大愛無疆·德行天下

Add New Energy Investment Holdings Group Limited
愛德新能源投資控股集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 02623)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

FINANCIAL HIGHLIGHTS

The Group recorded revenue of approximately RMB6.6 million for the six months ended 30 June 2017, representing a decrease of approximately 75.6% over the revenue of approximately RMB27.0 million for the six months ended 30 June 2016.

The Group's total comprehensive loss attributable to owners of the Company decreased by approximately 67.8% from approximately RMB72.4 million for the six months ended 30 June 2016 to approximately RMB23.3 million for the six months ended 30 June 2017.

UNAUDITED INTERIM RESULTS

The board (the "**Board**") of directors (the "**Director(s)**") of Add New Energy Investment Holdings Group Limited (the "**Company**") announces the unaudited interim consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2017 together with the comparative figures for the corresponding period in 2016. 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 COMPREHENSIVE INCOME

For the six months ended 30 June 2017

(Amounts expressed in thousands of RMB, except for per share data)

	Note	Six months ended 30 June 2017 (unaudited) RMB'000	2016 (unaudited) RMB'000
Revenue	7	**6,560**	27,003
Cost of sales		**(6,123)**	(23,267)
Gross profit		**437**	3,736
Other income		**–**	666
Other gains/(losses) – net	8	**19**	(2,541)
Distribution costs		**(57)**	(1,544)
Administrative expenses		**(15,523)**	(65,727)
Operating loss		**(15,124)**	(65,410)
Finance income		**1,561**	1,605
Finance costs		**(9,634)**	(12,817)
Finance costs – net	9	**(8,073)**	(11,212)
Loss before income tax		**(23,197)**	(76,622)
Income tax (expense)/credit	10	**(1,290)**	3,560
Loss for the period		**(24,487)**	(73,062)
Loss attributable to:			
Owners of the Company		**(23,205)**	(72,610)
Non-controlling interests		**(1,282)**	(452)
		(24,487)	(73,062)

	Note	Six months ended 30 June **2017** **(unaudited)** ***RMB'000***	 2016 (unaudited) *RMB'000*
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Fair value (losses)/gains on available-for-sale financial assets		**(559)**	279
Currency translation differences		**213**	(44)
Total comprehensive loss for the period		**(24,833)**	(72,827)
Total comprehensive loss for the period attributable to:			
Owners of the Company		**(23,310)**	(72,447)
Non-controlling interests		**(1,523)**	(380)
		(24,833)	(72,827)
Losses per share attributable to owners of the Company (expressed in RMB per share)			
Basic losses per share	*11*	**(0.005)**	(0.017)
Diluted losses per share	*11*	**(0.005)**	(0.017)

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2017

(Amounts expressed in thousands of RMB)

	Note	**As at 30 June 2017 (unaudited)** ***RMB'000***	As at 31 December 2016 (audited) *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**300,188**	302,137
Intangible assets		**58,150**	58,150
Available-for-sale financial assets	*12*	**1,168**	1,665
Deferred income tax assets	*13*	**14,438**	15,044
Other non-current assets	*14*	**7,294**	7,370
Total non-current assets		**381,238**	384,366
Current assets			
Inventories	*15*	**45,733**	32,275
Trade receivables	*16*	**51,456**	77,419
Notes receivables	*17*	**65,000**	7,000
Prepayments and other receivables		**33,394**	133,775
Cash and cash equivalents		**144,197**	120,354
Term deposits with original maturity over three months		**160,000**	100,000
Restricted bank deposits		**88,308**	28,308
Total current assets		**588,088**	499,131
Total assets		**969,326**	883,497
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium		**644,393**	644,393
Reserves		**64,626**	66,726
Accumulated losses		**(206,419)**	(185,209)
		502,600	525,910
Non-controlling interests		**3,724**	5,247
Total equity		**506,324**	531,157

	Note	As at 30 June 2017 (unaudited) *RMB'000*	As at 31 December 2016 (audited) *RMB'000*
LIABILITIES			
Non-current liabilities			
Borrowings		**109,662**	111,412
Provisions for close down, restoration and environmental costs		**27,556**	26,992
Deferred Income		**5,432**	501
Deferred income tax liabilities	*13*	**18,117**	17,433
Total non-current liabilities		**160,767**	156,338
Current liabilities			
Borrowings		**80,000**	100,000
Trade payables	*18*	**16,526**	19,447
Notes payables		**160,000**	20,000
Accruals and other payables		**44,508**	55,354
Current portion of long-term liabilities		**39**	39
Current income tax liabilities		**1,162**	1,162
Total current liabilities		**302,235**	196,002
Total liabilities		**463,002**	352,340
Total equity and liabilities		**969,326**	883,497

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

(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, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands.

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

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

This interim condensed consolidated financial information is presented in Renminbi ("RMB"), unless otherwise stated, and has been approved for issue by the Board of Directors of the Company on 25 August 2017.

2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2017 has been prepared in accordance with HKAS 34, 'Interim financial reporting'. The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with HKFRSs.

3. ACCOUNTING POLICIES

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

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

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

(i) HKFRS 9 Financial instruments

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

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

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

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

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

(ii) HKFRS 15 Revenue from contracts with customers

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

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

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

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

4. ESTIMATES

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

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

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

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

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

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

5.2 Liquidity risk

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

5.3 Fair value estimation

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

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

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

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

6. SEGMENT INFORMATION

(a) General information

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

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

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

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

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

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

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

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

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

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

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

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

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

7. REVENUE

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

8. OTHER GAINS/(LOSSES) – NET

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

9. FINANCE COSTS – NET

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

10. INCOME TAX (EXPENSE)/CREDIT

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

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

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

Hong Kong profits tax has not been provided for the subsidiaries in Hong Kong as there is no estimated assessable profit arising in or derived from Hong Kong during the six months ended 30 June 2017 and 2016.

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

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

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

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

11. LOSSES PER SHARE

(a) Basic

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

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

(b) Diluted

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

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

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

13. DEFERRED INCOME TAX ASSETS AND LIABILITIES

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

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

14. OTHER NON-CURRENT ASSETS

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

15. INVENTORIES

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

16. TRADE RECEIVABLES

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

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

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

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

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

17. NOTES RECEIVABLES

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

18. TRADE PAYABLES

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

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

INTERIM DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

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

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

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

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

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

II. Enhancing safety production management to ensure compliance safety production

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

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

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

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

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

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

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

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

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

Resources and reserves of mines

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

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

Yangzhuang Iron Mine

1. Resource reporting cutoff grade: 15% TFe.

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

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

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

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

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

7. Parameters for Short Hole Shrinkage mining method:

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

Reason for the changes in the resources and reserves estimates:

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

Zhuge Shangyu Ilmenite Mine

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

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

3. Mineral resources are inclusive of the ore reserve.

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

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

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

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

Reason for the changes in the resources and reserves estimates:

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

Qinjiazhuang Ilmenite Project

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Luxing Titanium

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

Reasons for the changes in the resources and reserves estimates:

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

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

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

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

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

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

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

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

Gaozhuang Shangyu Ilmenite project

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

EXPLORATION LICENCES IN AUSTRALIA

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

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

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

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

Western Australian Tenements

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

FINANCIAL REVIEW

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

Prices of the Group's products

Iron Concentrates

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

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

Titanium Concentrates

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

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

Revenue

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

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

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

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

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

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

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

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

The demand in iron and steel market become sluggish as the economy in China slowdown. The management has decided to decrease the trading activities for the first half of 2017. The total sales generated from trading activities significantly decreased by approximately 78.3%, which was mainly due to the decrease of trading turnover of coarse iron powder from approximately RMB21.7 million for the six months ended 30 June 2016 to approximately RMB4.7 million for the six months ended 30 June 2017.

The decrease in sales of iron concentrates produced from iron ore of Yangzhuang Iron Mine was mainly due to the fact that the management strategically reduced sales volume during the iron and steel market downturn.

Cost of Sales

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

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

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

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

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

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

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

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

Gross profit decreased by approximately RMB3.3 million from gross profit of approximately RMB3.7 million for the six months ended 30 June 2016 to gross profit of approximately RMB0.4 million for the six months ended 30 June 2017. The main reasons for the decrease were (1) the decrease in gross profit of trading of coarse iron powder by approximately RMB1.7 million from gross profit of approximately RMB2.0 million for the six months ended 30 June 2016 to gross profit of approximately RMB0.3 million for the six months ended 30 June 2017; (2) the decrease in sales gross profit generated by Tianjin Ever Grand by approximately RMB1.6 million from approximately RMB1.6 million for the six months ended 30 June 2016 to nil for the six months ended 30 June 2017; which offset by the increase in gross loss of titanium concentrates produced from Zhuge Shangyu Ilmenite Mine by approximately 0.2 million from gross loss of approximately RMB0.1 million for the six months ended 30 June 2016 to gross profit of approximately RMB0.1 million for the six months ended 30 June 2017;

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

Other gains, net

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

Finance costs, net

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

Total comprehensive loss

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

Ishine International

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

CAPITAL STRUCTURE

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS OR DISPOSALS

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

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGE

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

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

PLEDGE OF GROUP ASSETS

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

EXPLORATION COMMITMENTS AND CAPITAL COMMITMENTS

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

EMPLOYEE BENEFITS AND REMUNERATION POLICIES

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

CONTINGENT LIABILITIES

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

CURRENT STATUS AND FUTURE PLANS

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

I. Continuing sparing no efforts to develop titanium business

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

II. Expanding into new business relating to clean energy

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

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

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

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

IV. Titanium concentrates and iron concentrates production and operation

1. Yangzhuang Iron Mine

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

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

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

2. Zhuge Shangyu Ilmenite Mine

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

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

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

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

3. Qinjiazhuang Ilmenite Mine

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

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

4. Luxing Titanium

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

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

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

V. Building of mines

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

CORPORATE GOVERNANCE PRACTICES

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

AUDIT COMMITTEE

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

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

Hong Kong, 25 August 2017

As at the date of this announcement, the executive Directors are Mr. Li Yunde (Chairman), Mr. Geng Guohua (Chief Executive Officer) and Mr. Lang Weiguo; the non-executive Director is Ms. Chau Ching; and the independent non-executive Directors are Mr. Zhang Jingsheng, Mr. Li Xiaoyang and Mr. Lin Chu Chang.