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Add New Energy Investment Holdings Group Limited

愛德新能源投資控股集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 02623)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

FINANCIAL HIGHLIGHTS

The Group recorded revenue of approximately RMB61.2 million for the six months ended 30 June 2018, representing an increase of approximately 827.3% over the revenue of approximately RMB6.6 million for the six months ended 30 June 2017.

The Group's loss attributable to owners of the Company increased by approximately 31.5% from approximately RMB23.2 million for the six months ended 30 June 2017 to approximately RMB30.5 million for the six months ended 30 June 2018.

UNAUDITED INTERIM RESULTS

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2018

(Amounts expressed in thousands of RMB)

	<i>Note</i>	As at 30 June 2018 (unaudited)	As at 31 December 2017 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		273,736	256,862
Intangible assets		—	—
Investments accounted for using the equity method		1,100	13,830
Financial assets at fair value through other comprehensive income	8	9,828	—
Other non-current assets		10,902	8,783
		295,566	279,475
Current assets			
Inventories	6	59,992	33,122
Trade receivables	7	45,436	26,151
Notes receivables		46,000	42,000
Prepayments and other receivables		63,890	24,745
Cash and cash equivalents		38,107	123,627
Term deposits		139,000	160,000
Restricted bank deposits		23,424	83,366
		415,849	493,011
Total assets		711,415	772,486
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium		671,161	641,741
Reserves		(15,701)	(9,570)
Accumulated losses		(278,688)	(248,198)
		376,772	383,973
Non-controlling interests		—	—
Total equity		376,772	383,973

	<i>Note</i>	As at 30 June 2018 (unaudited)	As at 31 December 2017 (audited)
LIABILITIES			
Non-current liabilities			
Borrowings		109,854	107,210
Provisions for close down, restoration and environmental costs		9,156	8,955
Deferred income		463	463
Deferred income tax liabilities		10,729	8,262
		130,202	124,890
Current liabilities			
Borrowings		100,000	100,000
Trade payables	<i>10</i>	14,852	17,353
Contract liabilities		523	–
Notes payables		40,000	100,000
Accruals and other payables		49,066	46,231
Current portion of long-term liabilities		–	39
		204,441	263,623
Total liabilities		334,643	388,513
Total equity and liabilities		711,415	772,486

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

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

	Note	Six months ended 30 June 2018 (unaudited)	2017 (unaudited)
Continuing operations			
Revenue	11	61,206	6,560
Cost of sales		<u>(60,105)</u>	<u>(6,123)</u>
Gross profit		1,101	437
Distribution costs		(206)	(57)
Administrative expenses		(21,786)	(13,992)
Other income	12	2,130	—
Other gains – net		<u>47</u>	<u>19</u>
Operating loss		(18,714)	(13,593)
Finance income	13	1,638	1,558
Finance expenses	13	<u>(10,947)</u>	<u>(6,291)</u>
Finance expenses – net		(9,309)	(4,733)
Loss before income tax		(28,023)	(18,326)
Income tax expense	14	<u>(2,467)</u>	<u>(683)</u>
Loss from continuing operations		(30,490)	(19,009)
Loss from discontinued operations	9	<u>—</u>	<u>(5,478)</u>
Loss for the period		<u>(30,490)</u>	<u>(24,487)</u>
Loss for the period attributable to:			
Owners of the Company		(30,490)	(23,205)
Non-controlling interests		<u>—</u>	<u>(1,282)</u>
		<u>(30,490)</u>	<u>(24,487)</u>
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss</i>			
Change in the fair value of available-for-sale financial assets		—	(559)
Currency translation differences		—	213
<i>Items that will not be reclassified to profit or loss</i>			
Change in the fair value of financial assets at fair value through other comprehensive income		<u>(5,820)</u>	<u>—</u>
Other comprehensive income for the period		<u>(5,820)</u>	<u>(346)</u>
Total comprehensive loss for the period		<u>(36,310)</u>	<u>(24,833)</u>

		Six months ended 30 June	
	<i>Note</i>	2018	2017
		(unaudited)	(unaudited)
Total comprehensive loss for the period attributable to:			
Owners of the Company		(36,310)	(23,310)
Non-controlling interests		<u>—</u>	<u>(1,523)</u>
		<u>(36,310)</u>	<u>(24,833)</u>
Total comprehensive loss for the period attributable to:			
Continuing operations		(36,310)	(19,250)
Discontinued operations	9	<u>—</u>	<u>(5,583)</u>
		<u>(36,310)</u>	<u>(24,833)</u>
Losses per share for loss from continuing operations			
attributable to owners of the Company			
(expressed in RMB per share)			
Basic losses per share	15	<u>(0.007)</u>	<u>(0.004)</u>
Diluted losses per share	15	<u>(0.007)</u>	<u>(0.004)</u>
Losses per share for loss attributable to owners of			
the Company (expressed in RMB per share)			
Basic losses per share	15	<u>(0.007)</u>	<u>(0.005)</u>
Diluted losses per share	15	<u>(0.007)</u>	<u>(0.005)</u>

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2018

(Amounts expressed in thousands of RMB)

1. GENERAL INFORMATION

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

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

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

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

2. BASIS OF PREPARATION

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

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

3. ACCOUNTING POLICIES

(a) Overview

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

- HKFRS 9, Financial instruments
- HKFRS 15, Revenue from contracts with customers

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

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

(b) HKFRS 9, Financial instruments

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

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

- trade receivables for sales of goods; and
- other receivables.

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

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

(i) Classification

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

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

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

(ii) Measurement

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

(iii) Impairment

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

(c) HKFRS 15, Revenue from contracts with customers

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

Goods manufactured and sold by the Group are recognised when control of the goods are transferred, being when the goods are delivered to the customers. Management has assessed the effects of applying the new standard on financial statements and no impact identified.

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

4. ESTIMATES

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

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

5. SEGMENT INFORMATION

(a) General information

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

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

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

- (i) In January 2017, Tianjin Ever Grand Financial Leasing Co., Ltd. ("Ever Grand") terminated its external finance lease contract. The SEM decided to temporarily suspend finance lease business and Ever Grand is no longer reported as a separate reportable operating segment.
- (ii) On 18 November 2017, the Company announced that Shandong Ishine Mining Industry Co., Ltd. (山東興盛礦業有限公司) ("Shandong Ishine"), a wholly-owned subsidiary of the Company and the Controlling Shareholder has entered into an agreement with two independent natural persons, pursuant to which Shandong Ishine sold all its interests in Linyi Luxing Titanium Co., Ltd. ("Luxing Titanium"), with a cash consideration amounting to RMB20,900,000. The transaction was completed on 30 November 2017. Luxing Titanium is reported as a discontinued operation for the six months ended 30 June 2017.
- (iii) In 2017, the SEM decided not to actively pursue business in Australia. On 29 December 2017, Mr. Li Yunde, the Controlling Shareholder of the Company, submitted his resignation to the board of directors of Ishine International Resources Limited (changed its name to Superior Lake Resources Limited ("Superior Lake")), and retired from the position of executive director and chairman of Superior Lake. The Group no longer has control in Superior Lake since 29 December 2017. Superior Lake is reported as a discontinued operation for the six months ended 30 June 2017.

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

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

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

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

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

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

6. INVENTORIES

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

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

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

7. TRADE RECEIVABLES

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

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

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

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

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

8. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

9. DISCONTINUED OPERATIONS

(a) Description

The Group's interests in Luxing Titanium were disposed on 30 November 2017. The Group ceased the control in Superior Lake on 29 December 2017. The Group reports Luxing Titanium and Superior Lake for the six months ended 30 June 2018 as discontinued operations.

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

(b) Financial performance and cash flow information

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

10. TRADE PAYABLES

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

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

11. REVENUE

	Six months ended 30 June 2018 (unaudited)	2017 (unaudited)
Production		
– Sales of iron concentrates	50,474	1,596
– Sales of titanium concentrates	2,890	250
Trading		
– Sales of coarse iron powder	7,842	4,714
	<u>61,206</u>	<u>6,560</u>
Revenue is attributable to:		
– Continuing operations	61,206	6,560
– Discontinued operations (<i>Note 9(b)</i>)	–	–
	<u>61,206</u>	<u>6,560</u>

12. OTHER INCOME

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

13. FINANCE EXPENSES – NET

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

14. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
Deferred income tax	(2,467)	(1,290)
Income tax expenses is attributable to:		
– Continuing operations	(2,467)	(683)
– Discontinued operations (<i>Note 9(b)</i>)	–	(607)
	(2,467)	(1,290)

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

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

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

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

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

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

15. LOSSES PER SHARE

(a) Basic

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

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

(b) Diluted

As at 30 June 2018 and 31 December 2017, there were no dilutive instruments of the Company, the diluted losses per share were calculated in the same way as basic losses per share.

16. DIVIDENDS

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

INTERIM DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

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

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

Resources and reserves of mines

The mines and projects owned by the Group have significant iron and titanium ore reserves and resources. According to the report of the independent technical adviser Micromine Consulting Services, as at November 2011 as disclosed in the prospectus of the Company dated 17 April 2012, the total aggregate proved and probable reserve of ore in the Yangzhuang Iron Mine was approximately 43.93Mt at an average grade of approximately 24.58% TFe (total iron); the total proved and probable reserve of ore in the Zhuge Shangyu Ilmenite Mine was approximately 545.8Mt at an average grade of approximately 5.69% TiO₂ and approximately 12.81% TFe (total iron); whereas the total proved and probable reserve of ore in Qinjiazhuang Ilmenite Project was approximately 86.63Mt at an average grade of approximately 4.50% TiO₂ and approximately 13.56% TFe (total iron).

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

Yangzhuang Iron Mine

1. Resource reporting cutoff grade: 15% TFe.
2. An mFe grade cut-off of 8.0% was applied to each mining block based on the breakeven analysis.
3. The Ore Reserve depletion for the Yangzhuang Iron Mine was approximately 4.6Mt @ 24.6% TFe and 10.6% mFe compared to reported production of 4.5Mt @ 24.1% TFe and 10.5% mFe for the period from November 2011 to December 2013 inclusive.
4. Stope design parameters are 50 metres in length by approximately 16 metres wide (matching the thickness of the orebody) with a 6 metre wide pillar between stopes as well as a crown pillar of 6 metres in width.
5. It is assumed that there are no significant geotechnical difficulties.
6. Inferred Resources were excluded from the mine design used to determine the reserves.
7. Parameters for Short Hole Shrinkage mining method:

Length of Block: 48m

Minimum width of Block: 8m

Pillar between Blocks: 6m

Crown Pillar: 5m

Distance between levels: 60m

Reason for the changes in the resources and reserves estimates:

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

Zhuge Shangyu Ilmenite Mine

1. Resource reporting cutoff grade: 9.2% TiO₂ equivalent.
2. Underground resources and reserves remain unchanged from the previous (2012) Micromine estimate.
3. Mineral resources are inclusive of the ore reserve.
4. The reserve includes diluting material with an assumed diluent grade of 0%, total dilution used was 9%.
5. The Micromine reserve is stated based on titanium with an iron credit.
6. The Open Pit Ore Reserve block model depletion for the Zhuge Shangyu resource was approximately 0.27Mt grading 5.69% TiO₂ and 12.78% TFe compared to reported production of 0.26Mt grading 6.75% TiO₂ and 13.44% TFe for the period from September 2013 to December 2013 inclusive.
7. The underground mining height is 50m to 60m.

Reason for the changes in the resources and reserves estimates:

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

Qinjiazhuang Ilmenite Project

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

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

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

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

	Yangzhuang Iron Mine	Zhuge Shangyu Ilmenite Mine	Qinjiazhuang Ilmenite Project
Ore reserves (Mt)			
– proved	5.86	199.45	45.33
– probable	<u>31.20</u>	<u>204.5</u> ^(Note)	<u>41.30</u>
Total ore reserves	<u>37.06</u>	<u>403.9</u>	<u>86.63</u>
Grade of total iron (Tfe) (%)			
– proved	24.15	12.78	13.50
– probable	24.65	12.83	13.61
Average grade of total iron (Tfe) (%)	24.55	12.82	13.56
Grade of titanium dioxide (TiO ₂) (%)			
– proved	N/A	5.76	4.52
– probable	N/A	5.65	4.48
Average grade of total titanium dioxide (TiO ₂) (%)	N/A	5.69	4.50

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

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

	Yangzhuang Iron Mine	Zhuge Shangyu Ilmenite Mine	Qinjiazhuang Ilmenite Project
Ore reserves (Mt)			
– proved	5.86	199.45	45.33
– probable	<u>31.20</u>	<u>204.5</u> ^(Note)	<u>41.30</u>
Total ore reserves	<u>37.06</u>	<u>403.9</u>	<u>86.63</u>

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

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

Resource Category	Resources (Mt)	SG (t/m ³)	TFe (%)	mFe (%)
Measured	11.3	3.25	26.0	10.6
Indicated	50.1	3.25	26.8	10.4
Total Measured and Indicated	61.4	3.25	26.6	10.4
Inferred	17.6	3.22	24.6	8.7
Total Resources	<u>79.0</u>	<u>3.24</u>	<u>26.2</u>	<u>10.0</u>

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

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

Resource Category	Resource (Mt)	SG (t/m ³)	TiO ₂ (%)	TFe (%)
Measured	372.6	3.19	6.23	14.04
Indicated	118.3	3.13	6.14	14.18
Total Measured and Indicated	490.9	3.17	6.19	14.10
Inferred	4.0	3.13	5.92	15.03
Total Resources	<u>494.9</u>	<u>3.16</u>	<u>6.19</u>	<u>14.10</u>

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

Resource Category	Resource (Mt)	SG (t/m ³)	TiO ₂ (%)	TFe (%)
Measured	46.2	3.23	4.90	14.72
Indicated	42.1	3.19	4.88	14.84
Total Measured and Indicated	88.3	3.21	4.89	14.78
Inferred	11.3	3.29	5.06	15.05
Total Resources	<u>99.6</u>	<u>3.22</u>	<u>4.91</u>	<u>14.81</u>

Gaozhuang Shangyu Ilmenite project

Gaozhuang Shangyu Ilmenite Project is located in Yishui County and Yinan County of Shandong Province, the PRC. The Company has engaged an independent third-party surveying agency to conduct preliminary exploration work in Gaozhuang Shangyu Ilmenite Project and the work was completed in 2012. The exploration rights covered an area of approximately 1.53km², with the exploration term expiring in March 2019. According to Titanium Mine Detailed Survey Report in respect of the project, it was estimated that the exploration area had approximately 46.0Mt of resources of Type 332 and 333 of ilmenite ores in September 2012 under PRC classification standard with an average grading of iron and titanium content of approximately 12.4% and 6.8% respectively. During the period from October 2012 to June 2018, there was no change in resources and reserves. The Group did not have any plans to carry out mining work or any other expansion plans.

FINANCIAL REVIEW

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

Prices of the Group's products

Iron Concentrates

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

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

Titanium Concentrates

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

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

Revenue

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

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

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

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

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

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

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

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

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

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

Cost of Sales

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

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

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

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

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

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

	Six months ended 30 June 2018 RMB'000		Six months ended 30 June 2017 RMB'000	
Gross profit/(loss)				
Gross profit of iron concentrates produced by the Group				
– from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	(1,992)	(180.9%)	48	11.0%
– by non-magnetic minerals processing technology (64% iron concentrates)	<u>3,358</u>	<u>305.0%</u>	<u>–</u>	<u>–</u>
Gross profit/(loss) of titanium concentrates produced by the Group				
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	<u>(418)</u>	<u>(38.0%)</u>	<u>94</u>	<u>21.5%</u>
Gross profit of trading activities				
– from sales of coarse iron powder	<u>153</u>	<u>13.9%</u>	<u>295</u>	<u>67.5%</u>
	<u>1,101.0</u>	<u>100%</u>	<u>437</u>	<u>100%</u>
			Six months ended 30 June 2018 %	Six months ended 30 June 2017 %
Gross profit/(loss) margin				
Gross profit margin of iron concentrates				
– from iron ore of Yangzhuang Iron Mine (65% iron concentrates)		(10.0%)		3.0%
– by non-magnetic minerals processing technology (64% iron concentrates)		<u>11.0%</u>		<u>–</u>
Gross profit/(loss) margin of titanium concentrates				
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)		<u>(14.5%)</u>		<u>37.6%</u>
Gross profit margin of trading activities				
– from sales of coarse iron powder		<u>2.0%</u>		<u>6.3%</u>
		<u>1.8%</u>		<u>6.7%</u>

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

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

Other gains, net

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

Finance costs, net

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

Total comprehensive loss

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

CAPITAL STRUCTURE

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

PLACING OF NEW SHARES UNDER GENERAL MANDATE

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

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

On 4 June 2018, an aggregate of 322,348,000 placing shares, pursuant to the terms and conditions of the Placing Agreement, was successfully placed to not less than six placees who are independent third parties, at a placing price of RMB0.093 (equal to HK\$0.115) per placing share. The approximate gross and net proceeds from the Placing amounted to RMB29.98 million (equal to HK\$36.71 million) and RMB29.42 million (equal to HK\$35.80 million) respectively. The net price for the Placing was approximately RMB0.09 (equal to HK\$0.11) per Share.

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

Intended use of proceeds from the Placing	Actual use of proceeds (as at 30 June 2018)	Proposed use of the remaining unutilized proceeds (as at 30 June 2018)
(i) General working capital of the Group	The Group has utilized RMB5.06 million (equal to HK\$6.20 million) for operation expense	The Group plans to utilize the balance of approximately RMB12.48 million (equal to HK\$15.28 million) as the general working capital of the Group to meet the needs arising from its daily operations
(ii) Funding investment opportunities as may be identified from time to time	Not yet utilized	The Group plans to utilize the balance of approximately RMB11.70 million (equal to HK\$14.32 million) for funding investment opportunities as may be identified from time to time in year 2018

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS OR DISPOSALS

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

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGE

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

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

PLEDGE OF GROUP ASSETS

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

EMPLOYEE BENEFITS AND REMUNERATION POLICIES

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

CONTINGENT LIABILITIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2018 DEVELOPMENT AND FUTURE PLANS

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

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

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

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

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

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

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

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

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

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

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

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

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

V. Production and operation of ilmenite and iron mines

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

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

INTERIM DIVIDEND

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

CORPORATE GOVERNANCE PRACTICES

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

AUDIT COMMITTEE

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

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

Hong Kong, 24 August 2018

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