,721
Corporate and other unallocated assets					395,936
Total assets					774,657
Segment liabilities	15,923	51,346	89,870	3,194	160,333
Corporate and other unallocated liabilities					228,266
Total liabilities					388,599

3. Segment Information *(Continued)*

Geographical Segment Information

(a) Revenue from external customers

	Six-month period ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Hong Kong	**92,615**	160,570
Mainland China	**25,708**	488
North America	**–**	86,906
Asia	**–**	42,923
	118,323	290,887

(b) Non-current assets

The majority of the Group's non-current assets were located in the PRC in both periods.

Information about major customers

The analysis of the Group's major customers, which a single external customer has contributed 10% or more to the Group's revenue, is as follows:

	Six-month period ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Customer A	**41,572**	N/A
Customer B	**25,375**	N/A
Customer C	**17,246**	N/A
Customer D	**16,718**	N/A
Customer E	**15,924**	N/A
Customer F	**N/A**	86,906
Customer G	**N/A**	79,711
Customer H	**N/A**	79,655
Customer I	**N/A**	42,923

The revenue contributed by the above major customers are attributable to the Trading Business segment in both periods.

4. Revenue

Revenue is recognised at a point of time when control of the asset is transferred to the customer, generally on delivery of the assets.

	Six-month period ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Sale of iron ore	**116,835**	289,195
Sale of coal	**250**	–
Sale of stone products	**83**	488
Car-parking fee income	**1,155**	1,204
	118,323	290,887

5. Loss Before Tax

The Group's loss before tax is arrived at after charging/(crediting):

	Six-month period ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Cost of inventories sold	**116,542**	288,725
Cost of services provided	**1,388**	1,512
Depreciation of items of property, plant and equipment	**2,348**	2,304
Amortisation of prepaid land lease payments	**21**	21
Write-back of over-accrual of interest and other costs in relation to a litigation	**–**	(4,761)
Estimated possible payments on the outstanding gabbro-diabase resources fee payable	**7,776**	5,184
Reversal of write-down of inventories to net realisable value	**(16)**	(114)
Minimum lease payments under operating leases for office tenancy and a car park	**1,739**	1,879

6. Finance Expense

An analysis of the Group's net finance expense is as follows:

	Six-month period ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Bank interest income	**2,646**	3,221
Interest on bank borrowings	**(2,075)**	(2,256)
Other borrowing costs	**(654)**	(522)
Net foreign exchange losses	**(3,959)**	(3,801)
Bank charges	**(131)**	(365)
Finance expense, net	**(4,173)**	(3,723)

7. Income Tax

	Six-month period ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current – Hong Kong		
Charge for the period	**6**	–
Over-provision in prior periods	**(6)**	–
Current – Mainland China	**–**	–
	–	–

Hong Kong profits tax has been provided at the rate of 16.5% during the six-month period ended 30 June 2018. No provision for Hong Kong profits tax had been made during the six-month period ended 30 June 2017.

The provision for the PRC corporate income tax ("CIT") is based on the CIT rate applicable to the entities located in or deemed to be operating in Mainland China as determined in accordance with the relevant income tax rules and regulations of the PRC for the six-month period ended 30 June 2018 and 2017.

7. Income Tax *(Continued)*

The Group has unrecognised tax loss arising from an entity operating in Hong Kong of RMB2,328,000 (31 December 2017: RMB1,068,000). The Group has unrecognised tax losses arising from entities operating in Mainland China of RMB171,013,000 (31 December 2017: RMB158,815,000) that will expire in five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses and deductible temporary differences as it is considered not probable that sufficient taxable profits will be available against which the unused tax losses can be utilised by the Group.

8. Dividend

The directors do not recommend the payment of an interim dividend to shareholders for the six-month period ended 30 June 2018 (six-month period ended 30 June 2017: Nil).

9. Loss Per Share Attributable to Ordinary Equity Holders of the Company

The calculation of basic loss per share amount is based on the loss for the period attributable to owners of the Company, and the weighted average number of ordinary shares of 4,000,000,000 in issue during the periods ended 30 June 2018 and 2017.

The calculation of basic loss per share is based on:

	Six-month period ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Loss		
Loss attributable to owners of the Company, used in the basic loss per share calculation	**(83,804)**	(18,349)
	'000	'000
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	**4,000,000**	4,000,000

Diluted loss per share was the same as the basic loss per share as the Company had no potentially dilutive ordinary shares in issue during the six-month periods ended 30 June 2018 and 2017.

10. Property, Plant and Equipment

	Buildings RMB'000 (Unaudited)	Motor vehicles, fixtures and others RMB'000 (Unaudited)	Machinery RMB'000 (Unaudited)	Mining infrastructure RMB'000 (Unaudited)	Construction in progress RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Cost:						
At 31 December 2017 and 1 January 2018	**62,239**	**6,161**	**104,396**	**165,199**	**402,701**	**740,696**
Additions	**–**	**3**	**–**	**–**	**133**	**136**
At 30 June 2018	**62,239**	**6,164**	**104,396**	**165,199**	**402,834**	**740,832**
Accumulated depreciation and impairment:						
At 31 December 2017 and 1 January 2018	**(42,308)**	**(4,751)**	**(78,026)**	**(98,569)**	**(250,880)**	**(474,534)**
Provided for the period	**(606)**	**(268)**	**(1,474)**	**–**	**–**	**(2,348)**
Impairment recognised during the period	**(4,446)**	**(10)**	**(4,705)**	**(15,179)**	**(33,442)**	**(57,782)**
At 30 June 2018	**(47,360)**	**(5,029)**	**(84,205)**	**(113,748)**	**(284,322)**	**(534,664)**
Net carrying amount:						
At 30 June 2018	**14,879**	**1,135**	**20,191**	**51,451**	**118,512**	**206,168**
At 31 December 2017	19,931	1,410	26,370	66,630	151,821	266,162

During the six-month period ended 30 June 2017, the Group's addition of items of property, plant and equipment with an aggregate cost of RMB1,088,000 and no property, plant and equipment was disposed.

Impairment assessment for the six-month period ended 30 June 2018

In accordance with the Group's accounting policies, each asset or cash-generating unit (the "CGU") is evaluated at the end of each reporting period, to determine whether there are any indications of impairment. If any such indications of impairment exist, a formal estimate of the recoverable amount is performed.

For the purposes of impairment assessment, the Group's non-current assets are mainly located at the Yanjiazhuang Mine and divided among the iron concentrate CGU (also known as the Iron Concentrate Business segment) and the gabbro-diabase and stone CGU (also known as the Gabbro-Diabase and Stone Business segment), which are treated as two separate CGUs.

10. Property, Plant and Equipment *(Continued)*

Impairment assessment for the six-month period ended 30 June 2018 *(Continued)*

Iron concentrate CGU:

During the period ended 30 June 2018, the Group has yet to resume the trial production of the Iron Concentrate Business at the Yanjiazhuang Mine as affected by the expiration of the mining permit of the Yanjiazhuang Mine (the "Mining Permit") in July 2017 and the land expropriation disputes and disturbances around.

Throughout the period ended 30 June 2018, the management of Lincheng Xingye Mineral Resources Co., Ltd. ("Xingye Mining") has been working closely with various PRC government authorities in respect of the renewal (the "Renewal") of the Mining Permit. One of the proposals is to adjust and narrow down the Yanjiazhuang Mine area so as to preserve the nature reserves area in the region and to positively respond to the PRC government's direction and development of ecology and environmental policies, while this may help Xingye Mining to reduce its remaining resources fee payable in relation to gabbro-diabase. Such proposal together with the government's domestic development plan triggered the forestry ecology planning covering the Yanjiazhuang Mine area (the "Land Use Adjustment"), which become one of the steps for the Renewal. The management of Xingye Mining has been in regular contact with the relevant government authorities so as to give impetus to the assessment and approval process regarding the Land Use Adjustment. The Group is still waiting for approval on Land Use Adjustment which is being liaised among various government authorities. Attributed to the additional time that may be required to obtain the approval for the Land Use Adjustment, which is being liaised among various government authorities and become one of the steps for the Renewal of the Mining Permit, the Group's original target to resume the trial production of the Iron Concentrate Business at the Yanjiazhuang Mine would possibly be further postponed. Taking into consideration the increase in uncertainty in connection with the Renewal, the aforesaid possible delay in production, the business nature and prospect of Xingye Mining, the risk premium, and therefore, the discount rate applied to the June 2018 Assessment (as defined below) have been increased. In view of these, management has performed an impairment assessment on the carrying amounts of the Group's property, plant and equipment, intangible assets and prepaid land lease payments of the iron concentrate CGU at 30 June 2018 (the "June 2018 Assessment").

In assessing whether impairment is required, the carrying value of the assets of the iron concentrate CGU is compared with its recoverable amount. The recoverable amount is the higher of the CGU's fair value less costs of disposal and its value in use ("VIU"). The recoverable amount of the iron concentrate CGU was estimated based on its VIU as determined by discounting the future cash flows to be generated from the continuing use of this CGU, rather than its fair value less costs of disposal which could not capture its future earning potential, and with reference to the valuation report issued by independent professionally qualified valuers. There was no change in the valuation method adopted for the June 2018 Assessment as compared with that for the year ended 31 December 2017 (the "2017 Assessment"). The recoverable amount of the iron concentrate CGU was determined based on a VIU calculation using cash flow projections according to financial budgets covering the six-year period approved by management with a pre-tax discount rate of 23.15% (2017 Assessment: approximately 22%). For both June 2018 Assessment and 2017 Assessment, the CGU cash flows beyond the six-year period are extrapolated using a 2% growth rate, which was the expected inflation rate, until the depletion of estimated proved and probable ore reserves. Other key assumptions used in the estimation of VIU for the iron concentrate CGU are summarised as follows:

10. Property, Plant and Equipment *(Continued)*

Impairment assessment for the six-month period ended 30 June 2018 *(Continued)*

Iron concentrate CGU: *(Continued)*

Recoverable reserves – Economic recoverable reserves represent Xingye Mining management's expectations at the time of impairment testing, which comprise estimated proved and probable ore reserves of approximately 260 Mt (2017 Assessment: 260 Mt) based on independent technical report of the Yanjiazhuang Mine dated 21 June 2011 (the "ITR"). However, the Mining Permit had expired in July 2017. In 2017, the application for the Renewal had been made by the management of Xingye Mining, the registered holder of the Mining Permit, to the relevant government authorities in the PRC. Throughout the period ended 30 June 2018, the management of the Xingye Mining has been working closely with various PRC government authorities in respect of the Renewal. The Renewal application is still in progress, and the Group has not received any notice in respect of the rejection of the Renewal application or the withdrawal of the Mining Permit from the relevant government authorities. Therefore, the estimated cash flow projections have been extended to future periods until the depletion of estimated proved and probable ore reserves.

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins of the first six-year period in the range of 25% to 30% for both June 2018 Assessment and 2017 Assessment are based on the industry average gross margin achieved, adjusted for Xingye Mining management's expectations for possible changes in the production costs and estimated market prices. The budgeted gross margins beyond the first six-year period are based on estimated long term sales price of iron concentrates as reference to relevant market and/or analyst researches of approximately RMB670 per tonne (2017 Assessment: approximately RMB630 per tonne) and unit production cost of about 55% (2017 Assessment: 57%) of sales according to the ITR recommendation with inflation adjustment. These market inputs have been changed as there were changes in market expectations and conditions from time to time. In addition to the above, in order to foster the local villagers to resolve the local matters in an agreeable manner, the management of Xingye Mining devised a preliminary proposal that, by allowing the local villagers to participate in Xingye Mining's mining operations at the Yanjiazhuang Mine, the local villagers could be awarded based on the sales performance of the Iron Concentrate Business (when resumed). Such award sharing proposal, when crystallised, represents the additional costs to the Yanjiazhuang Mine and inevitably leads to the possible reduction in profitability of the iron concentrate CGU in the long run. Such proposal is however still subject to more negotiations with the local village representatives as well as the local authorities, and finalisation and also to the Renewal. The award to the local villagers was included in the impairment testing as additional costs for both June 2018 Assessment and 2017 Assessment.

Production volumes and production start date – Estimated production volumes of the first six-year period of approximately 2.6 Mt (2017 Assessment: 2.6 Mt), in aggregate, and the estimated production start date has been delayed based on the detailed mine plans and take into account the latest assessment of the additional time that may be required to obtain the approval for the Land Use Adjustment and the Renewal, and development plans of the Yanjiazhuang Mine agreed by Xingye Mining management. The production volumes beyond the aforesaid period largely follow the ITR.

Discount rate – The discount rate used is pre-tax and reflects specific risks associated with the Group and/or its business and takes into account the industry's capital structure and applicable market borrowing costs at the time of impairment test. The applicable discount rate increased to 23.15% for the June 2018 Assessment (2017 Assessment: approximately 22%) so as to reflect the increase in uncertainty in connection with the Renewal and the aforesaid possible delay in production, the business nature and prospect of Xingye Mining.

The values assigned to key assumptions are consistent with external information sources, where appropriate.

10. Property, Plant and Equipment *(Continued)*

Impairment assessment for the six-month period ended 30 June 2018 *(Continued)*

Gabbro-diabase and stone CGU:

For the Gabbro-Diabase and Stone Business of the Group, Xingye Mining received a notice from the local Environmental Protection Authority (the "EPA") that it was required to upgrade the environmental protection measures of the production facilities for highway crushed stone and railway ballast at the Yanjiazhuang Mine (the "Environmental Upgrade") in 2016. However, the inclement weather took place in Hebei Province, the PRC in late July 2016 (the "Disaster") brings new demands from the local villagers to Xingye Mining. As a result, the originally planned Environmental Upgrade has to be postponed. In July 2017, the Mining Permit had expired. The Renewal application is still in progress, while the Group has not received any notice in respect of the rejection of the Renewal application or the withdrawal of the Mining Permit from the relevant government authorities. Since late 2017, Xingye Mining has been pushing forward the remaining outstanding works on the Environmental Upgrade with an aim to attain the requirements for the Environmental Upgrade and shall then arrange for an on-site inspection by the EPA of the environmental protection measures at the Yanjiazhuang Mine. However, the progress is slow and further construction and remedial works are required before another inspection could be arranged. Xingye Mining has arranged its staff members to attend to these follow-up works so as to attain the required standards for satisfactory completion of the Environmental Upgrade. Also, the management of Xingye Mining has been actively addressing the demands in relation to the Disaster, including the dredging of reservoirs, repair or construction of retaining walls and dams near the local villages and repairs of damaged roads as a result of the Disaster, with the village representatives. It is believed that, by satisfying these demands in an agreeable manner, the village representatives will focus on the negotiation with the Group in relation to the award sharing proposal or the ecological tourism business integration project with a view to achieve consensus and swift settlement of the disputes and other issues surrounding the Yanjiazhuang Mine.

Having regard to the suspension of production pending for the Environmental Upgrade and the expiration of the Mining Permit, management has performed an impairment assessment on the carrying amounts of the Group's property, plant and equipment and intangible assets of the gabbro-diabase and stone CGU at 30 June 2018.

In assessing whether an impairment is required, the carrying value of the assets of the gabbro-diabase and stone CGU is compared with its recoverable amount, which is the higher of the fair value less costs of disposal and its VIU. Attributed to the absence of reliably estimated cash flow projections in view of the Disaster and the suspension of production of the Gabbro-Diabase and Stone Business since 2016, a formal estimate of the recoverable amount is performed and the recoverable value of the gabbro-diabase and stone CGU was determined based on fair value less costs of disposal, and with reference to the valuation report issued by independent professionally qualified valuers.

Fair values are measured using valuation techniques including analytical trending method and analysis of observable market inputs from recognised sources or prices (or the replacement costs) of similar or comparable assets from a secondary market with adjustments for inflation (with reference to the relevant producer price index), useful life calculation, deterioration, obsolescence, marketability and other relevant factors. Fair value represents the estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

10. Property, Plant and Equipment *(Continued)*

Impairment assessment for the six-month period ended 30 June 2018 *(Continued)*

Gabbro-diabase and stone CGU: *(Continued)*

The fair value measurement of the gabbro-diabase and stone CGU was categorised under level 3 fair value hierarchy. The significant unobservable inputs used to determine fair value for the six-month period ended 30 June 2018 were (i) the marketability, (ii) the useful life calculation and (iii) the residual value.

Based on the above-mentioned impairment assessments, the recoverable amounts, carrying amounts and impairment provision of the iron concentrate CGU and the gabbro-diabase and stone CGU as at 30 June 2018 are as follows:

	Recoverable amounts RMB'000 (Unaudited)	**Carrying amounts** RMB'000 (Unaudited)	**Impairment provision** RMB'000 (Unaudited)
Iron concentrate CGU			
As at 30 June 2018	**195,000**	**253,294**	**58,294**
As at 31 December 2017	260,000	255,073	–
Gabbro-diabase and stone CGU			
As at 30 June 2018	**6,342**	**5,638**	**–**
As at 31 December 2017	6,440	5,890	–

Since the recoverable amounts of the gabbro-diabase and stone CGU are approximate to its carrying amounts as at 30 June 2018, no impairment provision was made during the six-month period ended 30 June 2018.

The impairment assessment for the iron concentrate CGU as at 30 June 2018 resulted in impairment loss on the following assets:

Impairment loss recognised on property, plant and equipment

An impairment loss of RMB57,782,000 was recognised during the six-month period ended 30 June 2018 to write down the carrying amounts of the property, plant and equipment of the iron concentrate CGU to its recoverable amounts of RMB193,288,000 as at 30 June 2018.

Impairment loss recognised on intangible assets

An impairment loss of RMB216,000 (Note 11) was recognised during the six-month period ended 30 June 2018 to write down the carrying amounts of the intangible assets of the iron concentrate CGU to its recoverable amounts of RMB722,000 as at 30 June 2018.

Impairment loss recognised on prepaid land lease payments

An impairment loss of RMB296,000 (Note 12) was recognised during the six-month period ended 30 June 2018 to write down the carrying amount of the prepaid land lease payments of the iron concentrate CGU to its recoverable amount of RMB990,000 as at 30 June 2018.

11. Intangible Assets

The Group's intangible assets represent Mining Permit of the Yanjiazhuang Mine located in Lincheng County, Hebei Province, the PRC. The Mining Permit had expired on 26 July 2017. The application for the Renewal had been made by the management of Xingye Mining, the registered holder of the Mining Permit, to the relevant government authorities in the PRC. The Renewal application is still in progress, while the Group has not received any notice in respect of the rejection of the Renewal application or the withdrawal of the Mining Permit from the relevant government authorities.

Movements in intangible assets during the reporting period were as follows:

	Note	30 June 2018 RMB'000 (Unaudited)
Carrying amount at 1 January 2018		938
Impairment recognised for the period	10	(216)
Carrying amount at 30 June 2018		722

For the six-month period ended 30 June 2018, the impairment provision of RMB216,000 was made for the intangible assets of the iron concentrate CGU and details of these assessments are included in Note 10 to the Interim Financial Statements.

No impairment provision was made for the Group's intangible assets for the six-month period ended 30 June 2017.

12. Prepaid Land Lease Payments

	Notes	30 June 2018 RMB'000 (Unaudited)
Carrying amount at 1 January 2018		1,307
Amortised during the period	5	(21)
Impairment recognised for the period	10	(296)
Carrying amount at 30 June 2018		990
Current portion included in other current assets		(32)
Non-current portion		958

The Group's leasehold lands are situated in the PRC with lease terms of 40 years and the land use right certificates expiring in September 2049.

For the six-month period ended 30 June 2018, the impairment provision of RMB296,000 was made for the prepaid land lease payments and details of these assessments are included in Note 10 to the Interim Financial Statements.

No impairment provision was made for the Group's prepaid land lease payments for the six-month period ended 30 June 2017.

13. Inventories

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Raw material and spare parts	**3,600**	3,623
Semi-finished products	**3,751**	3,751
Finished products – coal	**15**	–
Finished products – gabbro-diabase and stone	**7,769**	7,837
	15,135	15,211
Inventory provision	**(9,743)**	(9,759)
	5,392	5,452

14. Trade and Bills Receivables

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Trade receivables	**2,963**	4,425
Bills receivables	**40,971**	73,219
	43,934	77,644
Less: Impairment	**(313)**	(313)
Total	**43,621**	77,331

The Group's trading terms with its customers generally require usance letter of credit up to a tenor of 120 days or deposits in advance, except for creditworthy customers to whom credits are granted. The credit periods generally range from seven days to four months. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by the management. The Group has not held any collateral or other credit enhancements over its trade receivable balances. As at 30 June 2018, the trade and bills receivables are non-interest-bearing (31 December 2017: apart from the bills receivable of RMB72,675,000 which bears interest at 3% per annum, the remaining trade and bills receivables are non-interest-bearing).

14. Trade and Bills Receivables *(Continued)*

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

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Within 1 month	**43,329**	8
1 to 3 months	**292**	77,323
	43,621	77,331

Included in the above provision for impairment of trade and bills receivables is a full provision for individually impaired trade receivable of RMB313,000 as at 30 June 2018 and 31 December 2017.

15. Financial Assets and Financial Liabilities

Set out below is an overview of financial assets, other than cash and bank balances, held by the Group as at 30 June 2018 and 31 December 2017:

	Note	**30 June 2018 RMB'000 (Unaudited)**	31 December 2017 RMB'000 (Audited)
Financial assets at amortised cost:			
Trade and bills receivables	14	**43,621**	77,331
Other current financial assets at amortised cost (Note (a))		**58,613**	–
Financial assets included in prepayments, deposits and other receivables (Note (a))		**–**	11,814
Total		**102,234**	89,145

Note (a):

As at 30 June 2018, the balance mainly represented trade deposits with suppliers of RMB56,939,000. As at 31 December 2017, the Group's financial assets of RMB11,814,000 were included in "Prepayments, deposits and other receivables" at that date, which have been reclassified as "other current financial assets at amortised cost" on 1 January 2018 upon adoption of IFRS 9. Further details of the impact of new accounting standards adopted by the Group are set out in Note 2.2 of the Interim Financial Statements.

15. Financial Assets and Financial Liabilities *(Continued)*

Set out below is an overview of financial liabilities of the Group as at 30 June 2018 and 31 December 2017:

	Notes	**30 June 2018 RMB'000 (Unaudited)**	31 December 2017 RMB'000 (Audited)
Financial liabilities at amortised cost:			
Trade and bills payables	17	**26,773**	79,074
Other current financial liabilities (Note (b))		**76,378**	–
Financial liabilities included in other payables and accruals (Note (b))		**–**	71,583
Interest-bearing bank borrowings	18	**228,084**	208,975
Non-current financial liabilities (Note (b))		**500**	–
Long-term payable (Note (b))		**–**	500
Total		**331,735**	360,132

Note (b):

As at 30 June 2018, the balance of other current financial liabilities mainly represented gabbro-diabase resources fee payable and accrual for the estimated possible payments accrued thereon and payables to suppliers or contractors for the addition of items of property, plant and equipment of RMB21,480,000, RMB28,712,000 and RMB10,227,000 respectively. In respect of the Mining Permit for gabbro-diabase at the Yanjiazhuang Mine, the remaining three instalments of the resources fee payable, together with the associated cost of funds, were due for settlement, but remained unpaid up to date. In view of the tightening environmental protection measures and unfavourable economic and market outlook, the management of Xingye Mining has been in communication with the relevant government authorities and seeking to negotiate for more favourable payment terms. However, the negotiations have yet to turn into any attainment.

As at 31 December 2017, the Group's financial liabilities included in "other payables and accruals" and "long-term payable" at that date have been reclassified as "other current financial liabilities" and "non-current financial liabilities" respectively on 1 January 2018 upon adoption of IFRS 9. Further details of the impact of new accounting standards adopted by the Group are set out in Note 2.2 of the Interim Financial Statements.

16. Cash and Bank Balances

	Note	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Cash and bank balances		**11,655**	13,914
Time deposits		**299,068**	359,684
		310,723	373,598
Less: Restricted bank balances		**–**	(314)
Restricted time deposits for interest-bearing bank borrowing	18	**(210,775)**	(208,975)
Cash and cash equivalents		**99,948**	164,309

The Group's cash and bank balances and cash and cash equivalents are denominated in the following currencies as at 30 June 2018 and 31 December 2017:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Cash and bank balances denominated in:		
RMB	**64,592**	5,660
HK$	**216,443**	217,071
US$	**29,688**	150,867
	310,723	373,598
Cash and cash equivalents denominated in:		
RMB	**64,592**	5,346
HK$	**5,668**	8,096
US$	**29,688**	150,867
	99,948	164,309

17. Trade and Bills Payables

A significant portion of the Group's purchases is usance letter of credit up to a tenor of 120 days. An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Within 3 months	**25,873**	77,164
Over 1 year	**900**	1,910
	26,773	79,074

As of 30 June 2018, included in the trade and bills payables was a trade payable of RMB2,064,000 (31 December 2017: RMB4,103,000) due to an indirect wholly-owned subsidiary of a 30%-controlled company of a substantial shareholder of the Company which are repayable within 90 days, which represented credit terms similar to those offered by the indirect wholly-owned subsidiary of a 30%-controlled company of a substantial shareholder of the Company to their major customers.

The Group's trade and bills payables are non-interest bearing as at 30 June 2018. Apart from the bills payables of RMB72,516,000 which bears interest at 3% per annum, the remaining trade and bills payables are non-interest bearing as at 31 December 2017.

18. Interest-bearing Bank Borrowings

		30 June 2018		31 December 2017	
	Notes	**Effective interest rate (%)**	**RMB'000 (Unaudited)**	Effective interest rate (%)	RMB'000 (Audited)
Current					
Bank borrowing	(a)	**3.13**	**210,775**	2.21	208,975
Discounted bill	(b)	**3.03**	**17,309**	–	–
			228,084		208,975

Notes:

(a) As at 30 June 2018, the Group had HKD-denominated secured bank borrowing amounted to HK$250.0 million (equivalent to approximately RMB210.8 million) (HK$250.0 million (equivalent to approximately RMB209.0 million) as at 31 December 2017). As at 30 June 2018 and 31 December 2017, the Group's bank borrowing is secured by time deposits of HK$250.0 million, in aggregate, (equivalent to approximately RMB210.8 million and RMB209.0 million as at 30 June 2018 and 31 December 2017 respectively) and carries interest at floating rate. The maturity of the Group's bank borrowing is subject to the bank's overriding right of repayment on demand.

(b) As at 30 June 2018, the advance drawn on bill discounted to a bank is repayable within one year and denominated in United States dollars.

19. Share Capital

Shares

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Authorised:		
10,000,000,000 ordinary shares of HK$0.1 each	**1,000,000**	1,000,000
	RMB'000 (Unaudited)	RMB'000 (Audited)
Issued and fully paid:		
4,000,000,000 ordinary shares of HK$0.1 each, totally HK$400,000,000	**331,960**	331,960

20. Share Option Scheme

The Company operates a share option scheme, approved on 9 April 2010. No share option has been granted under the share option scheme.

21. Operating Lease Arrangements

As lessee

The Group leases certain of its office premises and a car-park under operating lease arrangements, with leases negotiated for six months to three years terms, at which time all terms will be renegotiated upon expiry.

As at 30 June 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Within one year	**2,909**	3,381
In the second to fifth years, inclusive	**1,003**	2,189
	3,912	5,570

22. Commitments

In addition to the operating lease commitments detailed in Note 21 above, the Group had the following capital commitments at the end of the reporting period:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Contracted, but not provided for:		
– Property, plant and equipment	**38,595**	38,595
– Capital contributions to an associate upon its establishment	**–**	1,500
	38,595	40,095

23. Related Party Transactions

In addition to the transactions detailed elsewhere in the Interim Financial Statements, the Group had the following transactions with related parties during the period:

(a) Related party transactions

	Six-month period ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Purchases of iron ore from an indirect wholly-owned subsidiary of a 30%-controlled company of a substantial shareholder of the Company (Note)	**59,114**	–
Leasing of office premises from a subsidiary of a substantial shareholder of the Company	**471**	466
Administrative and services support from a subsidiary of a substantial shareholder of the Company	**440**	474
Information technology management and support service fees paid to a subsidiary of a substantial shareholder of the Company	**92**	100

Note:

The purchases from an indirect wholly-owned subsidiary of a 30%-controlled company of a substantial shareholder of the Company were made according to the published prices and conditions offered by that company to their customers.

23. Related Party Transactions *(Continued)*

(b) Outstanding balances with related parties

(i) The Group had outstanding balances due to subsidiaries of a substantial shareholder of the Company of RMB1,555,000 (31 December 2017: RMB3,190,000) as at the end of the reporting period. These balances, included in "other current financial liabilities" in the interim condensed consolidated statement of financial position, are unsecured, interest-free and have no fixed terms of repayment.

(ii) Details of the Group's trade payable with an indirect wholly-owned subsidiary of a 30%-controlled company of a substantial shareholder of the Company as at the end of the reporting period are disclosed in Note 17 to the Interim Financial Statements.

(c) Compensation of key management personnel

	Six-month period ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Fees	**503**	582
Salaries, allowances and benefits in kind	**1,908**	1,483
Pension scheme contributions	**11**	8
	2,422	2,073

24. Fair Value Measurement

The net carrying amounts of the Group's financial assets and financial liabilities closely approximate to their fair values.

The fair value of the non-current financial liabilities are estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

25. Events after the Reporting Period

In August 2018, the Group entered into an agreement for sale and purchase with the non-controlling shareholder of the Car-Park Business for the disposal of its entire interests in the Car-Park Business for a total consideration of HK$0.2 million (equivalent to approximately RMB0.2 million). The disposal has been completed in August 2018 with no material gain or loss resulted.

Save as disclosed above, there is no other important event affecting the Group which has occurred since 30 June 2018 and up to the date of approval of the Interim Financial Statements.

26. Approval of the Interim Financial Statements

The Interim Financial Statements were approved and authorised for issue by the board of directors on 30 August 2018.

Other Information

Corporate Governance Practices

As part of the Company's unwavering commitment to high standards of corporate governance, it has adopted all applicable Code Provisions and, where appropriate, Recommended Best Practices of the CG Code as set out in Appendix 14 of the Listing Rules throughout the Reporting Period. So far as known to the Directors, there has been no material deviation from the CG Code during the Reporting Period.

The Company continues to enhance its corporate governance practices appropriate to the conduct and growth of its business, and to review and improve such practices from time to time to ensure that business activities and decision making processes are regulated in a proper and prudent manner in accordance with international best practices.

During the Reporting Period, the Company did not have a chief executive officer and the function is divided among the executive Directors.

Further information of the Company's corporate governance practices can be found in the "Corporate Governance" section under "Investor Relations" on the Company's website.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry with all Directors, the Directors have confirmed their compliance with the required standard set out in the Model Code during the Reporting Period.

Changes in Directors' Information

The changes in the Directors' information since the disclosure made in the 2017 Annual Report are set out below:

Name of Directors	Details of Changes
Mr. Wu Wai Leung, Danny	• The term of service for acting as a non-executive Director has been extended for a further term of three years up to 20 May 2021.
Mr. Lee Kwan Hung	• Resigned as an independent non-executive director of Asia Cassava Resources Holdings Limited (stock code: 841), which is a company listed on the Stock Exchange, with effect from 13 May 2018.
Mr. Shin Yick, Fabian	• Resigned as the chief executive officer of Well Link International Capital Limited (now known as Yi Shun Da Capital Limited) in May 2018. • Appointed as the senior consultant of Dongxing Securities (Hong Kong) Co., Ltd. in June 2018. • The term of service for acting as an independent non-executive Director has been extended for a further term of three years up to 13 August 2021.

Save for the information disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Audit Committee and Review of Interim Results

The Audit Committee was established in accordance with requirements of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process, risk management and internal controls, external and internal audits. The Audit Committee has three members comprising two independent non-executive Directors, namely Mr. Tsui King Fai (chairman) and Mr. Shin Yick, Fabian, and a non-executive Director namely Mr. Wu Wai Leung, Danny, all of whom possess appropriate professional qualifications and expertise in business, investment, financial reporting and management. The Audit Committee has reviewed with the management of the Company the unaudited interim results and the interim report of the Company for the Reporting Period containing the unaudited interim condensed consolidated financial statements of the Group for the Reporting Period, the accounting principles and practices adopted by the Group and discussed internal auditing, internal controls and risk management matters. In addition, the Company's auditor, Messrs. Ernst & Young has reviewed the unaudited interim condensed consolidated financial statements of the Group for the Reporting Period in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

Directors' and Chief Executive's Interests in Shares, Underlying Shares and Debentures

As at 30 June 2018, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required 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.

Share Option Scheme

The Company adopted a share option scheme on 9 April 2010. No share option had been granted under the share option scheme since its adoption (note 20 to the interim condensed consolidated financial statements).

Substantial Shareholders' and Other Parties' Interests in Shares and Underlying Shares

Long Position in Shares

As at 30 June 2018, so far as known to any Director or chief executive of the Company, the following parties (other than Directors or chief executive of the Company) had interests in the Shares or underlying Shares as recorded in the register required to be kept under Section 336 of the SFO:

Name of Shareholder	Nature of interest	Total number of Shares held	Approximate percentage of total issued Shares
Mak Siu Hang, Viola(1)	Interest of controlled corporation	1,149,744,000	28.74%
VMS Investment Group Limited ("VMSIG")(1)	Beneficial interest, interest of controlled corporation	1,149,744,000	28.74%
Fast Fortune Holdings Limited ("Fast Fortune")(1)	Beneficial interest	360,000,000	9.00%
Shougang Group Co., Ltd.(2)	Interest of controlled corporation	1,098,570,000	27.46%
Shougang Holding (Hong Kong) Limited ("Shougang Hong Kong")(2)	Interest of controlled corporation	1,098,570,000	27.46%
Lord Fortune Enterprises Limited ("Lord Fortune")(2)	Beneficial interest	370,000,000	9.25%
Plus All Holdings Limited ("Plus All")(2)	Beneficial interest	728,570,000	18.21%
Cheng Yu Tung Family (Holdings) Limited(3)	Interest of controlled corporation	620,000,000	15.50%
Cheng Yu Tung Family (Holdings II) Limited(4)	Interest of controlled corporation	620,000,000	15.50%
Chow Tai Fook Capital Limited ("CTF Capital")(5)	Interest of controlled corporation	620,000,000	15.50%
Chow Tai Fook (Holding) Limited ("CTF Holding")(6)	Interest of controlled corporation	620,000,000	15.50%
Chow Tai Fook Enterprises Limited ("CTF Enterprises")(7)	Interest of controlled corporation	620,000,000	15.50%
New World Development Company Limited ("NWD")(8)	Interest of controlled corporation	620,000,000	15.50%
NWS Holdings Limited ("NWS")(9)	Interest of controlled corporation	620,000,000	15.50%
NWS Resources Limited ("NWS Resources")(9)	Interest of controlled corporation	620,000,000	15.50%
NWS Mining Limited ("NWS Mining")(9)	Interest of controlled corporation	620,000,000	15.50%
Modern Global Holdings Limited ("Modern Global")(9)	Interest of controlled corporation	620,000,000	15.50%
Perfect Move Limited ("Perfect Move")(9)	Interest of controlled corporation	620,000,000	15.50%
Faithful Boom Investments Limited ("Faithful Boom")(9)	Beneficial interest	620,000,000	15.50%

Substantial Shareholders' and Other Parties' Interests in Shares and Underlying Shares
(Continued)

Long Position in Shares *(Continued)*

Notes:

(1) Fast Fortune and VMSIG held 360,000,000 Shares and 789,744,000 Shares as beneficial owners, respectively. Ms. Mak Siu Hang, Viola held a 100% direct interest in VMSIG. Fast Fortune was a wholly-owned subsidiary of VMSIG. Therefore, Ms. Mak Siu Hang, Viola was deemed to be interested in all the Shares held by each of VMSIG and Fast Fortune, and VMSIG was deemed to be interested in all the Shares held by Fast Fortune.

(2) Shougang Group Co., Ltd. held a 100% direct interest in Shougang Hong Kong. Lord Fortune and Plus All were wholly-owned subsidiaries of Shougang Hong Kong. Therefore, Shougang Group Co., Ltd. and Shougang Hong Kong were both deemed to be interested in all the Shares held by Lord Fortune and Plus All.

(3) Cheng Yu Tung Family (Holdings) Limited held approximately 48.98% direct interest in CTF Capital and was accordingly deemed to have an interest in the Shares interested by or deemed to be interested by CTF Capital.

(4) Cheng Yu Tung Family (Holdings II) Limited held approximately 46.65% direct interest in CTF Capital and was accordingly deemed to have an interest in the Shares interested by or deemed to be interested by CTF Capital.

(5) CTF Capital held approximately 81.03% direct interest in CTF Holding and was accordingly deemed to have an interest in the Shares interested by or deemed to be interested by CTF Holding.

(6) CTF Holding held 100% direct interest in CTF Enterprises and was accordingly deemed to have an interest in the Shares interested by or deemed to be interested by CTF Enterprises.

(7) CTF Enterprises held more than one-third of the issued shares of NWD and was accordingly deemed to have an interest in the Shares interested by or deemed to be interested by NWD.

(8) NWD held more than 60% direct interest in NWS and was accordingly deemed to have an interest in the Shares interested by or deemed to be interested by NWS.

(9) NWS held a 100% direct interest in NWS Resources, which held a 100% direct interest in NWS Mining. NWS Mining held a 100% interest in Modern Global, which held a 100% direct interest in Perfect Move. Faithful Boom was a wholly-owned subsidiary of Perfect Move. Therefore, NWS, NWS Resources, NWS Mining, Modern Global and Perfect Move were all deemed to be interested in all the Shares held by Faithful Boom.

Save as disclosed above, the Directors are not aware of any persons who, as at 30 June 2018, had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under Section 336 of the SFO.

Purchase, Sale or Redemption of the Company's Listed Securities

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

Glossary of Terms

In this interim report, unless the context otherwise requires, the following expressions have the meanings as mentioned below:

"2017 Annual Report"	the annual report of the Company for the year ended 31 December 2017
"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors
"CG Code"	the Corporate Governance Code contained in Appendix 14 of the Listing Rules
"Company"	Newton Resources Ltd, a company incorporated in the Cayman Islands with limited liability, and the shares of which are listed on the main board of the Stock Exchange
"Corresponding Prior Period"	the six-month period ended 30 June 2017
"Director(s)"	the director(s) of the Company
"Disaster"	inclement weather took place in Hebei Province, the PRC in late July 2016, causing floods and landslides in the region as well as life and economic losses and business disruption
"Environmental Upgrade"	upgrade of the environmental protection measures of the production facilities for highway crushed stone and railway ballast at the Yanjiazhuang Mine as required by the local environmental protection authority
"Group"	the Company and its subsidiaries
"HK$" or "HKD"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Inner Mongolia"	Inner Mongolia Autonomous Region, the PRC
"IPO"	the initial public offering of the Shares which were listed on the main board of the Stock Exchange on 4 July 2011
"JORC"	the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy
"JORC Code"	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004 edition), as published by the JORC, as amended from time to time
"Land Use Adjustment"	the forestry ecology planning covering the Yanjiazhuang Mine area
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mining Permit"	the mining permit of Xingye Mining in respect of iron ore and gabbro-diabase at the Yanjiazhuang Mine
"Mt"	megatonne(s)/million tonnes

Glossary of Terms

"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules
"Phase Two"	the second phase of the Company's three-phase expansion plan, to achieve total mining and ore processing capacities of 7,000,000 tpa to produce approximately 1,770,000 tpa of iron concentrates
"Phase Three"	the third phase of the Company's three-phase expansion plan, to achieve total mining and ore processing capacities of 10,500,000 tpa to produce approximately 2,655,000 tpa of iron concentrates
"PRC" or "Mainland China"or "China"	The People's Republic of China, which for the purpose of this report, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Renewal"	renewal of the Mining Permit
"Reporting Period"	the six-month period ended 30 June 2018
"RMB"	Renminbi, the lawful currency of the PRC
"Safety Authority"	the relevant government authority for the granting of production safety permit(s) for iron mining and gabbro-diabase products
"SCIT"	SCIT Trading Limited, an indirect wholly-owned subsidiary of Shougang Concord International Enterprises Company Limited and a connected person of the Company under the Listing Rules
"SFO"	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Share(s)"	existing ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of issued Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"tonne(s)"	equal to 1,000 kilograms
"tpa"	tonne(s) per annum
"US$" or "USD"	the United States dollar, the lawful currency of the United States of America
"Xingye Mining"	Lincheng Xingye Mineral Resources Co., Ltd（臨城興業礦產資源有限公司）, an indirect non-wholly owned subsidiary of the Company
"Yanjiazhuang Mine"	Lincheng Xingye Mineral Resources Co., Ltd Yanjiazhuang Mine（臨城興業礦產資源有限公司閆家莊礦）, an open-pit iron and gabbro-diabase mine located in Yanjiazhuang Mining Area, Shiwopu, Haozhuang Town, Lincheng County, Hebei Province, the PRC

Corporate Information

Board of Directors

Executive Directors

Mr. Chong Tin Lung, Benny *(Chairman)*
Mr. Li Changfa
Mr. Luk Yue Kan

Non-executive Director

Mr. Wu Wai Leung, Danny

Independent Non-executive Directors

Mr. Tsui King Fai
Mr. Lee Kwan Hung
Mr. Shin Yick, Fabian

Board Committees

Audit Committee

Mr. Tsui King Fai *(Chairman)*
Mr. Wu Wai Leung, Danny
Mr. Shin Yick, Fabian

Remuneration Committee

Mr. Lee Kwan Hung *(Chairman)*
Mr. Chong Tin Lung, Benny
Mr. Tsui King Fai
Mr. Shin Yick, Fabian

Nomination Committee

Mr. Lee Kwan Hung *(Chairman)*
Mr. Chong Tin Lung, Benny
Mr. Tsui King Fai
Mr. Shin Yick, Fabian

Investment Committee

Mr. Chong Tin Lung, Benny *(Chairman)*
Mr. Wu Wai Leung, Danny
Mr. Luk Yue Kan

Company Secretary

Mr. Luk Yue Kan

Registered Office

P.O. Box 309
Ugland House
Grand Cayman, KY1-1104
Cayman Islands

Headquarter and Principal Place of Business in the PRC

Yanjiazhuang Mine
Shiwopu Village West
Haozhuang Town
Lincheng County
Hebei Province, the PRC

Principal Place of Business in Hong Kong

Room 1505
15th Floor, New World Tower
16-18 Queen's Road Central
Central, Hong Kong

Principal Share Registrar and Transfer Office

SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor
24 Shedden Road, P.O. Box 1586
Grand Cayman, KY1-1110
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

Corporate Information

Auditor

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

Solicitors

Chiu & Partners
40th Floor, Jardine House
1 Connaught Place
Hong Kong

Principal Bankers

Chong Hing Bank Limited
Agricultural Bank of China Limited, Hong Kong Branch
Bank of Communications Co., Ltd. Hong Kong Branch
Standard Chartered Bank (Hong Kong) Limited

Stock Code

Hong Kong Stock Exchange 1231

Share Information

Board lot size: 2000

Investor Information

For more information about the Group, please contact the Investor Relations Department at:

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