大愛無疆・德行天下

愛德新能源投資控股集團有限公司

Add New Energy Investment Holdings Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2623

2019 Interim Report

CONTENTS

Corporate Information

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

Independent Non-executive Directors
Leung Nga Tat
Li Xiaoyang
Zhang Jingsheng

Company Secretary
Chan Yuen Ying, Stella

Authorised Representatives
Geng Guohua
Chan Yuen Ying, Stella

Audit Committee
Leung Nga Tat *(Committee Chairman)*
Li Xiaoyang
Zhang Jingsheng

Remuneration Committee
Leung Nga Tat *(Committee Chairman)*
Li Yunde
Zhang Jingsheng

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

Legal Advisers
As to Cayman Islands law:
Appleby

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Cayman Islands

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Shandong Province
The PRC

Principal Place of Business in Hong Kong
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Tsim Sha Tsui, Kowloon
Hong Kong

Principal Share Registrar and Transfer Office
Estera Trust (Cayman) Limited
Clifton House
75 Fort Street
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KY1-1108
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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 results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2019 together with the comparative figures for the corresponding period in 2018. 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 Statement of Financial Position

As at 30 June 2019 (Amounts expressed in thousands of RMB)

	Notes	**As at 30 June 2019 (unaudited)**	As at 31 December 2018 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	*6*	**259,782**	265,714
Intangible assets		**–**	–
Investments accounted for using the equity method		**1,100**	1,100
Financial assets at fair value through other comprehensive income	*10*	**5,474**	9,019
Right-of-use assets		**3,803**	–
Other non-current assets		**10,959**	10,901
		281,118	286,734
Current assets			
Inventories	*7*	**44,069**	79,687
Trade receivables	*8*	**13,885**	23,224
Notes receivables		**19,057**	18,450
Prepayments and other receivables	*9*	**61,191**	25,527
Cash and cash equivalents	*11*	**20,380**	33,431
Term deposits	*11*	**30,000**	30,000
Restricted bank deposits	*11*	**8,678**	3,424
		197,260	213,743
Total assets		**478,378**	500,477

Unaudited Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2019 (Amounts expressed in thousands of RMB)

	Notes	**As at 30 June 2019 (unaudited)**	As at 31 December 2018 (audited)
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium	*12*	**670,992**	670,992
Reserves		**(23,062)**	(19,517)
Accumulated losses		**(368,377)**	(340,987)
Total equity		**279,553**	310,488
LIABILITIES			
Non-current liabilities			
Borrowings	*15*	**118,297**	115,995
Provisions for close down, restoration and environmental costs		**9,558**	9,357
Non-current portion of lease liabilities		**3,441**	–
Deferred income		**349**	386
Deferred income tax liabilities		**6,265**	5,413
		137,910	131,151
Current liabilities			
Trade payables	*13*	**7,829**	12,377
Contract liabilities		**5,064**	168
Current portion of lease liabilities		**1,004**	–
Accruals and other payables	*14*	**46,979**	46,254
Current portion of long-term liabilities		**39**	39
		60,915	58,838
Total liabilities		**198,825**	189,989
Total equity and liabilities		**478,378**	500,477

The above unaudited interim condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

Unaudited Interim Condensed Consolidated Statement of Total Comprehensive Income

For the six months ended 30 June 2019 (Amounts expressed in thousands of RMB, except for per share data)

		Six months ended 30 June	
	Notes	**2019**	2018
		(unaudited)	(unaudited)
Revenue	*16*	**152,215**	61,206
Cost of sales	*17*	**(151,328)**	(60,105)
Gross profit		**887**	1,101
Distribution costs	*17*	**(198)**	(206)
Administrative expenses	*17*	**(23,357)**	(26,836)
Reversal of impairment losses of assets	*18*	**3,160**	5,050
Other income		**–**	2,130
Other gains – net		**298**	47
Operating loss		**(19,210)**	(18,714)
Finance income	*19*	**47**	1,638
Finance expenses	*19*	**(7,375)**	(10,947)
Finance expenses – net		**(7,328)**	(9,309)
Loss before income tax		**(26,538)**	(28,023)
Income tax expense	*20*	**(852)**	(2,467)
Loss for the period		**(27,390)**	(30,490)

Unaudited Interim Condensed Consolidated Statement of Total Comprehensive Income

For the six months ended 30 June 2019 (Amounts expressed in thousands of RMB, except for per share data)

		Six months ended 30 June	
	Note	**2019**	2018
		(unaudited)	(unaudited)
Other comprehensive income:			
Item that will not be reclassified to profit or loss			
Change in the fair value of financial assets at fair value through other comprehensive income		**(3,545)**	(5,820)
Other comprehensive expense for the period		**(3,545)**	(5,820)
Total comprehensive expense for the period		**(30,935)**	(36,310)
Losses per share for loss attributable to owners of the Company (expressed in RMB per share)			
Basic losses per share	*21*	**(0.006)**	(0.007)

The above unaudited interim condensed consolidated statement of total 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 2019 (Amounts expressed in thousands of RMB)

	Attributable to Owners of the Company			
	Share capital and share premium *(Note 12)*	**Reserves**	**Accumulated losses**	**Total equity**
Balance at 1 January 2019 (audited)	**670,992**	**(19,517)**	**(340,987)**	**310,488**
Loss for the period	**–**	**–**	**(27,390)**	**(27,390)**
Other comprehensive expense	**–**	**(3,545)**	**–**	**(3,545)**
Total comprehensive expense for the period	**–**	**(3,545)**	**(27,390)**	**(30,935)**
Balance at 30 June 2019 (unaudited)	**670,992**	**(23,062)**	**(368,377)**	**279,553**
Balance at 1 January 2018 (audited)	641,741	(9,570)	(248,198)	383,973
Loss for the period	–	–	(30,490)	(30,490)
Other comprehensive expense	–	(5,820)	–	(5,820)
Total comprehensive expense for the period	–	(5,820)	(30,490)	(36,310)
Disposal of interests in investments accounted for using the equity method	–	(311)	–	(311)
Transactions with owners in their capacity as owners				
Proceeds from issuance of shares	29,420	–	–	29,420
Balance at 30 June 2018 (unaudited)	671,161	(15,701)	(278,688)	376,772

The above unaudited interim 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 2019 (Amounts expressed in thousands of RMB)

	Notes	Six months ended 30 June 2019 (unaudited)	2018 (unaudited)
Cash flows from operating activities			
Cash used in operations		**(2,007)**	(105,662)
Interest paid		**(3,851)**	(4,789)
Interest received		**47**	1,638
Net cash used in operating activities		**(5,811)**	(108,813)
Cash flows from investing activities			
(Increase)/decrease in restricted bank deposits	*11*	**(5,254)**	59,942
Purchases of property, plant and equipment		**(2,213)**	(23,916)
Proceeds from disposal of property, plant and equipment		**173**	22
Investment in an associate		**–**	(1,100)
Decrease in term deposits with original maturity over three months		**–**	21,000
Net cash (used in)/generated from investing activities		**(7,294)**	55,948
Cash flows from financing activities			
Repayments of borrowings		**–**	(100,000)
Net proceeds from issuance of ordinary shares		**–**	29,420
Proceeds from borrowings		**–**	40,000
Net cash used in financing activities		**–**	(30,580)
Net decrease in cash and cash equivalents		**(13,105)**	(83,445)
Cash and cash equivalents at beginning of period	*11*	**33,431**	123,627
Exchange gains/(losses) on cash and cash equivalents		**54**	(2,075)
Cash and cash equivalents at end of period	*11*	**20,380**	38,107

The above unaudited interim 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 2019 (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 addresses of its registered office and principal place of business are Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands and Suite 3105, 31/F, Tower 6, The Gateway, Harbour City, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong, respectively.

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 (the "Stock Exchange") 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 unaudited interim condensed consolidated financial information has been approved for issuance by the Board of Directors on 27 August 2019.

2. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial information for the six months ended 30 June 2019 has been prepared in accordance with the applicable requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and Hong Kong Accounting Standard ("HKAS") 34, 'Interim financial reporting'.

The unaudited interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

For the six months ended 30 June 2019 (Amounts expressed in thousands of RMB)

3. ACCOUNTING POLICIES

(a) Overview

The unaudited interim condensed consolidated financial information has been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's unaudited interim condensed consolidated financial information:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these unaudited interim condensed consolidated financial information and the accounting policies and methods of computation used in the unaudited interim condensed consolidated financial information for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018.

(b) Impacts and changes in accounting policies of application on HKFRS 16 *Leases*

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

(i) Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;

- any lease payments made at or before the commencement date, less any lease incentives received;

- any initial direct costs incurred by the Group; and

- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the unaudited interim condensed consolidated statement of financial position.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications
The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

(ii) Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

a) relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

b) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

c) excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

d) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment; and

e) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

For the six months ended 30 June 2019 (Amounts expressed in thousands of RMB)

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equals to the related lease liabilities by applying IFRS 16.C8(b)(ii) transition.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied weighted average incremental borrowing rates of 5.10% per annum at the date of initial application.

The impact to the Group's unaudited interim condensed consolidated financial information at 1 January 2019 was as follows:

	At 1 January 2019
Operating lease commitments as at 31 December 2018	**4,900**
Effect from discounting at the incremental borrowing rate as at 1 January 2019	**(567)**
Lease liabilities due to initial application of HKFRS 16 as at 1 January 2019	**4,333**
Less: Current-portion	**(979)**
Non-current portion	**3,354**

The carrying amount of right-of-use assets of RMB4,333,000 relating to operating leases of equipments recognised upon application of HKFRS 16 as at 1 January 2019.

The following adjustments were made to the amounts recognised in the unaudited interim condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previous reported at 31 December 2018	Adjustments	**Carrying amounts under HKFRS 16 at 1 January 2019**
Non-current assets			
Right-of-use assets	–	4,333	**4,333**
Current liabilities			
Current portion of lease liabilities	–	979	**979**
Non-current liabilities			
Non-current portion of lease liabilities	–	3,354	**3,354**

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 the unaudited 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 2018.

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 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 2018.

Expenses, assets and liabilities of the holding companies (the Company, Alliance Worldwide Group 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 Tianjin Ever Grand Financial Leasing Co., Ltd.) in the Group are presented as 'unallocated' in the segment information.

For the six months ended 30 June 2019 (Amounts expressed in thousands of RMB)

The segment information provided to the SEM for the six months ended 30 June 2019 and 2018 is as follows:

	Shandong Ishine	Unallocated	Inter-segment elimination	Total
Six months ended 30 June 2019 (unaudited)				
Revenue	**152,215**	**–**	**–**	**152,215**
Gross profit	**887**	**–**	**–**	**887**
Finance income	**46**	**1**	**–**	**47**
Finance expenses	**(389)**	**(6,986)**	**–**	**(7,375)**
Reversal of impairment in inventories	**3,144**	**–**	**–**	**3,144**
Reversal of impairment in trade receivables	**16**	**–**	**–**	**16**
Income tax expense	**(852)**	**–**	**–**	**(852)**
Net loss	**(13,871)**	**(13,519)**	**–**	**(27,390)**
Other information				
Depreciation of property, plant and equipment ("PPE")	**(7,890)**	**–**	**–**	**(7,890)**
Depreciation of right-of-use assets	**(530)**	**–**	**–**	**(530)**
Expenditures for non-current assets	**2,093**	**120**	**–**	**2,213**
As at 30 June 2019 (unaudited)				
Segment assets and liabilities				
Total assets	**474,048**	**1,839,347**	**(1,835,017)**	**478,378**
Total liabilities	**(251,486)**	**(855,093)**	**907,754**	**(198,825)**
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)
Provision of impairment in inventories	(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 PPE	(7,285)	(3)	–	(7,288)
Expenditures for non-current assets	18,212	180	–	18,392
As at 31 December 2018 (audited)				
Segment assets and liabilities				
Total assets	485,977	1,850,088	(1,835,588)	500,477
Total liabilities	(245,996)	(852,315)	908,323	(189,988)

For the six months ended 30 June 2019 (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 2018 (audited)					
Cost	124,139	121,005	208,694	71,635	525,473
Accumulated depreciation and impairment	(73,503)	(27,755)	(158,501)	–	(259,759)
Net book amount	50,636	93,250	50,193	71,635	265,714
Six months ended 30 June 2019 (unaudited)					
Opening net book amount	50,636	93,250	50,193	71,635	265,714
Additions	–	–	1,418	795	2,213
Disposals – cost	–	–	(5,092)	–	(5,092)
Disposals – accumulated depreciation	–	–	4,837	–	4,837
Transfers	1,661	–	–	(1,661)	–
Depreciation charge	(2,362)	–	(5,528)	–	(7,890)
Closing net book amount	49,935	93,250	45,828	70,769	259,782
At 30 June 2019 (unaudited)					
Cost	125,800	121,005	205,020	70,769	522,594
Accumulated depreciation and impairment	(75,865)	(27,755)	(159,192)	–	(262,812)
Net book amount	49,935	93,250	45,828	70,769	259,782

7. INVENTORIES

	As at 30 June 2019 (unaudited)	As at 31 December 2018 (audited)
Raw materials		
– Iron ore and ilmenite ore	**74**	74
– Spodumene	**67,695**	67,693
– Others	**7,669**	14,818
Finished goods	**4,499**	36,241
Spare parts and others	**3,981**	3,854
	83,918	122,680
Provision for inventory	**(39,849)**	(42,993)
	44,069	79,687

For the six months ended 30 June 2019 (Amounts expressed in thousands of RMB)

8. TRADE RECEIVABLES

	As at 30 June 2019 (unaudited)	As at 31 December 2018 (audited)
Trade receivables	**14,232**	23,587
Less: allowance for impairment of trade receivables	**(347)**	(363)
Trade receivables – net	**13,885**	23,224

As at 30 June 2019 and 31 December 2018, the ageing analysis of trade receivables was as follows:

	As at 30 June 2019 (unaudited)	As at 31 December 2018 (audited)
Within 3 months	**7,291**	20,535
3 to 6 months	**6,108**	2,219
6 months to 1 year	**–**	–
Over 1 year	**833**	833
	14,232	23,587

9. PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2019 (unaudited)	As at 31 December 2018 (audited)
Advance to suppliers	**34,713**	1,256
Prepaid taxes	**7,278**	7,278
Land restoration deposits	**38**	38
Deductible input value-added tax	**12,136**	13,092
Advance to employees	**387**	100
Others	**6,639**	3,763
	61,191	25,527

For the six months ended 30 June 2019 (Amounts expressed in thousands of RMB)

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 30 June 2019 and 31 December 2018, the Group's interests in Superior Lake Resources Limited ("Superior Lake") was classified as 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.

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

	As at 30 June 2019 (unaudited)	As at 31 December 2018 (audited)
Cash and cash equivalents		
– Cash on hand	**402**	363
– Cash at bank	**19,978**	33,068
	20,380	33,431
Term deposits – maturity over 3 months	**30,000**	30,000
Restricted bank deposits – Deposits for land restoration	**8,678**	3,424
	59,058	66,855

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

	As at 30 June 2019 (unaudited)	As at 31 December 2018 (audited)
RMB	**52,310**	49,169
HKD	**5,358**	16,315
USD	**1,387**	1,368
AUD	**3**	3
	59,058	66,855

For the six months ended 30 June 2019 (Amounts expressed in thousands of RMB)

12. SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares, issued and fully paid:

	Number of shares	Share capital	Share premium	Total
At 31 December 2018 (audited) and 30 June 2019 (unaudited)	**4,910,609,920**	**7,937**	**663,055**	**670,992**

13. TRADE PAYABLES

As at 30 June 2019 and 31 December 2018, the ageing analysis of trade payables was as follows:

	As at 30 June 2019 (unaudited)	As at 31 December 2018 (audited)
Within 6 months	**3,707**	6,648
6 months to 1 year	**899**	2,392
Over 1 year	**3,223**	3,337
	7,829	12,377

14. ACCRUALS AND OTHER PAYABLES

	As at 30 June 2019 (unaudited)	As at 31 December 2018 (audited)
Accrued land compensation costs	**7,878**	7,713
Advance construction funds from government	**19,882**	20,882
Guarantee deposits	**3,019**	2,954
Employee benefits payable	**5,211**	5,779
Interest payable	**5,036**	4,238
Others	**5,953**	4,688
	46,979	46,254

For the six months ended 30 June 2019 (Amounts expressed in thousands of RMB)

15. BORROWINGS

	As at 30 June 2019 (unaudited)	As at 31 December 2018 (audited)
Bonds	**118,297**	115,995
Representing:		
Unsecured		
– Bonds wholly repayable in 1 to 5 years *(a)*	**118,297**	115,995

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 2019, the aggregate carrying amount of the bonds was HKD134,474,000 (31 December 2018: HKD132,384,000), equivalent to RMB118,297,000 (31 December 2018: RMB115,995,000).

16. REVENUE

	Six months ended 30 June	
	2019 (unaudited)	2018 (unaudited)
Production		
– Sales of iron concentrates	**81,796**	50,474
– Sales of titanium concentrates	**–**	2,890
Trading		
– Sales of coarse iron powder	**70,419**	7,842
	152,215	61,206

For the six months ended 30 June 2019 (Amounts expressed in thousands of RMB)

17. EXPENSES BY NATURE

	Six months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
Changes in inventories of finished goods, iron ore and ilmenite ore	**31,742**	4,974
Cost of raw materials	**112,656**	47,667
Employee benefits expenses	**5,602**	5,367
Land compensation expenses	**3,393**	2,970
Depreciation of PPE	**7,890**	7,288
Depreciation of right-of-use assets	**530**	–
Transportation expenses	**1,142**	2,184
Utilities and electricity	**3,388**	2,566
Professional fees	**3,724**	1,765
Auditors' remuneration	**–**	1,040
Travelling expenses	**1,124**	1,424
Marketing expenses	**813**	5,384
Other expenses	**2,879**	4,518
Total cost of sales, distribution costs and administrative expenses	**174,883**	87,147

18. REVERSAL OF IMPAIRMENT LOSSES OF ASSETS

	Six months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
Reversal/(provision) of impairment in inventories	**3,144**	(256)
Reversal of impairment in trade receivables	**16**	5,306
	3,160	5,050

For the six months ended 30 June 2019 (Amounts expressed in thousands of RMB)

19. FINANCE EXPENSES – NET

	Six months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
Interest expense:		
– Borrowings	**(6,465)**	(8,586)
– Provisions: unwinding of discount	**(201)**	(201)
– Lease liabilities	**(112)**	–
Net foreign exchange losses	**(486)**	(2,075)
Other finance expenses	**(111)**	(85)
Finance expenses	**(7,375)**	(10,947)
Finance income:		
– Interest income on bank deposits	**47**	1,638
Net finance expenses	**(7,328)**	(9,309)

20. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
Deferred income tax	**(852)**	(2,467)

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 BVI are exempted from payment of BVI income tax.

Hong Kong profits tax has not been provided for the subsidiaries in Hong Kong as there is no estimated assessable profit arising in or derived from Hong Kong during the six months ended 30 June 2019 and 2018.

Corporate income tax in the PRC is calculated based on the statutory profit of the subsidiaries established 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. On 30 November 2018, this tax preference entitlement was renewed till 30 November 2021.

The tax rate for the Company's other PRC subsidiaries is 25% for the six months ended 30 June 2019 and 2018.

For the six months ended 30 June 2019 (Amounts expressed in thousands of RMB)

21. 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	
	2019	2018
	(unaudited)	(unaudited)
Loss attributable to owners of the Company	**(27,390)**	(30,490)
Weighted average number of ordinary shares in issue	**4,910,609,920**	4,662,684,053
Basic losses per share (Expressed in RMB per share)	**(0.006)**	(0.007)

(b) Diluted

During the six months ended 30 June 2019 and 2018, there were no dilutive instruments of the Company, no diluted loss per share is presented.

22. DIVIDENDS

The Board of Directors has resolved not to declare any interim dividends related to the six months ended 30 June 2019.

23. 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 2019 and 2018, 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 2019 and 2018, the Group had no significant transactions or balances with related parties.

For the six months ended 30 June 2019 (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	
	2019	2018
	(unaudited)	(unaudited)
Wages, salaries and allowances	**1,138**	1,422
Contribution to pension scheme	**29**	39
	1,167	1,461

24. 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 2019 (unaudited)	As at 31 December 2018 (audited)
PPE	**–**	1,516
Joint venture investment	**8,000**	8,000
	8,000	9,516

(b) Operating lease commitments

The Group leases office premises under non-cancellable operating leases expiring within one year.

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

	As at 30 June 2019 (unaudited)	As at 31 December 2018 (audited)
Within 1 year	**352**	1,200
1 year to 5 years	**–**	3,700
	352	4,900

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 RMB152.2 million for the six months ended 30 June 2019, representing an increase of approximately 148.7% over the revenue of approximately RMB61.2 million for the six months ended 30 June 2018. The increase in revenue of the Group was primarily due to (1) the increase in turnover of trading of coarse iron powder by approximately RMB62.6 million from approximately RMB7.8 million for the six months ended 30 June 2018 to approximately RMB70.4 million for the six months ended 30 June 2019; and (2) the increase in sales of the iron concentrates produced by non-magnetic minerals processing technology by approximately RMB51.2 million from RMB30.6 million for the six months ended 30 June 2018 to approximately RMB81.8 million for the six months ended 30 June 2019; which offset by (1) the decrease in sales of iron concentrates produced from Yangzhuang Iron Mine by approximately RMB19.9 million from approximately RMB19.9 million for the six months ended 30 June 2018 to nil for the six months ended 30 June 2019.

The total comprehensive loss attributable to owners of the Company was approximately RMB30.9 million for the six months ended 30 June 2019, representing an decrease of approximately RMB5.4 million, or 14.8%, as compared with total comprehensive loss attributable to owners of the Company of RMB36.3 million for the six months ended 30 June 2018. This was mainly due to (1) the decrease in finance cost by approximately RMB3.5 million from approximately RMB10.9 million for the six months ended 30 June 2018 to approximately RMB7.4 million for the six months ended 30 June 2019, (2) the decrease in administrative expenses by approximately RMB3.5 million from approximately RMB26.9 million for the six months ended 30 June 2018 to approximately RMB23.4 million for the six months ended 30 June 2019, which offset the decrease in reversal of impairment losses of assets by approximately RMB1.9 million from approximately RMB5.1 million for the six months ended 30 June 2018 to approximately RMB3.2 million for the six months ended 30 June 2019.

Management Discussion and Analysis

Measures adopted by the management during the first half of 2019:

I. In the first half of this year, there was no mining in the Group's own mines due to tightened control over environmental impact assessment, safety assessment and the issue of mining permit in China. Facing the picked up iron concentrate price and riding its close access to the port from its processing plant, the Group had actively conducted the businesses of port trade as well as overseas mines processing and blending.

II. The reserve of Yangzhuang Iron Mine has been verified with a current reserve of 28.80 Mt as assessed by the experts from the Department of Natural Resources of Shandong Province. The Group had also obtained certificate of reserves, filed geological data and conducted the registration of occupying reserves. It is expected that the renewed mining license will be obtained in the second half of the year.

III. A reserve of 3,549 tons of rubidium ore was detected in Yangzhuang Iron Mine with a contained metal of 4.47 tons and a grade of 0.126% (industrial grade of 0.12%) through exploration. In light of the fact that rubidium is a kind of highly scarce and very expensive mineral substance at present, the Group will conduct mining and processing in due course.

IV. The experts from the Department of Natural Resources of Shandong Province have reviewed the environmental management and land rehabilitation program in respect of Yangzhuang Iron Mine and expressed their opinion. Through environmental management and land restoration, the Company has explored quite a lot of ore, rubble and sandy soil. Among them, the ore can be processed into iron concentrate and tailings for marketing, the rubble can be processed into carpolite and the sandy soil can be processed into sand. Both the carpolite and sand have become desperately demanded building materials at the moment.

V. The environmental impact assessment on technical improvement of Yangzhuang Iron Mine has also accepted the review of relevant experts. Once verified, the Group will be able to process building materials for sale by capitalizing on the mine restoration.

VI. Zhuge Shangyu Ilmenite Mine has passed safety pre-evaluation in handling the procedures of safety production permits, paving a sound foundation for the exploration and processing of ilmenite ore into ilmenite powder. The verified reserve available for mining amounted to 28.456 Mt.

VII. After more than one decade's exploration and processing, the Yangzhuang Iron Mine is now stored with a great deal of tailings, which can serve as qualified raw materials of various cement factories. 200,000 tons of tailings, with current price of around RMB25/ton, is expected to be sold in the second half of the year with approximately RMB5.0 million of sales revenue (i.e. profit) to be achieved. The Group has made various preparations for the business at the first half of the year.

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.

There were no exploration or mining activities carried out at the Qinjiazhuang Ilmenite Project between 1 January 2019 and 30 June 2019. The group is in the progress of renewing the mining license.

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.

There were no exploration or mining activities carried out at the Qinjiazhuang Ilmenite Project between 1 January 2019 and 30 June 2019. The Group is in the progress of renewing the mining licence.

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 2019. The Group is in the progress of renewing the exploration licence.

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 2019 were as follows:

JORC Ore Reserve Estimate as of 30 June 2019 ***(Note: JORC ore reserves as of 31 December 2013 less exploration during the period from 1 January 2014 to 30 June 2019, 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	199.40	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 2018 ***(Note: JORC ore reserves as of 31 December 2013 less exploration during the period from 1 January 2014 to 31 December 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	199.40	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 30 June 2019 ***(Note: JORC mineral resources as of 31 December 2013 less exploration during the period from 1 January 2014 to 30 June 2019)***:

Resource Category	**Resources** *(Mt)*	**SG** *(t/m^3)*	**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 30 June 2019 ***(Note: JORC mineral resources as of 31 December 2013 less exploration during the period from 1 January 2014 to 30 June 2019, 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 30 June 2019 ***(Note: JORC mineral resources as of 31 December 2013, there was no exploration activity during the period from 1 January 2014 to 30 June 2019)***:

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. The Group is in the progress of renewing the exploration license. 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 2019, 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.

FINANCIAL REVIEW

For the six months ended 30 June 2019, the Group recorded revenue of approximately RMB152.2 million as compared with approximately RMB61.2 million for the six months ended 30 June 2018, representing an increase of approximately 148.7%. For the six months ended 30 June 2019, 53.7% of the Group's total sales consisted of the sales of the iron concentrates produced by non-magnetic minerals processing technology, and 46.3% of sales were derived from trading of coarse iron powder. The Group mainly sold iron concentrates produced by the Group to iron pellets and steel producers in Shandong Province, the PRC. In addition to the above customers of iron 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 64% iron concentrates produced by non-magnetic minerals processing technology for the six months ended 30 June 2018 were approximately RMB674.9 per tonne, representing a increase of approximately 22.7% as compared with the average unit selling prices of approximately RMB550.1 per tonne for the six months ended 30 June 2018.

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 2019		Six months ended 30 June 2018	
	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%
– by non-magnetic minerals processing technology (64% iron concentrates)	**81,796**	**53.7%**	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%
Sales of trading activities				
– from coarse iron powder	**70,419**	**46.3%**	7,842	12.8%
	152,215	**100%**	61,206	100%

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

	Six months ended 30 June 2019 ***(Kt)***	Six months ended 30 June 2018 *(Kt)*
Sales volume of iron concentrates produced by the Group		
– from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	**–**	34.7
– by non-magnetic minerals processing technology (64% iron concentrates)	**121.2**	55.6
Sales volume of titanium concentrates produced by the Group		
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	**–**	3.2
Sales volume of trading activities		
– from coarse iron powder	**115.3**	24.0
	236.5	117.5

Management Discussion and Analysis

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

	Six months ended 30 June 2019		Six months ended 30 June 2018	
	(Kt)		*(Kt)*	
Iron concentrates produced by the Group				
Amount of iron concentrates produced				
– from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	**–**	**–**	–	–
– by non-magnetic minerals processing technology (64% iron concentrates)	**126.2**	**100%**	93.4	100%
Amount of iron concentrates produced from				
– ilmenite ore of Zhuge Shangyu Ilmenite Mine (57% iron concentrates)	**–**	**–**	–	–
Titanium Concentrates produced by the Group				
Amount of titanium concentrates produced				
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	**–**	**–**	–	–
Total	**126.2**	**100%**	93.4	100%

For the six months ended 30 June 2019, revenue is mainly derived from sales of iron concentrates produced by non-magnetic minerals processing technology. Revenue is also derived from trading of coarse iron powder to the trade customers.

The Group recorded revenue of approximately RMB152.2 million for the six months ended 30 June 2019, representing an increase of approximately 148.7% over the revenue of approximately RMB61.2 million for the six months ended 30 June 2018. The increase in revenue of the Group was primarily due to (1) the increase in turnover of trading of coarse iron powder by approximately RMB62.6 million from approximately RMB7.8 million for the six months ended 30 June 2018 to approximately RMB70.4 million for the six months ended 30 June 2019; and (2) the increase in sales of the iron concentrates produced by non-magnetic minerals processing technology by approximately RMB51.2 million from RMB30.6 million for the six months ended 30 June 2018 to approximately RMB81.8 million for the six months ended 30 June 2019; which offset by (1) the decrease in sales of iron concentrates produced from Yangzhuang Iron Mine by approximately RMB19.9 million from approximately RMB19.9 million for the six months ended 30 June 2018 to nil for the six months ended 30 June 2019.

The management strategically increased the sales volume of the iron concentrates to reduce the inventory of the iron concentrates. 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 121.2 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.

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 2019		Six months ended 30 June 2018	
	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%
– by non-magnetic minerals processing technology (64% iron concentrates)	**82,922**	**54.8%**	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%
Cost of sales of trading activities				
– from sales of coarse iron powder	**68,406**	**45.2%**	7,689	12.8%
	151,328	**100%**	60,105	100%

Cost of sales was mainly incurred during production of iron concentrates and from purchase of iron-related products for trading purposes. The cost of sales incurred during production activities mainly consists of cost of raw materials, power and utilities expenses, employee benefits, depreciation and amortisation, and other overhead costs.

Total cost of sales increased by approximately 151.8% to approximately RMB151.3 million for the six months ended 30 June 2019, as compared with approximately RMB60.1 million for the corresponding period of 2018. Such increase was consistent with the increase in the Group's revenue during the six months ended 30 June 2019, which was mainly due to (1) the increase in the sales volume of iron concentrates produced by non-magnetic minerals processing technology by approximately 65.6 Kt for the six months ended 30 June 2019; and (2) the increase in sales volume from trading coarse iron powder by approximately 91.3 Kt for the six months ended 30 June 2019.

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 2019		Six months ended 30 June 2018	
	RMB'000		*RMB'000*	
Gross profit/(loss)				
Gross profit of iron concentrates produced by the Group				
– from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	**–**	**–**	(1,992)	(180.9%)
– by non-magnetic minerals processing technology (64% iron concentrates)	**(1,126)**	**(126.9)%**	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%)
Gross profit of trading activities				
– from sales of coarse iron powder	**2,013**	**226.9%**	153	13.9%
	887	**100%**	1,101	100%

	Six months ended 30 June 2019 %	Six months ended 30 June 2018 %
Gross profit/(loss) margin		
Gross profit margin of iron concentrates		
– from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	**–**	(10.0%)
– by non-magnetic minerals processing technology (64% iron concentrates)	**(1.4)%**	11.0%
Gross profit/(loss) margin of titanium concentrates		
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	**–**	(14.5%)
Gross profit margin of trading activities		
– from sales of coarse iron powder	**2.9%**	2.0%
	0.6%	1.8%

Gross profit decreased by approximately RMB0.2 million from gross profit of approximately RMB1.1 million for the six months ended 30 June 2018 to gross profit of approximately RMB0.9 million for the six months ended 30 June 2019. The main reason for the decrease was the increase in gross loss of the iron concentrates produced by non-magnetic minerals processing technology by approximately RMB4.5 million from gross profit of approximately RMB3.4 million for the six months ended 30 June 2018 to gross loss of approximately RMB1.1 million for the six months ended 30 June 2019; which was offset by the increase in gross gain from the trading of coarse iron powder by approximately RMB1.9 million from gross profit of approximately RMB0.1 million for the six months ended 30 June 2018 to gross profit of approximately RMB2.0 million for the six months ended 30 June 2019;

Overall gross profit margin decreased from gross profit margin of 1.8% to gross profit margin of 0.6% for the six months ended 30 June 2019 as compared with the corresponding period of 2018. The decrease in overall gross profit margin was primarily due to the decrease in the gross profit margin of the iron concentrates produced by non-magnetic minerals processing technology.

Other gains, net

The Group's other gains were approximately RMB0.3 million for the six months ended 30 June 2019 as compared with other losses of 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 decreased by approximately 21.3% from approximately RMB9.3 million for the six months ended 30 June 2018 to approximately RMB7.3 million for the six months ended 30 June 2019, mainly due to the decrease in interest expenses from borrowings.

Total comprehensive loss

The total comprehensive loss attributable to owners of the Company was approximately RMB30.9 million for the six months ended 30 June 2019, representing a decrease of approximately RMB5.4 million, or 14.8%, as compared with total comprehensive loss attributable to owners of the Company of RMB36.3 million for the six months ended 30 June 2018. This was mainly due to (1) the decrease in finance cost by approximately RMB3.5 million from approximately RMB10.9 for the six months ended 30 June 2018 to approximately RMB7.4 million for the six months ended 30 June 2019, (2) the decrease in administrative expenses by approximately RMB3.5 million from approximately RMB26.9 million for the six months ended 30 June 2018 to approximately RMB23.4 million for the six months ended 30 June 2019, which offset the decrease in reversal of impairment losses of assets by approximately RMB1.9 million from approximately RMB5.1 million for the six months ended 30 June 2018 to approximately RMB3.2 million for the six months ended 30 June 2019.

CAPITAL STRUCTURE

The Company's issued share capital as at 30 June 2019 was HK$9,821,219.84 divided into 4,910,609,920 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 2019 was approximately 29.7% (31 December 2018: approximately 27.2%). The current ratio (calculated as current assets divided by current liabilities) as at 30 June 2019 was approximately 3.2 times (31 December 2018: approximately 3.6 times).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2019, the total amount of borrowings of the Group was approximately RMB118.3 million (31 December 2018: approximately RMB116.0 million). The Group's cash and cash equivalents balances amounted to approximately RMB20.4 million (31 December 2018: approximately RMB33.4 million), which were mainly denominated in RMB.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS OR DISPOSALS

There was no material investment, acquisition or disposal by the Group during the six months ended 30 June 2019.

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 2019, there is no bank borrowing.

SUBSEQUENT EVENTS

Since the six months ended 30 June 2019 and up to the date of this report, the Group has no significant subsequent events.

EMPLOYEE BENEFITS AND REMUNERATION POLICIES

As at 30 June 2019, the Group had a total of 118 employees (30 June 2018: 158). 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 2019, staff costs (including Directors' remunerations) amounted to approximately RMB5.6 million (six months ended 30 June 2018: approximately RMB5.4 million).

CONTINGENT LIABILITIES

As at 30 June 2019, the Group has no material contingent liabilities.

2019 DEVELOPMENT AND FUTURE PLANS

DEVELOPMENT PLAN FOR THE SECOND HALF OF 2019

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 the second half of 2019.

I. **Utilising the brand new processing technique acquired 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 improve the intellectual proprietary rights of the brand new processing technique acquired in 2018 and strengthen its efforts towards achieving mass production. The Group will strive to bring favourable 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.

II. **Actively exploring the innovative technology of solar thermal power and expanding the clean energy business in good time**

By applying the world advanced solar thermal 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). In the second half of 2019, the Group will continue to proceed the business in a stable manner and based on the experimental data and key area verification conducted in 2018.

Relying on the innovative technology of solar thermal power, waste gas generated in the production of traditional petrochemical energy, such as coal, will be collected for combustion to make full use of thermal energy for power generation, thus achieving zero exhaust pollution. Depending on market condition, the crude gas will be introduced to clean energy market in due course.

III. **Importing and processing spodumene with original production lines for market expansion of lithium carbonate business in light of changes in market condition**

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, the Company has promptly recruited leading industry engineers and technicians and completed the remolding of old production lines in the shortest time possible to process and manufacture spodumene, thereby achieving industrial mass production of spodumene. There is inventory of lithium carbonate products currently available in the Company. The development of this business will bring long-term economic benefit to the Group.

IV. Despite that there are still great difficulties faced in the mining of the Group's own mines in the second half of 2019 due to tightened control over environmental impact assessment, safety assessment and the issue of mining permit in China, facing the picked up iron concentrate price and riding its close access to the port from its processing plant, the Group had actively conducted the businesses of port trade as well as overseas mines processing and blending, in order to generate further revenue.

V. The reserve of Yangzhuang Iron Mine has been verified with a current reserve of 28.80 Mt as assessed by the experts from the Department of Natural Resources of Shandong Province. The Group had also obtained certificate of reserves, filed geological data and conducted the registration of occupying reserves. It is expected that the renewed mining permit will be obtained in the second half of the year.

VI. A reserve of 3,549 tons of rubidium ore was detected in Yangzhuang Iron Mine with a contained metal of 4.47 tons and a grade of 0.126% (industrial grade of 0.12%) through exploration. In light of the fact that rubidium is a kind of highly scarce mineral substance at present, the Group will also implement value assessment in the second half of the year and conduct mining and processing in due course.

VII. The experts from the Department of Natural Resources of Shandong Province have reviewed the environmental management and land rehabilitation program in respect of Yangzhuang Iron Mine and expressed their opinion. After more than one decade's exploration and processing, the Yangzhuang Iron Mine is now stored with a great deal of tailings, which can serve as qualified raw materials of various cement factories. 200,000 tons of tailings, with current price of around RMB25/ton, is expected to be sold in the second half of the year with approximately RMB5.0 million of sales revenue (i.e. profit) to be achieved. The Group has made various preparations for the business at the first half of the year.

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

Capitalising 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.

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 2019.

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

As at 30 June 2019, the interest or short positions of the Directors or chief executive in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and 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 provision of the SFO) or pursuant to the Model Code, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, 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)*	41.71%
	Beneficial Owner	Long position	122,058,000	2.49%
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	16,672,000	0.34%

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 2019, none of the Directors, chief executive 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 2019, so far as is known to any Director, the following persons (other than 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 which 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	41.71%
Ms. Zhang Limei	Interest of spouse	Long position	2,170,196,660 *(Note1)*	44.19%
X. Mining Resources Group Limited	Beneficial owner	Long position	326,344,000 *(Note2)*	7.04%
Mr. Wu Pun Yan ("Mr. Wu")	Interest of controlled corporation	Long position	326,344,000 *(Note 2)*	7.04%

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 2019.

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. As at the date of this annual report, the total number of shares available for issue under the Scheme is 360,435,790 shares, representing approximately 7.34% of the shares in issue as at the date of this annual report.

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

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

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

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

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

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

Other Information

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the Period ended 30 June 2019 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire such rights in any other body corporate.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct regarding directors' securities transactions as set out in 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 of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). Having made specific enquiry of all Directors, the Company confirmed that all Directors had complied with the required standard set out in the Model Code throughout the six months ended 30 June 2019.

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 2019, save and except those relating to the auditors where the office of auditors was vacated following the retirement of PricewaterhouseCoopers at the conclusion of the annual general meeting of the Company held on 18 June 2019.

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. Leung Nga Tat (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 2019 before such documents were tabled at a meeting of the Board held on 27 August 2019 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, 27 August 2019