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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 2020

FINANCIAL HIGHLIGHTS

The Group recorded revenue of approximately RMB342.6 million for the six months ended 30 June 2020, representing an increase of approximately 125.1% over the revenue of approximately RMB152.2 million for the six months ended 30 June 2019.

The Group's results turned around from total comprehensive loss attributable to owners of the Company of approximately RMB30.9 million for the six months ended 30 June 2019 to total comprehensive income attributable to owners of the Company of approximately RMB18.3 million for the six months ended 30 June 2020.

UNAUDITED INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Director(s)**”) of Add New Energy Investment Holdings Group Limited (the “**Company**”) announces the unaudited interim consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2020 together with the comparative figures for the corresponding period in 2019. The unaudited interim financial information has not been audited but has been reviewed by the audit committee of the Company (the “**Audit Committee**”).

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

For the six months ended 30 June 2020

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

		Six months ended 30 June	
	<i>Notes</i>	2020	2019
		(unaudited)	(unaudited)
Revenue	6	342,591	152,215
Cost of sales		(306,443)	(151,328)
Gross profit		36,148	887
Other income	7	8,036	–
Other gains	8	8,059	298
Distribution costs		(1,148)	(198)
Administrative expenses		(22,312)	(23,357)
(Impairment losses)/reversal of impairment losses of financial assets	9	(1,290)	16
Reversal of write-down of inventories, net		2,612	3,144
Operating profit/(loss)		30,105	(19,210)
Finance income	10	116	47
Finance expenses	10	(12,026)	(7,375)
Finance costs – net		(11,910)	(7,328)
Profit/(loss) before income tax		18,195	(26,538)
Income tax expense	11	–	(852)
Net profit/(loss) for the period		18,195	(27,390)

		Six months ended 30 June	
	<i>Note</i>	2020	2019
		(unaudited)	(unaudited)
Other comprehensive income:			
<i>Item 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>154</u>	<u>(3,545)</u>
Other comprehensive income/(loss) for the period		<u>154</u>	<u>(3,545)</u>
Total comprehensive income/(loss) for the period		<u>18,349</u>	<u>(30,935)</u>
Earnings/(loss) per share for profit/(loss) attributable to owners of the Company (expressed in RMB per share)			
Basic earnings/(loss) per share	12	<u>0.003</u>	<u>(0.006)</u>

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

(Amounts expressed in thousands of RMB)

		As at 30 June 2020 (unaudited)	As at 31 December 2019 (audited)
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		236,953	257,991
Right-of-use assets		2,552	6,222
Intangible assets, net		—	—
Investments accounted for using the equity method		834	834
Financial assets at fair value through other comprehensive income		3,547	3,393
Other non-current assets		10,996	10,996
		<u>254,882</u>	<u>279,436</u>
Current assets			
Inventories		43,745	65,249
Trade receivables	14	20,405	13,957
Notes receivables		6,000	11,762
Prepayments and other receivables	15	125,892	37,957
Restricted bank deposits		11,921	11,251
Cash and cash equivalents		114,104	89,796
		<u>322,067</u>	<u>229,972</u>
Total assets		<u>576,949</u>	<u>509,408</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital, share premium and treasury shares		705,944	706,067
Reserves		(25,852)	(26,006)
Accumulated losses		(394,096)	(412,291)
Total equity		<u>285,996</u>	<u>267,770</u>

	As at 30 June 2020 (unaudited)	As at 31 December 2019 (audited)
<i>Note</i>		

LIABILITIES

Non-current liabilities

Borrowings	127,939	122,514
Provisions for close down, restoration and environmental costs	10,314	9,981
Lease liabilities - non-current portion	1,412	5,082
Deferred income	270	310
Deferred income tax liabilities	4,848	5,413
	144,783	143,300

Current liabilities

Borrowings	40,000	40,000
Trade payables	30,524	10,526
Contract liabilities	42,495	2,431
Lease liabilities - current portion	1,203	2,380
Accruals and other payables	31,909	42,962
Current portion of deferred income	39	39
	146,170	98,338

Total liabilities

Total equity and liabilities

290,953	241,638
576,949	509,408

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

(Amounts expressed in thousands of RMB)

1. GENERAL INFORMATION

Add New Energy Investment Holdings Group Limited (the “Company”) was incorporated in the Cayman Islands on 8 February 2011 as an exempted company with limited liability under the Companies Law (2018 Revision) of the Cayman Islands. The addresses of its registered office and principal place of business are Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands and Suite 3105, 31/F, Tower 6, The Gateway, Harbour City, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong, respectively.

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

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

This unaudited interim condensed consolidated financial information has been approved for issuance by the Board of Directors on 27 August 2020.

2. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and Hong Kong Accounting Standard (“HKAS”) 34, ‘Interim financial reporting’.

The unaudited interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

3. ACCOUNTING POLICIES

(a) Overview

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

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s unaudited interim condensed consolidated financial information:

Amendments to HKFRS 3	Amendments to HKFRS 3 Definition of a Business
Amendments to HKAS 1 and HKAS 8	Amendments to HKAS 1 and HKAS 8 Definition of Material

The adoption of these amendments has had no significant financial effect on this interim financial information.

The Group has not applied any new standard, amendment or interpretation that is not yet effective for the current period.

4. ESTIMATES

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

In preparing the unaudited interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019.

5. SEGMENT INFORMATION

(a) General information

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

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

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

The measurement of profit or loss, assets and liabilities of the operating segments are the same as those described in the summary of significant accounting policies in the annual financial statements for the year ended 31 December 2019.

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

The segment information provided to the SEM for the six months ended 30 June 2020 and 2019 is as follows:

	Shandong Ishine	Unallocated	Inter-segment elimination	Total
Six months ended 30 June 2020				
(unaudited)				
Revenue	342,591	–	–	342,591
Gross profit	36,148	–	–	36,148
Other income	7,962	74	–	8,036
Other gains	8,059	–	–	8,059
Finance income	116	–	–	116
Finance expenses	(1,699)	(10,327)	–	(12,026)
Reversal of write-down of inventories	2,612	–	–	2,612
Impairment loss in trade receivables	(1,290)	–	–	(1,290)
Income tax expense	–	–	–	–
Net profit/(loss)	36,894	(18,699)	–	18,195
Other information				
Depreciation of property, plant and equipment	(8,662)	–	–	(8,662)
Amortisation of right-of-use assets	(1,509)	(568)	–	(2,077)
Expenditures for non-current assets	2,311	–	–	2,311
As at 30 June 2020 (unaudited)				
Segment assets and liabilities				
Total assets	566,430	1,478,765	(1,468,246)	576,949
Total liabilities	(335,161)	(859,751)	903,959	(290,953)
Six months ended 30 June 2019				
(unaudited)				
Revenue	152,215	–	–	152,215
Gross profit	887	–	–	887
Other income	–	–	–	–
Other gains	298	–	–	298
Finance income	46	1	–	47
Finance expenses	(389)	(6,986)	–	(7,375)
Reversal of write-down of inventories	3,144	–	–	3,144
Reversal of impairment loss in trade receivables	16	–	–	16
Income tax expense	(852)	–	–	(852)
Net loss	(13,871)	(13,519)	–	(27,390)
Other information				
Depreciation of property, plant and equipment	(7,890)	–	–	(7,890)
Amortisation of right-of-use assets	(530)	–	–	(530)
Expenditures for non-current assets	2,093	120	–	2,213
As at 31 December 2019 (audited)				
Segment assets and liabilities				
Total assets	485,555	1,685,029	(1,661,176)	509,408
Total liabilities	(291,335)	(864,217)	913,914	(241,638)

6. REVENUE

	Six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
Production		
– Sales of iron and spodumene concentrates	107,677	81,796
– Sales of iron ore tailings	12,960	–
Trading		
– Sales of coarse iron powder	172,818	70,419
– Sales of spodumene	46,015	–
– Sales of semi-coke	3,121	–
	<u>342,591</u>	<u>152,215</u>

7. OTHER INCOME

	Six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
Government grants received	<u>8,036</u>	<u>–</u>

There were no unfulfilled conditions and obligations attached to the grants received from the government.

8. OTHER GAINS

	Six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
Gain on disposal of property, plant and equipment	7,983	298
Gain on disposal of right-of-use assets	<u>76</u>	<u>–</u>
	<u>8,059</u>	<u>298</u>

9. (IMPAIRMENT LOSSES)/REVERSAL OF IMPAIRMENT LOSSES OF FINANCIAL ASSETS

	Six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
(Impairment losses)/reversal of impairment losses in trade receivables	<u>(1,290)</u>	<u>16</u>

10. FINANCE COSTS – NET

	Six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
Interest expense:		
– Borrowings	(8,350)	(6,465)
– Provisions: unwinding of discount	(332)	(201)
– Lease liabilities	(142)	(112)
Net foreign exchange losses	(3,148)	(486)
Other finance expenses	<u>(54)</u>	<u>(111)</u>
Finance expenses	<u>(12,026)</u>	<u>(7,375)</u>
Finance income:		
– Interest income on bank deposits	<u>116</u>	<u>47</u>
Finance costs – net	<u>(11,910)</u>	<u>(7,328)</u>

11. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
Deferred income tax	<u>-</u>	<u>(852)</u>

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2018 revised) of the Cayman Islands and, accordingly, is exempted from payment of the Cayman Islands income tax.

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

Hong Kong profits tax has not been provided for the subsidiaries in Hong Kong as there is no estimated assessable profit arising in or derived from Hong Kong during the six months ended 30 June 2020 and 2019.

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

In December 2015, Shandong Ishine was awarded with the National High-Tech Enterprise qualification. Pursuant to the related regulations, Shandong Ishine is entitled to a reduced income tax rate of 15%, effective from 1 January 2016 till 1 January 2019. On 30 November 2018, this tax preference entitlement was renewed till 30 November 2021.

The tax rate for the Company's other PRC subsidiaries is 25% for the six months ended 30 June 2020 and 2019.

No provision has been made for corporate income tax of the relevant PRC entities within the Group which have adequate available tax losses to offset the taxable income for the six months ended 30 June 2020 (2019: Nil).

12. EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(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	
	2020	2019
	(unaudited)	(unaudited)
Profit/(loss) attributable to owners of the Company	18,195	(27,390)
Weighted average number of ordinary shares in issue	<u>5,356,917,997</u>	<u>4,910,609,920</u>
Basic earnings/(loss) per share (Expressed in RMB per share)	<u>0.003</u>	<u>(0.006)</u>

(b) Diluted

During the six months ended 30 June 2020 and 2019, there was no dilutive instruments of the Company, no diluted earnings/(loss) per share is presented.

13. DIVIDENDS

The Board of Directors has resolved not to declare any interim dividends related to the six months ended 30 June 2020.

14. TRADE RECEIVABLES

	As at 30 June 2020 (unaudited)	As at 31 December 2019 (audited)
Trade receivables	22,038	14,300
Less: allowance for impairment loss in trade receivables	(1,633)	(343)
Trade receivables – net	<u>20,405</u>	<u>13,957</u>

As at 30 June 2020 and 31 December 2019, the ageing analysis of trade receivables (before deduction of provision for impairment loss) was as follows:

	As at 30 June 2020 (unaudited)	As at 31 December 2019 (audited)
Within 3 months	16,899	5,796
3 to 6 months	–	326
6 months to 1 year	3,788	7,925
Over 1 year	1,351	253
	<u>22,038</u>	<u>14,300</u>

15. PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2020 (unaudited)	As at 31 December 2019 (audited)
Trade deposits to suppliers	112,305	11,749
Prepaid taxes	7,278	7,278
Land restoration deposits	38	38
Deductible input value-added tax	1,874	15,565
Advance to employees	11	11
Others	4,386	3,316
	<u>125,892</u>	<u>37,957</u>

16. TRADE PAYABLES

As at 30 June 2020 and 31 December 2019, the ageing analysis of trade payables was as follows:

	As at 30 June 2020 (unaudited)	As at 31 December 2019 (audited)
Within 6 months	29,100	7,046
6 months to 1 year	311	2,474
Over 1 year	1,113	1,006
	30,524	10,526

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30 June 2020 (30 June 2019: 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 RMB342.6 million for the six months ended 30 June 2020, representing an increase of approximately 125.1% over the revenue of approximately RMB152.2 million for the six months ended 30 June 2019. The increase in revenue of the Group was primarily due to (1) the increase in turnover of trading of coarse iron powder by approximately RMB102.4 million from approximately RMB70.4 million for the six months ended 30 June 2019 to approximately RMB172.8 million for the six months ended 30 June 2020; and (2) the increase in sales of the iron and spodumene concentrates produced by the Group by approximately RMB25.9 million from approximately RMB81.8 million for the six months ended 30 June 2019 to approximately RMB107.7 million for the six months ended 30 June 2020.

The total comprehensive income attributable to owners of the Company was approximately RMB18.3 million for the six months ended 30 June 2020, representing an increase of approximately RMB49.2 million, or 159.2%, as compared with total comprehensive loss attributable to owners of the Company of approximately RMB30.9 million for the six months ended 30 June 2019. This was mainly due to (1) the increase in trading activities by approximately RMB151.5 million from approximately RMB70.4 million for the six months ended 30 June 2019 to approximately RMB222.0 million for the six months ended 30 June 2020, (2) the increase in other income by approximately RMB8.0 million for the six months ended 30 June 2020.

Measures Taken by the Management in the First Half of 2020:

By closely following market demands and trend changes, the Group maintains its regional competitive edge in the traditional principal businesses, including the protective mining, production, sales and related services of iron and titanium mines, while continuing to invest in the expansion of the titanium industrial chain. The Group recorded a profit of approximately RMB18.3 million for the six months ended 30 June 2020, representing an increase of approximately RMB49.2 million as compared with a loss of approximately RMB30.9 million for the six months ended 30 June 2019. Revenue increased by approximately RMB190.4 million, representing an increase of 125.1% as compared with approximately RMB152.2 million for the corresponding period last year.

The Group focused on the following aspects of work in the first half of 2020:

- I. The Group has improved its existing brand-new processing technique and achieved mass production gradually. It realized a revenue of approximately RMB120.6 million and maintained its regional competitive edge in the traditional principal businesses in the first half of the year. In particular, the Group continued to maintain its competitive edge in the protective mining, production and sales business, while keeping close relationships with the upstream and downstream businesses along the industrial value chain in the region through after sales services, which brought good economic benefits to the Group.
- II. The Group has worked harder for the planning and implementation of a comprehensive industrial value chain, including the mining and processing of titanium ores and the production of titanium concentrates, high titanium slag, titanium tetrachloride and sponge titanium. In addition to the in-house research, development and production in respect of the above, the Group has also continued to enhance its cooperation with the Chinese Academy of Sciences and the Russian Academy of Sciences for significant technical breakthroughs. In response to market demands, the Group has made investments in technical transformation, as appropriate, and strived to transform the above-mentioned technical advantages into productivity, with an aim to improve the profitability of the Company.

- III. Against the backdrop of a pick-up in iron concentrate price and riding on its geographic advantage of a close access to the port from its processing plant, the Group has been actively engaged in port trade as well as external ore processing and blending, which further increased its revenue.
- IV. The reserve of Yangzhuang Iron Mine has been verified with a current reserve of 28.80 Mt as assessed by the experts from the Department of Natural Resources of Shandong Province. The Group had also obtained the certificate of reserves and completed the registration of occupied reserve and all other preparation works for obtaining the mining permit.
- V. Yangzhuang Iron Mine has discovered a rubidium ore reserve of 3,549 tons, with metal content of 4.47 tons and grade of 0.126% (industrial grade: 0.12%) through exploration. In the first half of the year, the Group has been well-positioned for the mining of rubidium currently as a highly scarce mineral substance.
- VI. The environmental management and land rehabilitation work in Yangzhuang Iron Mine has been reviewed by experts from the Department of Natural Resources of Shandong Province who also provided professional advice. The tailings treatment process of Yangzhuang Iron Mine has become a new economic driving force for the first half of the year.
- VII. Given the saturated resources in the wind power industry, the Group disposed of its wind power business decisively, which activated the assets of the Company and achieved a good return.
- VIII. The Group has strictly implemented the advice given by its internal control consultant and, by focusing on the continuous improvement of internal control and management, enhanced the comprehensive management of the Company to pave a solid foundation for the improvement of results.
- IX. The Group has made full use of the platform as a listed group and taken proactive measures for various projects in the capital market. It has capitalised on the financing platform as a listed group, taken proactive measures for investors communication and investor relations, strengthened its financing efforts, expanded shareholders base and enhanced stock liquidity, thus financing the potential key construction projects, merger and acquisition projects, or expansion of the titanium industry value chain.

FINANCIAL REVIEW

For the six months ended 30 June 2020, the Group recorded revenue of approximately RMB342.6 million as compared with approximately RMB152.2 million for the six months ended 30 June 2019, representing an increase of approximately 125.1%. For the six months ended 30 June 2020, 35.2% of the Group's total sales consisted of the sales of the iron and spodumene concentrates produced by the Group, and 64.8% of sales were derived from trading of coarse iron powder, spodumene and semi-coke. The Group mainly sold iron concentrates produced by the Group to iron pellets and steel producers in Shandong Province, the PRC. In addition to the above customers of iron concentrates, the Group sold coarse iron powder to other customers engaged in trading and manufacturing of iron-related products in the PRC.

Prices of the Group's products

Iron Concentrates

The unit prices of approximately 65% and 64% iron concentrates produced by the Group mainly depend on the iron content contained in the Group's iron concentrates and are affected by the market conditions, including but not limited to the global, China and Shandong supply of and demand for iron ore products and the prosperity of Shandong steel industry.

The Group's average unit selling prices of 64% iron concentrates for the six months ended 30 June 2020 was approximately RMB755.6 per tonne, representing an increase of approximately 12.0% as compared with the average unit selling prices of approximately RMB674.9 per tonne for the six months ended 30 June 2019.

Coarse iron powder, spodumene and semi-coke

The average selling prices of coarse iron powder, spodumene and semi-coke were RMB626.8 per tonne, RMB575.2 per tonne and RMB624.2 per tonne respectively, for the six months ended 30 June 2020, representing an increase of coarse iron powder of approximately 2.6% as compared to the average unit price of approximately RMB610.7 per tonne.

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 2020 RMB'000		Six months ended 30 June 2019 RMB'000	
Revenue				
Sales of iron and spodumene concentrates produced by the Group				
– 64% iron and spodumene concentrates	107,677	31.4%	81,796	53.7%
– iron ore tailings	12,960	3.8%	–	–
Sales from trading activities				
– coarse iron powder	172,818	50.4%	70,419	46.3%
– spodumene	46,015	13.4%	–	–
– semi-coke	3,121	1.0%	–	–
	<u>342,591</u>	<u>100%</u>	<u>152,215</u>	<u>100%</u>

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

	Six months ended 30 June 2020 (Kt)	Six months ended 30 June 2019 (Kt)
Sales volume of iron and spodumene concentrates produced by the Group		
– 64% iron and spodumene concentrates	142.5	121.2
– iron ore tailings	375.5	–
Sales volume of trading activities		
– coarse iron powder	275.7	115.3
– spodumene	80.0	–
– semi-coke	5.0	–
	878.7	236.5

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

	Six months ended 30 June 2020 (Kt)		Six months ended 30 June 2019 (Kt)	
Iron and spodumene concentrates produced by the Group				
– 64% iron and spodumene concentrates	38.4	8.4%	126.2	100%
– iron ore tailings	417.8	91.6%	–	–
Total	456.2	100%	126.2	100%

For the six months ended 30 June 2020, revenue is mainly derived from sales of 64% iron and spodumene concentrates produced by the Group. Revenue is also derived from trading of coarse iron powder, spodumene and semi-coke.

The Group recorded revenue of approximately RMB342.6 million for the six months ended 30 June 2020, representing an increase of approximately 125.1% over the revenue of approximately RMB152.2 million for the six months ended 30 June 2019. The increase in revenue of the Group was primarily due to (1) the increase in turnover of trading of coarse iron powder by approximately RMB102.4 million from approximately RMB70.4 million for the six months ended 30 June 2019 to approximately RMB172.8 million for the six months ended 30 June 2020; (2) the increase in sales of the iron and spodumene concentrates produced by the Group by approximately RMB25.9 million from RMB81.8 million for the six months ended 30 June 2019 to approximately RMB107.7 million for the six months ended 30 June 2020; and (3) sales of the spodumene approximately RMB46.0 million for the six months ended 30 June 2020.

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 2020 RMB'000		Six months ended 30 June 2019 RMB'000	
Cost of Sales				
Cost of sales of iron and spodumene concentrates produced by the Group				
– 64% iron and spodumene concentrates	104,049	34.0%	82,922	54.8%
– iron ore tailings	<u>5,768</u>	<u>1.8%</u>	<u>–</u>	<u>–</u>
Cost of sales of trading activities				
– sales of coarse iron powder	168,072	54.8%	68,406	45.2%
– sales of spodumene	25,633	8.4%	–	–
– sales of semi-coke	<u>2,921</u>	<u>1.0%</u>	<u>–</u>	<u>–</u>
	306,443	100%	151,328	100%

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

Total cost of sales increased by approximately 102.5% to approximately RMB306.4 million for the six months ended 30 June 2020, as compared with approximately RMB151.3 million for the corresponding period of 2019. Such increase was consistent with the increase in the Group's revenue during the six months ended 30 June 2020, which was mainly due to (1) the increase in the sales volume of iron and spodumene concentrates produced by the Group by approximately 21.3 Kt for the six months ended 30 June 2020; (2) the increase in sales volume from trading coarse iron powder by approximately 160.4 Kt and (3) sales of the spodumene inventories 80 Kt, which had been written down by approximately RMB42.1 million in prior two years, for the six months ended 30 June 2020.

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 2020 RMB'000		Six months ended 30 June 2019 RMB'000	
Gross profit/(loss)				
Gross profit of iron and spodumene concentrates produced by the Group				
– 64% iron and spodumene concentrates	3,628	10.0%	(1,126)	(126.9%)
– iron ore tailings	7,192	19.9%	–	–
Gross profit of trading activities				
– sales of coarse iron powder	4,746	13.1%	2,013	226.9%
– sales of spodumene	20,383	56.4%	–	–
– sales of semi-coke	199	0.6%	–	–
	36,148	100%	887	100%
			Six months ended 30 June 2020 %	Six months ended 30 June 2019 %
Gross profit/(loss) margin				
Gross profit margin of iron and spodumene concentrates				
– 64% iron and spodumene concentrates			3.4%	(1.4%)
– iron ore tailings			55.5%	–
Gross profit margin of trading activities				
– sales of coarse iron powder			2.7%	2.9%
– sales of spodumene			44.3%	–
– sales of semi-coke			6.4%	–
			10.6%	0.6%

Gross profit increased by approximately RMB35.3 million from gross profit of approximately RMB0.9 million for the six months ended 30 June 2019 to gross profit of approximately RMB36.1 million for the six months ended 30 June 2020. The main reason for the increase was the increase in gross profit of the iron and spodumene concentrates produced by the Group by approximately RMB11.9 million from gross loss of approximately RMB1.1 million for the six months ended 30 June 2019 to gross profit of approximately RMB10.8 million for the six months ended 30 June 2020; and the increase in gross profit from the trading of coarse iron powder and spodumene by approximately RMB2.7 million and RMB20.4 million from gross profit of approximately RMB2.0 million and Nil for the six months ended 30 June 2019 to gross profit of approximately RMB4.7 million and RMB20.4 million, respectively, for the six months ended 30 June 2020.

Overall gross profit margin increased from gross profit margin of 0.6% to gross profit margin of 10.6% for the six months ended 30 June 2020 as compared with the corresponding period of 2019. The increase in overall gross profit margin was primarily due to the increase in the gross profit margin of the sales of spodumene and semi-coke.

Other income

Other income mainly represented the grants received from government and there were no unfulfilled conditions and obligations.

Other gains

The Group's other gains were approximately RMB8.1 million for the six months ended 30 June 2020 as compared with other gains of approximately RMB0.3 million for the six months ended 30 June 2019, mainly due to the increase in gain on disposal of property, plant and equipment of RMB7.7 million.

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 63.0% from approximately RMB7.3 million for the six months ended 30 June 2019 to approximately RMB11.9 million for the six months ended 30 June 2020, mainly due to the increase in interest expenses from net foreign exchange losses.

Total comprehensive income/(loss)

The total comprehensive income attributable to owners of the Company was approximately RMB18.3 million for the six months ended 30 June 2020, representing an increase of approximately RMB49.2 million, or 159.2%, as compared with total comprehensive loss attributable to owners of the Company of RMB30.9 million for the six months ended 30 June 2019. This was mainly due to (1) the increase in gross profit by approximately RMB35.2 million from approximately RMB0.9 for the six months ended 30 June 2019 to approximately RMB36.1 million for the six months ended 30 June 2020, (2) the increase in distribution cost by approximately RMB0.9 million from approximately RMB0.2 million for the six months ended 30 June 2019 to approximately RMB1.1 million for the six months ended 30 June 2020, which offset the decrease in reversal of write-down of inventories by approximately RMB0.5 million from approximately RMB3.1 million for the six months ended 30 June 2019 to approximately RMB2.6 million for the six months ended 30 June 2020.

Work Priorities for the Second Half of 2020:

- I. To further improve its existing brand-new processing technique and achieve mass production gradually and continue to keep close relationships with the upstream and downstream businesses along the industrial value chain in the region to bring good economic benefits to the Group.
- II. To work harder for the planning and implementation of a comprehensive industrial value chain, including the mining and processing of titanium ores and the production of titanium concentrates, high titanium slag, titanium tetrachloride and sponge titanium, continue to enhance its cooperation with research and development institutions in addition to the in-house research, development and production in respect of the above, make investments in technical transformation in response to market demands, as appropriate, and strive to transform the above-mentioned technical advantages into productivity, with an aim to improve the profitability of the Company.
- III. To engage an independent third-party organization responsible for the mining, production and sales business of Yangzhuang Iron Mine against the backdrop of a pick-up in iron concentrate price and leveraging the experience and technology advantages of established enterprise(s) in the industry, and be actively engaged in port trade as well as external ore processing and blending by riding on its geographic advantage of a close access to the port from its processing plant to increase its revenue.
- IV. To obtain the mining permit in the second half of the year for Yangzhuang Iron Mine after the reserve of which was verified by the experts from the Department of Natural Resources of Shandong Province with a current reserve of 28.80 Mt.
- V. To commence the mining of rubidium, a scarce mineral substance, by Yangzhuang Iron Mine, which has discovered a rubidium ore reserve of 3,549 tons, with metal content of 4.47 tons and grade of 0.126% (industrial grade: 0.12%) through exploration.
- VI. To obtain professional advice upon review by experts from the Department of Natural Resources of Shandong Province in respect of the environmental management and land rehabilitation work in Yangzhuang Iron Mine and carry on tailings processing in Yangzhuang Iron Mine for higher economic income.
- VII. To cancel the finance lease business of the Group to concentrate capital and efforts on the development of its principal businesses, given the current difficulties in the finance lease industry.
- VIII. To further strictly implement the advice given by its internal control consultant and, by focusing on the continuous improvement of internal control and management, enhance its comprehensive management to pave a solid foundation for the improvement of results.

- IX. To capture the market opportunity of semi-coke, a new type of clean energy, arising from the possible tightened control of the government over environment during winter when heating is necessary for the north area of China, to increase a new economic driving force.
- X. To make full use of the platform as a listed group, proactively consolidate social resources, focus on investor relations, strengthen financing efforts, further expand shareholders base, enhance stock liquidity and finance the potential key construction projects, merger and acquisition projects, or expansion of the titanium industry value chain.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the six months ended 30 June 2020, the Company repurchased 1,650,000 shares of HK\$0.002 each in the capital of the Company at prices ranging from HK\$0.046 to HK\$0.052 per share on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Details of the repurchases are as follows:

Date of repurchase	Number of shares repurchased	Purchase price per share		Aggregate purchase consideration (excluding expenses) <i>HK\$</i>
		Highest <i>HK\$</i>	Lowest <i>HK\$</i>	
15 May 2020	820,000	0.051	0.047	40,220
18 May 2020	500,000	0.051	0.050	25,352
3 June 2020	30,000	0.052	0.052	1,560
18 June 2020	300,000	0.048	0.046	14,360
	<u>1,650,000</u>			<u>81,492</u>

Save as disclosed above, 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 2020.

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 Rules Governing the Listing of Securities on the Stock Exchange (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 2020.

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 2020.

AUDIT COMMITTEE

The Company established the Audit Committee on 9 April 2012 with written terms of reference in compliance with the CG Code. It currently comprises of three independent non-executive Directors, namely Mr. Leung Nga Tat (chairman), Mr. Li Xiaoyang and Mr. Zhang Jingsheng. The main objectives of the Audit Committee are to be responsible for relationship with the Company’s auditor, review of the Company’s financial information and monitoring the Company’s financial reporting system and to review the risk management and internal control systems. The Audit Committee had reviewed this unaudited interim consolidated results for the six months ended 30 June 2020 before such documents were tabled at a meeting of the Board held on 27 August 2020 for the Board’s review and approval, and was of the opinion that such documents had complied with the applicable accounting standards, the Listing Rules and other applicable legal requirements and that adequate disclosures had been made.

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

Hong Kong, 27 August 2020

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; and the independent non-executive Directors are Mr. Leung Nga Tat, Mr. Zhang Jingsheng and Mr. Li Xiaoyang.