大愛無疆・德行天下

**Add New Energy Investment Holdings Group Limited**
**愛德新能源投資控股集團有限公司**
*(incorporated in the Cayman Islands with limited liability)*
**(Stock Code: 02623)**

# UPDATE ON THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

Reference is made to the announcement of Add New Energy Investment Holdings Group Limited (the "**Company**", together with its subsidiaries, the "**Group**") dated 30 March 2020 relating to, among others, the unaudited annual results of the Group for the year ended 31 December 2019 (the "**Unaudited Annual Results Announcement**"). Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Unaudited Annual Results Announcement.

## AUDITOR'S AGREEMENT ON THE 2019 ANNUAL RESULTS

The Board is pleased to announce that the Group's auditor, Crowe (HK) CPA Limited, has completed its audit of the annual results of the Group for the year ended 31 December 2019 (the "**2019 Audited Annual Results**") in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, including the financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the notes to the consolidated financial statements (the "**2019 Audited Financial Statements**"). The 2019 Audited Annual Results has been agreed by Crowe (HK) CPA Limited and reviewed by the audit committee of the Company.

Except for the following reclassifications, the overall 2019 Audited Annual Results remain substantially the same as the Unaudited Annual Results:

**(1) Reclassification on consolidated statement of profit or loss and other comprehensive income:**

| | Year ended 31 December | |
|---|---|---|
| | 2019 | 2019 |
| | RMB'000 | RMB'000 |
| | (Audited) | (Unaudited) |
| Administrative expenses | (55,536) | (54,791) |
| Write-down of inventories, net | 1,703 | 1,702 |
| Other income | 1,413 | – |
| Other (losses)/gains – net | (141) | 526 |

The above reclassifications have no net effect on the Loss for the year.

**(2) Reclassification on consolidated statement of financial position:**

| | Year ended 31 December | |
|---|---|---|
| | 2019 | 2019 |
| | RMB'000 | RMB'000 |
| | (Audited) | (Unaudited) |
| Reserves | (26,006) | (26,272) |
| Accumulated losses | (412,291) | (412,025) |

The difference is due to typical errors in the Unaudited Annual Results Announcement.

**(3) Reclassification on notes to the consolidated financial statements:**

| | Year ended 31 December | |
|---|---|---|
| | 2019 | 2019 |
| | RMB'000 | RMB'000 |
| | (Audited) | (Unaudited) |
| Production | | |
| – Sales of iron and spodumene concentrates | 167,672 | 163,970 |
| – Others | – | 3,702 |

The above reclassifications have no net effect on the revenue.

As a result of the above reclassifications, the Board would like to clarify that in the section headed "MANAGEMENT DISCUSSION AND ANALYSIS" in the Unaudited Annual Results Announcement (with amendment emphasised and underlined):

(i) The sub-section headed "FINANCIAL REVIEW" on page 22 of the Unaudited Annual Results Announcement shall be read as follows:

"For the year ended 31 December 2019, the Group recorded revenue of approximately RMB323.3 million as compared with approximately RMB217.2 million for the year ended 31 December 2018, representing an increase of approximately RMB106.1 million. For the year ended 31 December 2019, approximately 51.9% of the Group's total sales consisted of the sales of 64% iron and spodumene concentrates produced by the Group's processing plants, while approximately 48.1% of the Group's total sales consisted of the sales 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."

(ii) The sub-section headed "Revenue" on page 23 of the Unaudited Annual Results Announcement shall be read as follows:

Revenue was generated from trading activities as well as from sales of the Group's products to external customers net of value added tax. The Group's revenue from 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 price of the Group's products. The following table sets forth a breakdown of the Group's revenue for the periods indicated:

| | Year ended 31 December 2019 *RMB'000* | | Year ended 31 December 2018 *RMB'000* | |
|---|---|---|---|---|
| **Revenue** | | | | |
| **Sales of iron and spodumene concentrates produced by the Group** | | | | |
| – from iron ore of Yangzhuang Iron Mine (65% iron concentrates) | **–** | **–** | 19,888 | 9.2% |
| – by magnetic minerals processing technology (64% iron and spodumene concentrates) | **167,672** | **51.9%** | 127,292 | 58.5% |
| – from iron ore of Zhuge Shangyu Ilmenite Mine (57% iron concentrates) | **–** | **–** | 1,250 | 0.6% |
| | **167,672** | **51.9%** | 148,430 | 68.3% |
| **Sales of titanium concentrates produced by the Group** | | | | |
| –from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates) | **–** | **–** | 2,890 | 1.3% |
| | **–** | **–** | 2,890 | 1.3% |
| **Sales from trading activities** | | | | |
| – from coarse iron powder | **155,669** | **48.1%** | 30,531 | 14.1% |
| – from mixed coals | **–** | **–** | 35,357 | 16.3% |
| | **155,669** | **48.1%** | 65,888 | 30.4% |
| | **323,341** | **100.0%** | 217,208 | 100.0% |

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:

| | Year ended 31 December 2019 *(Kt)* | Year ended 31 December 2018 *(Kt)* |
|---|---|---|
| **Sales volume of iron and spodumene concentrates produced by the Group** | | |
| – from iron ore of Yangzhuang Iron Mine (65% iron concentrates) | **–** | 34.7 |
| – by magnetic minerals processing technology (64% iron and spodumene concentrates) | **310.8** | 206.7 |
| – from iron ore of Zhuge Shangyu Ilmenite Mine (57% iron concentrates) | **–** | 2.6 |
| | **310.8** | 244.0 |
| **Sales volume of titanium concentrates produced by the Group** | | |
| – from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates) | **–** | 3.2 |
| **Sales volume of trading activities** | | |
| – from coarse iron powder | **230.0** | 89.7 |
| – from mixed coal | **–** | 343.2 |
| | **230.0** | 432.9 |
| | **540.8** | 680.1 |

The following table shows the Group's total production volumes of iron, spodumene and titanium concentrates by types of materials used.

| | **Year ended 31 December 2019 (Kt) (approximately)** | | Year ended 31 December 2018 *(Kt) (approximately)* | |
|---|---|---|---|---|
| **Iron and spodumene concentrates produced by the Group** | | | | |
| Amount of iron concentrates produced from iron ore of Yangzhuang Iron Mine (65% iron concentrates) | **–** | **–** | – | – |
| Amount of iron concentrates produced by magnetic minerals processing technology (64% iron and spodumene concentrates) | **305.0** | **100.0%** | 239.1 | 100.0% |
| Amount of iron concentrates produced from ilmenite ore of Zhuge Shangyu Ilmenite Mine (57% iron concentrates) | **–** | **–** | – | – |
| | **305.0** | **100.0%** | 239.1 | 100.0% |
| **Titanium concentrates produced by the Group** | | | | |
| Amount of titanium concentrates produced from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates) | **–** | **–** | – | – |
| | **–** | **–** | – | – |

During 2019, the price of the iron concentrates is gradually increased due to the recovery of the iron and steel market. The Group has increased the production of 64% iron and spodumene concentrates. For the year ended 31 December 2019, revenue is mainly derived from sales of 64% iron concentrates produced by the Group. Revenue is also derived from trading of coarse iron powder.

The Group's revenue increased by approximately RMB106.1 million, or approximately 48.8%, to approximately RMB323.3 million for the year ended 31 December 2019, as compared with approximately RMB217.2 million for the year ended 31 December 2018. The increase in revenue was primarily due to (1) the increase in sales of iron and spodumene concentrates by approximately RMB19.2 million for the year ended 31 December 2019, (2) the increase in turnover by approximately RMB125.1 million from trading of coarse iron powder for the year ended 31 December 2019.

In 2019, the iron and steel market is gradually rebounded, the demand in the iron concentrates is still not reached the normal level during the year ended 31 December 2019. The total sales is mainly generated from the sales of 64% iron concentrates since the selling price of 64% iron concentrates is slightly better than lower grade iron concentrates. The management still held a cautious attitude and it decided to protect its own mine resources by limiting the sales volume of the iron concentrates and titanium concentrates produced by the Group. The Group has also increased the trading activities in coarse iron powder by approximately 410%, approximately RMB125.1 million for the year ended 31 December 2019 compared to approximately RMB30.5 million for the year ended 31 December 2018. The management has strategically increased the trading activities in coarse iron powder due to the comparatively high selling price.

(iii) The sub-section headed "Cost of Sales" on page 26 of the Unaudited Annual Results Announcement shall be read as follows:

**Cost of Sales**

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

| | **Year ended 31 December 2019** | | Year ended 31 December 2018 | |
|---|---|---|---|---|
| | ***RMB'000*** | | *RMB'000* | |
| **Cost of Sales** | | | | |
| **Cost of sales of iron and spodumene concentrates produced by the Group** | | | | |
| – from iron ore of Yangzhuang Iron Mine (65% iron concentrates) | **–** | **–** | 22,062 | 10.7% |
| – by magnetic minerals processing technology (64% iron and spodumene concentrates) | **167,711** | **52.1%** | 121,630 | 59.0% |
| – from ilmenite ore of Zhuge Shangyu Ilmenite Mine (57% iron concentrates) | **–** | **–** | 1,497 | 0.7% |
| | **167,711** | **52.1%** | 145,189 | 70.4% |
| **Cost of sales of titanium concentrates produced by the Group** | | | | |
| – from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates) | **–** | **–** | 3,308 | 1.6% |
| | **–** | **–** | 3,308 | 1.6% |
| **Cost of sales of trading activities** | | | | |
| – from coarse iron powder | **154,337** | **47.9%** | 30,714 | 15.0% |
| – from mixed coal | **–** | **–** | 26,777 | 13.0% |
| | **154,337** | **47.9%** | 205,988 | 100.0% |
| | **322,048** | **100.0%** | 205,988 | 100.0% |

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

Total cost of sales increased by approximately RMB116.0 million, or approximately 56.3%, to approximately RMB322.0 million for the year ended 31 December 2019, as compared with approximately RMB206.0 million for the year ended 31 December 2018, was mainly due to increase in cost of the raw materials used for trading and production. Such increase was caused by (1) the increase in sales volume of iron concentrates produced by the Group, and (2) the increase in sales volume of trading coarse iron powder for the year ended 31 December 2019.

(iv) The sub-section headed "Gross profit/(loss) and gross profit/(loss)" margin on page 27 of the Unaudited Annual Results Announcement shall be read as follows:

**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 years indicated:

| | **Year ended 31 December 2019** *RMB'000* | | Year ended 31 December 2018 *RMB'000* | |
|---|---|---|---|---|
| **Gross (loss)/profit** | | | | |
| **Gross (loss)/profit of iron and spodumene concentrates produced by the Group** | | | | |
| – from iron ore of Yangzhuang Iron Mine (65% iron concentrates) | **–** | **–** | (2,174) | (19.4%) |
| – by magnetic minerals processing technology (64% iron and spodumene concentrates) | **(39)** | **(3.0%)** | 5,662 | 50.4% |
| – from ilmenite ore of Zhuge Shangyu Ilmenite Mine (57% iron concentrates) | **–** | **–** | (247) | (2.2%) |
| | **(39)** | **(3.0%)** | 3,241 | 28.8% |
| **Gross loss of titanium concentrates produced by the Group** | | | | |
| – from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates) | **–** | **–** | (418) | (3.7%) |
| | **–** | **–** | (418) | (3.7%) |
| **Gross profit/(loss) of trading activities** | | | | |
| – from coarse iron powder | **1,332** | **103.0%** | (183) | (1.6%) |
| – from mixed coal | **–** | **–** | 8,580 | 76.5% |
| | **1,332** | **103.0%** | 8,397 | 74.9% |
| | **1,293** | **100.0%** | 11,220 | 100.0% |

| | Year ended 31 December 2019 | Year ended 31 December 2018 |
|---|---|---|
| **Gross (loss)/profit margin** | | |
| **Gross (loss)/profit margin of iron and spodumene concentrates** | | |
| – from iron ore of Yangzhuang Iron Mine (65% iron concentrates) | **–** | (10.9%) |
| – by magnetic minerals processing technology (64% iron and spodumene concentrates) | **(0.02%)** | 4.4% |
| – from ilmenite ore of Zhuge Shangyu Ilmenite Mine (57% iron concentrates) | **–** | (19.8%) |
| **Gross loss margin of titanium concentrates** | | |
| – from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates) | **–** | (14.5%) |
| **Gross profit/(loss) margin of trading activities of** | | |
| – coarse iron powder | **0.9%** | (0.6%) |
| – mixed coal | **–** | 24.3% |
| **Overall gross profit/(loss) margin** | **0.4%** | 5.2% |

Gross profit is decreased by approximately RMB9.9 million from the gross profit of approximately RMB11.2 million for the year ended 31 December 2018 to the gross profit of approximately RMB1.3 million for the year ended 31 December 2019. The main reasons for the decrease were (i) the increase in gross loss of 64% iron and spodumene concentrates by approximately RMB5.7 million from the gross profit of approximately RMB5.7 million for the year ended 31 December 2018 to the gross loss of approximately RMB39,000 for the year ended 31 December 2019, (2) the decrease of gross profit from trading turnover of mixed coal by approximately RMB8.6 million for the year ended 31 December 2019, offset by the increase in gross profit from trading turnover of coarse iron powder by approximately RMB1.5 million for the year ended 31 December 2019.

Overall gross profit margin decrease from approximately 5.2% for the year ended 31 December 2018 to gross profit margin of approximately 0.4% for the year ended 31 December 2019. During the year, the gross loss of 64% iron and spodumene concentrates was approximately 0.02%, the gross profit of trading coarse iron powder was approximately 0.9%, with an overall gross profit margin of approximately 0.4%. The gross profit margin is limited by the market price in the district. The Group is unable to set a higher mark-up to offset the increased in cost of sales. The negative gross profit margin of 64% iron and spodumene concentrates mainly represented the increase in costs of raw materials during the year of 2019.

(v) The sub-section headed "Other gains/(losses), net" on page 29 of the Unaudited Annual Results Announcement shall become "Other (losses)/gains – net" and shall be read as follows:

"The Group's other net losses were approximately RMB0.1 million for the year ended 31 December 2019 as compared with other net losses of approximately RMB0.2 million for the year ended 31 December 2018."

## SCOPE OF WORK OF CROWE (HK) CPA LIMITED

The figures in the Company's consolidated statements of comprehensive income and financial position and the related notes thereto for the year ended 31 December 2019 have been agreed by Crowe (HK) CPA Limited. The work performed by Crowe (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Crowe (HK) CPA Limited.

## CLOSURE OF REGISTER OF MEMBERS

For determining the identity of the shareholders of the Company to attend and vote at the annual general meeting of the Company to be held on Tuesday, 30 June 2020 ("**2020 AGM**"), the register of members of the Company will be closed from Wednesday, 24 June 2020 to Tuesday, 30 June 2020, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2020 AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 23 June 2020.

## PUBLICATION OF AUDITED ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of The Stock Exchange of Hong Kong Limited at http://www.hkexnews.hk and the website of the Company at www.addnewenergy.com.hk. The Annual report of the Company for the year ended 31 December 2019 will be dispatched to the shareholders and available at the same websites on or before 15 May 2020.

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

Hong Kong, 6 May 2020

*As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Li Yunde (Chairman), Mr. Geng Guohua (Chief Executive Officer) and Mr. Lang Weiguo; and three independent non-executive Directors, namely Mr. Leung Nga Tat, Mr. Zhang Jingsheng and Mr. Li Xiaoyang.*