愛德新能源投資控股集團有限公司

Add New Energy Investment Holdings Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2623

2018
Interim Report

CONTENTS

Corporate Information

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

Non-executive Director
Chau Ching

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

Company Secretary
Chan Yuen Ying, Stella

Authorised Representatives
Geng Guohua
Chan Yuen Ying, Stella

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

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

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

Auditor
PricewaterhouseCoopers

Legal Advisers
As to Cayman Islands law:
Appleby

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75 Fort Street
P.O. Box 1350
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KY1-1108
Cayman Islands

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Shandong Province
The PRC

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

Principal Share Registrar and Transfer Office
Estera Trust (Cayman) Limited
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75 Fort Street
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Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office
Tricor Investor Services Limited
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183 Queen's Road East
Hong Kong

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

Stock Code
2623

Company Website
www.addnewenergy.com.hk

The board (the "Board") of directors (the "Director(s)") of Add New Energy Investment Holdings Group Limited (the "Company") presents the unaudited interim consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2018 together with the comparative figures for the corresponding period in 2017. The unaudited interim financial information has not been audited but has been reviewed by the audit committee of the Company (the "Audit Committee").

Unaudited Interim Condensed Consolidated Balance Sheet

As at 30 June 2018 (Amounts expressed in thousands of RMB)

	Note	**As at 30 June 2018 (unaudited)**	As at 31 December 2017 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	*6*	**273,736**	256,862
Intangible assets	*7*	**–**	–
Investments accounted for using the equity method	*8*	**1,100**	13,830
Financial assets at fair value through other comprehensive income	*15*	**9,828**	–
Other non-current assets	*10*	**10,902**	8,783
		295,566	279,475
Current assets			
Inventories	*11*	**59,992**	33,122
Trade receivables	*12*	**45,436**	26,151
Notes receivables	*13*	**46,000**	42,000
Prepayments and other receivables	*14*	**63,890**	24,745
Cash and cash equivalents	*16*	**38,107**	123,627
Term deposits	*16*	**139,000**	160,000
Restricted bank deposits	*16*	**23,424**	83,366
		415,849	493,011
Total assets		**711,415**	772,486

Unaudited Interim Condensed Consolidated Balance Sheet

As at 30 June 2018 (Amounts expressed in thousands of RMB)

	Note	**As at 30 June 2018 (unaudited)**	As at 31 December 2017 (audited)
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium	*18*	**671,161**	641,741
Reserves		**(15,701)**	(9,570)
Accumulated losses		**(278,688)**	(248,198)
		376,772	383,973
Non-controlling interests		**–**	–
Total equity		**376,772**	383,973
LIABILITIES			
Non-current liabilities			
Borrowings	*22*	**109,854**	107,210
Provisions for close down, restoration and environmental costs	*23*	**9,156**	8,955
Deferred income		**463**	463
Deferred income tax liabilities	*9*	**10,729**	8,262
		130,202	124,890
Current liabilities			
Borrowings	*22*	**100,000**	100,000
Trade payables	*19*	**14,852**	17,353
Contract liabilities		**523**	–
Notes payables	*20*	**40,000**	100,000
Accruals and other payables	*21*	**49,066**	46,231
Current portion of long-term liabilities		**–**	39
		204,441	263,623
Total liabilities		**334,643**	388,513
Total equity and liabilities		**711,415**	772,486

The above condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

Unaudited Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2018 (Amounts expressed in thousands of RMB, except for per share data)

		Six months ended 30 June	
Continuing operations	*Note*	**2018**	2017
		(unaudited)	(unaudited)
Revenue	*24*	**61,206**	6,560
Cost of sales	*25*	**(60,105)**	(6,123)
Gross profit		**1,101**	437
Distribution costs	*25*	**(206)**	(57)
Administrative expenses	*25*	**(21,786)**	(13,992)
Other income	*26*	**2,130**	–
Other gains – net	*27*	**47**	19
Operating loss		**(18,714)**	(13,593)
Finance income	*28*	**1,638**	1,558
Finance expenses	*28*	**(10,947)**	(6,291)
Finance expenses – net		**(9,309)**	(4,733)
Loss before income tax		**(28,023)**	(18,326)
Income tax expense	*29*	**(2,467)**	(683)
Loss from continuing operations		**(30,490)**	(19,009)
Loss from discontinued operations	*17*	**–**	(5,478)
Loss for the period		**(30,490)**	(24,487)
Loss for the period attributable to:			
Owners of the Company		**(30,490)**	(23,205)
Non-controlling interests		**–**	(1,282)
		(30,490)	(24,487)

Unaudited Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2018 (Amounts expressed in thousands of RMB, except for per share data)

	Note	Six months ended 30 June 2018 (unaudited)	2017 (unaudited)
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Change in the fair value of available-for-sale financial assets		–	(559)
Currency translation differences		–	213
Items that will not be reclassified to profit or loss			
Change in the fair value of financial assets at fair value through other comprehensive income		**(5,820)**	–
Other comprehensive income for the period		**(5,820)**	(346)
Total comprehensive loss for the period		**(36,310)**	(24,833)
Total comprehensive loss for the period attributable to:			
Owners of the Company		**(36,310)**	(23,310)
Non-controlling interests		–	(1,523)
		(36,310)	(24,833)
Total comprehensive loss for the period attributable to:			
Continuing operations		**(36,310)**	(19,250)
Discontinued operations	*17*	–	(5,583)
		(36,310)	(24,833)
Losses per share for loss from continuing operations attributable to owners of the Company (expressed in RMB per share)			
Basic losses per share	*30*	**(0.007)**	(0.004)
Diluted losses per share	*30*	**(0.007)**	(0.004)
Losses per share for loss attributable to owners of the Company (expressed in RMB per share)			
Basic losses per share	*30*	**(0.007)**	(0.005)
Diluted losses per share	*30*	**(0.007)**	(0.005)

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Unaudited Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018 (Amounts expressed in thousands of RMB)

	Note	Attributable to Owners of the Company					
		Share capital and share premium (Note 18)	Reserves	Accumulated losses	Total	Non-controlling interests	Total equity
Balance at 1 January 2018 (audited)		**641,741**	**(9,570)**	**(248,198)**	**383,973**	**–**	**383,973**
Comprehensive income							
Loss for the period		**–**	**–**	**(30,490)**	**(30,490)**	**–**	**(30,490)**
Other comprehensive loss		**–**	**(5,820)**	**–**	**(5,820)**	**–**	**(5,820)**
Total comprehensive loss for the period		**–**	**(5,820)**	**(30,490)**	**(36,310)**	**–**	**(36,310)**
Disposal of interests in investments accounted for using the equity method *(Note 8)*		**–**	**(311)**	**–**	**(311)**	**–**	**(311)**
Transactions with owners in their capacity as owners							
Proceeds from issuance of shares	*18(a)*	**29,420**	**–**	**–**	**29,420**	**–**	**29,420**
Balance at 30 June 2018 (unaudited)		**671,161**	**(15,701)**	**(278,688)**	**376,772**	**–**	**376,772**
Balance at 1 January 2017 (audited)		644,393	66,726	(185,209)	525,910	5,247	531,157
Comprehensive income							
Loss for the period		–	–	(23,205)	(23,205)	(1,282)	(24,487)
Other comprehensive income							
Available-for-sale financial assets		–	(169)	–	(169)	(390)	(559)
Currency translation differences		–	64	–	64	149	213
Total comprehensive loss for the period		–	(105)	(23,205)	(23,310)	(1,523)	(24,833)
Transactions with owners in their capacity as owners							
Net utilisations of safety fund and future development fund		–	(1,995)	1,995	–	–	–
Balance at 30 June 2017 (unaudited)		644,393	64,626	(206,419)	502,600	3,724	506,324

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Unaudited Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018 (Amounts expressed in thousands of RMB)

	Note	Six months ended 30 June 2018 (unaudited)	2017 (unaudited)
Cash flows from operating activities			
Cash (used in)/generated from operations		**(105,662)**	83,295
Interest paid		**(4,789)**	(7,034)
Interest received		**1,638**	1,022
Net cash (used in)/generated from operating activities		**(108,813)**	77,283
Cash flows from investing activities			
Purchases of property, plant and equipment		**(23,916)**	(4,753)
Proceeds from disposal of property, plant and equipment		**22**	15
Advance construction funds from government		**–**	1,000
Decrease/(Increase) in restricted bank deposits	*16*	**59,942**	(60,000)
Investment in an associate	*8*	**(1,100)**	–
Decrease/(Increase) in term deposits with original maturity over three months	*16*	**21,000**	(60,000)
Net cash generated from/(used in) investing activities		**55,948**	(123,738)
Cash flows from financing activities			
Net proceeds from issuance of ordinary shares	*18*	**29,420**	–
Proceeds from borrowings		**40,000**	90,000
Repayments of borrowings		**(100,000)**	(20,000)
Net cash (used in)/generated from financing activities		**(30,580)**	70,000
Net (decrease)/increase in cash and cash equivalents		**(83,445)**	23,545
Cash and cash equivalents at beginning of period	*16*	**123,627**	120,354
Exchange (losses)/gains on cash and cash equivalents		**(2,075)**	298
Cash and cash equivalents at end of period	*16*	**38,107**	144,197
Cash flows of discontinued operations	*17*		

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2018 (Amounts expressed in thousands of RMB)

1. GENERAL INFORMATION

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

The Company is an investment holding company. The Company and its subsidiaries (collectively the "Group") are principally engaged in iron ore mining and processing, sales of iron concentrates in the People's Republic of China (the "PRC"). The Company listed its shares on the Main Board of The Stock Exchange of Hong Kong Limited on 27 April 2012.

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

This interim condensed consolidated financial information has been approved for issuance by the Board of Directors on 24 August 2018.

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2018 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, 'Interim financial reporting'.

The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3. ACCOUNTING POLICIES

(a) Overview

The Hong Kong Institute of Certified Public Accountants has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's interim condensed consolidated financial statements:

– HKFRS 9, Financial instruments

– HKFRS 15, Revenue from contracts with customers

The Group has not applied any amendments, new standards or interpretations that are not effective for the current accounting period.

Details of the changes in accounting policies are discussed in Note 3(b) for HKFRS 9 and Note 3(c) for HKFRS 15.

(b) HKFRS 9, Financial instruments

On 1 January 2018, the Group assessed which business models apply to the financial assets held by the Group and has classified its financial assets into the appropriate HKFRS 9 categories, the Group's financial assets were mainly trade receivables, notes receivables and other receivables previously measured at amortised cost which meet the conditions for classification at amortised cost.

The Group has two types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- trade receivables for sales of goods; and

- other receivables.

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The new impairment model requires the recognition of impairment provisions based on expected credit losses model rather than only incurred credit losses model as is the case under HKAS 39. The impact of the change in impairment methodology on the Group's retained earnings as at 1 January 2018 was immaterial.

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through other comprehensive income; and

- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will be recorded in other comprehensive income.

(ii) Measurement

At initial recognition, the Group measures a financial asset at its fair value, transaction costs that are directly attributable to the acquisition of the financial asset that are at fair value through profit or loss are expensed in profit or loss; and the costs for other categories of financial assets are recognised in the initial carrying amount of the financial assets. For trade and other receivables arising from rendering goods with no significant financing component, the Group measures their initial carrying amount with the cash flows that the Group is entitled and expected to receive.

(iii) Impairment

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and other receivables.

(c) HKFRS 15, Revenue from contracts with customers

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 replacing HKAS 18 Revenue which covers contracts for goods and services.

The Group's sales of goods are recognised when control of the goods are transferred, being when the goods are delivered to the customers.

The adoption of HKFRS 9 and HKFRS 15 do not have a material impact on the Group's results and financial positions for the current or prior periods.

4. ESTIMATES

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

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017.

5. SEGMENT INFORMATION

(a) General information

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

The SEM considers the business from both a geographic and industrial perspective.

During the year ended 31 December 2017, the CODM made the following changes to the reportable segments to reflect the changes of relevant business, on the basis of which the segment information disclosure was changed.

(i) In January 2017, Tianjin Ever Grand Financial Leasing Co., Ltd. ("Ever Grand") terminated its external finance lease contract. The SEM decided to temporarily suspend finance lease business and Ever Grand is no longer reported as a separate reportable operating segment.

(ii) On 18 November 2017, the Company announced that Shandong Ishine Mining Industry Co., Ltd. ("Shandong Ishine") and the Controlling Shareholder has entered into an agreement with two independent natural persons, pursuant to which Shandong Ishine sold all its interests in Linyi Luxing Titanium Co., Ltd. ("Luxing Titanium"), with a cash consideration amounting to RMB20,900,000. The transaction was completed on 30 November 2017. Luxing Titanium is reported as a discontinued operation for the six months ended 30 June 2017.

(iii) In 2017, the SEM decided not to actively pursue business in Australia. On 29 December 2017, Mr. Li Yunde, the Controlling Shareholder of the Company, submitted his resignation to the board of directors of Ishine International Resources Limited (changed its name to Superior Lake Resources Limited ("Superior Lake")), and retired from the position of executive director and chairman of Superior Lake. The Group no longer has control in Superior Lake since 29 December 2017. Superior Lake is reported as a discontinued operation for the six months ended 30 June 2017.

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

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

The measurement of profit or loss, assets and liabilities of the operating segments are the same as those described in the summary of significant accounting policies in the annual financial statements for the year ended 31 December 2017.

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

For the six months ended 30 June 2018 (Amounts expressed in thousands of RMB)

The segment information provided to the SEM for the six months ended 30 June 2018 and 2017 is as follows:

	Shandong Ishine	Discontinued operations	Unallocated	Inter-segment elimination	Total
Six months ended 30 June 2018 (unaudited)					
Revenue	**61,206**	**–**	**–**	**–**	**61,206**
Gross profit	**1,101**	**–**	**–**	**–**	**1,101**
Finance income	**1,637**	**–**	**1**	**–**	**1,638**
Finance expenses	**(2,558)**	**–**	**(8,389)**	**–**	**(10,947)**
Inventory provision	**(256)**	**–**	**–**	**–**	**(256)**
Reversal of impairment in trade receivables	**5,306**	**–**	**–**	**–**	**5,306**
Income tax expense	**(2,467)**	**–**	**–**	**–**	**(2,467)**
Net loss	**(10,183)**	**–**	**(86,203)**	**65,896**	**(30,490)**
Other information					
Depreciation of property, plant and equipment ("PPE")	**(7,285)**	**–**	**(3)**	**–**	**(7,288)**
Expenditures for non-current assets	**18,212**	**–**	**180**	**–**	**18,392**
As at June 2018 (unaudited)					
Segment assets and liabilities					
Total assets	**642,343**	**–**	**1,874,214**	**(1,805,142)**	**711,415**
Total liabilities	**(356,257)**	**–**	**(847,271)**	**868,885**	**(334,643)**
Six months ended 30 June 2017 (unaudited)					
Revenue	6,560	–	–	–	6,560
Gross profit	437	–	–	–	437
Finance income	1,553	3	5	–	1,561
Finance expenses	(2,540)	(3,343)	(3,751)	–	(9,634)
Reversal of provisions of trade receivables	1,095	–	–	–	1,095
Income tax expense	(683)	(607)	–	–	(1,290)
Net loss	(9,301)	(5,478)	(9,708)	–	(24,487)
Other information					
Depreciation of PPE	7,981	(446)	–	–	7,535
Expenditures for non-current assets	5,162	–	439	–	5,601
As at 31 December 2017 (audited)					
Segment assets and liabilities					
Total assets	727,731	110,003	2,046,618	(2,111,866)	772,486
Total liabilities	(415,885)	(125,683)	(713,356)	866,411	(388,513)

For the six months ended 30 June 2018 (Amounts expressed in thousands of RMB)

6. PROPERTY, PLANT AND EQUIPMENT

	Buildings and structures	Mining infrastructures	Vehicles, equipment and others	Construction in progress	Total
At 31 December 2017 (audited)					
Cost	118,872	118,005	195,476	71,635	503,988
Accumulated depreciation and impairment	(69,346)	(27,579)	(150,201)	–	(247,126)
Net book amount	49,526	90,426	45,275	71,635	256,862
Six months ended 30 June 2018 (unaudited)					
Opening net book amount	49,526	90,426	45,275	71,635	256,862
Additions	37	6,066	1,972	16,114	24,189
Disposals – cost	–	–	(473)	–	(473)
Disposals – accumulated depreciation	–	–	446	–	446
Transfers	3,203	–	–	(3,203)	–
Depreciation charge	(2,121)	(4,663)	(504)	–	(7,288)
Closing net book amount	50,645	91,829	46,716	84,546	273,736
At 30 June 2018 (unaudited)					
Cost	122,112	124,071	196,975	84,546	527,704
Accumulated depreciation and impairment	(71,467)	(32,242)	(150,259)	–	(253,968)
Net book amount	50,645	91,829	46,716	84,546	273,736

For the six months ended 30 June 2018 (Amounts expressed in thousands of RMB)

7. INTANGIBLE ASSETS

	Exploration rights (a)	Exploration and evaluation assets (b)	Mining rights (c)	Total
At 31 December 2017 and 30 June 2018				
Cost	10,902	16,142	65,177	92,221
Accumulated amortisation and impairment	(10,902)	(16,142)	(65,177)	(92,221)
Net book amount	–	–	–	–

(a) Exploration rights consist of exploration right of an iron ore mine in Shandong Province, the PRC, acquired by the Group in 2008.

(b) Exploration and evaluation assets represent capitalised expenditures incurred for application of the mining rights in Shandong Province, the PRC.

(c) As at 31 December 2017 and 30 June 2018, bank borrowings were secured by a mining right of Shandong Ishine in Shandong Province, the PRC (Note 22(b)).

8. INTERESTS IN ASSOCIATES

On 23 February 2018, Shandong Ishine's interests in Superior Lake was diluted from 30.22% to 8.73% after a share issuance by Superior Lake, Shandong Ishine no longer has significant influence over this investment and the investment was reclassified from an associate to financial assets at fair value through other comprehensive income. The fair value change from the day it was treated as an associate to the day ceased to have significant influence, and amounts previously recognised in other comprehensive income were recognised in profit or loss (Note 26).

On 4 March 2018, Shandong Ishine and a third party individual entered into an investment agreement to set up Shandong Baosheng New Energy Technology Limited ("Baosheng New Energy"). According to the agreement, Shandong Ishine and the individual subscribed 37.04% and 62.96% shares of Baosheng New Energy, respectively. Baosheng New Energy was established on 30 March 2018.

The carrying amount of equity-accounted investments has changed as follows in the six months to June 2018:

	Six months ended 30 June 2018 (unaudited)
Beginning of the period	**13,830**
Transfer to financial assets at fair value through other comprehensive income	**(13,830)**
Investment	**1,100**
End of the period	**1,100**

For the six months ended 30 June 2018 (Amounts expressed in thousands of RMB)

9. DEFERRED INCOME TAX ASSETS AND LIABILITIES

The net movement of deferred income tax assets and liabilities is as follows:

	Six months ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
Opening balance	**(8,262)**	(2,389)
Charge to statement of comprehensive income	**(2,467)**	(1,290)
Closing amount	**(10,729)**	(3,679)

10. OTHER NON-CURRENT ASSETS

	As at 30 June 2018 (unaudited)	As at 31 December 2017 (audited)
Land restoration deposits	**7,224**	5,224
Prepaid taxes	**3,678**	3,559
	10,902	8,783

11. INVENTORIES

	As at 30 June 2018 (unaudited)	As at 31 December 2017 (audited)
Raw materials		
– Iron ore and ilmenite ore	**74**	74
– Spodumene	**15,476**	–
– Others	**19,301**	1,968
Finished goods	**21,839**	29,646
Spare parts and others	**3,716**	4,425
Provision for inventory	**(414)**	(2,991)
	59,992	33,122

For the six months ended 30 June 2018 (Amounts expressed in thousands of RMB)

Movement on the Group's allowance for impairment of inventories is as follows:

	Six months ended 30 June	
	2018	2017
At 1 January	**(2,991)**	–
Provision for inventories impairment	**(256)**	–
Write off inventories	**2,833**	–
At 30 June	**(414)**	–

12. TRADE RECEIVABLES

	As at 30 June 2018 (unaudited)	As at 31 December 2017 (audited)
Trade receivables	**46,718**	32,739
Less: allowance for impairment of trade receivables	**(1,282)**	(6,588)
Trade receivables – net	**45,436**	26,151

As at 30 June 2018 and 31 December 2017, the ageing analysis of trade receivables was as follows:

	As at 30 June 2018 (unaudited)	As at 31 December 2017 (audited)
Within 3 months	**26,544**	–
3 to 6 months	**3,234**	–
6 months to 1 year	**–**	–
Over 1 year	**16,940**	32,739
	46,718	32,739

For the six months ended 30 June 2018 (Amounts expressed in thousands of RMB)

Movement on the Group's allowance for impairment of trade receivables is as follows:

	Six months ended 30 June	
	2018	2017
At 1 January	**(6,588)**	(9,658)
Reversal of impairment in trade receivables	**5,306**	1,095
At 30 June	**(1,282)**	(8,563)

13. NOTES RECEIVABLES

	As at 30 June 2018 (unaudited)	As at 31 December 2017 (audited)
Bank acceptance notes	**46,000**	42,000

14. PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2018 (unaudited)	As at 31 December 2017 (audited)
Advance to suppliers	**43,418**	267
Prepaid taxes	**7,450**	10,996
Land restoration deposits	**86**	86
Deductible input value-added tax	**8,948**	5,767
Advance to employees	**122**	184
Others	**3,866**	7,445
	63,890	24,745

15. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 30 June 2018, the Group's remaining interests in Superior Lake (Note 8) was reclassified to financial assets at fair value through other comprehensive income, and classified as level 1 financial instrument since Superior Lake is a listed company in Australia and the quoted price is easily accessed.

For the six months ended 30 June 2018 (Amounts expressed in thousands of RMB)

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

	As at 30 June 2018 (unaudited)	As at 31 December 2017 (audited)
Cash and cash equivalents		
– Cash on hand	**357**	359
– Cash at bank	**37,750**	123,268
	38,107	123,627
Term deposits – maturity over 3 months	**139,000**	160,000
Restricted bank deposits		
– Deposits for bank acceptance notes	**20,000**	80,000
– Deposits for land restoration	**3,424**	3,366
	23,424	83,366
	200,531	366,993

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

	As at 30 June 2018 (unaudited)	As at 31 December 2017 (audited)
RMB	**168,440**	348,865
HKD	**28,015**	1,540
USD	**4,034**	14,991
AUD	**42**	1,597
	200,531	366,993

For the six months ended 30 June 2018 (Amounts expressed in thousands of RMB)

17. DISCONTINUED OPERATIONS

(a) Description

The Group's interests in Luxing Titanium were disposed on 30 November 2017. The Group ceased the control in Superior Lake on 29 December 2017. The Group reports Luxing Titanium and Superior Lake for the six months ended 30 June 2017 as discontinued operations.

Financial information relating to the discontinued operations for the six months ended 30 June 2017 is set out below. For further information about the discontinued operations please refer to Note 16 in the Group's annual financial statements for the year ended 31 December 2017.

(b) Financial performance and cash flow information

	Six months ended 2017	
	Luxing Titanium (unaudited)	Superior Lake (unaudited)
Revenue	–	–
Expenses	(489)	(1,042)
Finance expenses – net	(3,293)	(47)
Loss before income tax	(3,782)	(1,089)
Income tax expense	(607)	–
Loss after income tax of discontinued operation	(4,389)	(1,089)
Change in value on available-for-sale financial assets	–	(169)
Currency translation differences	–	64
Total comprehensive loss from discontinued operations	(4,389)	(1,194)
Net cash used in operating activities	(8,636)	(2,367)
Net cash generated from investing activities	–	–
Net cash generated from financing activities	–	–
Net decrease in cash used by the subsidiary	(8,636)	(2,367)

For the six months ended 30 June 2018 (Amounts expressed in thousands of RMB)

18. SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares, issued and fully paid:

	Number of shares	Share capital	Share premium	Total
At 1 January 2018 (audited)	4,590,421,920	7,413	634,328	641,741
Issuance of shares *(a)*	322,348,000	528	28,892	29,420
At 30 June 2018 (unaudited)	**4,912,769,920**	**7,941**	**663,220**	**671,161**

(a) On 4 June 2018, the Company completed a placement of shares, with an aggregate of 322,348,000 placing shares placed to six placees who are independent third parties, at the placing price of HKD0.115 (equivalent to RMB0.093) per share. Commissions of the issuance was approximately HKD1,120,000 (equivalent to RMB917,000). The net proceeds from the placing was approximately HKD35,950,000 (equivalent to RMB29,420,000).

19. TRADE PAYABLES

As at 30 June 2018 and 31 December 2017, the ageing analysis of trade payables was as follows:

	As at 30 June 2018 (unaudited)	As at 31 December 2017 (audited)
Within 6 months	**6,401**	10,515
6 months to 1 year	**3,671**	74
Over 1 year	**4,780**	6,764
	14,852	17,353

20. NOTES PAYABLES

	As at 30 June 2018 (unaudited)	As at 31 December 2017 (audited)
Bank acceptance notes	**40,000**	100,000

For the six months ended 30 June 2018 (Amounts expressed in thousands of RMB)

21. ACCRUALS AND OTHER PAYABLES

	As at 30 June 2018 (unaudited)	As at 31 December 2017 (audited)
Accrued land compensation costs	**10,629**	10,156
Advance construction funds from government	**19,882**	19,882
Guarantee deposits	**3,044**	4,013
Employee benefits payable	**5,434**	4,540
Interest payable	**4,901**	3,749
Others	**5,176**	3,891
	49,066	46,231

22. BORROWINGS

	As at 30 June 2018 (unaudited)	As at 31 December 2017 (audited)
Non-current		
Bonds	**109,854**	107,210
Current		
Bank borrowings	**100,000**	100,000
Total Borrowings	**209,854**	207,210
Representing:		
Unsecured		
– Bonds wholly payable after 7.5 years *(a)*	**109,854**	107,210
Secured		
– Pledged *(b)*	**100,000**	100,000
	209,854	207,210

For the six months ended 30 June 2018 (Amounts expressed in thousands of RMB)

(a) Unsecured bonds

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

As at 30 June 2018, the aggregate carrying amount of the bonds was HKD130,298,000 (31 December 2017: HKD128,255,000), equivalent to RMB109,854,000 (31 December 2017: RMB107,210,000).

(b) Pledged bank borrowings

As at 30 June 2018, bank borrowings of RMB100,000,000 (31 December 2017: RMB100,000,000) were secured by a mining right of Shandong Ishine in Shandong Province, the PRC. The interest rate at 30 June 2018 was 4.65% (31 December 2017: 4.65%).

23. PROVISIONS FOR CLOSE DOWN, RESTORATION AND ENVIRONMENTAL COSTS

	As at 30 June 2018 (unaudited)	As at 30 June 2017 (unaudited)
Opening amount	**8,955**	26,992
Unwinding of discount charged to the statement of comprehensive income *(Note 28)*	**201**	564
Closing amount	**9,156**	27,556

24. REVENUE

	Six months ended 30 June	
	2018 (unaudited)	2017 (unaudited)
Production		
– Sales of iron concentrates	**50,474**	1,596
– Sales of titanium concentrates	**2,890**	250
Trading		
– Sales of coarse iron powder	**7,842**	4,714
	61,206	6,560
Revenue is attributable to:		
– Continuing operations	**61,206**	6,560
– Discontinued operations *(Note 17(b))*	**–**	–
	61,206	6,560

For the six months ended 30 June 2018 (Amounts expressed in thousands of RMB)

25. EXPENSES BY NATURE

	Six months ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
Changes in inventories of finished goods, iron ore and ilmenite ore	**4,974**	(16,487)
Cost of raw materials	**47,667**	11,547
Employee benefit expense	**5,367**	5,115
Land compensation expenses	**2,970**	3,716
Depreciation and amortisation	**7,288**	7,535
Inventory provision	**256**	–
Reversal of impairment in trade receivables	**(5,306)**	(1,095)
Transportation expenses	**2,184**	–
Utilities and electricity	**2,566**	5,650
Professional fees	**1,765**	886
Auditors' remuneration		
– Audit services	**1,040**	1,044
– Non-audit services	**–**	–
Travelling expenses	**1,424**	771
Marketing expenses	**5,384**	–
Other expenses	**4,518**	3,021
Total cost of sales, distribution costs and administrative expenses	**82,097**	21,703
Expense is attributable to:		
– Continuing operations	**82,097**	20,172
– Discontinued operations *(Note 17(b))*	**–**	1,531
	82,097	21,703

26. OTHER INCOME

	Six months ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
Disposal of interests in an associate *(Note 8)*	**2,130**	–
Expense is attributable to:		
– Continuing operations	**2,130**	–
– Discontinued operations	**–**	–
	2,130	–

For the six months ended 30 June 2018 (Amounts expressed in thousands of RMB)

27. OTHER GAINS – NET

	Six months ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
Losses on disposal of PPE	**(5)**	(1)
Government grants	**52**	20
	47	19
Other (losses)/gains is attributable to:		
– Continuing operations	**47**	19
– Discontinued operations	**–**	–
	47	19

28. FINANCE EXPENSES – NET

	Six months ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
Interest expense:		
– Borrowings	**(8,586)**	(8,309)
– Provisions: unwinding of discount *(Note 23)*	**(201)**	(564)
– Discount of bank acceptance notes	**–**	(2,946)
Net foreign exchange (losses)/gains	**(2,075)**	2,410
Other finance expenses	**(85)**	(225)
Finance expenses	**(10,947)**	(9,634)
Finance income:		
– Interest income on bank deposits	**1,638**	1,561
Net finance expenses	**(9,309)**	(8,073)
Finance expenses is attributable to:		
– Continuing operations	**(9,309)**	(4,733)
– Discontinued operations *(Note 17(b))*	**–**	(3,340)
	(9,309)	(8,073)

For the six months ended 30 June 2018 (Amounts expressed in thousands of RMB)

29. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
Deferred income tax	**(2,467)**	(1,290)
Income tax expenses is attributable to:		
– Continuing operations	**(2,467)**	(683)
– Discontinued operations *(Note 17(b))*	**–**	(607)
	(2,467)	(1,290)

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

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

Hong Kong profit tax has not been provided for the subsidiaries in Hong Kong as there is no estimated assessable profit arising in or derived from Hong Kong during the six months ended 30 June 2018 and 2017.

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

In December 2015, Shandong Ishine was awarded with the National High-Tech Enterprise qualification. Pursuant to the related regulations, Shandong Ishine is entitled to a reduced income tax rate of 15%, effective from 1 January 2016 till 1 January 2019.

The tax rate for the Company's other PRC subsidiaries is 25% for the six months ended 30 June 2018.

For the six months ended 30 June 2018 (Amounts expressed in thousands of RMB)

30. LOSSES PER SHARE

(a) Basic

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

	Six months ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
Loss attributable to owners of the Company	**(30,490)**	(23,205)
– From continuing operations (RMB'000)	**(30,490)**	(19,009)
– From discontinued operations (RMB'000)	**–**	(4,196)
Weighted average number of ordinary shares in issue	**4,662,684,053**	4,616,379,920
Basic losses per share (Expressed in RMB per share)	**(0.007)**	(0.005)

(b) Diluted

As at 30 June 2018 and 2017, there were no dilutive instruments of the Company, the diluted losses per share were calculated in the same way as basic losses per share.

31. DIVIDENDS

The Board of Directors has resolved not to declare any interim dividends related to the six months ended 30 June 2018.

32. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operational decisions. Parties are also considered to be related if they are subject to common control. Members of key management of the Group and their close family members are also considered as related parties.

(a) During the six months ended 30 June 2018 and 2017, the Company's directors were of the view that the following individual was a related party of the Group:

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

(b) Significant transactions with related parties

During the six months ended 30 June 2018 and 2017, the Group had no significant transactions or balances with related parties.

For the six months ended 30 June 2018 (Amounts expressed in thousands of RMB)

(c) Key management compensation

Key management includes directors (executive and non-executive), members of the Executive Committee and the Company Secretary. The compensation paid or payable to key management for employee services is shown below:

	Six months ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
Wages, salaries and allowances	**1,422**	1,639
Contribution to pension scheme	**39**	30
	1,461	1,669

33. COMMITMENTS

(a) Capital commitments

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

	As at 30 June 2018 (unaudited)	As at 31 December 2017 (audited)
PPE	**5,500**	7,241

(b) Operating lease commitments

The Group leases equipments under non-cancellable operating leases expiring within two to six years.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	As at 30 June 2018 (unaudited)	As at 31 December 2017 (audited)
Within 1 year	**1,200**	1,200
1 year to 5 years	**4,300**	4,800
Over 5 years	**–**	1,200
	5,500	7,200

Management Discussion and Analysis

BUSINESS REVIEW

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

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

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

The Group recorded revenue of approximately RMB61.2 million for the six months ended 30 June 2018, representing an increase of approximately 827.3% over the revenue of approximately RMB6.6 million for the six months ended 30 June 2017. The increase in revenue of the Group was primarily due to (1) the increase in sales of the iron concentrates produced by non-magnetic minerals processing technology by approximately 30.6 million from nil for the six months ended 30 June 2017 to approximately RMB30.6 million for the six months ended 30 June 2018; (2) the increase in sales of iron concentrates produced from Yangzhuang Iron Mine by approximately RMB18.3 million from approximately RMB1.6 million for the six months ended 30 June 2017 to approximately RMB19.9 million for the six months ended 30 June 2018; (3) the increase in turnover of trading of coarse iron powder by approximately RMB3.1 million from approximately RMB4.7 million for the six months ended 30 June 2017 to approximately RMB7.8 million for the six months ended 30 June 2018 and (4) increase in sales of ilmenite concentrates produced by Zhuge Shangyu Ilmenite Mine by approximately RMB2.6 million from approximately RMB0.3 million for the six months ended 30 June 2017 to approximately RMB2.9 million for the six months ended 30 June 2018.

Management Discussion and Analysis

The total comprehensive loss attributable to owners of the Company was approximately RMB36.3 million for the six months ended 30 June 2018, representing an increase of approximately RMB13.0 million, or 55.8%, as compared with total comprehensive loss attributable to owners of the Company of RMB23.3 million for the six months ended 30 June 2017. This was mainly due to the increase in administrative expenses without impairment loss by approximately RMB10.2 million from approximately RMB16.6 million for the six months ended 30 June 2017 to approximately RMB26.8 million for the six months ended 30 June 2018, which offset the increase in gross profit of approximately RMB0.7 million.

Resources and reserves of mines

The mines and projects owned by the Group have significant iron and titanium ore reserves and resources. According to the report of the independent technical adviser Micromine Consulting Services, as at November 2011 as disclosed in the prospectus of the Company dated 17 April 2012, the total aggregate proved and probable reserve of ore in the Yangzhuang Iron Mine was approximately 43.93Mt at an average grade of approximately 24.58% TFe (total iron); the total proved and probable reserve of ore in the Zhuge Shangyu Ilmenite Mine was approximately 545.8Mt at an average grade of approximately 5.69% TiO_2 and approximately 12.81% TFe (total iron); whereas the total proved and probable reserve of ore in Qinjiazhuang Ilmenite Project was approximately 86.63Mt at an average grade of approximately 4.50% TiO_2 and approximately 13.56% TFe (total iron).

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

Yangzhuang Iron Mine

1. Resource reporting cutoff grade: 15% TFe.

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

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

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

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

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

7. Parameters for Short Hole Shrinkage mining method:

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

Reason for the changes in the resources and reserves estimates:

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

Zhuge Shangyu Ilmenite Mine

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

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

3. Mineral resources are inclusive of the ore reserve.

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

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

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

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

Reason for the changes in the resources and reserves estimates:

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

Qinjiazhuang Ilmenite Project

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

There were no exploration or mining activities carried out at the Qinjiazhuang Ilmenite Project between 1 January 2014 and 30 June 2018. The Group is in the progress of renewing the exploration license.

Based on (1) the resources and reserves under the JORC for the Yangzhuang Iron Mine, Zhuge Shangyu Ilmenite Mine and Qinjiazhuang Ilmenite Project as at November 2011 as disclosed in the prospectus of the Company dated 17 April 2012, and (2) the estimated amount of ores mined by the Group from November 2011 to December 2013, the Group's estimated resources and reserves as at 30 June 2018 were as follows:

JORC Ore Reserve Estimate as of 30 June 2018 ***(Note: JORC ore reserves as of 31 December 2013 less exploration during the period from 1 January 2014 to 30 June 2018, and on 2 November 2017, the Group disclosed the area of exploration was changed in Zhuge Shangyu, which deduced the total reserve.)***:

	Yangzhuang Iron Mine	Zhuge Shangyu Ilmenite Mine	Qinjiazhuang Ilmenite Project
Ore reserves (Mt)			
– proved	5.86	199.45	45.33
– probable	31.20	204.50 *(Note)*	41.30
Total ore reserves	37.06	403.90	86.63
Grade of total iron (TFe) (%)			
– proved	24.15	12.78	13.50
– probable	24.65	12.83	13.61
Average grade of total iron (TFe) (%)	24.55	12.82	13.56
Grade of titanium dioxide (TiO_2) (%)			
– proved	N/A	5.76	4.52
– probable	N/A	5.65	4.48
Average grade of total titanium dioxide (TiO_2) (%)	N/A	5.69	4.50

Note: Out of total probable reserve, about 199.71 Mt is underground reserve.

JORC Ore Reserve Estimate as of 31 December 2017 ***(Note: JORC ore reserves as of 31 December 2013 less exploration during the period from 1 January 2014 to 31 December 2017, and on 2 November 2017, the Group disclosed the area of exploration was changed in Zhuge Shangyu, which deduced the total reserve.)***:

	Yangzhuang Iron Mine	**Zhuge Shangyu Ilmenite Mine**	**Qinjiazhuang Ilmenite Project**
Ore reserves (Mt)			
– proved	5.86	199.45	45.33
– probable	31.20	204.50(Note)	41.30
Total ore reserves	37.06	403.90	86.63

Note: Out of the total probable reserve, about 199.71Mt is underground reserve.

Yangzhuang Iron Mine Resource Estimate as of 31 December 2017 ***(Note: JORC mineral resources as of 31 December 2013 less exploration during the period from 1 January 2014 to 31 December 2017)***:

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

Note: Numbers have been rounded to reflect that the resources are an estimate. Resources may not ultimately be extracted at a profit.

Zhuge Shangyu Ilmenite Mine Resource Estimate as of 31 December 2017 ***(Note: JORC mineral resources as of 31 December 2013 less exploration during the period from 1 January 2014 to 31 December 2017, and on 2 November 2017, the Company disclosed the area of exploration was changed in Zhuge Shangyu, which deduced the total reserve.)***:

Resource Category	**Resource** *(Mt)*	**SG** *(t/m^3)*	**TiO_2** *(%)*	**TFe** *(%)*
Measured	372.6	3.19	6.23	14.04
Indicated	118.3	3.13	6.14	14.18
Total Measured and Indicated	490.9	3.17	6.19	14.10
Inferred	4.0	3.13	5.92	15.03
Total Resources	494.9	3.16	6.19	14.10

Qinjiazhuang Ilmenite Project Resource Estimate as of 31 December 2017 ***(Note: JORC mineral resources as of 31 December 2013, there was no exploration activity during the period from 1 January 2014 to 31 December 2017)***:

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

Gaozhuang Shangyu Ilmenite project

Gaozhuang Shangyu Ilmenite Project is located in Yishui County and Yinan County of Shandong Province, the PRC. The Company has engaged an independent third-party surveying agency to conduct preliminary exploration work in Gaozhuang Shangyu Ilmenite Project and the work was completed in 2012. The exploration rights covered an area of approximately 1.53km^2, with the exploration term expiring in March 2019. According to Titanium Mine Detailed Survey Report in respect of the project, it was estimated that the exploration area had approximately 46.0Mt of resources of Type 332 and 333 of ilmenite ores in September 2012 under PRC classification standard with an average grading of iron and titanium content of approximately 12.4% and 6.8% respectively. During the period from October 2012 to June 2018, there was no change in resources and reserves. The Group did not have any plans to carry out mining work or any other expansion plans.

Management Discussion and Analysis

FINANCIAL REVIEW

For the six months ended 30 June 2018, the Group recorded revenue of approximately RMB61.2 million as compared with approximately RMB6.6 million for the six months ended 30 June 2017, representing an increase of approximately 827.3%. For the six months ended 30 June 2018, 50.0% of the Group's total sales consisted of the sales of the iron concentrates produced by non-magnetic minerals processing technology, 37.2% of sales of iron concentrates and titanium concentrates and 12.8% of sales were derived from trading of coarse iron powder. The Group mainly sold iron concentrates and titanium concentrates produced by the Group to iron pellets and steel producers in Shandong Province, the PRC. In addition to the above customers of iron and titanium concentrates, the Group sold coarse iron powder to other customers engaged in trading and manufacturing of iron-related products in the PRC.

Prices of the Group's products

Iron Concentrates

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

The Group's average unit selling prices of 65% iron concentrates for the six months ended 30 June 2018 were approximately RMB572.9 per tonne, representing a decrease of approximately 16.2% as compared with the average unit selling prices of approximately RMB683.8 per tonne for the six months ended 30 June 2017. The Group's average unit selling prices of 64% iron concentrates produced by non-magnetic minerals processing technology for the six months ended 30 June 2018 were approximately RMB550.1 per tonne.

Titanium Concentrates

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

The Group's average unit selling prices of 46% titanium concentrates for the six months ended 30 June 2018 were approximately RMB892.3 per tonne, representing an decrease of approximately 45.5% as compared with the average unit selling prices of approximately RMB1,636.2 per tonne for the six months ended 30 June 2017.

Revenue

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

	Six months ended 30 June 2018		Six months ended 30 June 2017	
	RMB'000		*RMB'000*	
Revenue				
Sales of iron concentrates produced by the Group				
– from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	**19,888**	**32.5%**	1,596	24.3%
– by non-magnetic minerals processing technology (64% iron concentrates)	**30,586**	**50.0%**	–	–
Sales of titanium concentrates produced by the Group				
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	**2,890**	**4.7%**	250	3.8%
Sales of trading activities				
– from coarse iron powder	**7,842**	**12.8%**	4,714	71.9%
	61,206	**100%**	6,560	100%

Management Discussion and Analysis

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

	Six months ended 30 June 2018	Six months ended 30 June 2017
	(Kt)	*(Kt)*
Sales volume of iron concentrates produced by the Group		
– from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	**34.7**	2.3
– by non-magnetic minerals processing technology (64% iron concentrates)	**55.6**	–
Sales volume of titanium concentrates produced by the Group		
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	**3.2**	0.2
Sales volume of trading activities		
– from coarse iron powder	**24.0**	10.9
	117.5	13.4

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

	Six months ended 30 June 2018		Six months ended 30 June 2017	
	(Kt)		*(Kt)*	
Iron concentrates produced by the Group				
Amount of iron concentrates produced				
– from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	**–**	**–**	25.8	84.9%
– by non-magnetic minerals processing technology (64% iron concentrates)	**93.4**	**100%**	–	–
Amount of iron concentrates produced from				
– ilmenite ore of Zhuge Shangyu Ilmenite Mine (57% iron concentrates)	**–**	**–**	2.0	6.6%
Titanium Concentrates produced by the Group				
Amount of titanium concentrates produced				
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	**–**	**–**	2.6	8.5%
Total	**93.4**	**100%**	30.4	100%

For the six months ended 30 June 2018, revenue is mainly derived from sales of iron concentrates produced by non-magnetic minerals processing technology. Revenue is also derived from sales of iron concentrates produced from Yangzhuang Iron Mine.

The Group's revenue increased by approximately RMB54.6 million, or 827.3%, to approximately RMB61.2 million for the six months ended 30 June 2018, as compared with approximately RMB6.6 million for the six months ended 30 June 2017. The increase in revenue was primarily due to (1) the increase in sales of the iron concentrates produced by non-magnetic minerals processing technology by approximately RMB30.6 million from nil for the six months ended 30 June 2017 to approximately RMB30.6 million for the six months ended 30 June 2018; (2) the increase in sales of iron concentrates produced from Yangzhuang Iron Mine by approximately RMB18.3 million from approximately RMB1.6 million for the six months ended 30 June 2017 to approximately RMB19.9 million for the six months ended 30 June 2018; (3) the increase in turnover of trading of coarse iron powder by approximately RMB3.1 million from approximately RMB4.7 million for the six months ended 30 June 2017 to approximately RMB7.8 million for the six months ended 30 June 2018 and (4) increase in sales of ilmenite concentrates produced by Zhuge Shangyu Ilmenite Mine by approximately RMB2.6 million from approximately RMB0.3 million for the six months ended 30 June 2017 to approximately RMB2.9 million for the six months ended 30 June 2018.

The management strategically increased the sales volume of the iron concentrates to reduce the inventory of the iron concentrates. The sales volume of the iron concentrates produced in Yangzhuang Iron Mine and ilmenite concentrates produced by Zhuge Shangyu Ilmenite Mine were approximately 34.7 Kt and 3.2 Kt respectively. The Group studies on mineral processing process, innovated brand new non-magnetic mineral processing technology to process and produce non-magnetic mineral, which was not selectable, and breaking the limitations of non-magnetic mineral processing. The sales volume of the iron concentrates produced by non-magnetic minerals processing technology was approximately 55.6 Kt. Due to the new environmental policy implemented by the State Government, higher mining standard has been set. The market is undergoing the downturn, the management decided to reduce the reserve of iron concentrates which resulted in the increase in revenue.

Since the steel market has been picking up, the market has been digesting the reserved iron concentrates for the previous period. Hence, the price of the iron concentrates and ilmenite concentrates have been dropping.

Cost of Sales

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

	Six months ended 30 June 2018		Six months ended 30 June 2017	
	RMB'000		*RMB'000*	
Cost of Sales				
Cost of sales of iron concentrates produced by the Group				
– from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	**21,880**	**36.4%**	1,548	25.3%
– by non-magnetic minerals processing technology (64% iron concentrates)	**27,228**	**45.3%**	–	–
Cost of sales of titanium concentrates produced by the Group				
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	**3,308**	**5.5%**	156	2.5%
Cost of sales of trading activities				
– from sales of coarse iron powder	**7,689**	**12.8%**	4,419	72.2%
	60,105	**100%**	6,123	100%

Cost of sales was mainly derived from sales of the iron concentrates produced by non-magnetic minerals processing technology and sales of iron concentrates produced from Yangzhuang Iron Mine. The cost of sales during production of iron concentrates and titanium concentrates mainly consists of mining contracting fees, blasting contracting fees, cost of other raw materials, power and utilities expenses, employee benefits, depreciation and amortisation and other overhead costs.

Total cost of sales increased by approximately 855.2% to approximately RMB60.1 million for the six months ended 30 June 2018, as compared with approximately RMB6.1 million for the corresponding period of 2017. Such increase was consistent with the increase in the Group's revenue during the six months ended 30 June 2018, which was mainly due to (1) the increase in the sales volume of iron concentrates produced by non-magnetic minerals processing technology by approximately 55.6 Kt for the six months ended 30 June 2018; (2) the increase in the sales volume of iron concentrates produced from iron ore of Yangzhuang Iron Mine by 32.4 Kt for the six months ended 30 June 2018; (3) the increases in sales volume of titanium concentrates produced from ilmenite ore of Zhuge Shangyu Ilmenite Mine by approximately 3 Kt for the six months ended 30 June 2018; and (4) the increase in sales volume from trading coarse iron powder by approximately 13.1 Kt for the six months ended 30 June 2018.

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

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

	Six months ended 30 June 2018 *RMB'000*		Six months ended 30 June 2017 *RMB'000*	
Gross profit/(loss)				
Gross profit of iron concentrates produced by the Group				
– from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	**(1,992)**	**(180.9%)**	48	11.0%
– by non-magnetic minerals processing technology (64% iron concentrates)	**3,358**	**305.0%**	–	–
Gross profit/(loss) of titanium concentrates produced by the Group				
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	**(418)**	**(38.0%)**	94	21.5%
Gross profit of trading activities				
– from sales of coarse iron powder	**153**	**13.9%**	295	67.5%
	1,101	**100%**	437	100%

	Six months ended 30 June 2018 %	Six months ended 30 June 2017 %
Gross profit/(loss) margin		
Gross profit margin of iron concentrates		
– from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	**(10.0%)**	3.0%
– by non-magnetic minerals processing technology (64% iron concentrates)	**11.0%**	–
Gross profit/(loss) margin of titanium concentrates		
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	**(14.5%)**	37.6%
Gross profit margin of trading activities		
– from sales of coarse iron powder	**2.0%**	6.3%
	1.8%	6.7%

Gross profit increased by approximately RMB0.7 million from gross profit of approximately RMB0.4 million for the six months ended 30 June 2017 to gross profit of approximately RMB1.1 million for the six months ended 30 June 2018. The main reason for the increase was the increase in gross profit of the iron concentrates produced by non-magnetic minerals processing technology by approximately RMB3.4 million from nil for the six months ended 30 June 2017 to approximately RMB3.4 million for the six months ended 30 June 2018; which was offset by (1) the increase in gross loss from the iron concentrates produced from Yangzhuang Iron Mine by approximately RMB2.1 million from the gross gain of approximately RMB0.1 for the six months ended 30 June 2017 to the gross loss of approximately RMB2.0 million for the six months ended 30 June 2018; (2) the decrease in gross gain from the trading of coarse iron powder by approximately RMB0.1 million from gross profit of approximately RMB0.3 million for the six months ended 30 June 2017 to gross profit of approximately RMB0.2 million for the six months ended 30 June 2018; and (3) the increase in gross profit of titanium concentrates produced from Zhuge Shangyu Ilmenite Mine by approximately RMB0.5 million from gross profit of approximately RMB0.1 million for the six months ended 30 June 2017 to gross loss of approximately RMB0.4 million for the six months ended 30 June 2018.

Overall gross profit margin decreased from gross profit margin of 6.7% to gross profit margin of 1.8% for the six months ended 30 June 2018 as compared with the corresponding period of 2017. The decrease in overall gross profit margin was primarily due to the decrease in the gross profit margin of iron concentrates produced from Yangzhuang Iron Mine, trading of coarse iron powder and titanium concentrates produced from Zhuge Shangyu Ilmenite Mine.

Other gains, net

The Group's other gains were approximately RMB0.05 million for the six months ended 30 June 2018 as compared with other losses of approximately RMB0.02 million for the six months ended 30 June 2017, which was mainly due to the increase in the Government subsidy from approximately RMB0.02 million for the six months ended 30 June 2017 to approximately RMB0.05 million for the six months ended 30 June 2018.

Finance costs, net

Net finance costs mainly comprised of interest expense on borrowings of the Group, offset by interest income of bank deposits. Finance costs increased by approximately 14.8% from approximately RMB8.1 million for the six months ended 30 June 2017 to approximately RMB9.3 million for the six months ended 30 June 2018, mainly due to the loss in foreign exchanges for the finance cost.

Total comprehensive loss

The total comprehensive loss attributable to owners of the Company was approximately RMB36.3 million for the six months ended 30 June 2018, representing an increase of approximately RMB13.0 million, or 55.8%, as compared with total comprehensive loss attributable to owners of the Company of RMB23.3 million for the six months ended 30 June 2017. This was mainly due to the increase in administrative expenses without impairment loss by approximately RMB10.2 million from approximately RMB16.6 million for the six months ended 30 June 2017 to approximately RMB26.8 million for the six months ended 30 June 2018, which offset the increase in gross profit of approximately RMB0.7 million.

CAPITAL STRUCTURE

The Company's issued share capital as at 30 June 2018 was HK$9,825,539.84 divided into 4,912,769,920 shares of HK$0.002 each.

The Group adopts a prudent treasury policy, and its gearing ratio (calculated as total borrowings divided by the aggregate amount of total equity and total borrowings) as at 30 June 2018 was approximately 35.8% (31 December 2017: approximately 35.1%). The current ratio (calculated as current assets divided by current liabilities) as at 30 June 2018 was approximately 2.0 times (31 December 2017: approximately 1.9 times).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2018, the total amount of borrowings of the Group was approximately RMB209.9 million (31 December 2017: approximately RMB207.2 million). The Group's cash and cash equivalents balances amounted to approximately RMB38.1 million (31 December 2017: approximately RMB123.6 million), which were mainly denominated in RMB.

PLACING OF NEW SHARES UNDER GENERAL MANDATE

For the purpose of responding to the government's call to seize the opportunities arising from national policies and better reflect the Company's strategic business plan and also expanding into new business, the Company proceeded equity fund raising activity during the period ended 30 June 2018.

On 17 May 2018, the Company entered into a placing agreement (the "Placing Agreement") with the sole placing agent whereby the Company agreed to place, through the sole placing agent on a best effort basis, up to 460,000,000 new Shares to not less than six placees at a price of RMB0.093 (equal to HK$0.115) per placing share (the "Placing"). The closing price was HK$0.118 per Share as quoted on the Stock Exchange on 17 May 2018, being the date of the Placing Agreement.

On 4 June 2018, an aggregate of 322,348,000 placing shares, pursuant to the terms and conditions of the Placing Agreement, was successfully placed to not less than six placees who are independent third parties, at a placing price of RMB0.093 (equal to HK$0.115) per placing share. The approximate gross and net proceeds from the Placing amounted to HK$37 million (equal to RMB30 million) and HK$36 million (equal to RMB29 million) respectively. The net price for the Placing was approximately HK$0.115 (equal to RMB0.093) per Share.

The net proceeds from the Placing has been used and planned to be used as follows:

Intended use of proceeds from the Placing	Actual use of proceeds (as at 30 June 2018)	Proposed use of the remaining unutilized proceeds (as at 30 June 2018)
(i) General working capital of the Group	The Group has utilized HK$6.20 million (equal to RMB5.06 million) for operation expense	The Group plans to utilize the balance of approximately HK$15.28 million (equal to RMB12.48 million) as the general working capital of the Group to meet the needs arising from its daily operations
(ii) Funding investment opportunities as may be identified from time to time	Not yet utilized	The Group plans to utilize the balance of approximately HK$14.47 million (equal to RMB11.88 million) for funding investment opportunities as may be identified from time to time in year 2018

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS OR DISPOSALS

There was no material investment, acquisition or disposal by the Group during the six months ended 30 June 2018.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGE

Shandong Ishine is operating in the PRC and is a major subsidiary of the Company. Almost all the transactions of Shandong Ishine are denominated and settled in their respective functional currencies, i.e. RMB.

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

PLEDGE OF GROUP ASSETS

As at 30 June 2018, bank borrowings of RMB100.0 million were secured by a mining right of Shandong Ishine, in Shandong Province, the PRC.

EMPLOYEE BENEFITS AND REMUNERATION POLICIES

As at 30 June 2018, the Group had a total of 158 employees (31 December 2017: 132). The employees of the Group were remunerated based on their experience, qualifications, the Group's performance and market conditions. During the six months ended 30 June 2018, staff costs (including Directors' remunerations) amounted to approximately RMB5.4 million (six months ended 30 June 2017: approximately RMB5.1 million).

CONTINGENT LIABILITIES

As at 30 June 2018, the Group has no material contingent liabilities.

Measures adopted by the management during the first half of 2018:

I. Utilizing the brand new processing technique available to conduct the processing.

Shandong Ishine, a wholly-owned subsidiary of the Group, studied on mineral processing process, innovated brand new non-magnetic mineral processing technology to process and produce non-magnetic mineral, which was not selectable, and broke the limitations of non-magnetic mineral processing. In the first half of 2018, Yangzhuang Iron Mine has completed the transformation of mineral processing technology for two production lines, which has been put into operation.

II. Mastered the world advanced solar thermal power technology with independent intellectual property rights – solar tower-free center concentrating power electricity generation technology and started the pilot test.

In the first half of 2018, the Group established an associate in solar thermal technology industrialization. Through independent research and development and cooperation with major scientific research institutes, it has now mastered the world advanced solar thermal power technology with independent intellectual property rights – solar tower-free center concentrating power electricity generation technology and started the pilot test. The Group systematically rebuilt a set of advanced solar thermal power generation system, which adopted globally leading original innovations at every key point. This technology is an innovative technology in the solar power electricity generation field; no tower and no liquid medium (such as molten salt) is required as the heat transfer medium. Through the three stages of heat collection, heat exchange (heat storage) and power generation in the mirror field, the cost of integrated power generation is significantly reduced, and power generation efficiency is greatly improved.

III. Actively placed new shares to expand its capital base and shareholders base.

In the first half of 2018, the Directors have considered various fund raising methods and believe that under the prevailing market conditions, placing of shares represents a good opportunity to raise additional funds as working capital of the Group. In addition, it can also broaden the Company's capital base and shareholders base without any interest burden and thus strengthen the Group's financial position for future development. The Company conducted a placing of new shares was completed on 4 June 2018 and raised a net proceeds of approximately RMB29.42 million.

IV. Continuously carried out the reserves verification of mines, laying a solid foundation for further mining in the future.

In the first half of 2018, the Group has engaged an independent third party surveying agency to further conduct a reserves verification in mining areas, laying a solid foundation for fully capitalizing on its own high quality resources of mines in the future.

V. With plenty of research and studies, the Group will expand into block chain technology based on mining and new energy in due course.

In the first half of 2018, after conducting a large number of research and studies, the Group will, when appropriate, further play its role as listed company's platform, and meanwhile to address the upsurge of block chain and the disruptive changes it may bring to the mining industry and new energy industry. The Group hopes to establish a decentralized global mining integrated platform and new energy integrated platform through block chain business, to promote sustainable development of its principal activities by integrating block chain technology.

VI. Closely seize market dynamics to actively develop new customers of payment before delivery, while strengthened customer supervision and payment collection.

In order to further control market risks, the Company's business department collected market information through internet and customer channels to obtain market price information in due course, closely seize market dynamics, conducted analyses of market condition and guided production and sales with market-oriented directions. To facilitate fund collection and risk prevention, the Group enhanced relevant management systems for the regulation of trade receivables, strengthened review of payment collection of its business department, designated person in charge and refined clear contract terms with strict implementation. In the first half of 2018, the Group retrieved aged payment of approximately RMB13.3 million and continued actively developing new customers of payment before delivery, further reducing the risk of payment collection.

2018 DEVELOPMENT AND FUTURE PLANS

By closely following market demands and trend changes, the Group will maintain its competitive edge in the sector of its traditional businesses, including mining, production, sales of and other services for iron and titanium ores and concentrates and other protective mining resources. At the same time, the Group will continue to invest in the expansion of the titanium industrial chain and substantially promote its new energy business. The Group will make greater efforts towards the following plans in 2018 and further.

I. Utilizing the brand new processing technique acquired in 2017 and achieving mass production while maintaining its competitive edge in the sector of its principal businesses

The Group will continue to maintain its competitive edge in mining, production and sales of protective mining resources, while providing after sales services to establish close relationships with upstream and downstream businesses within the industrial value chain of the sector. In particular, the Group will utilize the intellectual proprietary rights of the brand new processing technique acquired in 2017 and strengthen its efforts towards achieving mass production. The Group will aim to reach a mass production scale of 1.20 Mt or above and strive to bring economic benefits for the Group by leveraging on this technique. The Group will continue to make greater efforts in the planning and implementation of a comprehensive industrial value chain, including mining and processing of ilmenite ore and production of titanium concentrates, high titanium slag, titanium tetrachloride and sponge titanium. Based on internal research and development of production, the Group will continue to enhance research and development cooperation with the Chinese Academy of Sciences and technology transfer cooperation with the Russian Academy of Sciences with an aim to achieve significant technical breakthroughs. In response to market demands, the Group will make timely investments in technical transformation and strive to transform the above-mentioned technical advantages into productivity, with an aim to improve the profitability of the Company.

In the first half of 2018, the Group invested approximately RMB11.6 million in Yangzhuang Iron Mine's brand new processing lines, processed approximately 0.122 Mt of iron ore purchased from other suppliers and produced approximately 0.093 Mt of iron concentrates with roughly 64% iron content.

II. Actively expanding the clean energy business of solar thermal power

By applying the world advanced solar power generation technology, the Group will systematically rebuild a set of advanced solar thermal power generation system with the application of globally leading original innovations at every key point of such system (including research and development, production and manufacturing, and technological consultancy). The Group will aim to complete construction of the pilot project in 2018, which is expected to bring significant economic returns for the Group in 2019 and beyond. In the first half of 2018, the Group has mastered world advanced solar thermal power technology with independent intellectual property rights – solar tower-free center concentrating power electricity generation technology and started the pilot test with an initial investment of approximately RMB1.1 million.

The wind power project will be ready to generate income through cooperation or other means in the near future. In the first half of 2018, the Group invested approximately RMB0.2 million in the wind power project of Yishui Shengrong.

III. Seizing opportunities arising from the increasing market demand for lithium carbonate, while making preparations to sell lithium powder products by importing and processing spodumene with existing production lines

With the rapid development of artificial intelligence and battery powered vehicles, lithium carbonate products have been in keen market demand. For the sake of long term development in the long run, the Group has promptly recruited leading industry engineers and technicians and completed redesigning outmoded production lines in the shortest time possible to process and manufacture spodumene, thereby achieving industrial mass production of spodumene products in the original production line. At the same time, the Company has entered into a long-term agreement with an Australian mine corporation in respect of annual import of 0.4 Mt spodumene. It is expected that approximately 0.4 Mt of spodumene will be processed and manufactured in 2018, and approximately 0.08 Mt of lithium powder with a grade of 5.5% will be manufactured. The development of this business will generate long-term economic benefits for the Group.

In the first half of 2018, the Group invested approximately RMB1.1 million in the production line of Zhuge Shangyu Mine.

IV. Capitalizing on the platform as a listed group and taking proactive measures for various projects in the capital market

Capitalizing on the financing platform as a listed group, the Group will take proactive and adequate measures in respect of shareholders communication and investor relations, while continuing to strengthen its financing efforts, expand its shareholder base and enhance liquidity of its shares. Financing will also be provided for key construction projects, merger and acquisition projects, or expansion of the titanium industry value chain.

In the first half of 2018, placing of an aggregate 322,348,000 placing shares was completed and raised net proceeds of approximately RMB29,420,000 (i.e. HKD35,800,000).

V. Production and operation of ilmenite and iron mines

Due to market reasons, in the first half of 2018, the Group invested approximately RMB0.8 million in the exploration of Yangzhuang Mine and did not carry out production activities such as mining and self-mining of ores. There were no production activities such as exploration, mining and self-mining of ores conducted in Zhuge Shangyu Ilmenite Mine. There was no capital expenditure and no exploration and mining activities carried out in Qinjiazhuang Ilmenite Mine and Gaozhuang Shangyu Ilmenite Mine.

In conclusion, the Group will realize the new profitability potential out of its traditional businesses, with spodumene as one of the main profit driver in the long term, achieve significant breakthroughs in the new energy business and make preparations for commercial production. The Group will also strengthen its financing efforts through the capital market in order to help its various businesses build a solid basis for future performances. This will also make new contributions to the development of the real economy. The Group will actively seek new sources of economic growth, with a view to rewarding our investors with better returns.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2018.

Other Information

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

As at 30 June 2018, the interests or short positions of the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (the "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), are set out below:

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

Name of Director	Capacity/Nature of interest	Long position/ short position	Number of ordinary shares held	Approximate percentage of shareholding in the Company
Mr. Li Yunde ("Mr. Li")	Interest of controlled corporation	Long position	2,048,138,660 *(Note 1)*	41.69%
	Beneficial Owner	Long position	34,536,000	0.70%
Ms. Chau Ching	Beneficial Owner	Long position	468,000	0.01%
Mr. Lang Weiguo ("Mr. Lang")	Interest of controlled corporation	Long position	18,700,000 *(Note 2)*	0.38%
Mr. Geng Guohua ("Mr. Geng")	Beneficial Owner	Long position	6,514,000	0.13%

Notes:

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

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

Save as disclosed above, as at 30 June 2018, none of the Directors, chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations as defined in Part XV of the SFO as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 June 2018, so far as is known to any Director, the following persons (not being a Director or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein:

Name of Shareholder	Nature of Interest	Long Position/ Short Position	Number of Shares held	Approximate percentage of interest
Hongfa Holdings Limited	Beneficial owner	Long position	2,048,138,660	41.69%
Ms. Zhang Limei	Interest of spouse	Long position	2,082,674,660 *(Note 1)*	42.39%
X. Mining Resources Group Limited	Beneficial owner	Long position	326,344,000 *(Note 2)*	6.64%
Mr. Wu Pun Yan ("Mr. Wu")	Interest of controlled corporation	Long position	326,344,000 *(Note 2)*	6.64%

Notes:

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

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

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 30 June 2018.

Other Information

SHARE OPTION SCHEME

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

The principal terms of the Scheme are summarised as follows:

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

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

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

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

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

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

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

Other Information

DISCLOSURE PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Changes in Directors' information since the date of the annual report 2017 of the Company are set out below:

Length of service of each of the Directors with the Company:

Each of the executive Directors entered into a service agreement with the Company on 28 March 2018 for a term of three years commencing from 27 April 2018 unless terminated by not less than three months' notice in writing served by either party on the other or in accordance with the provisions set out in the respective service agreement.

Each of the independent non-executive Directors entered into a service agreement with the Company on 28 March 2018 for a fixed term of two years commencing from 27 April 2018 unless terminated by not less than three months' notice in writing served by either party on the other or in accordance with the provisions set out in the respective service agreement.

Ms. Chau Ching, non-executive Director, entered into a service agreement with the Company on 28 March 2018 for a term of two years commencing from 30 March 2018 unless terminated by not less than three months' notice in writing served by either party on the other or in accordance with the provisions set out in the respective service agreement.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section headed "SHARE OPTION SCHEME", at no time during the six months ended 30 June 2018 was the Company, or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of shares in, or debt securities, including debentures, of the Company or any other body corporate.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors had complied with the required standards as set out in the Model Code during the six months ended 30 June 2018.

Other Information

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. In the opinion of the Directors, the Company was in compliance with all the relevant code provisions set out in the CG Code throughout the six months ended 30 June 2018.

AUDIT COMMITTEE

The Company established the Audit Committee on 9 April 2012 with written terms of reference in compliance with the CG Code. It currently comprises of three independent non-executive Directors, namely Mr. Lin Chu Chang (chairman), Mr. Li Xiaoyang and Mr. Zhang Jingsheng. The main objectives of the Audit Committee are to be responsible for relationship with the Company's auditor, review of the Company's financial information and monitoring the Company's financial reporting system and to review the risk management and internal control systems. The Audit Committee had reviewed this unaudited interim consolidated results for the six months ended 30 June 2018 before such documents were tabled at a meeting of the Board held on 24 August 2018 for the Board's review and approval, and was of the opinion that such documents had complied with the applicable accounting standards, the Listing Rules and other applicable legal requirements and that adequate disclosures had been made.

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

Hong Kong, 24 August 2018