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新礦資源有限公司

NEWTON RESOURCES LTD

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1231)

INTERIM RESULTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

The Board wishes to announce the unaudited consolidated interim results of the Group for the Reporting Period together with the comparative figures for the Corresponding Prior Period as follows:–

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Six-month period ended 30 June 2017

		Six-month period ended 30 June	
	Notes	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Revenue	4	290,887	4,188
Cost of sales		<u>(290,237)</u>	<u>(4,085)</u>
Gross profit		650	103
Other income and gains		274	17
Selling and distribution costs		(63)	(556)
Administrative expenses		(15,956)	(26,226)
Finance (expense)/income, net	6	<u>(3,723)</u>	<u>3,447</u>
Loss before tax	5	(18,818)	(23,215)
Income tax expense	7	<u>–</u>	<u>–</u>
Loss for the period		<u>(18,818)</u>	<u>(23,215)</u>

		Six-month period ended 30 June	
		2017	2016
		<i>RMB'000</i>	<i>RMB'000</i>
<i>Notes</i>		(Unaudited)	(Unaudited)
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
	Exchange differences on translation of foreign operations	<u>6</u>	<u>—</u>
	Other comprehensive income for the period, net of tax	<u>6</u>	<u>—</u>
	Total comprehensive loss for the period	<u>(18,812)</u>	<u>(23,215)</u>
Loss attributable to:			
	Owners of the Company	(18,349)	(22,991)
	Non-controlling interests	<u>(469)</u>	<u>(224)</u>
		<u>(18,818)</u>	<u>(23,215)</u>
Total comprehensive loss attributable to:			
	Owners of the Company	(18,352)	(22,991)
	Non-controlling interests	<u>(460)</u>	<u>(224)</u>
		<u>(18,812)</u>	<u>(23,215)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
	Basic and diluted (<i>RMB cent</i>)	<u>(0.46)</u>	<u>(0.57)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2017

		30 June 2017 <i>RMB'000</i> (Unaudited)	31 December 2016 <i>RMB'000</i> (Audited)
	Notes		
Non-current assets			
Property, plant and equipment	10	269,047	270,267
Intangible assets	11	938	938
Prepaid land lease payments		1,286	1,307
		<u>271,271</u>	<u>272,512</u>
Current assets			
Inventories		8,783	9,193
Trade and bills receivables	12	52	38,331
Prepayments, deposits and other receivables	13	91,060	32,807
Cash and bank balances	14	412,082	402,844
		<u>511,977</u>	<u>483,175</u>
Current liabilities			
Trade payables	15	2,465	2,682
Other payables and accruals	16	140,992	87,752
Interest-bearing bank borrowing		216,975	223,625
Income tax payable		7,634	7,634
		<u>368,066</u>	<u>321,693</u>
Net current assets		<u>143,911</u>	<u>161,482</u>
Total assets less current liabilities		<u>415,182</u>	<u>433,994</u>
Non-current liabilities			
Long-term payables		500	500
Net assets		<u>414,682</u>	<u>433,494</u>
Equity			
Equity attributable to owners of the Company			
Share capital		331,960	331,960
Reserves		86,564	104,916
		<u>418,524</u>	<u>436,876</u>
Non-controlling interests		<u>(3,842)</u>	<u>(3,382)</u>
Total equity		<u>414,682</u>	<u>433,494</u>

NOTES:

1. CORPORATE INFORMATION

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

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The unaudited interim condensed consolidated financial statements of the Group for the six-month period ended 30 June 2017 (the “Interim Financial Statements”) have been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting* issued by the International Accounting Standards Board and the disclosure requirements of Appendix 16 of the Listing Rules.

The Interim Financial Statements does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2016.

2.2 New Standards and Amendments Adopted by the Group

The accounting policies adopted in the preparation of the Interim Financial Statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2016, except for the adoption of the following amendment and improvements to existing International Financial Reporting Standards (“IFRSs”), that are relevant and first effective for the current accounting period of the Company, as summarised below:

Amendments to IAS 7	<i>Statement of cash flow: Disclosure Initiative</i>
Amendments to IAS 12	<i>Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses</i>
Annual Improvements 2014-2016 Cycle, Amendments to IFRS 12	<i>Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12</i>

The adoption of the above amendments and improvements to IFRSs did not have any significant effect on the amounts reported and/or disclosures set out in the Interim Financial Statements.

The Group has not early adopted any other accounting standard, interpretation or amendment that has been issued but is not yet effective.

3. SEGMENT INFORMATION

Operating Segment Information

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

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

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

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

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

The following tables present revenue and results information for the Group's operating segments for the six-month periods ended 30 June 2017 and 2016, respectively.

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

	Iron Concentrate Business RMB'000	Gabbro- Diabase and Stone Business RMB'000	Total RMB'000
Six-month period ended 30 June 2016 (Unaudited)			
Segment Revenue:			
Sales to external customers	—	4,188	4,188
Segment Results	(11,413)	(4,953)	(16,366)
Reconciliation:			
Interest income			7,608
Corporate and other unallocated expenses			(10,386)
Interest expenses			(4,071)
Loss before tax			(23,215)
Other segment information:			
Write-down of inventories to net realisable value	—	1,764	1,764
Impairment loss on prepayments	7,917	—	7,917
Depreciation and amortisation	3,496	1,895	5,391
Corporate and other unallocated depreciation			253
			5,644
Capital expenditure	—	614	614
Corporate and other unallocated capital expenditure			2
			616

The following table presents assets and liabilities information for the Group's operating segments as at 30 June 2017 and 31 December 2016, respectively:

	Iron Concentrate Business RMB'000	Gabbro- Diabase and Stone Business RMB'000	Trading Business RMB'000	Car-Park Business RMB'000	Total RMB'000
30 June 2017 (Unaudited)					
Segment assets	268,779	15,610	63,791	807	348,987
Corporate and other unallocated assets					<u>434,261</u>
Total assets					<u><u>783,248</u></u>
Segment liabilities	28,566	44,817	57,543	2,382	133,308
Corporate and other unallocated liabilities					<u>235,258</u>
Total liabilities					<u><u>368,566</u></u>
31 December 2016 (Audited)					
Segment assets	270,597	15,928	43,060	782	330,367
Corporate and other unallocated assets					<u>425,320</u>
Total assets					<u><u>755,687</u></u>
Segment liabilities	34,172	38,975	–	2,279	75,426
Corporate and other unallocated liabilities					<u>246,767</u>
Total liabilities					<u><u>322,193</u></u>

Geographical Segment Information

(a) Revenue from external customers

	Six-month period ended 30 June	
	2017 <i>RMB'000</i> (Unaudited)	2016 <i>RMB'000</i> (Unaudited)
Mainland China	488	4,188
Asia	42,923	—
North America	86,906	—
Hong Kong	160,570	—
	<u>290,887</u>	<u>4,188</u>

(b) Non-current assets

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

Information about major customers

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

	Six-month period ended 30 June	
	2017 <i>RMB'000</i> (Unaudited)	2016 <i>RMB'000</i> (Unaudited)
Customer A	86,906	N/A
Customer B	79,711	N/A
Customer C	79,655	N/A
Customer D	42,923	N/A
Customer E	N/A	4,062

The revenue contributed by the above major customers are attributable to the Trading Business segment (six-month period ended 30 June 2016: Gabbro-Diabase and Stone Business segment).

4. REVENUE

Revenue represents the net invoiced value of goods sold, net of trade discounts and returns and various types of government surcharges, where applicable and value of services rendered.

	Six-month period ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Sale of iron ore	289,195	—
Sale of stone products	488	4,188
Car-parking fee income	1,204	—
	<u>290,887</u>	<u>4,188</u>

5. LOSS BEFORE TAX

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

	Six-month period ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Cost of inventories sold	288,725	4,085
Cost of services provided	1,512	—
Depreciation of items of property, plant and equipment	2,304	5,383
Amortisation of prepaid land lease payments	21	51
Amortisation of intangible assets	—	210
Write-back of interest on construction sum payable arising from the litigation	(4,761)	—
Accrual on the estimated possible payments on the outstanding gabbro-diabase resources fee payables	5,184	—
(Reversal of write-down)/write-down of inventories to net realisable value	(114)	1,764
Impairment loss on prepayments	—	7,917
Minimum lease payments under operating leases	<u>1,879</u>	<u>667</u>

6. FINANCE (EXPENSE)/INCOME

An analysis of the Group's net finance (expense)/income is as follows:

	Six-month period ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Interest income	3,221	7,608
Interest on bank borrowings	(2,256)	(3,546)
Other borrowing costs	(522)	(525)
Net foreign exchange losses	(3,801)	(80)
Bank charges	(365)	(10)
	<u>(3,723)</u>	<u>3,447</u>
Finance (expense)/income, net	<u>(3,723)</u>	<u>3,447</u>

7. INCOME TAX

No provision for Hong Kong profit tax had been made during the six-month period ended 30 June 2017 as the Group has no material assessable profit arising in Hong Kong (six-month period ended 30 June 2016: Nil).

No provision for the PRC corporate income tax ("CIT") had been made during the six-month period ended 30 June 2017, which is based on the CIT rate applicable to the entities located in or deemed to be operating in Mainland China as determined in accordance with the relevant income tax rules and regulations of the PRC (six-month period ended 30 June 2016: Nil).

The Group has unrecognised tax losses arising from an entity operating in Mainland China of RMB151,447,000 (31 December 2016: RMB155,456,000) that will expire in five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses and deductible temporary differences as it is considered not probable that sufficient taxable profits will be available against which the unused tax losses can be utilised by the Group.

8. DIVIDEND

The directors do not recommend the payment of an interim dividend to shareholders for the six-month period ended 30 June 2017 (six-month period ended 30 June 2016: Nil).

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share amount is based on the loss for the period attributable to owners of the Company, and the weighted average number of ordinary shares of 4,000,000,000 in issue during the periods ended 30 June 2017 and 2016.

The calculation of basic loss per share is based on:

	Six-month period ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Loss		
Loss attributable to owners of the Company, used in the basic loss per share calculation	<u>(18,349)</u>	<u>(22,991)</u>
	'000	'000
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	<u>4,000,000</u>	<u>4,000,000</u>

Diluted loss per share was the same as the basic loss per share as the Company had no potentially dilutive ordinary shares in issue during the six-month periods ended 30 June 2017 and 2016.

10. PROPERTY, PLANT AND EQUIPMENT

During the six-month period ended 30 June 2017, the Group's addition of items of property, plant and equipment with an aggregate cost amounted to approximately RMB1,088,000 (six-month period ended 30 June 2016: approximately RMB616,000), mainly representing the settlement of construction works in relation to the Environmental Upgrade. No property, plant and equipment was disposed of during the six-month periods ended 30 June 2017 and 2016.

As at 30 June 2017, certain machineries and equipment with net carrying value amounting to approximately RMB11.9 million has been frozen in relation to certain legal proceedings (31 December 2016: approximately RMB8.9 million), of which approximately RMB8.9 million has been released subsequently. Details of the litigation are included in note 17.

11. INTANGIBLE ASSETS

The Group's intangible assets represent the Mining Permit. The Mining Permit had expired on 26 July 2017. The application for the Renewal had been made by the management of a subsidiary of the Company (the "PRC Subsidiary"), the registered holder of the Mining Permit, to the relevant government authorities in the PRC. The Renewal application is still in progress, while the Group has not received any notice in respect of the rejection of the Renewal application or the withdrawal of the Mining Permit from the relevant government authorities. Details of the Renewal are included in note 18.

12. TRADE AND BILLS RECEIVABLES

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Trade receivables	365	313
Bills receivable	<u>—</u>	<u>38,331</u>
	365	38,644
<i>Less: Impairment</i>	<u>(313)</u>	<u>(313)</u>
Total	<u>52</u>	<u>38,331</u>

The Group's trading terms with its customers generally require letters of credit or deposits in advance, except for creditworthy customers to whom credits are granted. The credit period is generally ranging from seven days to six months. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by the management. The Group has not held any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Within 1 month	<u>52</u>	<u>38,331</u>

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2017 <i>RMB'000</i> (Unaudited)	31 December 2016 <i>RMB'000</i> (Audited)
Advances to suppliers	85,015	26,479
Other tax receivables	12,646	12,705
Deposits	3,739	3,740
Bank interest receivables	893	589
Prepaid land lease payments, current portion	41	41
Others	1,713	2,240
	<u>104,047</u>	<u>45,794</u>
Impairment of prepayments	<u>(12,987)</u>	<u>(12,987)</u>
	<u>91,060</u>	<u>32,807</u>

The above impairment of prepayments represented full provision for certain individually impaired prepayments.

These individually impaired prepayments to suppliers that have been long outstanding with delays in delivery and thus considered to be irrecoverable.

The carrying amounts of remaining prepayments, deposits and other receivables closely approximate to their respective fair values.

14. CASH AND BANK BALANCES

	Note	30 June 2017 <i>RMB'000</i> (Unaudited)	31 December 2016 <i>RMB'000</i> (Audited)
Cash and bank balances		12,521	77,125
Time deposits		<u>399,561</u>	<u>325,719</u>
		<u>412,082</u>	<u>402,844</u>
Less: Restricted bank balances	17	<u>(1,668)</u>	<u>(1,466)</u>
Restricted time deposits for interest-bearing bank borrowing		<u>(216,975)</u>	<u>—</u>
Cash and cash equivalents		<u>193,439</u>	<u>401,378</u>

The Group's cash and bank balances and cash and cash equivalents are denominated in the following currencies as at 30 June 2017 and 31 December 2016:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Cash and bank balances denominated in:		
RMB	24,689	104,515
HK\$	222,934	233,628
US\$	164,459	64,701
	<u>412,082</u>	<u>402,844</u>
Cash and cash equivalents denominated in:		
RMB	23,021	103,049
HK\$	5,959	233,628
US\$	164,459	64,701
	<u>193,439</u>	<u>401,378</u>

15. TRADE PAYABLES

An ageing analysis of the trade payables at the end of the Reporting Period, based on the invoice date, is as follows:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Within 6 months	—	124
6 months to 1 year	112	1,426
Over 1 year	2,353	1,132
	<u>2,465</u>	<u>2,682</u>

The trade payables are non-interest-bearing and normally settled on 60-day terms.

16. OTHER PAYABLES AND ACCRUALS

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Payables to suppliers or contractors for the addition of items of property, plant and equipment	24,574	25,420
Gabbro-diabase resources fee payable	21,480	21,480
Accrued interest expenses	6,249	5,746
Due to related parties	2,162	2,250
Advances from customers	58,055	320
Other payables	28,472	32,536
Total	140,992	87,752

In respect of the Mining Permit for gabbro-diabase at the Yanjiazhuang Mine, the remaining three instalments of the resources fee payable, which amounted to approximately RMB21.5 million, in aggregate, together with the associated cost of funds, were due for settlement in August 2015, 2016 and 2017 respectively, but remained unpaid up to date. In view of the unfavourable economic and market outlook, the management of the PRC subsidiary has been in communication with the relevant government authorities and seeking to negotiate for more favourable payment terms. However, the negotiations have yet to turn into any attainment.

Except for the gabbro-diabase resources fee payable which bear interest at floating rates linked to the RMB loan prime rate, other payables are unsecured and non-interest-bearing.

17. LEGAL MATTERS UPDATE

Since March 2013, a subsidiary of the Company (the “Defendant”) was involved in litigation in the PRC as a defendant regarding construction sum payable arising out of the ordinary course of business (the “Litigation”). In August 2016, after appeal and trial, the Supreme People’s Court of the PRC issued its judgement (the “Appeal Judgement”) and ruled that, among others:

- (a) the Defendant shall pay to the plaintiff the outstanding construction fees of about RMB16.4 million, and the interest accrued on the outstanding construction fees up to the date on which the payment is made in full, at the then prevailing interest rates as announced by the People’s Bank of China for the comparable loans;
- (b) the Defendant shall bear the litigation costs and expenses of about RMB0.9 million in aggregate; and
- (c) the Defendant’s counterclaim was dismissed.

The plaintiff has been taking legal steps to recover the outstanding construction fees and related costs and interests (the “Judgement Sum”) from the Defendant. As a result, certain machineries and equipment of the Defendant with net carrying value amounting to approximately RMB8.9 million as at 30 June 2017 (*note 10*) had been frozen by the local court pursuant to the trial judgement and Appeal Judgement, and the use of certain bank balances of approximately RMB1.7 million (*note 14*) of the Defendant is subject to restrictions.

During the Reporting Period, the management of Defendant devoted significant effort in liaising with the plaintiff for a complete solution for both parties. In June 2017, the Defendant and the plaintiff reached an agreement to settle the Judgement Sum by instalments, and the first repayment has been made by the Defendant in July 2017. As agreed, interest and other costs to be borne by the Defendant under the trial judgement and Appeal Judgement have been waived. Therefore, the over-accrual of interest and other costs has been credited to the profit or loss during the Reporting Period. In addition, those machineries and equipment and bank balances that had been frozen by the local court and/or subject to restrictions have been released in August 2017.

18. EVENTS AFTER THE REPORTING PERIOD

As disclosed in note 11, the management of the PRC Subsidiary has been working closely on the Renewal matters in the first half of 2017. However, the Mining Permit had expired in July 2017. The Renewal application is still in progress, while the Group has not received any notice in respect of the rejection of the Renewal application or the withdrawal of the Mining Permit from the relevant government authorities. Given the uncertainty inherent in the changing environmental protection requirements and policies towards heavily polluting industries, the management of the PRC Subsidiary expects that it may need more time and effort to work on the aforesaid Renewal matters, including but not limited to liaising with relevant government authorities about the Renewal options, and the reduction and/or the payment terms of remaining resources fee payable for gabbro-diabase, so as to complete the Renewal process as soon as practicable.

Given that the mining operation of the Group at the Yanjiazhuang Mine has been suspended due to persistent local issues and nuisance, the Company does not expect the expiry of the Mining Permit to have any material adverse effect on the overall business operation of the Group.

Subsequent to 30 June 2017, the Group entered into supply contracts with SCIT and independent third parties for purchase of iron ore of approximately 0.6 million tonnes, in aggregate, subject to market prices. These contracts offered the Group with opportunities to further develop the Trading Business in the second half of 2017.

Save as disclosed above, there is no other important event affecting the Group which has occurred since 30 June 2017 and up to the date of approval of this announcement.

CHAIRMAN'S STATEMENT

In the first half of 2017, the development of the Group's businesses remained challenging and contained uncertainties. The Group's effort has been focusing on the license-related matters while expanding the Trading Business in the first half of 2017.

Crisis creates opportunities. Despite the difficulties at the Yanjiazhuang Mine, the Group is actively expanding its Trading Business so as to reach the goal for sustainable development. The overall recovery of iron ore and steel prices led to the increase in demand for overseas iron ores by steel mills and traders, which together with the management's effort to extend the customer reach, stimulated the growth in the Trading Business in the first half of 2017. During the Reporting Period, the Group recorded revenue of approximately RMB289.2 million from the Trading Business, representing the principal contributor to the Group's revenue.

Besides, the development of Car-Park Business contributed revenue of approximately RMB1.2 million in the first half of 2017 which provided a steady income to the Group. I believe that such business expansion and diversification provides the Group with an opportunity to strengthen its performance in the long run.

Recently, in July 2017, the Group entered into two memorandums of understanding and commenced the study on the investment opportunities of a metal mine in Inner Mongolia and a gold mine in Suriname. Looking ahead, the Group will continue to explore, evaluate and may proceed with these and other mining and/or investment opportunities, as appropriate, and will also explore and pursue the opportunities on other mergers and acquisitions and investment and/or development opportunities in respect of other mines in China and overseas, and seek collaboration and market possibilities, so as to create value for the Shareholders in the long run.

Apart from the above, the management of Xingye Mining is endeavouring to resolve the issues surrounding the Yanjiazhuang Mine. Although the Mining Permit had expired in July 2017, the management of Xingye Mining had submitted proposals to the relevant government authorities with various Renewal options, including but not limited to the feasibility of adjustment in mining capacity and/or reduction of resources fee in relation to gabbro-diabase during the Reporting Period. The Renewal application is still in progress. The management of Xingye Mining will closely follow up on the Renewal and other matters at the Yanjiazhuang Mine. Meanwhile, the Board will pay close attention to the latest development, and adopt appropriate measures so as to safeguard the interests of the Group and its Shareholders.

Last but not least, I would like to express my heartfelt gratitude to my fellow Board members, the management team and all the staff members for their dedication and commitment made for the Group. On behalf of the Board, I would like to express my sincere thanks to the Shareholders, customers, suppliers, banks and business partners for their support.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

For the first half of 2017, the PRC's gross domestic product grew by approximately 6.9%, which was slightly higher than that for the Corresponding Prior Period of approximately 6.7%, representing further consolidation of steady economic growth.

Following the rebound in 2016, the iron ore price went up to over USD90 per tonne in early 2017 and then cooled down and stabilised at about USD65 per tonne by June 2017. Contributed by the overall recovery of iron ore and steel prices and the PRC government's long-term strategy to facilitate all-round economic and social development, the steel industry, local community and the development of infrastructure including high-speed rails and highways in China experienced a steady growth, leading to the increase in demand for iron ore import and crushed stone and railway ballast. The importing of iron ore from overseas remains an important source to meet local demand, bringing opportunities for expanding the Group's iron ore downstream Trading Business.

On the other hand, taken on the five development concepts, "Innovation, Coordination, Green, Opening-up and Sharing", established for the 13th Five-Year Plan of the PRC, there has been an increase in the expectation for the green environment with the pushing forward of the industrial reform and overcapacity cutting policy in heavily polluting industries. During the first half of 2017, Hebei Province, seriously affected by the haze weather, was the first province to reach the target of cutting overcapacity for both iron and steel. The Group will keep abreast of the PRC government's policies on environmental protection, production safety as well as the mining industry development and considers the impact thereof so as to build an environmental friendly mine at the Yanjiazhuang area and to set out the direction of the Group's long-term business development.

Furthermore, the car-park supply in Hong Kong is not sufficient whereas the Hong Kong government is studying measures to combat illegal parking and to mitigate the shortage of parking spaces. As the demand of car-park is growing, it is expected that the car-park industry may become more competitive on the near term. However, the Hong Kong government's initiatives on the car-park policy may enhance the utilisation of car-park and hence may create an environment suitable for business development of the Car-Park Business in the long run.

BUSINESS REVIEW

In the first half of 2017, the Group continued to engage in the Gabbro-Diabase and Stone Business, Iron Concentrate Business, Trading Business, as well as Car-Park Business. The Group strives to develop a harmonious and environmental friendly mine at the Yanjiazhuang area, and a safe workplace for the stakeholders. Apart from the businesses at the Yanjiazhuang Mine, the Group has been pragmatic in calibrating its business strategies from time to time to expand other existing businesses and explore new opportunities so as to enhance the corporate development and strengthen its income source. During the Reporting Period, the Group has continued its effort to extend the customer reach in the Trading Business, which become the primary income stream for the Reporting Period. Nevertheless, the development of the Group's businesses remained challenging and contained uncertainties in 2017 and the foreseeable future.

The overall recovery of iron ore and steel prices in the first half of 2017 as compared to prior years led to the increase in demand for overseas iron ores by steel mills and traders, which together with the management's effort to extend the customer reach, stimulated the growth in the Trading Business in the first half of 2017. As a result, the Group recorded an overall increase in revenue by about 68 times to approximately RMB290.9 million, as compared to the Corresponding Prior Period. Besides the Trading Business, the Group, through Xingye Mining, concentrated its management efforts to proceed with the Renewal matters with the aim to obtaining the Renewal approval as appropriate in the circumstances while liaison with the local village representatives trying to smooth out the local issues and nuisance so as to allow Xingye Mining to resume the production at the Yanjiazhuang Mine has been continued. Also, the Car-Park Business that commenced in 2016 derived a stable income to the Group for the Reporting Period.

Gabbro-Diabase and Stone Business

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

In line with the general trend in the policy for environmental protection and emission reduction in Mainland China and with the purpose of constructing an environmental friendly mine and enhancing the utilisation rate of ore resources, the Group installed environmental protection structures at these production facilities and other sites for the production of gabbro-diabase, so as to mitigate any adverse impact on surrounding area during the production process. The Group also placed great emphasis on production safety at these production facilities, making every effort to provide staff with a safe working environment. However, in 2016, attributed to the requirements for the Environmental Upgrade and local new demands and nuisance brought by the Disaster, the Group's production at these production facilities has been suspended. As such, the management of Xingye Mining implemented certain cost-saving measures, and informed local employees of production, operation and sales functions to suspend from attending work on a temporary basis until further notice so as to reduce the operating and administrative costs of Xingye Mining.

During the Reporting Period, the Group recognised sales of highway crushed stone of approximately RMB0.5 million (Corresponding Prior Period: sales of railway ballast of approximately RMB4.2 million), as the products received initial acceptance from contractors for paving highways and was benefited from the continual infrastructure development of highways in the region. The decrease in revenue for the Reporting Period was primarily attributable to the damage to roads caused by the Disaster which limited the outward transportation since the second half of 2016.

Apart from business operation, the management of Xingye Mining has been working closely on the Renewal matters during the Reporting Period. As mentioned in the 2016 Annual Report, the Mining Permit will expire in July 2017. In the first half of 2017, the Renewal application had been made by the management of Xingye Mining to the relevant government authorities in the PRC. Xingye Mining, in light of environmental protection measures in the region and overall green development direction of the PRC government, has submitted proposals to the relevant government authorities regarding various Renewal options, including but not limited to the feasibility of adjustment in mining capacity and/or reduction of resources fee in relation to gabbro-diabase. Nevertheless, the Mining Permit had expired in July 2017. The Renewal application is still in progress, while the Group has not received any notice in respect of the rejection of the Renewal application or the withdrawal of the Mining Permit from the relevant government authorities.

In addition, in respect of the Mining Permit for gabbro-diabase at the Yanjiazhuang Mine, the remaining three instalments of the resources fee payable, which amounted to approximately RMB21.5 million, in aggregate, together with the associated cost of funds, were due for settlement in August 2015, 2016 and 2017 respectively, but remained unpaid up to date. In view of the unfavourable economic and market outlook, the management of Xingye Mining has been in communication with the relevant government authorities and seeking to negotiate for more favourable payment terms. However, the negotiations have yet to turn into any attainment.

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

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

During the first half of 2017, attributed to the aforesaid Environmental Upgrade and local new demands and nuisance brought by the Disaster, the Group's production at the production facilities for highway crushed stone and railway ballast remained suspended. Xingye Mining aims to continue the Environmental Upgrade, when the new demands and nuisance from the local villages arising from the Disaster could be smoothed out or satisfied, and upon the completion of the Renewal. Liaisons with local village representatives in this respect have been ongoing, and more time would be required to ascertain, settle or satisfy these new demands.

In view of the above-mentioned circumstances, except for the settlements of construction works, the Group did not incur any material capital expenditure or carry out any material infrastructure development for the Gabbro-Diabase and Stone Business during the Reporting Period.

Iron Concentrate Business

During the Reporting Period, the Group has yet to resume the trial production of the Iron Concentrate Business at the Yanjiazhuang Mine as affected by disputes over land expropriation and disturbances, together with new local issues and nuisance brought by the Disaster.

As discussed earlier, the management of Xingye Mining has been working closely on the Renewal matters in the first half of 2017. However, the Mining Permit had expired in July 2017. The Renewal application is still in progress, while the Group has not received any notice in respect of the rejection of the Renewal application or the withdrawal of the Mining Permit from the relevant government authorities. Given the uncertainty inherent in the changing environmental protection requirements and policies towards heavily polluting industries, the management of Xingye Mining expects that it may need more time and effort to work on the aforesaid Renewal matters, including but not limited to liaising with the relevant government authorities about the Renewal options and the reduction and/or payment terms of remaining resources fee payable for gabbro-diabase, so as to complete the Renewal process as soon as practicable.

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

Moreover, to cope with the resumption of the Iron Concentrate Business, in order to foster the local villagers to resolve the local matters in an agreeable manner, the management of Xingye Mining has devised a preliminary proposal that, by allowing the local villagers to participate in Xingye Mining's mining operations at the Yanjiazhuang Mine, the local villagers could be awarded based on the performance of the Iron Concentrate Business (when resumed). Such proposal is however still subject to more negotiations with the local village representatives as well as the local authorities, and finalisation and also subject to the completion of the Renewal. The management of Xingye Mining will also continue to explore more alternatives and consider other collaboration possibilities as appropriate with the aim to bring back the operations at the Yanjiazhuang Mine.

Besides, the judgements in relation to the litigation regarding construction sum payable out of the ordinary course of business of the Group became final and binding in August 2016. During the Reporting Period, Xingye Mining agreed with the plaintiff on the settlement arrangements. As a result, certain frozen machineries and equipment and restricted bank balances of Xingye Mining have been released subsequent to 30 June 2017, and the Group has adjusted for the over-accrual of interest and other costs according to the settlement arrangements to the profit or loss for the Reporting Period. For further details of the litigation, please refer to the section headed "Legal Matters Update".

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

Trading Business

Since the second half of 2016, the Group has expanded its Iron Concentrate Business to the downstream Trading Business, primarily involving the supply and sales of iron ore.

During the Reporting Period, the Group intended to further expand the Trading Business and sold approximately 0.6 million tonnes of iron ore and recognised revenue of approximately RMB289.2 million (Nil for the Corresponding Prior Period). The increase in revenue of Trading Business was mainly due to the initial acceptance of iron ore supplied by the Group by traders and other market players and the Group's effort to extend the customer reach. Also, the iron ore price had experienced great volatility in the past. The overall recovery of iron ore and steel prices in the first half of 2017 led to the increase in demand for overseas iron ores by steel mills and traders, which also stimulated the growth in the Trading Business in the first half of 2017.

It was mentioned in the 2016 Annual Report that the Group would consider to liaise with the leading enterprises in this industry about the possibility of business cooperation and intended to continue to expand the iron ore Trading Business to an economically viable scale. During the Reporting Period, in April 2017, the Group entered into a Master Purchase Agreement with SCIT, pursuant to which the Group may purchase iron ore from SCIT with reference to the agreed pricing method and procedures. The Master Purchase Agreement and the transactions contemplated thereunder constituted continuing connected transactions of the Company and were approved by the independent Shareholders at the extraordinary general meeting of the Company held on 15 June 2017. The Master Purchase Agreement was entered into on 25 April 2017 and will expire on 31 December 2019, with the annual caps of the continuing connected transactions contemplated under the Master Purchase Agreement for the three financial years ending 31 December 2019 amounting to US\$51 million, US\$67 million and US\$83 million, respectively. Further details of the Master Purchase Agreement and the annual caps are set out in the announcement and the circular of the Company dated 25 April 2017 and 23 May 2017, respectively.

Nevertheless, the management will continue to explore new business relationship with traders and market players with an aim to further expand the Trading Business, and will consider to liaise with overseas mines and steel mills for business cooperation in the long run. The Group is also striving to expand the Trading Business to the supply and trading of other commodities so as to broaden the income spectrum.

Subsequent to 30 June 2017, the Group entered into supply contracts with SCIT and independent third parties for purchase of iron ore of approximately 0.6 million tonnes, in aggregate, subject to market prices. These contracts offered the Group with opportunities to further develop the Trading Business in the second half of 2017.

Car-Park Business

The Group started the Car-Park Business of operating and managing car-parks in 2016. During the Reporting Period, the Group has been pursuing opportunities for the operating rights or management contracts for car-parks by way of tendering or business negotiation.

The Group has been operating the car-parks in a commercial building situated in a prime location on the Hong Kong Island since 2016. At present, the Car-Park Business is generating stable rental income for the Group based on the occupancy of the relevant car-parks. During the Reporting Period, the Group recognised revenue of approximately RMB1.2 million (Nil for the Corresponding Prior Period) from the Car-Park Business.

Going forward, the Group will continue actively looking for additional opportunities in car-park operation or management projects in Hong Kong and Mainland China to make the business grow to a commercial scale and generate positive cash flow for the Group.

Other Businesses

Lastly, the Group has been exploring new mining and other investment and/or development opportunities with an aim to bring new business development and growth to the Group's business portfolio. Subsequent to 30 June 2017, the Group entered into two memorandums of understanding in relation to the exploration right for a metal mine in Inner Mongolia and the exploitation right for a gold mine in Suriname, further details of which are set out in the announcements of the Company dated 21 July 2017 and 24 July 2017, respectively. The Group will continue to explore, evaluate and may proceed with these and other mining and/or investment opportunities, as appropriate, so as to create value for the Shareholders in the long run.

CAPITAL EXPENDITURE AND INFRASTRUCTURE DEVELOPMENT

During the Reporting Period, the Group incurred capital expenditure amounting to approximately RMB1.1 million, mainly represented the settlement of construction works in relation to the Environmental Upgrade.

Gabbro-Diabase and Stone Business

During the Reporting Period, the Group incurred settlement of construction works in relation to the Environmental Upgrade.

Capital expenditure of the Gabbro-Diabase and Stone Business during the six-month periods ended 30 June 2017 and 2016 are indicated below:

	Six-month period ended 30 June	
	2017	2016
	<i>RMB'million</i>	<i>RMB'million</i>
	(Unaudited)	(Unaudited)
Construction costs	1.0	0.4
Equipment and others	—	0.2
Total	<u>1.0</u>	<u>0.6</u>

During the Reporting Period, there were no new contract and commitment entered into by the Group for the Gabbro-Diabase and Stone Business including those related to infrastructure projects (road and railway), subcontracting agreements and purchase of equipment (approximately RMB0.9 million for the Corresponding Prior Period).

Iron Concentrate Business

Due to the land expropriation disputes and the disturbances around, together with new local issues and nuisance brought by the Disaster, the remaining construction of Phase Two and Phase Three expansion plans were suspended during the Reporting Period. As such, the Group did not incur any material capital expenditure or carry out any material infrastructure development for the Iron Concentrate Business during the Reporting Period (Corresponding Prior Period: Nil).

There were no new contract and commitment entered into by the Group for the Iron Concentrate Business including those related to infrastructure projects (road and railway), subcontracting agreements and purchases of equipment during the six-month periods ended 30 June 2017 and 2016. It is expected that when disputes and disturbances regarding the iron concentrate production at the Yanjiazhuang Mine are smoothed out and upon the completion of the Renewal, Xingye Mining will further proceed with the relevant constructions so as to support the development of the Iron Concentrate Business as and when appropriate.

EXPLORATION ACTIVITIES

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

PRODUCTION COSTS OF THE YANJIASHUANG MINE

Gabbro-Diabase and Stone Business

The Group's production costs for the Gabbro-Diabase and Stone Business amounted to approximately RMB0.4 million as recognised in the cost of sales during the Reporting Period (approximately RMB4.1 million for the Corresponding Prior Period).

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

	Six-month period ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Processing costs		
– Subcontracting fees	<u>200</u>	<u>3,038</u>
Overheads		
– Depreciation and amortisation	45	265
– Hauling	91	715
– Staff costs	13	46
– Others	<u>7</u>	<u>21</u>
	<u>156</u>	<u>1,047</u>
Total production costs for the Gabbro-Diabase and Stone Business	<u>356</u>	<u>4,085</u>

Iron Concentrate Business

During the six-months period ended 30 June 2017 and 2016, the Group's iron concentrate production had not yet resumed and therefore no production cost of iron concentrates was recorded.

IRON ORE RESOURCE AND RESERVE ESTIMATES

During the Reporting Period, the Group has yet to resume its production of iron concentrates at the Yanjiazhuang Mine and there were no significant changes in the Group's mineral resources and ore reserves prepared under the JORC Code as at 30 June 2017 as compared to those disclosed in the 2016 Annual Report.

As previously mentioned, the management of Xingye Mining has been working closely on the Renewal matters in the first half of 2017. However, the Mining Permit had expired in July 2017. The Renewal application is still in progress, while the Group has not received any notice in respect of the rejection of the Renewal application or the withdrawal of the Mining Permit from the relevant government authorities. Given the uncertainty inherent in the changing environmental protection requirements and policies towards heavily polluting industries, the management of Xingye Mining expects that it may need more time and effort to work on the aforesaid Renewal matters, including but not limited to liaising with the relevant government authorities about the Renewal options and the reduction and/or payment terms of remaining resources fee payable for gabbro-diabase, so as to complete the Renewal process as soon as practicable. Further discussion of the Renewal are set out in the section headed "Business Review – Iron Concentrate Business".

GABBRO-DIABASE RESOURCE ESTIMATES

Since the production of gabbro-diabase was suspended as a result of the postponement in the completion of the Environmental Upgrade at the Yanjiazhuang Mine (as discussed earlier), the gabbro-diabase resources at the Yanjiazhuang Mine at 30 June 2017 was largely the same as those disclosed in the 2016 Annual Report.

As previously mentioned, the management of Xingye Mining has been working closely on the Renewal matters in the first half of 2017. However, the Mining Permit had expired in July 2017. The Renewal application is still in progress, while the Group has not received any notice in respect of the rejection of the Renewal application or the withdrawal of the Mining Permit from the relevant government authorities.

In addition, in respect of the Mining Permit for gabbro-diabase at the Yanjiazhuang Mine, the remaining three instalments of the resources fee payable, which amounts to approximately RMB21.5 million, in aggregate, together with the associated cost of funds, were due for settlement in August 2015, 2016 and 2017 respectively, but remained unpaid up to date. In view of the unfavourable economic and market outlook, the management of Xingye Mining has been in communication with the relevant government authorities and seeking to negotiate for more favourable payment terms. However, the negotiations have yet to turn into any attainment.

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

PRODUCTION SAFETY AND ENVIRONMENTAL PROTECTION

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

Considering the haze weather in Mainland China, especially in Beijing and Hebei Province, it is anticipated that the PRC authorities are prompted to further tighten the relevant environmental policies towards heavily polluting industries, such as mining. To cope with the potential impact of these policies on the businesses, the Group will keep abreast of the latest regulatory requirements and changes, and adopt appropriate environmental and other measures from time to time to facilitate the resumption of operation and production at Yanjiazhuang Mine.

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

Moreover, in the prior year, Xingye Mining received a notice from the environmental protection authority requiring it to carry out the Environmental Upgrade at the Yanjiazhuang Mine. Although the management of Xingye Mining has been developing a preliminary plan for the Environmental Upgrade, inclement weather and the Disaster in Hebei Province, the PRC, had caused the originally planned Environmental Upgrade to be postponed. Going forward, Xingye Mining will further proceed with the Environmental Upgrade when the local new demands and nuisance at the Yanjiazhuang region are smoothed out, and upon the completion of the Renewal.

INTERIM DIVIDEND

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

FINANCIAL REVIEW

During the Reporting Period, the Group recognised revenue of approximately RMB290.9 million (approximately RMB4.2 million for the Corresponding Prior Period), increased by about 68 times. This large increase is mainly attributed to the commencement of the Trading Business in the second half of 2016, which represented a new revenue source to the Group, and recognised revenue of approximately RMB289.2 million during the Reporting Period.

In addition to the large increase in revenue, the Group recorded a decrease in net loss for the Reporting Period, as compared to the Corresponding Prior Period. The net loss for the Reporting Period was approximately RMB18.8 million (approximately RMB23.2 million for the Corresponding Prior Period). The loss attributable to owners of the Company amounted to approximately RMB18.3 million (approximately RMB23.0 million for the Corresponding Prior Period). The basic and diluted loss per share for the Reporting Period was approximately RMB0.46 cents (approximately RMB0.57 cents for the Corresponding Prior Period).

The overall decrease in the Group's net loss was attributable to the gross profit contributed by the Trading Business (Nil for the Corresponding Prior Period), absence of impairment provision (impairment provision amounting to approximately RMB9.7 million, in aggregate, made for a prepayment and inventories of the Group for the Corresponding Prior Period), and the adjustment in the Reporting Period for over-accrual of interest and other costs of approximately RMB4.8 million in relation to the litigation as a result of the agreed settlement with the plaintiff by Xingye Mining (Nil for the Corresponding Prior Period). These effects were partly offset by recognition of net foreign exchange losses of approximately RMB3.8 million attributed to the strengthening of RMB against USD during the first half of 2017 (net foreign exchange losses of approximately RMB0.1 million for the Corresponding Prior Period) and the reduction in interest income earned by approximately RMB4.4 million during the Reporting Period.

Revenue, Gross Profit and Gross Profit Margin

During the Reporting Period, the Group recognised revenue of approximately RMB290.9 million (approximately RMB4.2 million for the Corresponding Prior Period), increased by about 68 times. This large increase in revenue is mainly attributed to the commencement of the Trading Business in the second half of 2016, which represented a new revenue source to the Group, and recognised revenue of approximately RMB289.2 million during the Reporting Period.

The Group also recorded an overall increase in gross profit to approximately RMB0.7 million (approximately RMB0.1 million for the Corresponding Prior Period) and gross profit margin of 0.2% during the Reporting Period (2.5% for the Corresponding Prior Period). Despite the revenue growth, the gross profit was only slightly improved in the Reporting Period as compared to the Corresponding Prior Period as the Trading Business has adopted a relatively competitive pricing policy for its products with a view to further extend the customer reach, which has led to the small increase in the Group's gross profit during the Reporting Period.

Cost of Sales

The Group's cost of sales for the Reporting Period amounted to approximately RMB290.2 million which mainly comprised the purchases of iron ore from overseas for the Trading Business. For the Corresponding Prior Period, the Group's cost of sales of approximately RMB4.1 million arose mainly from the production of railway ballast, and mainly comprised operating costs incurred in relation to staff, materials, power and other utilities, hauling expenses, subcontracting fees, depreciation and amortisation, further details of which are set out in the section headed "Production Costs of the Yanjiazhuang Mine".

Other Income and Gains

Other income and gains of approximately RMB0.3 million (Nil for the Corresponding Prior Period) mainly represented the write-back of over-accrual for interest and other costs in relation to the litigation as a result of the agreed settlement with the plaintiff by Xingye Mining of approximately RMB4.8 million (Nil for the Corresponding Prior Period), and netted off by the estimated possible payments that may accrue on the outstanding gabbro-diabase resources fee payable of approximately RMB5.2 million (Nil for the Corresponding Prior Period).

Administrative Expenses

Administrative expenses decreased by 39% to approximately RMB16.0 million during the Reporting Period, as compared to approximately RMB26.2 million for the Corresponding Prior Period. The decrease was mainly due to the absence of impairment provision (impairment provision amounting to approximately RMB9.7 million, in aggregate, made for a prepayment and inventories for the Corresponding Prior Period).

Finance (Expense)/Income

The Group recorded finance expense of approximately RMB3.7 million during the Reporting Period, as compared to the finance income of approximately RMB3.4 million for the Corresponding Prior Period. The decrease was mainly due to the recognition of net foreign exchange losses of approximately RMB3.8 million attributable to the strengthening of RMB against USD during the Reporting Period (net foreign exchange losses of approximately RMB0.1 million for the Corresponding Prior Period) and the reduction in interest income earned by approximately RMB4.4 million.

Income Tax Expense

No income tax was recognised for the Reporting Period as the Group has no material assessable profit arising in Hong Kong or made loss in the PRC. Also, it is considered to be premature to recognise the deferred tax assets for tax losses arising in the PRC as at 30 June 2017. Further details about the Group's income tax are set out in note 7.

Property, Plant and Equipment

As at 30 June 2017, the Group's property, plant and equipment had a net book value of approximately RMB269.0 million (approximately RMB270.3 million as at 31 December 2016), representing mainly the mining and related assets at the Yanjiazhuang Mine and accounted for 34.3% (35.8% as at 31 December 2016) of total assets of the Group. Further details about the Group's property, plant and equipment are set out in note 10.

Trade and Bills Receivables

The Group's trade and bills receivables decreased significantly from approximately RMB38.3 million as at 31 December 2016 to approximately RMB0.1 million as at 30 June 2017, as a result of the settlement received from a customer during the Reporting Period.

Prepayments, Deposits and Other Receivables

As at 30 June 2017, the Group's balance of prepayments, deposits and other receivables was increased by 1.8 times, from approximately RMB32.8 million as at 31 December 2016 to approximately RMB91.1 million as at 30 June 2017. The increase in prepayments, deposits and other receivables was mainly attributed to the increase in advances paid to suppliers of the Trading Business for purchase of iron ore by approximately RMB59.1 million.

Other Payables and Accruals

As at 30 June 2017, the Group's balance of other payables and accruals was approximately RMB141.0 million (approximately RMB87.8 million as at 31 December 2016). The overall increase in balance by 61% was mainly attributable to trade deposits received from customers of the Trading Business of approximately RMB57.5 million, which was partly netted off by the write-back of over-accrual for interest and other costs of approximately RMB4.8 million during the Reporting Period in relation to the litigation as a result of the agreed settlement with the plaintiff by Xingye Mining as further discussed in the section headed "Legal Matters Update".

In addition, in respect of the Mining Permit for gabbro-diabase at the Yanjiazhuang Mine, the remaining three instalments of the resources fee payable, which amounts to approximately RMB21.5 million, in aggregate, together with the associated cost of funds, were due for settlement in August 2015, 2016 and 2017 respectively, but remained unpaid up to date, further details of which are set out in the section headed "Business Review – Gabbro-Diabase and Stone Business" and note 16.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2017, the Group's cash and cash equivalents amounted to approximately RMB193.4 million (approximately RMB401.4 million as at 31 December 2016), of which 11.9% are denominated in RMB, 3.1% are denominated in HKD and 85.0% are denominated in USD (25.7% are denominated in RMB, 58.2% are denominated in HKD and 16.1% are denominated in USD as at 31 December 2016), representing 24.7% (53.1% as at 31 December 2016) of total assets of the Group. The significant decrease in cash and cash equivalents was attributed to the utilisation of time deposits of HK\$250.0 million, in aggregate, (equivalent to approximately RMB217.0 million as at 30 June 2017) during the Reporting Period as securities for the Group's bank borrowing so as to obtain a lower borrowing interest rate from the bank. Moreover, the use of certain bank balances of Xingye Mining of approximately RMB1.7 million as at 30 June 2017 (approximately RMB1.5 million as at 31 December 2016) (*note 14*) is subject to restrictions, further details of which are set out in "Legal Matters Update" section.

The Group's net cash position (calculated as cash and bank balances less total borrowings) was approximately RMB195.1 million as at 30 June 2017 (approximately RMB179.2 million as at 31 December 2016), while the Group's liquidity ratio (calculated as current assets divided by current liabilities) was approximately 1.4 as at 30 June 2017 (approximately 1.5 as at 31 December 2016), both of which are considered to be steady and strong.

During the Reporting Period, the Group paid approximately RMB0.7 million for the settlement of the Group's addition of items of property, plant and equipment (approximately RMB1.0 million for the Corresponding Prior Period).

CAPITAL STRUCTURE AND GEARING RATIO

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

As at 30 June 2017, the total equity of the Group amounted to approximately RMB414.7 million (approximately RMB433.5 million as at 31 December 2016).

As the Group had net cash position of approximately RMB195.1 million and RMB179.2 million as at 30 June 2017 and 31 December 2016, respectively, it is therefore not considered to have any net gearing as at these dates.

LOANS, INDEBTEDNESS AND MATURITY DATE

As at 30 June 2017, the Group had HKD-denominated bank borrowing amounted to HK\$250.0 million (equivalent to approximately RMB217.0 million) (as at 31 December 2016: HK\$250.0 million (equivalent to approximately RMB223.6 million)). The Group's bank borrowing is secured by time deposits of HK\$250.0 million (equivalent to approximately RMB217.0 million), in aggregate, and carries interest at floating rate. The Group's bank borrowing was unsecured as at 31 December 2016. Maturity of bank borrowing was subject to the bank's overriding right of repayment on demand. As at 30 June 2017, no property, plant and equipment or leasehold land or land use rights were pledged for the Group's bank borrowing.

PLEDGE OF ASSETS

As at 30 June 2017, save for the time deposits of HK\$250.0 million (equivalent to approximately RMB217.0 million) (as at 31 December 2016: Nil) that have been utilised as securities for the Group's bank borrowing, certain machineries and equipment with net carrying value amounting to approximately RMB11.9 million (31 December 2016: approximately RMB8.9 million) had been frozen and certain bank balances of approximately RMB1.7 million (31 December 2016: approximately RMB1.5 million) were restricted as to use due to certain legal proceedings of Xingye Mining. The machineries and equipment and certain bank balances of approximately RMB8.9 million and RMB1.7 million, respectively, have been released subsequently. Details of the litigation are included in section headed "Legal Matters Update" and note 17.

FUNDING AND TREASURY POLICY

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

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group's functional currency is RMB as the assets and operations at the Yanjiashuang Mine are primarily located in the PRC with transactions settled in RMB. Since the second half of 2016, the Group has commenced the Trading Business and Car-Park Business, with transactions settled in USD and HKD respectively.

During the Reporting Period, the Group has transactional currency exposures. Such exposures arose from the sales and purchases of products and other transactions of operating units in currencies other than the Group's functional currencies. Approximately 99% (Nil for the Corresponding Prior Period) and 99% (Nil for the Corresponding Prior Period) of the Group's sales and purchases, respectively during the Reporting Period, and approximately 41% of the Group's net assets as at 30 June 2017 (31 December 2016: 25%) were denominated in foreign currency (the USD). Currently, the Group does not have a foreign currency hedging policy. The strengthening of RMB against USD in the first half of 2017 led to the recognition of net foreign exchange losses of approximately RMB3.8 million during the Reporting Period (net foreign exchange losses of approximately RMB0.1 million for the Corresponding Prior Period).

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

SEGMENT INFORMATION

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

	Six-month period ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Iron Concentrate Business (<i>Note</i>)	—	—
Gabbro-Diabase and Stone Business	488	4,188
Trading Business	289,195	—
Car-Park Business	1,204	—
	<u>290,887</u>	<u>4,188</u>

Note: No revenue had been recorded for the "Iron Concentrate Business" segment for the Reporting Period (Nil for the Corresponding Prior Period) as the Group had yet to resume the trial production of the Iron Concentrate Business at the Yanjiazhuang Mine during the Reporting Period as affected by disputes over land expropriation and disturbances, together with new local issues and nuisance brought by the Disaster.

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

	Six-month period ended 30 June	
	2017 <i>RMB'000</i> (Unaudited)	2016 <i>RMB'000</i> (Unaudited)
Mainland China	488	4,188
Asia	42,923	—
North America	86,906	—
Hong Kong	160,570	—
	<u>290,887</u>	<u>4,188</u>

Further details of the Group's segment information and segment results are set out in note 3, and discussions on segment information and business performance of the Group are set out in the sections headed "Market Overview" and "Business Review".

CAPITAL COMMITMENTS

The Group's commitments for capital expenditure were approximately RMB38.6 million as at 30 June 2017 (approximately RMB39.3 million as at 31 December 2016). This represented commitments for property, plant and equipment. The sources of funding for capital expenditure include unutilised net proceeds from the IPO of the Company and internally generated funds.

LEGAL MATTERS UPDATE

Since March 2013, Xingye Mining (the "Defendant") was involved in the Litigation. In August 2016, after appeal and trial, the Supreme People's Court of the PRC issued the Appeal Judgement and ruled that, among others:

- (a) the Defendant shall pay to the plaintiff the outstanding construction fees of about RMB16.4 million, and the interest accrued on the outstanding construction fees up to the date on which the payment is made in full, at the then prevailing interest rates as announced by the People's Bank of China for the comparable loans;
- (b) the Defendant shall bear the litigation costs and expenses of about RMB0.9 million in aggregate; and
- (c) the Defendant's counterclaim was dismissed.

The plaintiff has been taking legal steps to recover the Judgement Sum from the Defendant. As a result, certain machineries and equipment of the Defendant with net carrying value amounting to approximately RMB8.9 million as at 30 June 2017 (*note 10*) had been frozen by the local court pursuant to the trial judgement and Appeal Judgement, and the use of certain bank balances of approximately RMB1.7 million (*note 14*) of the Defendant is subject to restrictions.

During the Reporting Period, the management of Xingye Mining devoted significant effort in liaising with the plaintiff for a complete solution for both parties. In June 2017, the Defendant and the plaintiff reached an agreement to settle the Judgement Sum by instalments, and the first repayment has been made by the Defendant in July 2017. As agreed, interest and other costs to be borne by the Defendant under the trial judgement and Appeal Judgement have been waived. Therefore, the over-accrual of interest and other costs has been credited to the profit or loss during the Reporting Period. In addition, those machineries and equipment and bank balances that had been frozen by the local court and/or subject to restrictions have been released in August 2017.

EVENTS AFTER THE REPORTING PERIOD

As previously mentioned, the management of Xingye Mining has been working closely on the Renewal matters in the first half of 2017. However, the Mining Permit had expired in July 2017. The Renewal application is still in progress, while the Group has not received any notice in respect of the rejection of the Renewal application or the withdrawal of the Mining Permit from the relevant government authorities. Given the uncertainty inherent in the changing environmental protection requirements and policies towards heavily polluting industries, the management of Xingye Mining expects that it may need more time and effort to work on the aforesaid Renewal matters, including but not limited to liaising with relevant government authorities about the Renewal options and the reduction and/or the payment terms of remaining resources fee payable for gabbro-diabase, so as to complete the Renewal process as soon as practicable.

Given that the mining operation of the Group at the Yanjiazhuang Mine has been suspended due to persistent local issues and nuisance, the Company does not expect the expiry of the Mining Permit to have any material adverse effect on the overall business operation of the Group.

Subsequent to 30 June 2017, the Group entered into supply contracts with SCIT and independent third parties for purchase of iron ore of approximately 0.6 million tonnes, in aggregate, subject to market prices. These contracts offered the Group with opportunities to further develop the Trading Business in the second half of 2017.

Save as disclosed above, there is no other important event affecting the Group which has occurred since 30 June 2017 and up to the date of approval of this announcement.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the Reporting Period, the Group had no significant investments, acquisitions and disposals.

The Group has been exploring new mining and other investment and/or development opportunities with an aim to bring new business development and growth to the Group's business portfolio. In July 2017, the Group entered into two memorandums of understanding in relation to the exploration right for a metal mine in Inner Mongolia and the exploitation right for a gold mine in Suriname, further details of which are set out in the announcements of the Company dated 21 July 2017 and 24 July 2017, respectively. The Group will continue to explore, evaluate and may proceed with these and other mining and/or investment opportunities, as appropriate, so as to create value for the Shareholders in the long run.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2017, the Group had a total of 86 (as at 31 December 2016: 136) full-time employees in Hong Kong and Mainland China (excluding workers under the reward scheme based on production outputs and workers of the independent third-party contractors).

Hit by a number of unfavorable factors including the Disaster in July 2016, the Iron Concentrate Business continued to be suspended and the Environmental Upgrade was postponed as well. The management of Xingye Mining implemented certain cost-saving measures, and informed local employees of production, operation and sales functions to suspend from attending work on a temporary basis until further notice so as to reduce the operating and administrative costs of Xingye Mining. Certain employees left the Group upon the expiry of their contracts or for other reasons. As a result, the overall number of full-time employees decreased during the Reporting Period. The management of Xingye Mining will review the situation and get the appropriate employees back to work in an orderly and timely manner.

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

USE OF NET PROCEEDS

The net proceeds raised from the IPO of the Company in 2011 amounted to approximately RMB1,052 million. As at 30 June 2017, the application of the net proceeds raised from the IPO of the Company is set out as below.

	Net Proceeds from the IPO				Unutilised At end of the Reporting Period RMB'million
	Revised use of proceeds* RMB'million	At beginning of the Reporting Period RMB'million	During the Reporting Period RMB'million	At end of the Reporting Period RMB'million	
Development of Iron Concentrate Business at Yanjiazhuang Mine, the Securities and Treasury Investment Business, the Debt Investment and Financing Business and the Trading Business (<i>Note a</i>)	463	248	215	463	–
Development of Gabbro-Diabase Business	173	94	1	95	78
Repayment of shareholders' loans	105	105	–	105	–
Working capital	32	32	–	32	–
General working capital, acquisitions, financial management and other new business	279	279	–	279	–
	<u>1,052</u>	<u>758</u>	<u>216</u>	<u>974</u>	<u>78</u>

Note a: These IPO proceeds were mainly utilised for the purchases made for the purpose of the Trading Business during the Reporting Period.

* *In 2016, the Company approved the reallocation and future application of the above unutilised net proceeds.*

OUTLOOK AND FUTURE PLANS

In the first half of 2017, the commodity markets have been volatile and the prices have been fluctuating to a great extent, as compared to last year, which brings opportunities and challenges to the Group. Apart from the existing businesses, the Group keeps looking for new business and investment and/or development opportunities to enable it to achieve the goal of carrying out sustainable development and diversifying business and revenue sources, thereby enhancing the Group's overall performance.

During the Reporting Period, the Group has further expanded the Trading Business with initial acceptance of iron ore supplied by the Group by traders and other market players and the Group's effort to extend the customer reach. The management would endeavor to maintain this momentum and will continue to explore new business relationship with traders and market players with an aim to further expand the Trading Business and will consider to liaise with overseas mines and steel mills for business cooperation so as to create benefits for its Shareholders in the long run.

Regarding the Group's investments in mining and resources projects, the Group will cautiously capture overseas mergers and acquisitions and other collaboration or investment opportunities in order to achieve sustainable development. In July 2017, the Group entered into two memorandums of understanding in relation to the exploration right for a metal mine in Inner Mongolia and the exploitation right for a gold mine in Suriname. In the coming months, the Group will continue to explore, evaluate and may proceed with these and other mining and/or investment opportunities, as appropriate, so as to create value for the Shareholders in the long run.

Moreover, the management of Xingye Mining will continue to follow up on the progress of the Renewal and the application for and the renewal of the production safety permits, and communicate with local village representatives and authorities with the aim to smooth out the local issues and nuisance and to bring back the operations at the Yanjiazhuang Mine. The Group will monitor the progress so as to formulate a strategy in respect of the Yanjiazhuang Mine. The Group will also assess, on an ongoing basis, the possible impact of external environmental factors such as political, economic, social and technological development in China, Hong Kong and the World on the Yanjiazhuang Mine and its existing businesses, and will adjust its business and investment strategies if necessary in an attempt to adapt itself to the new environment.

CORPORATE GOVERNANCE PRACTICES

As part of the Company's unwavering commitment to high standards of corporate governance, it has adopted all applicable Code Provisions and, where appropriate, Recommended Best Practices of the CG Code as set out in Appendix 14 of the Listing Rules throughout the Reporting Period. So far as known to the Directors, there has been no material deviation from the CG Code during the Reporting Period, except for the Code Provisions A.6.7 and E.1.2 of the CG Code as noted hereunder.

Under the Code Provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Due to other engagements, one non-executive Director was unable to attend the annual general meeting held on 23 May 2017 (the "2017 AGM") and the extraordinary general meeting held on 15 June 2017 (the "EGM"), and one independent non-executive Director was unable to attend the EGM. However, all other independent non-executive Directors and non-executive Director were invited to, and attended the 2017 AGM and EGM to ensure an effective communication with the Shareholders at such meetings.

Under the Code Provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting. Due to other engagements, the chairman of the Board was unable to attend the 2017 AGM. A non-executive Director, who acted as the chairman of meeting at the 2017 AGM, together with other members of the Board who attended the meeting, were of sufficient caliber for answering questions at the 2017 AGM.

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange and the Company. The interim report of the Group for the six-month period ended 30 June 2017 will be despatched to the Shareholders and published on the above websites in due course.

GLOSSARY OF TERMS

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

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

“Mining Permit”	the mining permit of Xingye Mining in respect of iron ore and gabbro-diabase at the Yanjiazhuang Mine
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules
“Phase Two”	the second phase of the Company’s three-phase expansion plan, to achieve total mining and ore processing capacities of 7,000,000 tpa to produce approximately 1,770,000 tpa of iron concentrates
“Phase Three”	the third phase of the Company’s three-phase expansion plan, to achieve total mining and ore processing capacities of 10,500,000 tpa to produce approximately 2,655,000 tpa of iron concentrates
“PRC” or “Mainland China”	The People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Renewal”	renewal of the Mining Permit
“Reporting Period”	the six-month period ended 30 June 2017
“RMB”	Renminbi, the lawful currency of the PRC
“Safety Authority”	the relevant government authority for the granting of production safety permit(s) for iron mining and gabbro-diabase products
“SCIT”	SCIT Trading Limited, an indirect wholly-owned subsidiary of Shougang Concord International Enterprises Company Limited and a connected person of the Company under the Listing Rules
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	existing ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“tonne(s)”	equal to 1,000 kilograms
“tpa”	tonne(s) per annum
“US\$” or “USD”	the United States dollar, the lawful currency of the United States of America

“Xingye Mining”

Licheng Xingye Mineral Resources Co., Ltd (臨城興業礦產資源有限公司), a subsidiary of the Company as to 99.0% of its equity interest

“Yanjiazhuang Mine”

Lincheng Xingye Mineral Resources Co., Ltd Yanjiazhuang Mine (臨城興業礦產資源有限公司閆家莊礦), an iron ore and gabbro-diabase mine located in Yanjiazhuang Mining Area, Shiwopu, Haozhuang Town, Lincheng County, Hebei Province, the PRC

By Order of the Board
Newton Resources Ltd
Wu Wai Leung, Danny
Non-Executive Director

Hong Kong, 31 August 2017

As at the date of this announcement, the executive directors are Mr. Li Changfa and Mr. Luk Yue Kan; the non-executive directors are Dr. Cheng Kar Shun and Mr. Wu Wai Leung, Danny; and the independent non-executive directors are Mr. Tsui King Fai, Mr. Lee Kwan Hung and Mr. Shin Yick, Fabian.