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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)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS

The Group recorded revenue of approximately RMB1,633.8 million for the year ended 31 December 2021, representing an increase of approximately 69.1% over the revenue of approximately RMB966.0 million for the year ended 31 December 2020.

The Group's results turned around from total comprehensive income attributable to owners of the Company of approximately RMB61.8 million for the year ended 31 December 2020 to total comprehensive loss attributable to owners of the Company of approximately RMB30.3 million for the year ended 31 December 2021.

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Add New Energy Investment Holdings Group Limited (the “**Company**”) announces the audited consolidated statement of comprehensive income of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2021 and the Group's audited consolidated balance sheet as at 31 December 2021, together with the relevant comparative figures for the year ended 31 December 2020, as follows:

AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

	Note	Year ended 31 December	
		2021 RMB'000	2020 RMB'000
Revenue	4	1,633,758	965,975
Cost of sales		<u>(1,600,310)</u>	<u>(887,744)</u>
Gross profit		33,448	78,231
Distribution expenses		(3,146)	(3,279)
Administrative expenses		(54,104)	(49,946)
Reversal of impairment loss/(impairment loss) on financial assets		395	(3,557)
Write-down of inventories	5	(3,834)	–
Other income	6	2,138	60,364
Other gain – net		<u>–</u>	<u>326</u>
Operating (loss)/profit		(25,103)	82,139
Interest income		205	297
Interest expenses		<u>(18,361)</u>	<u>(18,490)</u>
Finance costs – net		(18,156)	(18,193)
Net foreign exchange gain/(loss)		<u>13,202</u>	<u>(3,241)</u>
(Loss)/profit before income tax		(30,057)	60,705
Income tax	7	<u>–</u>	<u>–</u>
(Loss)/profit for the year attributable to owners of the Company		<u>(30,057)</u>	<u>60,705</u>
Other comprehensive income:			
Item that will not be reclassified to profit or loss			
Change in the fair value of financial assets at fair value through other comprehensive income		<u>(215)</u>	<u>1,080</u>
Total comprehensive (loss)/income for the year attributable to the owners of the Company		<u>(30,272)</u>	<u>61,785</u>
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company <i>(expressed in RMB per share)</i>			
Basic (loss)/earnings per share	8	<u>(0.006)</u>	<u>0.011</u>

The above audited consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

(Amounts expressed in thousands of RMB, unless otherwise stated)

		As at 31 December	
	<i>Note</i>	2021	2020
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		211,800	224,965
Right-of-use assets	<i>9</i>	881	2,074
Intangible assets, net		–	–
Financial assets at fair value through other comprehensive income		4,257	4,473
Prepayments for renewal of mining right	<i>10</i>	35,466	30,466
Other non-current assets		10,985	10,996
		<u>263,389</u>	<u>272,974</u>
Current assets			
Inventories		92,643	71,587
Trade and bill receivables	<i>11</i>	18,539	36,732
Contract assets		7,581	–
Prepayments and other receivables	<i>12</i>	131,773	144,876
Restricted bank deposits		760	11,942
Cash and cash equivalents		191,286	124,398
		<u>442,582</u>	<u>389,535</u>
Total assets		<u>705,971</u>	<u>662,509</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	<i>13</i>	8,571	8,638
Share premium	<i>13</i>	687,845	695,493
Reserves		(55,827)	(53,190)
Accumulated losses		(353,379)	(323,322)
Total equity		<u>287,210</u>	<u>327,619</u>

		As at 31 December	
	<i>Note</i>	2021	2020
		RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings		4,330	129,516
Provisions for close down, restoration and environmental costs		11,355	10,646
Lease liabilities – non-current portion	<i>9</i>	–	724
Deferred income – non-current portion		232	310
Deferred income tax liabilities		5,413	5,413
		21,330	146,609
Current liabilities			
Borrowings		176,315	60,000
Trade payables	<i>14</i>	27,431	19,186
Contract liabilities		125,810	47,391
Lease liabilities – current portion	<i>9</i>	819	1,180
Accruals and other payables	<i>15</i>	67,017	60,485
Deferred income – current portion		39	39
		397,431	188,281
Total liabilities		418,761	334,890
Total equity and liabilities		705,971	662,509
Net current assets		45,151	201,254

The above audited consolidated statement of financial position should be read in conjunction with the accompanying notes.

Notes:

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 8 February 2011 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman, KY1-1108, the Cayman Islands.

The Company is an investment holding company. The Group are principally engaged in iron ore mining and processing, and sales of iron concentrates and other minerals 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.

These consolidated financial statements have been approved for issuance by the Board on 30 March 2022.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, Interest Rate Benchmark Reform – phase 2
HKFRS 4 and HKFRS 16

The application of these amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. DIVIDENDS

The Board did not recommend a final dividend for the year ended 31 December 2021 (2020: nil).

4. REVENUE

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Production		
– Sales of iron concentrates	7,999	125,009
– Sales of iron ore tailings	11,563	28,133
	<u>19,562</u>	<u>153,142</u>
Trading		
– Sales of coarse iron powder	1,526,573	725,503
– Sales of spodumene	–	46,015
– Sales of semi-coke	34,766	41,315
– Sales of blended coal	18,937	–
	<u>1,580,276</u>	<u>812,833</u>
Processing service income		
– from processing of iron and other mineral ores	33,920	–
	<u>1,633,758</u>	<u>965,975</u>

5. WRITE-DOWN OF INVENTORIES

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Write-down of inventories (<i>Note</i>)	<u>3,834</u>	<u>–</u>

Note:

During the second half of 2021, the market price of iron concentrates has dropped significantly. The net realisable value of certain iron concentrates held by the Group was estimated to be lower than its cost and accordingly, write-down of inventories amounting to approximately RMB3,834,000 was made for the year ended 31 December 2021.

6. OTHER INCOME

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Government grants	63	8,557
Compensation income (<i>Note</i>)	–	50,000
Agency income	2,075	1,807
	<u>2,138</u>	<u>60,364</u>

Note:

In accordance with a settlement agreement entered into with a third party which is the defendant under the legal actions by the Group for unlawful encroachment of the Group's mining areas (the "Defendant"), compensation amounting to RMB50,000,000 was agreed to be paid by the Defendant, including an amount of RMB35,000,000 received by the Group during the year ended 31 December 2021 and the remaining RMB15,000,000 to be received upon the change in mining area as stipulated in the Group's renewed mining certificate. Accordingly, compensation income of RMB50,000,000 was recognised in the consolidated profit or loss for the year ended 31 December 2020.

7. INCOME TAX

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

The subsidiaries of the Company 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 of the Company in Hong Kong as there is no estimated assessable profit arising in or derived from Hong Kong during the years ended 31 December 2021 and 2020.

Corporate income tax in the PRC is calculated based on the statutory profit of the subsidiaries of the Company registered 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 Mining Industry Co., Ltd ("Shandong Ishine", being the principal subsidiary of the Group in the PRC) 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 to be till 30 November 2021. Up to the end of 2021, Shandong Ishine was in the progress of renewing the abovementioned qualification.

No provision for the PRC corporate income tax has been made for the current year as Shandong Ishine incurred a loss for the year. No provision for the PRC corporate income tax had been made for the prior year as Shandong Ishine has available tax losses brought forward from previous years which fully offset its assessable profit for the prior year.

8. (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
(Loss)/profit attributable to owners of the Company	(30,057)	60,705
Weighted average number of ordinary shares in issue	<u>5,270,496,265</u>	<u>5,347,113,144</u>
Basic (loss)/earnings per share (Expressed in RMB per share)	<u>(0.006)</u>	<u>0.011</u>

(b) Diluted

No diluted (loss)/earnings per share for 2021 and 2020 were presented as there were no potential ordinary shares in issue for 2021 and 2020.

9. LEASES

Movements of the leases during the year are as follows:

	Right-of-use assets RMB'000	Lease liabilities RMB'000
As at 1 January 2020	6,222	7,462
Termination of lease	(3,102)	(4,377)
Depreciation of right-of-use assets	(1,046)	–
Amortisation of interest	–	162
Repayments	–	(1,163)
Exchange retranslation differences	–	(180)
	<u>2,074</u>	<u>1,904</u>
As at 31 December 2020 and 1 January 2021	<u>2,074</u>	<u>1,904</u>
Depreciation of right-of-use assets	(1,193)	–
Amortisation of interest	–	85
Repayments	–	(1,132)
Exchange retranslation differences	–	(38)
	<u>881</u>	<u>819</u>
As at 31 December 2021	<u>881</u>	<u>819</u>

(i) **Amounts recognised in the consolidated financial statement**

The consolidated financial statement shows the following amounts relating to leases:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Right-of-use assets		
Land and buildings	<u>881</u>	<u>2,074</u>
Lease liabilities		
Current portion	819	1,180
Non-current portion	<u>-</u>	<u>724</u>
	<u>819</u>	<u>1,904</u>

(ii) **Amounts recognised in the consolidated statement of profit or loss and other comprehensive income**

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Depreciation charge of right-of-use assets		
– Land and buildings	<u>1,193</u>	<u>1,046</u>
Interest expense (included in finance costs – net)	<u>85</u>	<u>162</u>

10. PREPAYMENTS FOR RENEWAL OF MINING RIGHT

The Group applied for the renewal of the mining right of Shandong Ishine's Yangzhuang iron ore mine which expired on 20 June 2019. Pursuant to an agreement dated 3 August 2020 entered into between Shandong Ishine and the PRC relevant authorities, Shandong Ishine is required to pay a total consideration of RMB70,466,000 for the renewal of mining right in relation to Shandong Ishine's Yangzhuang iron ore mine. Up to the end of the reporting period, Shandong Ishine has paid RMB35,466,000 (2020: RMB30,466,000), which was recognised as prepayments for renewal of mining right. The remaining amount of RMB35,000,000 (2020: RMB40,000,000) will be payable in seven (2020: eight) instalments from 2022 to 2028 (2020: 2021 to 2028). The renewal of the mining right has not yet been completed at the end of the reporting period.

11. TRADE AND BILL RECEIVABLES

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Trade receivables	16,187	17,632
Bill receivables	<u>5,857</u>	<u>23,000</u>
Trade and bill receivables – gross	22,044	40,632
Less: allowance for impairment of trade and bill receivables	<u>(3,505)</u>	<u>(3,900)</u>
Trade and bill receivables – net	<u>18,539</u>	<u>36,732</u>

The ageing analysis of trade and bill receivables (before deduction of provision for impairment loss) was presented based on invoice dates as follows:

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	17,883	26,193
3 to 6 months	857	11,000
6 months to 1 year	–	135
Over 1 year	3,304	3,304
	<u>22,044</u>	<u>40,632</u>

As at 31 December 2021 and 2020, the carrying amounts of the Group's trade and bill receivables were denominated in RMB.

12. PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Trade deposits to suppliers	103,053	80,737
Prepaid taxes	7,278	7,278
Land restoration deposits	38	38
Deductible input value-added tax	2,411	5,553
Advances to employees	111	11
Compensation receivable (<i>Note 6</i>)	15,000	50,000
Others	3,882	1,259
	<u>131,773</u>	<u>144,876</u>

13. SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares, issued and fully paid:

	Number of shares	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Total <i>RMB'000</i>
At 31 December 2019	5,357,829,920	8,742	697,325	706,067
Repurchased shares:				
– Repurchased and cancelled	<u>(63,836,000)</u>	<u>(104)</u>	<u>(1,832)</u>	<u>(1,936)</u>
At 31 December 2020	5,293,993,920	8,638	695,493	704,131
Repurchased shares:				
– Repurchased and cancelled	(38,694,000)	(65)	(7,502)	(7,567)
– Repurchased and pending for cancellation	<u>(1,336,000)</u>	<u>(2)</u>	<u>(146)</u>	<u>(148)</u>
	<u>(40,030,000)</u>	<u>(67)</u>	<u>(7,648)</u>	<u>(7,715)</u>
At 31 December 2021	<u>5,253,963,920</u>	<u>8,571</u>	<u>687,845</u>	<u>696,416</u>

14. TRADE PAYABLES

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Trade payables	<u>27,431</u>	<u>19,186</u>

The ageing analysis of trade payables was presented based on invoice dates as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Within 6 months	25,792	16,996
6 months to 1 year	244	875
Over 1 year	<u>1,395</u>	<u>1,315</u>
	<u>27,431</u>	<u>19,186</u>

As at 31 December 2021 and 2020, the carrying amounts of the Group's trade payables were denominated in RMB.

15. ACCRUALS AND OTHER PAYABLES

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Accrued land compensation costs	6,700	6,211
Advance construction funds from government	11,950	11,950
Guarantee deposits	4,230	1,656
Employee benefits payable	5,538	3,766
Interest payable	3,556	3,973
Deposit received (<i>Note</i>)	27,450	25,000
Others	<u>7,593</u>	<u>7,929</u>
	<u>67,017</u>	<u>60,485</u>

Note:

On 24 September 2020, Shandong Ishine entered into a conditional cooperating agreement with an independent third party (the "JV Party") under which, the JV Party will cooperate with Shandong Ishine on the mining and processing operations in relation to the Yangzhuang iron ore mine of Shandong Ishine (the "Joint Arrangement"), and will be entitled to 49% of net profit derived from such operations, for which, the JV Party shall contribute RMB132,000,000 as working capital of the Joint Arrangement under which the JV Party shall not be entitled to the distribution rights on the assets and residual working capital at the end of the Joint Arrangement. Pursuant to the cooperating agreement, Shandong Ishine shall have 60% voting rights in the management board of the Joint Arrangement and share 51% of its operating results, and thus exercise control on the Joint Arrangement. Up to 31 December 2021, Shandong Ishine received a refundable deposit of RMB27,450,000 (2020: RMB25,000,000) from the JV Party. Up to the end of the reporting period, the operations as described in the cooperating agreement have not yet started given that the renewal of the relevant mining right certificate was still in progress.

16. COMMITMENTS

Capital commitments

Capital expenditure contracted for at the end of the year but not yet incurred is as follows:

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Mining right (<i>Note(a)</i>)	35,000	40,000
Joint venture investment (<i>Note(b)</i>)	8,000	8,000
	<u>43,000</u>	<u>48,000</u>

Note:

- (a) The amount represented outstanding committed balance payable by the Group in relation to the renewal of mining right, details of which are disclosed in Note 10 to this announcement.
- (b) On 28 September 2018, Grandson Holdings Limited (“Grandson”), an indirect wholly-owned subsidiary of the Company, and other three parties entered into an investment agreement to set up Xinjiang Zhongtai Aide Energy Technology Co., Ltd. (“Xinjiang Zhongtai”). Grandson’s share of equity is 40%. Xinjiang Zhongtai was established on 15 November 2018. Xinjiang Zhongtai has not carried out any operations and the Group had not made capital contribution to Xinjiang Zhongtai as of 31 December 2021 and 2020.

17. COMPARATIVE FIGURES

Certain comparative figures in the consolidated statement of profit or loss and other comprehensive income have been reclassified to conform with current year’s presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The principal activities of the Group are iron and ilmenite ore exploration, iron and ilmenite ore mining, iron ore processing to produce iron concentrates and titanium concentrates and trading of iron concentrates in Shandong Province, the People's Republic of China (the "PRC" or "China"). 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, establish the full titanium industrial chain and wind power electricity generation in Shandong Province, the PRC.

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's revenue increased by approximately RMB667.8 million, or approximately 69.1%, to approximately RMB1,633.8 million for the year ended 31 December 2021, as compared with approximately RMB966.0 million for the year ended 31 December 2020. The increase in revenue was primarily due to the increase in turnover of trading of coarse iron powder by approximately RMB801.1 million.

The total comprehensive loss of the Group was approximately RMB30.3 million for the year ended 31 December 2021, representing a turnaround from the total comprehensive income of approximately RMB61.8 million for the year ended 31 December 2020. This is mainly due to (1) other income decreased by approximately RMB58.2 million as compared to that of the same period last year which included one-off compensation for unlawful encroachment of the Group's mining areas amounting to RMB50.0 million; and (2) gross profit decreased by approximately RMB44.8 million as compared to that of the same period last year, resulted from significant drop in the market price of iron ores in the second half of 2021. The adverse effect of the above has been offset by net foreign exchange gain of approximately RMB13.2 million which are mainly attributed to the exchange gain from the Company's bonds which are denominated in Hong Kong Dollar.

Measures Taken by the Management in 2021

The total comprehensive loss of the Group was approximately RMB30.3 million for the year ended 31 December 2021, representing a turnaround from the total comprehensive income of the Group of RMB61.8 million for the year ended 31 December 2020; and the operating revenue increased by RMB667.8 million, representing an increase of 69.1% as compared to RMB966.0 million for the same period last year.

The management has taken the following measures during the year ended 31 December 2021:

- I. Throughout this year, there was no mining in the Group's own mines due to tightened control over environmental impact assessment, safety assessment and the issue of mining permit in China. Facing the picked up iron concentrate price and riding its close access to the port from its processing plant, the Group had actively conducted the businesses of port trade as well as overseas ore reprocessing and sales.
- II. The reserve of Yangzhuang Iron Mine has been reviewed 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 certificate of reserves, filed geological data and conducted the registration of occupying reserves, which has been preliminarily assessed by the Bureau of Natural Resources of Yishui County, has been assessed by the Bureau of Natural Resources of Linyi City and is being approved by the Bureau of Natural Resources of Shandong Province.
- III. A reserve of 3,549 tons of rubidium ore was further confirmed in Yangzhuang Iron Mine with a contained metal of 4.47 tons and a grade of 0.126% (industrial grade of 0.12%) through exploration. In light of the fact that rubidium is a kind of highly scarce and very expensive mineral substance at present, the Group will conduct mining, producing, processing and sales in due course.
- IV. The experts from the Department of Natural Resources of Shandong Province have reviewed the environmental management in respect of Yangzhuang Iron Mine, and the environmental management and land rehabilitation program has been approved. A lot of ore, rubble and sandy soil can be processed into iron concentrate and tailings for marketing; the rubble can be processed into carpolite and the sandy soil can be processed into sand. Both the carpolite and sand have become desperately demanded building materials at the moment and have been realized into economic benefits.
- V. The environmental impact assessment on technical improvement of Yangzhuang Iron Mine has also accepted the review of relevant experts. Once verified, the Group will be able to process building materials for sale by capitalizing on the mine restoration.

- VI. Zhuge Shangyu Ilmenite Mine has passed safety pre-evaluation in handling the procedures of safety production permits, paving a sound foundation for the exploration and processing of ilmenite ore into ilmenite powder. The verified reserve available for mining amounted to 28.456 Mt. The comprehensive low-carbon environmental protection program with an investment of RMB3,000 million has been recognized by the government.
- VII. The management of internal control has been recognized by the independent third party. The Group has strengthened its own capability in checking the management of internal control, thus enhancing the overall management level.
- VIII. The business of logistics trade and investment in Xinjiang has been carried out smoothly.
- IX. The Company has always been committed to constructing a comprehensive industrial value chain, including mining of raw titanium ore, production of titanium concentrates, titanium tetrachloride and sponge titanium, and has maintained contact and scientific research cooperation with relevant units throughout the year, so as to lay a foundation for the further industrial operation.

OPERATION OVERVIEW AND CAPITAL EXPENDITURE

I. Production and operation of titanium and iron mines

1. Yangzhuang Iron Mine

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

The Group planned to decide whether to mine and process its own mines based on the market conditions. It analysed operating risks and judged the timing for trading, and based on profitability to decide whether to process with part of coarse powders purchased from other suppliers. In 2021, there was no processing nor production in relation to the iron ore in Yangzhuang Iron Mine.

In 2021, the Group did not make material investment in Yangzhuang Iron Mine. Due to the market condition, there was no exploration and mining activity carried out in the mine.

During the last year ended 31 December 2020, an agreement was reached by the Group with the relevant authorities for the renewal of the mining permit for Yangzhuang Iron Mine, pursuant to which, the Group is required to pay for approximately RMB70.5 million of which approximately RMB5 million and RMB30.5 million were paid by the Group during the year ended 31 December 2021 and 2020, respectively. The new mining permit for Yangzhuang Iron Mine has not yet been issued by the relevant authorities to the Group up to the date of this announcement.

2. Zhuge Shangyu Ilmenite Mine

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

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

If the market recovers, the Group will increase its investment in the 2.0 Mt processing line and production line in the mine and commence operation in the current year. If the market remains stagnant and less profitable or not profitable at all, the Group will reduce its investments. The construction schedule of the mine will be based on the market conditions.

In 2021, the Group invested approximately RMB0.5 million in processing line and production line in Zhuge Shangyu Ilmenite Mine.

Due to the market condition, there was no exploration or production activities carried out in the mine in 2021.

3. Qinjiazhuang Ilmenite Mine

In 2021, the Group was determining whether it will make investment in or conduct production activities at Qinjiazhuang Ilmenite Mine based on market changes.

Due to the market condition, there was no investments made and no exploration or production activities carried out in the mine in 2021.

4. Gaozhuang Shangyu Ilmenite Mine

In 2021, there was no capital expenditure and no exploration and mining activity carried out in the mine.

II. Development of green mines

The Group enhanced the internal construction of green mining. It practised green mining throughout the daily operation of the mines; improved corporate management system and safety measures; organised regular trainings with the aim to enhance the professional skills of staff and extend corporate culture. It enhanced the interaction with local communities and established a sound system of consultation and coordination. On top of that, it increased the enterprise-local cooperation on projects by capitalising on its own advantages as an enterprise so as to actively promote the local economic development and the enterprise-local integration. By way of legal, scientific and green mining, the Group gradually turned its resource advantages into economy, social and environment advantages with an aim to realise green mining practices, harmonious community, circular economy and diversified and sustainable development.

In 2021, by closely following market changes, the Group stuck to the development of titanium business, adjusted titanium and iron concentrates production in a timely manner and focused on expanding new energy business, particularly for solar thermal projects. The Group made targeted adjustment to its working plan and actively sought for new sources of economic growth.

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 (“**Micromine**”), 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 Yangzhuang Iron Mine was approximately 43.93 Mt at an average grade of approximately 24.58% TFe (total iron); the total proved and probable reserve of ore in Zhuge Shangyu Ilmenite Mine was approximately 546.29 Mt 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 86.63 Mt at an average grade of approximately 4.50% TiO₂ and approximately 13.56% TFe (total iron).

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 4.6 Mt @ 24.6% TFe and 10.6% mFe compared to reported production of approximately 4.5 Mt @ 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 ore body) with a 6 metre wide pillar between stopes as well as a crown pillar of 6 metres.
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:	48 m
Minimum width of Block:	8 m
Pillar between Blocks:	6 m
Crown Pillar:	5 m
Distance between levels:	60 m

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. There was no exploration or mining activities carried out in Yangzhuang Iron Mine from 1 January 2014 to 31 December 2021.

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 0.27 Mt grading 5.69% TiO₂ and 12.78% TFe compared to reported production of approximately 0.26 Mt grading 6.75% TiO₂ and 13.44% TFe for the period from September 2013 to December 2013 inclusive.
7. The underground mining height is 50 m to 60 m.

Reason for the changes in the resources and reserves estimates:

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

Qinjiashuang Ilmenite Project

No reported exploration or mining activities have been undertaken at the Qinjiashuang 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 Qinjiashuang Ilmenite Project, which remains the same as those published in the previous Micromine report dated 17 April 2012.

There was no exploration or mining activity carried out in Qinjiashuang Ilmenite Project from 1 January 2014 to 31 December 2021.

Based on (1) the resources and reserves under the JORC for the Yangzhuang Iron Mine, Zhuge Shangyu Ilmenite Mine and Qinjiashuang 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 31 December 2021 were as follows:

JORC ore reserve estimate as of 31 December 2021: *(Note: JORC ore reserves as of 31 December 2013 less exploration during the period from 1 January 2014 to 31 December 2021. On 2 November 2017, the Group disclosed the area of exploration was changed in Zhuge Shangyu, which deduced the total reserve.)*

	Yangzhuang Iron Mine	Zhuce Shangyu Ilmenite Mine	Qinjiashuang Ilmenite Project
Ore reserves (Mt)			
– proved	5.86	199.40	45.33
– probable	31.20	204.50 <i>(Note)</i>	41.30
Total ore reserves	<u>37.06</u>	<u>403.90</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) (%)	<u>24.55</u>	<u>12.82</u>	<u>13.56</u>
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) (%)	<u>N/A</u>	<u>5.69</u>	<u>4.50</u>

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

JORC ore reserve estimate as of 31 December 2021: *(Note: JORC ore reserves as of 31 December 2013 less exploration during the period from 1 January 2014 to 31 December 2021)*

	Yangzhuang Iron Mine	Zhuge Shangyu Ilmenite Mine	Qinjiashuang Ilmenite Project
Ore reserves (Mt)			
– proved	5.86	199.40	45.33
– probable <i>(Note)</i>	31.20	204.50	41.30
Total ore reserves	<u>37.06</u>	<u>403.90</u>	<u>86.63</u>

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

Yangzhuang Iron Mine resources estimate as of 31 December 2021: *(Note: JORC mineral resources as of 31 December 2013 less exploration during the period from 1 January 2014 to 31 December 2021)*

Resources 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 resources estimate as of 31 December 2021: *(Note: JORC mineral resources as of 31 December 2013 less exploration during the period from 1 January 2014 to 31 December 2021. On 2 November 2017, the Company disclosed the area of exploration was changed in Zhuge Shangyu, which deduced the total reserve.)*

Resources Category	Resources (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 resources estimate as of 31 December 2021: (*Note: JORC mineral resources as of 31 December 2013, there was no mining activity or exploration activity carried out from 1 January 2014 to 31 December 2021*)

Resources Category	Resources (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. Shandong Ishine Mining Industry Co., Ltd (“**Shandong Ishine**”) 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. It has exploration rights over an area of approximately 1.53 km², 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 46.0 Mt of resources of Type 332 and 333 of ilmenite ores as at 2 September 2012 under PRC classification standard with an average grading of iron and titanium contents of approximately 12.4% and 6.8%. As there is no change in resources and reserves from October 2012 to December 2021, the Group did not have any plan to carry out mining work or other expansion plan.

EXPLORATION, DEVELOPMENT AND MINING PRODUCTION ACTIVITIES AND COSTS

The table below sets out a summary of the costs of the Group's exploration, development and mining production activities:

	Year ended 31 December	
	2021	2020
	<i>Kt</i>	<i>Kt</i>
Production Volume		
Feed tonnage	—	—
	<u>—</u>	<u>—</u>
	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Mining Costs		
Workforce employment	—	—
Transportation	—	—
Fuel, electricity, water and other services	—	—
Non-income taxes, royalties and other governmental charges	—	—
Filling Expense	—	—
	<u>—</u>	<u>—</u>
Subtotal	—	—
Processing Costs		
Workforce employment	2,138	2,942
Consumables and factory overheads	18,270	153,463
Fuel, electricity, water and other services	3,204	3,540
Transportation	1,655	1,915
Non-income taxes, royalties and other governmental charges	54	124
	<u>25,321</u>	<u>161,984</u>
Subtotal	25,321	161,984
Management Expenses		
Land compensation expenses	5,714	6,182
Other administration cost	26,098	28,126
Product marketing and transportation	1,491	1,982
	<u>33,303</u>	<u>36,290</u>
Subtotal	33,303	36,290
Other Costs		
Depreciation and Amortisation	14,428	15,285
	<u>14,428</u>	<u>15,285</u>
Total	<u>73,052</u>	<u>213,559</u>

FINANCIAL REVIEW

For the year ended 31 December 2021, the Group recorded revenue of approximately RMB1,633.8 million as compared with approximately RMB966.0 million for the year ended 31 December 2020, representing an increase of approximately RMB667.8 million. For the year ended 31 December 2021, approximately 0.5% of the Group's total sales consisted of the sales of 64% iron concentrates produced by the Group's processing plants, while approximately 93.4% of the Group's total sales consisted of the trading sales of coarse iron powder. The Group mainly sold coarse iron powder to trading and manufacturing of iron-related products in the PRC. In addition to the above customers of coarse iron powder, the Group also sold semi-coke and blended coal to other customers in Shandong Province and Xinjiang Province, the PRC. In current year, the Group started to provide processing services to customers which attributed to approximately 1.5% of the Group's total sales.

PRICES OF THE GROUP'S PRODUCTS

Iron Concentrates

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

The Group did not sell 65% iron concentrates for the year ended 31 December 2021.

The Group's average unit selling price of 64% iron concentrates for the year ended 31 December 2021 was approximately RMB1,111 per tonne as compared with approximately RMB731 per tonne for the year ended 31 December 2020.

Titanium Concentrates

Since 2013, the Group has been engaging in ilmenite ore exploration, ilmenite ore mining and ilmenite ore 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, PRC's and Shandong's supply of and demand for ilmenite ore products and the prosperity of the Shandong steel industry.

The Group did not sell titanium concentrates for the year ended 31 December 2021.

Revenue

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 2021 <i>RMB'000</i>		Year ended 31 December 2020 <i>RMB'000</i>	
Revenue				
Sales of iron concentrates produced by the Group				
– by magnetic minerals processing technology (64% iron concentrates)	7,999	0.5%	125,009	12.9%
– from iron ore tailings	11,563	0.7%	28,133	2.9%
	19,562	1.2%	153,142	15.8%
Sales from trading activities				
– from coarse iron powder	1,526,573	93.4%	725,503	75.1%
– from spodumene	–	–	46,015	4.8%
– from semi-coke	34,766	2.1%	41,315	4.3%
– from blended coal	18,937	1.2%	–	–
	1,580,276	96.7%	812,833	84.2%
Processing service income				
– from processing of iron and other mineral ores	33,920	2.1%	–	–
	1,633,758	100.0%	965,975	100.0%

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

	Year ended 31 December 2021 (Kt)	Year ended 31 December 2020 (Kt)
Sales volume of iron concentrates produced by the Group		
– by magnetic minerals processing technology (64% iron concentrates)	7.2	171.1
– from iron ore tailings	<u>407.4</u>	<u>843.7</u>
	<u>414.6</u>	<u>1,014.8</u>
Sales volume of trading activities		
– from coarse iron powder	1,477.6	1,017.8
– from spodumene	–	80.0
– from semi-coke	51.2	50.4
– from blended coal	26.6	–
	<u>1,555.4</u>	<u>1,148.2</u>
	<u><u>1,970.0</u></u>	<u><u>2,163.0</u></u>

The following table shows the Group's total production volumes of iron concentrates.

	Year ended 31 December 2021 (Kt) (approximately)		Year ended 31 December 2020 (Kt) (approximately)	
Iron concentrates produced by the Group				
Amount of iron concentrates produced by magnetic minerals processing technology (64% iron concentrates)	<u>13</u>	<u>100%</u>	<u>169</u>	<u>100%</u>
	<u><u>13</u></u>	<u><u>100%</u></u>	<u><u>169</u></u>	<u><u>100%</u></u>

During 2021, the price of the iron concentrates is gradually increased due to the recovery of the iron and steel market. The Group has decreased the production of 64% iron concentrates, however, increased the trading of coarse iron powder to grab the profitability from increasing market price. For the year ended 31 December 2021, revenue was mainly derived from trading of coarse iron powder. Only an insignificant portion of revenue was derived from sales of 64% iron concentrates produced by the Group. The Group has also engaged in subcontracting arrangements with customers on processing iron and other mineral ores, which contributed revenue of RMB33.9 million in 2021.

The Group's revenue increased by approximately RMB667.8 million, or approximately 69.1%, to approximately RMB1,633.8 million for the year ended 31 December 2021, as compared with approximately RMB966.0 million for the year ended 31 December 2020. The increase in revenue was primarily due to the increase in turnover of trading of coarse iron powder by approximately RMB801.1 million for the year ended 31 December 2021.

In 2021, the iron and steel market is gradually recovering, the demand in the iron concentrates has reached to the higher level during the year ended 31 December 2021. The total sales is mainly generated from the sales of coarse iron powder. The Group increased the trading activities in coarse iron powder by approximately 110.4%, or approximately RMB801.1 million for the year ended 31 December 2021 compared to approximately RMB725.5 million for the year ended 31 December 2020. The management has strategically increased the trading activities in coarse iron powder due to the comparatively high selling price.

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 2021 RMB'000		Year ended 31 December 2020 RMB'000	
Cost of Sales				
Cost of sales of iron concentrates produced by the Group				
– by magnetic minerals processing technology (64% iron concentrates)	8,134	0.5%	117,634	13.2%
– from iron ore tailings	5,677	0.4%	15,066	1.7%
	<u>13,811</u>	<u>0.9%</u>	<u>132,700</u>	<u>14.9%</u>
Cost of sales of trading activities				
– from coarse iron powder	1,516,576	94.8%	692,908	78.1%
– from spodumene	–	–	25,633	2.9%
– from semi-coke	26,638	1.6%	36,503	4.1%
– from blended coal	18,933	1.2%	–	–
	<u>1,562,147</u>	<u>97.6%</u>	<u>755,044</u>	<u>85.1%</u>
Cost of sales of processing service income				
– from processing of iron and other mineral ores	24,352	1.5%	–	–
	<u>1,600,310</u>	<u>100.0%</u>	<u>887,744</u>	<u>100.0%</u>

Cost of sales was mainly incurred for cost of purchase coarse iron powder for trading purposes. The cost of sales incurred during production activities has become insignificant in 2021.

Total cost of sales increased by approximately RMB712.6 million, or approximately 80.3%, to approximately RMB1,600.3 million for the year ended 31 December 2021, as compared with approximately RMB887.7 million for the year ended 31 December 2020, was mainly due to increase in cost of the minerals used for trading. Such increase was caused by the increase in sales volume as well as the unit cost of trading coarse iron powder for the year ended 31 December 2021.

Gross profit and gross profit 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 2021 <i>RMB'000</i>		Year ended 31 December 2020 <i>RMB'000</i>	
Gross profit/(loss)				
Gross profit/(loss) of iron concentrates produced by the Group				
– by magnetic minerals processing technology (64% iron concentrates)	(135)	(0.4%)	7,375	9.4%
– from iron ore tailings	5,886	17.6%	13,067	16.7%
	<u>5,751</u>	<u>17.2%</u>	<u>20,442</u>	<u>26.1%</u>
Gross profit of trading activities				
– from coarse iron powder	9,997	29.9%	32,595	41.7%
– from spodumene	–	–	20,382	26.0%
– from semi-coke	8,128	24.3%	4,812	6.2%
– from blended coal	4	0.0%	–	–
	<u>18,129</u>	<u>54.2%</u>	<u>57,789</u>	<u>73.9%</u>
Gross profit of provision of processing services				
– from processing of iron and other mineral ores	9,568	28.6%	–	–
	<u>33,448</u>	<u>100.0%</u>	<u>78,231</u>	<u>100.0%</u>

	Year ended 31 December 2021	Year ended 31 December 2020
Gross profit/(loss) margin		
Gross profit/(loss) margin of sales of iron concentrates produced by the Group		
– by magnetic minerals processing technology (64% iron concentrates)	(1.7%)	5.9%
– from iron ore tailings	<u>50.9%</u>	<u>46.4%</u>
Gross profit margin of trading activities		
– from coarse iron powder	0.7%	4.5%
– from spodumene	–	44.3%
– from semi-coke	23.4%	11.6%
– from blended coal	<u>0.0%</u>	<u>–</u>
Gross profit margin of provision of processing services		
– from processing of iron and other mineral ores	<u>28.2%</u>	<u>–</u>
Overall gross profit margin	<u><u>2.0%</u></u>	<u><u>8.1%</u></u>

Gross profit decreased by approximately RMB44.8 million from the gross profit of approximately RMB78.2 million for the year ended 31 December 2020 to the gross profit of approximately RMB33.4 million for the year ended 31 December 2021. The main reasons for the decrease are (1) gross loss of RMB0.1 million derived from 64% iron concentrates produced from iron ores, mainly due to higher average cost resulted from low volume of production during 2021, as compared to gross profit of RMB7.4 million in 2020, (2) the decrease of gross profit from trading turnover of spodumene by approximately RMB20.4 million, (3) the decrease of gross profit from iron ore tailings by approximately RMB7.2 million, and (4) the decrease of gross profit from trading turnover of coarse iron powder by approximately RMB22.6 million, which were mainly impacted by the significant drop in the price of coarse iron powder in the second half of 2021.

Overall gross profit margin decreased from approximately 8.1% for the year ended 31 December 2020 to gross profit margin of approximately 2.0% for the year ended 31 December 2021. The decrease in gross profit margin is mainly attributed to the drop in gross profit margin of coarse iron powder which accounted for 93.4% of the total revenue.

Other income

The Group's other income were approximately RMB2.1 million for the year ended 31 December 2021 as compared with other income of approximately RMB60.4 million for the year ended 31 December 2020. The decrease is mainly due to the compensation income of RMB50.0 million from the Defendant for unlawful encroachment of the Group's mining areas, which was recognised in 2020. In addition, government grant received also decreased from approximately RMB8.6 million for the year ended 31 December 2020 to approximately RMB0.1 million for the year ended 31 December 2021.

Finance costs, net

Net finance costs mainly represented interest expense on bank loans and bonds of the Group, offsetting by interest income on bank deposits. Interest expenses remained similar in both 2021 and 2020 amounting to approximately RMB18.4 million as the outstanding principal balances of bank loans and bonds of the Group remained unchanged except for the exchange difference on the bonds which are dominated in Hong Kong Dollar.

Total comprehensive (loss)/income

The total comprehensive loss of the Group was approximately RMB30.3 million for the year ended 31 December 2021, representing a turnaround from total comprehensive income of RMB61.8 million for the year ended 31 December 2020.

CAPITAL STRUCTURE

The Company's issued share capital as at 31 December 2021 is HK\$10,507,928 divided into 5,253,963,920 shares with par value 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 31 December 2021 was approximately 38.6% (as at 31 December 2020: approximately 36.6%). The current ratio (calculated as current assets divided by current liabilities) as at 31 December 2021 was approximately 1.11 times (as at 31 December 2020: approximately 2.07 times). The drop in current ratio is mainly attributed to the maturity of most of the issued bonds of the Company within 12 months after the end of the reporting period. Subsequent to the end of the reporting period, Mr. Li Yunde ("Mr. Li"), the Chairman of the Board, an executive Director and the controlling shareholder of the Company entered into a loan agreement with a wholly-owned subsidiary of the Company on 23 March 2022, under which an amount of RMB120 million has been agreed to lend to the subsidiary for making repayments to the bondholders of the Company. The loan is unsecured, interest-free and with no fixed repayment term.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2021, the total amount of the borrowings of the Group was approximately RMB180.6 million (as at 31 December 2020: approximately RMB189.5 million). There has been no change in the principal amount of the borrowings and the decrease is mainly attributable to exchange difference arising from the issued bonds of the Company which are dominated in Hong Kong Dollar. The Group's cash and bank balances amounted to approximately RMB192.0 million as at 31 December 2021 (as at 31 December 2020: approximately RMB136.3 million).

EVENTS AFTER REPORTING PERIOD

On 23 March 2022, Mr. Li has agreed to grant an interest free, unsecured loan in the principal amount of RMB120 million with no fixed repayment term (the “**Loan**”) to Shandong Ishine pursuant to a loan agreement entered into between Mr. Li and Shandong Ishine on 23 March 2022 (the “**Loan Agreement**”). The Loan was granted to the Group for the purpose of repayment of the bonds issued by the Company in the aggregate principal amount of approximately HK\$130 million at an annual interest rate of 7.0% which will be due for repayment within this year (the “**Bonds**”). The repayment of the Bonds will reduce the Group from the interest payment of the Bonds.

2022 DEVELOPMENT AND FUTURE PLANS

It is not optimistic in the market under the background of the unprecedented changes. The Group will continue to strengthen its traditional businesses such as the protective mining, production, sales and other services for iron and titanium ores in accordance with the changing market situation to maintain its advantages in the sector. At the same time, the Group will continue to invest in the expansion of the titanium industrial chain. In addition, the Group will further expand the investment businesses in Xinjiang such as logistics and new energy, speed up the comprehensive utilisation of low-carbon resources project of Zhuge Shangyu Ilmenite Mine, and substantially promote its new energy business. The Group will make greater efforts towards the following works in 2022:

- I. 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 Company will give special play to the advantages of processing technique to bring favourable economic benefits for the Group.
- II. 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 and sponge titanium. In addition, 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 substantial industrialization and technical breakthroughs.
- III. By making full use of its market and location advantages, the Group will actively conduct the businesses of port trade as well as overseas mines processing, in order to improve revenue and profitability.
- IV. The Group had also obtained certificate of reserves for Yangzhuang Iron Mine, filed geological data and conducted the registration of occupying reserves. It is expected that the renewed mining permit will be obtained this year.

- V. A reserve of 3,549 tons of rubidium ore has been assessed and recorded in Yangzhuang Iron Mine with a contained metal of 4.47 tons and a grade of 0.126% (industrial grade of 0.12%). Pursuant to the demands of scarce mineral, the Group will conduct mining and production in due course.
- VI. The Group will continue to implement the environmental management and land rehabilitation program in respect of Yangzhuang Iron Mine, and further process the tailings in the past ten years to turn waste into treasure for sales, which will become a new economic driver.
- VII. The Group will speed up the comprehensive utilisation of low-carbon resources project of Zhuge Shangyu Ilmenite Mine, and strengthen cooperation with partners in new energy businesses such as wind power and photovoltaic power to form production capacity as soon as possible, thus providing new economic drivers of the Company.
- VIII. The Group will make full use of the investment and operation advantages in Xinjiang over the logistics, new energy and trade to form scale advantages as soon as possible, thus generating better economic benefits.
- IX. The Group will improve the management of internal control to ensure both the further improvement of the Company's comprehensive management and the law compliance, so as to lay the management foundation for better performance.
- X. Capitalising on the platform as a listed group and taking proactive measures for various projects in the capital market, the Company will carry out financing and investment businesses in a timely manner.
- XI. The Group will focus on the launch of carbon market opportunities, invest resources in carbon market projects and strive to become a shareholder of national carbon emission trading institutions.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group employed 152 (2020: 147) full time employees. The remuneration package of employees is determined by reference to their performance, experience, positions, duties and responsibilities in the Group and the prevailing market conditions. The Group continued to provide retirement, medical, employment injury, unemployment and maternity benefits which are governed by the state-managed social welfare scheme operated by the local government of the PRC to the employees in the PRC. In addition, the Group maintains mandatory provident fund schemes for all qualifying employees in Hong Kong.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

CLOSURE OF REGISTER OF MEMBERS

For determining the identity of the Shareholders to attend and vote at the annual general meeting of the Company to be held on Friday, 17 June 2022 (“**2022 AGM**”), the register of members of the Company will be closed from Monday, 13 June 2022 to Friday, 17 June 2022, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the 2022 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 Friday, 10 June 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2021, the Company repurchased 40,030,000 shares of HK\$0.002 each in the capital of the Company at prices ranging from HK\$0.130 to HK\$0.280 per share on the Stock Exchange. Details of the repurchases are as follows:

Month/Year	Number of shares repurchased	Purchase price per share		Aggregate purchase consideration (excluding expenses) HK\$
		Highest HK\$	Lowest HK\$	
May 2021	7,458,000	0.255	0.233	1,802,020
June 2021	25,156,000	0.280	0.216	6,127,962
July 2021	6,080,000	0.208	0.175	1,161,934
November 2021	1,334,000	0.146	0.130	180,450
December 2021	<u>2,000</u>	0.143	0.143	<u>286</u>
	<u>40,030,000</u>			<u>9,272,652</u>

In addition, during the year, the Company, through the trustee of the restricted share award scheme adopted by the Board on 28 December 2020 (the “**Share Award Scheme**”), purchased from the market 9,620,000 shares of the Company for the purpose of the Share Award Scheme.

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 year ended 31 December 2021.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange. Having made specific enquiry of all Directors, the Company confirmed that all Directors had complied with the required standard set out in the Model Code throughout the year ended 31 December 2021.

CORPORATE GOVERNANCE CODE

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 year ended 31 December 2021.

AUDIT COMMITTEE

The Company established the audit committee of the Company (the "**Audit Committee**") on 9 April 2012 with written terms of reference in compliance with the CG Code, which currently comprises of three independent non-executive Directors, namely Mr. Leung Nga Tat (as 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 of the Company's financial reporting system and to review the risk management and internal control systems. The Audit Committee had reviewed audited annual results for the year ended 31 December 2021 before such documents were tabled at a meeting of the Board held on 30 March 2022 for the Board's review and approval.

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

Hong Kong, 30 March 2022

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.