THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Add New Energy Investment Holdings Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee, or to the licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or transferee.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of Add New Energy Investment Holdings Group Limited.

大愛無疆 · 德行天下

Add New Energy Investment Holdings Group Limited
愛德新能源投資控股集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2623)

(1) PROPOSED SHARE CONSOLIDATION; (2) PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY THREE (3) CONSOLIDATED SHARES HELD ON RECORD DATE; (3) CONNECTED TRANSACTION IN RELATION TO THE UNDERWRITING AGREEMENT AND OFFSET SHAREHOLDER'S LOANS; (4) APPLICATION FOR WHITEWASH WAIVER; AND (5) NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser to the Independent Board Committee

Financial adviser to the Company

红日资本有限公司
RED SUN CAPITAL LIMITED

Independent Financial Adviser

MESSIS 大有融資

Placing Agent

红日资本有限公司
RED SUN CAPITAL LIMITED

Capitalised terms used in this cover page shall have the same meanings as defined in this circular.

A letter from the Board is set out on pages 17 to 50 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 51 to 52 of this circular. A letter from the Independent Financial Adviser containing its recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages IFA-1 to IFA-38 of this circular.

A notice convening the EGM to be held at Room R1, 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong, at 11:00 a.m. on Wednesday, 22 March 2023 is set out on pages EGM-1 to EGM-5 of this circular. A form of proxy for use at the EGM is also enclosed with this circular. Whether or not you are able to attend and vote at the EGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than (48) hours before the time appointed for holding the EGM, i.e. Monday, 20 March 2023 at 11:00 a.m. (Hong Kong time), or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so desire.

It should be noted that the Underwriting Agreement contains provisions entitling the Underwriter by notice in writing to the Company served prior to 4:00 p.m. on Wednesday, 3 May 2023 to terminate the obligations of the Underwriter thereunder on the occurrence of certain events. Such events are set out in the section headed "Termination of the Underwriting Agreement" of this circular. If the Underwriting Agreement is terminated by the Underwriter or does not become unconditional, the Rights Issue will not proceed.

17 February 2023

CONTENTS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"All Five Capital"	All Five Capital Ltd., a company incorporated in the BVI with limited liability, which in turn beneficially holds 18,050,000 Existing Shares, and is wholly and beneficially owned by Mr. Lang
"Announcement"	the announcement of the Company dated 11 January 2023 in relation to, among other things, the Share Consolidation; the Rights Issue; the Underwriting Agreement, the Offset; the Placing Agreement and the Whitewash Waiver
"Associate(s)"	shall have the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"Business Day(s)"	a day (excluding Saturdays) on which banks are generally open for business in Hong Kong; and for all other purposes, a day on which the Stock Exchange is open for transaction of business
"BVI"	British Virgin Islands
"CCASS"	The Central Clearing and Settlement System established and operated by HKSCC
"CCASS Operational Procedures"	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time
"Companies Act"	the Companies Act (as amended) of the Cayman Islands
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended from time to time
"Company"	Add New Energy Investment Holdings Group Limited (stock code: 2623), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange

"Compensatory Arrangements"	the arrangement involving the placing of the Unsubscribed Rights Shares, if any, by the Placing Agent on a best effort basis pursuant to the Placing Agreement in accordance with Rule 7.21(1)(b) of the Listing Rules
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consolidated Share(s)"	the ordinary share(s) of par value of HK$0.04 each in the share capital of the Company immediately after the Share Consolidation becoming effective
"Controlling Shareholder"	shall have the meaning as ascribed to it under the Listing Rules
"Director(s)"	director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened at Room R1, 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong, at 11:00 a.m. on Wednesday, 22 March 2023 to consider and, if thought fit, approve, among other things, the Share Consolidation, the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Offset and the transactions contemplated thereunder, and the Whitewash Waiver
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any of his delegate(s)
"Existing Share(s)"	the 5,255,299,920 ordinary share(s) of par value of HK$0.002 each in the share capital of the Company before the Share Consolidation having become effective
"Final Acceptance Date"	the last date for acceptance and payment in respect of provisional allotments under the Rights Issue, which is currently scheduled to be on Monday, 24 April 2023 or such later date as determined by the Company
"General Rules of CCASS"	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
"Group"	the Company and its subsidiaries

"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Bonds"	the unsecured bonds issued by the Company at an annual interest rate of 7.00%, the outstanding principal and accrued interest amounting to approximately HK$3.1 million as at the Latest Practicable Date which is owned by an individual Independent Third Party who is not a Shareholder
"Hongfa"	Hongfa Holdings Limited, a company incorporated in the BVI with limited liability, which in turn beneficially holds 2,048,138,660 Existing Shares, and is wholly and beneficially owned by Mr. Li
"Independent Board Committee"	the independent board committee of the Company comprising all independent non-executive Directors, which has been established to advise the Independent Shareholders on the Rights Issue, the Offset, the Underwriting Agreement, the Placing Agreement and the Whitewash Waiver
"Independent Financial Adviser"	Messis Capital Limited, a corporation licensed by the SFC to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Placing Agreement, the Offset, the Underwriting Agreement and the Whitewash Waiver

"Independent Shareholder(s)"	in respect of the Rights Issue, Shareholders other than (i) Mr. Li, the Underwriter and parties acting in concert with any of them (including Mr. Geng and Mr. Lang); (ii) all Directors (excluding the independent non-executive Directors) and their respective Associates; (iii) those who are involved in or interested in the Rights Issue, the Offset, the Underwriting Agreement, the Placing Agreement and the Whitewash Waiver (as the case may be); and (iv) those who are required under the Listing Rules and/or the Takeovers Code (as the case may be) to abstain from voting at the EGM; in respect of the Offset, the Underwriting Agreement, the Placing Agreement and the Whitewash Waiver, Shareholders other than (i) Mr. Li, the Underwriter and parties acting in concert with any of them (including Mr. Geng and Mr. Lang); (ii) those who are involved in or interested in the Offset, the Underwriting Agreement, the Placing Agreement, the Whitewash Waiver and the Rights Issue (as the case may be); (iii) those who have a material interest in the Offset, the Underwriting Agreement, the Placing Agreement, the Whitewash Waiver and the Rights Issue; and (iv) those who are required under the Listing Rules and/or the Takeovers Code (as the case may be) to abstain from voting at the EGM
"Independent Third Party(ies)"	third party(ies) who is/are independent of and not acting in concert or connected with the Company and its connected persons or any of their respective Associates
"Irrevocable Undertakings"	letter of irrevocable undertakings executed by each of Mr. Li, Hongfa, Mr. Geng and Mr. Lang in favour of the Company, the principal terms of which are disclosed in the section headed "The Irrevocable Undertakings" in this circular
"Last Trading Day"	11 January 2023, being the last full trading day for the Existing Shares before the release of the Announcement
"Latest Placing Time"	4:00 p.m. on Tuesday, 2 May 2023, or such later date and time as the Company may announce, being the latest date and time for the Placing Agent to effect the Compensatory Arrangements

"Latest Practicable Date"	14 February 2023, being the latest practicable date before the printing of this circular for the purpose of ascertaining certain information contained herein
"Latest Time for Acceptance"	a time which is currently expected to be 4:00 p.m. on the Final Acceptance Date
"Latest Time for Termination"	4:00 p.m. on Wednesday, 3 May 2023, or such other time or date as may be agreed between the Company and the Underwriter in writing, being the latest time to terminate the Underwriting Agreement
"Listing Committee"	has the meaning ascribed thereto in the Listing Rules
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	the main board of the Stock Exchange
"Mr. Geng"	Mr. Geng Guohua, an executive Director and the chief executive officer of the Company
"Mr. Lang"	Mr. Lang Weiguo, an executive Director of the Company
"Mr. Li"	Mr. Li Yunde, the chairman of the Board, an executive Director and a Controlling Shareholder of the Company
"No Action Shareholders"	those Qualifying Shareholders who do not subscribe for the Rights Shares (whether partially or fully) under the PALs or their renounces, or such persons who hold any nil paid rights at the time such nil-paid rights are lapsed, or Non-Qualifying Shareholders (as the case may be)
"Non-Qualifying Shareholder(s)"	Overseas Shareholder(s) in respect of whom the Directors, based on legal advice provided by legal advisers in the relevant jurisdictions, consider it necessary or expedient to exclude from the Rights Issue, on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place

"Novi"	Novi Holdings Limited, a company incorporated in the BVI with limited liability, which in turn beneficially holds 650,000 Existing Shares, and is wholly and beneficially owned by Mr. Lang
"NQS Rights Shares"	the Rights Share(s) which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders in nil-paid form
"NQS Unsold Rights Shares"	the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders (if any) in nil-paid form that have not been sold by the Company
"Offset"	the offset of the part amount of subscription monies payable by Mr. Li and the Underwriter for the Rights Shares to which each of them is entitled to and/or is required to subscribe for (if any) under the Rights Issue and the Underwriting Agreement respectively, against the equivalent amount of the Shareholder's Loans thereon on a dollar-to-dollar basis on the completion date of the Rights Issue
"Offset Agreement"	the offset agreement dated 11 January 2023 (as amended by the Supplemental Offset Agreement) entered into between the Company, Mr. Li and the Underwriter in relation to the Offset
"Offset/Repayment"	the Offset or the Repayment
"Overseas Letter"	the letter from the Company to the Non-Qualifying Shareholders explaining the circumstances in which the Non-Qualifying Shareholders (if any) are not permitted to participate in the Rights Issue
"Overseas Shareholder(s)"	Shareholder(s) whose names appear on the register of members of the Company as at the close of business on the Record Date and whose address(es) as shown on such register is/are outside Hong Kong
"PAL(s)"	the provisional allotment letter(s) to be issued in connection with the Rights Issue

"Placee(s)"	(i) only to institutional, corporate or individual investors who and whose ultimate beneficial owner(s) shall be the Independent Third Parties; (ii) such that no placee shall become a substantial Shareholder immediately following the Placing; and (iii) such that the Placing will not have any implications under the Takeovers Code and no Shareholder will be under any obligation to make a general offer under the Takeovers Code as a result of the Placing, pursuant to the Placing Agreement
"Placing"	the placing of a maximum of 50,791,988 Unsubscribed Rights Shares on a best effort basis by the Placing Agent and/or its sub-placing agents(s) to the Placees on the terms and conditions of the Placing Agreement
"Placing Share(s)"	a maximum number of 50,791,988 Unsubscribed Rights Shares
"Placing Agent"	Red Sun Capital Limited, a corporation licensed by the SFC to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the placing agent appointed by the Company
"Placing Agreement"	the placing agreement dated 11 January 2023 (as amended by the Supplemental Placing Agreement) entered into between the Company and the Placing Agent in relation to the Placing
"Posting Date"	6 April 2023 or such other date as the Company determines for the despatch of the Prospectus Documents to the Qualifying Shareholders or the Prospectus with Overseas Letter for information only to the Non-Qualifying Shareholders (if any), as the case may be
"PRC"	the People's Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Prospectus"	the prospectus to be issued by the Company in relation to the Rights Issue
"Prospectus Documents"	the Prospectus and PAL

"Qualifying Shareholder(s)"	Shareholder(s), other than the Non-Qualifying Shareholder(s), whose name(s) appear on the register of members of the Company on the Record Date
"Record Date"	4 April 2023, or on such other date as the Company may determine, being the date of reference to which the Shareholders' entitlements to the Rights Issue are to be determine
"Registrar"	Tricor Investor Services Limited, the Company's branch share registrar and transfer office in Hong Kong, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
"Relevant Period"	the period commencing six months prior to the date of the Announcement (i.e. 11 July 2022) and ending on the Latest Practicable Date
"Repayment"	the settlement for any remaining balance of Shareholder's Loans after the Offset will be made by use of the proceeds from the Rights Issue
"Rights Issue"	the proposed issue of 87,588,332 Rights Shares at the Subscription Price on the basis of one (1) Rights Share for every three (3) Consolidated Shares held on the Record Date payable in full on acceptance
"Rights Share(s)"	up to 87,588,332 new Consolidated Share(s) to be allotted and issued in respect of the Rights Issue
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
"Share(s)"	ordinary share(s) of HK$0.002 each in the issued share capital of the Company
"Share Consolidation"	the proposed consolidation of every twenty (20) Existing Shares of par value of HK$0.002 each into one (1) Consolidated Share of par value of HK$0.04 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares or Consolidated Shares, as the case may be

"Shareholder's Loans"	the amount due from the Group to Mr. Li and Hongfa from time to time, which amounted to approximately HK$71.2 million as at the Latest Practicable Date
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Price"	the subscription price of HK$1.14 per Rights Share
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Supplemental Announcement"	the supplemental announcement of the Company dated 8 February 2023 in relation to (i) the change in use of proceeds from the Rights Issue; (ii) the Supplemental Placing Agreement; and (iii) the Supplemental Offset Agreement
"Supplemental Offset Agreement"	the supplemental agreement to the Offset Agreement entered into between the Company, Mr. Li and the Underwriter dated 8 February 2023
"Supplemental Placing Agreement"	the supplemental agreement to the Placing Agreement entered into between the Company and the Placing Agent dated 8 February 2023
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers published by the SFC
"Underwriter"	Hongfa
"Underwriting Agreement"	the underwriting agreement dated 11 January 2023 entered into between the Company and the Underwriter in relation to the Rights Issue
"Underwritten Share(s)"	up to 50,791,988 Rights Shares to be underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement
"Unsubscribed Rights Shares"	those Rights Shares that are not subscribed by the Qualifying Shareholders and the NQS Rights Shares that are not successfully sold by the Company as described in the paragraph headed "Procedures in respect of the Unsubscribed Rights Shares and the Compensatory Arrangements" in this circular

"Whitewash Waiver"	a waiver to be granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code to waive the obligation of the Underwriter to make a mandatory general offer to the Shareholders in respect of the Shares not already owned or agreed to be acquired by Mr. Li, the Underwriter, and parties acting in concert with any of them (including Mr. Geng and Mr. Lang) as a result of the subscription of the Underwritten Shares by the Underwriter pursuant to the Underwriting Agreement
"%"	per cent

For the purpose of this circular, unless otherwise indicated, amounts in RMB are translated into HK$ on the basis of RMB1.00 = HK$1.10. Such conversion rate is for illustration purposes only and should not be taken as a representation that RMB could actually be converted into HK$ at such rate or at all.

If there is any inconsistency in this circular between the Chinese and English versions, the English version shall prevail.

* *For identification purposes only*

The expected timetable for the Share Consolidation and Rights Issue set out below is indicative only and has been prepared on the assumption that the Rights Issue, the Placing, the Offset, the Underwriting Agreement and the Whitewash Waiver will be approved by the Independent Shareholders at the EGM. The expected timetable is subject to change, and any such change will be announced in a separate announcement by the Company as and when appropriate.

Event	**Time and date 2023**
Latest time for lodging transfer documents of the Existing Shares to qualify for attendance and voting at the EGM	4:30 p.m. on Wednesday, 15 March
Closure of register of members of the Company for determining the identity of the Shareholders entitled to attend and vote at the EGM (both dates inclusive)	Thursday, 16 March to Wednesday, 22 March
Latest time for lodging proxy forms for the EGM	11:00 a.m. on Monday, 20 March
Record date for attendance and voting at the EGM	Wednesday, 22 March
Date and time of the EGM to approve the Share Consolidation, the Rights Issue, the Placing, the Offset and the Whitewash Waiver	11:00 a.m. on Wednesday, 22 March
Announcement of the poll results of the EGM	Wednesday, 22 March
Register of members of the Company re-open	Thursday, 23 March
Effective date of the Share Consolidation	Friday, 24 March
Commencement of dealings in the Consolidated Shares	9:00 a.m. on Friday, 24 March
Original counter for trading in Existing Shares in the board lot size of 2,000 Existing Shares (in the form of existing share certificates) temporarily closes	9:00 a.m. on Friday, 24 March

Temporary counter for trading in the Consolidated Shares in the board lot size of 100 Consolidated Shares (in the form of existing share certificates) opens	9:00 a.m. on Friday, 24 March
First day of free exchange of existing share certificates for new share certificates for Consolidated Share	Friday, 24 March
Last day of dealings in Consolidated Shares on a cum-rights basis	Friday, 24 March
First day of dealings in Consolidated Shares on an ex-rights basis	Monday, 27 March
Latest time for lodging transfer of Consolidated Shares in order to qualify for the Rights Issue	4:30 p.m. on Tuesday, 28 March
Register of members of the Company closes for Rights Issue (both days inclusive)	Wednesday, 29 March to Tuesday, 4 April
Record date for determining entitlements to the Rights Issue	Tuesday, 4 April
Register of members of the Company re-opens	Thursday, 6 April
Despatch of Prospectus Documents (in the case of Non-Qualifying Shareholders, the Prospectus only)	Thursday, 6 April
First day of dealings in nil-paid Rights Shares	Wednesday, 12 April
Original counter for trading in the Consolidated Shares in the board lot size of 2,000 Consolidated Shares (in the form of new share certificates) reopens	9:00 a.m. on Wednesday, 12 April
Parallel trading in the Consolidated Shares (in the form of both existing share certificates and new share certificates) commences	9:00 a.m. on Wednesday, 12 April
Designated broker starts to stand in the market to provide matching services for odd lots of the Consolidated Shares	9:00 a.m. on Wednesday, 12 April

Latest time for splitting of the PAL	4:30 p.m. on Friday, 14 April
Last day of dealings in nil-paid Rights Shares	Wednesday, 19 April
Latest time for lodging transfer documents of nil-paid Rights Shares in order to qualify for the Compensatory Arrangements	4:30 p.m. on Monday, 24 April
Latest time for Acceptance of and payment for the Rights Shares	4:00 p.m. on Monday, 24 April
Announcement of the number of Unsubscribed Rights Shares and NQS Unsold Rights Shares subject to the Compensatory Arrangements	Wednesday, 26 April
Commencement of placing of Unsubscribed Rights Shares and NQS Unsold Rights Shares by the Placing Agent	Thursday, 27 April
Latest time of placing of Unsubscribed Rights Shares and NQS Unsold Rights Shares by the Placing Agent	4:00 p.m. on Tuesday, 2 May
Latest time for Termination	Wednesday, 3 May
Designated broker ceases to provide matching services for odd lots of the Consolidated Shares	4:00 p.m. on Wednesday, 3 May
Temporary counter for trading in the Consolidated Shares in the board lot size of 100 Consolidated Shares (in the form of existing share certificates) closes	4:10 p.m. on Wednesday, 3 May
Parallel trading in Consolidated Shares (represented by both existing share certificates and new share certificates) ends	4:10 p.m. on Wednesday, 3 May
Latest time for free exchange of existing share certificates for new share certificates	4:30 p.m. on Friday, 5 May

Announcement of results of the Rights Issue (including results of the placing of Unsubscribed Rights Shares and NQS Unsold Rights Shares and the amount of the Net Gain per Unsubscribed Rights Shares and NQS Unsold Rights Shares by the Placing Agent under the Compensatory Arrangements)	Tuesday, 9 May
Despatch of certificates for fully-paid Rights Shares and refund cheques, if any, in respect of wholly or partially unsuccessful applications	Wednesday, 10 May
Expected first day of dealings in fully-paid Rights Shares	9:00 a.m. on Thursday, 11 May
Payment of Net Gain to relevant No Action Shareholders (if any)	Thursday, 25 May

All time and date references contained in this circular shall refer to Hong Kong local time and dates.

EFFECT OF BAD WEATHER ON LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES

The latest time for acceptance of and payment for the Rights Shares will not take place if there is a tropical cyclone warning signal no. 8 or above, or a "black" rainstorm warning issued by the Hong Kong Observatory:

(1) in force in Hong Kong at any time before 12:00 noon and no longer in force after 12:00 noon on Monday, 24 April 2023, being the Latest Acceptance Date. Instead, the latest time for acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day; or

(2) in force in Hong Kong at any time between 12:00 noon and 4:00 p.m. on Monday, 24 April 2023, being the Latest Acceptance Date. Instead, the latest time for acceptance of and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Rights Shares does not take place on or before 4:00 p.m. on Monday, 24 April 2023, the dates mentioned in this section may be affected. An announcement will be made as soon as practicable by the Company in such event.

The Underwriter shall be entitled by a notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement if, prior to the Latest Time for Termination, in the reasonable opinion of the Underwriter:

1. the success of the Rights Issue is or will be or likely to be materially and adversely affected by:

   (i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or

   (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date thereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may materially and adversely affect the business or the financial or trading position or prospects of the Company as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue;

2. any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction of trading in securities and a change in currency conditions including without limitation a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States) occurs which in the opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue;

3. there is any material litigation or claim or proceedings being instigated or threatened against the Company or any of the members of the Group or any other change in the circumstances of the Company which in the opinion of the Underwriter will materially and adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or the destruction of any material asset of the Company;

4. any event of force majeure including, without limiting the generality thereof, any act of God, war, outbreak or escalation of hostilities (whether or not war is declared), declaration of a national or international emergency, riot, public disorder, civil commotion, economic sanctions, fire, flood, explosion, epidemic, terrorism, calamity, crisis, strike or lock-out (whether or not covered by insurance) which in the opinion of the Underwriter will materially and adversely affect the success of the Rights Issue and/or the prospects of the Company taken as a whole;

5. any other material adverse change in relation to the business or the financial or trading position or prospects of the Company as a whole whether or not ejusdem generis with any of the foregoing;

6. there shall have occurred, developed, existed or come into effect any material breach by the Company of any representations, warranties, undertakings or any provisions of the Underwriting Agreement;

7. there shall have occurred, developed, existed or come into effect any event, act or omission which gives or is likely to give rise to any material liability of the Company pursuant to the indemnities referred to in the Underwriting Agreement;

8. this circular or the Prospectus Documents when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which may in the reasonable opinion of the Underwriter is material to the Group as a whole and is likely to affect materially and adversely the success of the Rights Issue or might cause a prudent investor not to accept the Rights Shares provisionally allotted to it;

9. any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than five consecutive Business Days, excluding any suspension in connection with the clearance of the Announcement or the Prospectus Documents or other announcements and circulars of the Company in connection with the Rights Issue.

If prior to the Latest Time for Termination any such notice as is referred to above is given by the Underwriter, all obligations of the Underwriter under the Underwriting Agreement shall cease and determine.

If the Underwriter terminates the Underwriting Agreement, the Rights Issue will not proceed. Further announcement(s) will be made by the Company if the Underwriting Agreement is terminated by the Underwriter.

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: 2623)

Executive Directors:
Mr. Li Yunde *(Chairman)*
Mr. Geng Guohua *(Chief Executive Officer)*
Mr. Lang Weiguo

Independent Non-executive Directors:
Mr. Leung Nga Tat
Mr. Li Xiaoyang
Mr. Zhang Jingsheng

Registered office:
Windward 3
Regatta Office Park
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands

Principal place of business in Hong Kong:
Suite 3105, 31/F
Tower 6, The Gateway
Harbour City, 9 Canton Road
Tsim Sha Tsui, Kowloon
Hong Kong

17 February 2023

To the Shareholders

Dear Sirs or Madam,

(1) PROPOSED SHARE CONSOLIDATION;
(2) PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY THREE (3) CONSOLIDATED SHARES HELD ON RECORD DATE;
(3) CONNECTED TRANSACTION IN RELATION TO THE UNDERWRITING AGREEMENT AND OFFSET SHAREHOLDER'S LOANS;
(4) APPLICATION FOR WHITEWASH WAIVER; AND
(5) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

References are made to the Announcement and Supplemental Announcement in relation to, among other things, the Share Consolidation, the Rights Issue, the Offset, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver.

The purpose of this circular is to provide you with among other things, (i) further details of the Share Consolidation, the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Offset and the Whitewash Waiver; (ii) a letter of recommendations from the Independent Board Committee in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Offset and the Whitewash Waiver; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in regard to the aforesaid; (iv) other information required under the Listing Rules and the Takeovers Code; and (v) a notice convening the EGM.

PROPOSED SHARE CONSOLIDATION

The Board proposes to implement the Share Consolidation on the basis that every twenty (20) issued and unissued Existing Shares of HK$0.002 each in the share capital of the Company will be consolidated into one (1) Consolidated Share of HK$0.04 each. As at the Latest Practicable Date, there are 5,255,299,920 Existing Shares in issue which are fully paid or credited as fully paid. As none of the Shareholders or their Associates would have material interest in the Share Consolidation, no Shareholder would be required to abstain from voting in favour of the resolution relating to the Share Consolidation at the EGM.

Effects of the Share Consolidation

As at the Latest Practicable Date, the authorised share capital of the Company is HK$30,000,000 divided into 15,000,000,000 Existing Shares of par value of HK$0.002 each, of which 5,255,299,920 Existing Shares have been allotted and issued as fully paid or credited as fully paid.

Upon the Share Consolidation becoming effective and assuming that no further Existing Shares will be allotted and issued or repurchased prior thereto, the authorised share capital of the Company shall become HK$30,000,000 divided into 750,000,000 Consolidated Shares of par value of HK$0.04 each, of which 262,764,996 Consolidated Shares will be in issue and fully paid or credited as fully paid.

Upon the Share Consolidation becoming effective, the Consolidated Shares shall rank *pari passu* in all respects with each other. Other than the expenses incurred and to be incurred in relation to the Share Consolidation, the implementation of the Share Consolidation will not alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests or rights of the Shareholders, save for any fractional Consolidated Shares will not be allocated to the Shareholders who may otherwise be entitled.

Currently, the Existing Shares are traded on the Stock Exchange in the board lot size of 2,000 Existing Shares. Upon the Share Consolidation becoming effective, the board lot size for trading in the Consolidated Shares will remain as 2,000 Consolidated Shares.

Other than the expenses to be incurred in relation to the Share Consolidation, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Company or the interests or rights of the Shareholders, save for any fractional Consolidated Shares which may arise.

Conditions of the Share Consolidation

The Share Consolidation is conditional upon the following conditions:

(i) the passing of an ordinary resolution by the Shareholders by way of poll to approve the Share Consolidation at the EGM;

(ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares upon the Share Consolidation becoming effective; and

(iii) the compliance with all relevant procedures and requirements under the applicable laws of the Cayman Islands and the Listing Rules to effect the Share Consolidation.

As at the Latest Practicable Date, all the above conditions remain unfulfilled.

Subject to the fulfilment of the conditions of the Share Consolidation, the effective date of the Share Consolidation is expected to be on 24 March 2023, being the second Business Day after the fulfilment of the above conditions.

Application for listing of the Consolidated Shares

Application will be made to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Consolidated Shares in issue arising from the Share Consolidation and all necessary arrangements will be made for the Consolidated Shares to be admitted into CCASS.

Subject to the granting of listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange upon the Share Consolidation becoming effective, as well as compliance with the stock admission requirements of HKSCC, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made by the Company for the Consolidated Shares to be admitted into CCASS established and operated by HKSCC.

None of the Existing Shares are listed or dealt in any other stock exchange other than the Stock Exchange, and at the time the Share Consolidation becoming effective, the Consolidated Shares in issue will not be listed or dealt in on any stock exchange other than the Stock Exchange, and no such listing or permission to deal is being or is proposed to be sought.

Fractional entitlement to the Consolidated Shares

Fractional Consolidated Shares, if any, will be disregarded and will not be issued to the Shareholders but will be aggregated and, if possible, sold for the benefit of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Existing Shares regardless of the number of existing share certificates held by such holder.

Exchange of share certificates

Subject to the Share Consolidation having become effective, Shareholders may, during the specified period, submit share certificates for Existing Shares to Tricor Investor Services Limited, the Company's branch share registrar and transfer office in Hong Kong, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong, to exchange, at the expense of the Company, for new share certificates for the Consolidated Shares.

Thereafter, share certificates for Existing Shares will be accepted for exchange only on payment of a fee of HK$2.50 (or such higher amount as may be allowed by the Stock Exchange from time to time) for each share certificate for Existing Shares cancelled or each new share certificate issued for Consolidated Shares, whichever number of share certificates cancelled/issued is higher.

The existing share certificates will only be valid for delivery, trading and settlement purposes for the period up to 4:10 p.m. on 3 May 2023, and thereafter will not be accepted for delivery, trading and settlement purposes. However, the existing share certificates will continue to be good evidence of title to the Consolidated Shares on the basis of twenty (20) Existing Shares for one (1) Consolidated Share. The new share certificates for the Consolidated Shares will be issued in orange colour in order to distinguish them from the share certificates for the Existing Shares which are in green colour.

Other securities of the Company

As at the Latest Practicable Date, the Company had no other derivatives, options, warrants, other securities or conversion rights or other similar rights which are convertible or exchangeable into, any Existing Shares or Consolidated Shares, as the case may be.

Arrangement on odd lot trading

In order to facilitate the trading of odd lots of the Consolidated Shares arising from the Share Consolidation, the Company has appointed Cinda International Securities Limited to provide a matching service, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares. Holders of the Consolidated Shares in odd lots represented by valid share certificates for the Consolidated Shares who wish to take advantage of this facility either to dispose of their odd lots of the Consolidated Shares or to top up their odd lots to a full new board lot, may directly or through their brokers, contact Mr. Leung Siu Wa of Cinda International Securities Limited at (852) 2235 7801 during the period from 9:00 a.m. on Wednesday, 12 April 2023 to 4:00 p.m. on Wednesday, 3 May 2023 (both days inclusive).

Holders of odd lots of the Consolidated Shares should note that the matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed.

REASONS FOR THE SHARE CONSOLIDATION

Pursuant to Rule 13.64 of the Listing Rules, where the market price of the securities of the issuer approaches the extremities of HK$0.01 or HK$9,995, the Stock Exchange reserves the right to require the issuer either to change the trading method or to proceed with consolidation or splitting of its securities. Further, the "Guide on Trading Arrangements for Selected Types of Corporate Actions" issued by the Hong Kong Exchanges and Clearing Limited has further stated that (i) the market price of the Existing Shares at a level less than HK$0.10 each will be considered as trading at extremity as referred to under Rule 13.64 of the Listing Rules; and (ii) taking into account the minimum transaction costs for a securities trade, the expected value per board lot should be greater than HK$2,000. In view of the fact that the share price of the Company has been trading at a price approaching or below HK$0.1 for the past few months, and the closing price of the Existing Shares as at the Latest Practicable Date was HK$0.058 per Existing Share. The value of each existing board lot of 2,000 Existing Shares was HK$116.0, which was less than HK$2,000. Based on the above, the Board resolved to propose the Share Consolidation, resulting in HK$1.40 per Consolidated Share and HK$2,320 per board lot of 2,000 Consolidated Shares with the view to complying with the trading requirements under the Listing Rules.

The Directors consider that the Share Consolidation will bring about a corresponding upward adjustment in the trading price per Consolidated Share on the Stock Exchange. Furthermore, the Share Consolidation would reduce the overall transaction and handling costs of dealings in the Shares as a proportion of the market value of each board lot, since most of the banks/securities houses will charge a minimum transaction cost for each securities trade.

In addition, the Board considers that the Share Consolidation would maintain the trading amount for each board lot at a reasonable level which will increase the attractiveness of investing the Consolidated Shares from a broader range of institutional and professional investors and thus would help to further broaden the shareholder base of the Company and improve the value of the Consolidated Shares in the long run.

In view of the above reasons, the Company considers the Share Consolidation is justifiable notwithstanding the potential costs and impact arising from the creation of odd lots to Shareholders. Accordingly, the Board is of the view that the Share Consolidation is beneficial to and in the interests of the Company and the Shareholders as a whole.

PROPOSED RIGHTS ISSUE

Subject to the Share Consolidation having become effective, the Board proposes to implement the Rights Issue, on the basis of one (1) Rights Share for every three (3) Consolidated Shares held as at the Record Date at the Subscription Price of HK$1.14 per Rights Share, to raise gross proceeds of up to HK$99,850,698 before the Offset and expenses by issuing 87,588,332 Rights Shares (assuming no change in the issued share capital of the Company on or before the Record Date).

The estimated net proceeds from the Rights Issue before the Offset and after deducting all necessary expenses of approximately HK$2.4 million will be approximately HK$97.4 million by issuing 87,588,332 Rights Shares (assuming (i) full acceptance by the Qualifying Shareholders under the Rights Issue; and (ii) no change in the issued share capital of the Company on or before the Record Date).

The principal terms of the Rights Issue are set out below:

Rights Issue Statistics

Basis of the Rights Issue	:	One (1) Rights Share for every three (3) Consolidated Shares held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK$1.14 per Rights Share
Net price per Rights Share (i.e. Subscription Price less estimated cost and expenses incurred in the Rights Issue on a per Rights Share basis)	:	Approximately HK$1.11 per Rights Share
Gross proceeds from the Rights Issue (before the Offset and expenses)	:	Approximately HK$99,850,698 (assuming no change in the issued share capital of the Company on or before the Record Date, and all the Qualifying Shareholders taking up their respective allotment of Rights Shares in full)

Net proceeds from the Rights Issue (before the Offset and after deducting the estimated expenses of approximately HK$2.4 million)	:	Approximately HK$97.4 million (assuming no change in the issued share capital of the Company on or before the Record Date, and all the Qualifying Shareholders taking up their respective allotment of Rights Shares in full)
Number of Existing Shares in issue as at the Latest Practicable Date	:	5,255,299,920 Existing Shares
Number of Consolidated Shares in issue upon the Share Consolidation becoming effective	:	262,764,996 Consolidated Shares
Number of Rights Shares to be issued pursuant to the Rights Issue	:	87,588,332 Rights Shares
Number of Consolidated Shares in issue upon completion of the Rights Issue	:	350,353,328 Consolidated Shares (assuming no change in the number of Shares in issue on or before the Record Date)
Right of excess applications	:	As the Compensatory Arrangements are in place, there will be no excess application arrangements in relation to the Rights Issues as stipulated under Rule 7.21(2)(a) of the Listing Rules
Underwriter	:	Hongfa is wholly and beneficially owned by Mr. Li. Mr. Li is interested in 2,048,138,660 Existing Shares held through Hongfa, a company incorporated in the BVI with limited liability and Mr. Li holds 122,058,000 Existing Shares personally, which in aggregate amounted to 2,170,196,660 Existing Shares, representing approximately 41.30% of the total Existing Shares. It is not in the ordinary course of business of Hongfa to underwrite securities
Number of Rights Shares underwritten	:	50,791,988 Rights Shares

As at the Latest Practicable Date, the Company had no other derivatives, options, warrants, other securities or conversion rights or other similar rights which are convertible or exchangeable into, any Existing Shares or Consolidated Shares, as the case may be.

Assuming no changes in the share capital of the Company on or before the Record Date, the 87,588,332 Rights Shares proposed to be allotted and issued pursuant to the terms of the Rights Issue represent approximately (i) 33.3% of the total number of Consolidated Shares in issue upon the Share Consolidation becoming effective; and (ii) 25.0% of the total number of issued Consolidated Shares as enlarged by the issue of the Rights Shares immediately upon completion of the Rights Issue.

The Subscription Price

The Subscription Price of HK$1.14 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue, and, where applicable, when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

(i) a discount of approximately 1.7% to the adjusted closing price of approximately HK$1.16 per Consolidated Share based on the closing price of HK$0.0580 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Share Consolidation;

(ii) a discount of approximately 13.6% to the adjusted closing price of approximately HK$1.32 per Consolidated Share based on the closing price of HK$0.0660 per Existing Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Share Consolidation;

(iii) a discount of approximately 13.0% to the adjusted average closing prices of approximately HK$1.31 per Consolidated Share based on the average closing price of approximately HK$0.0654 per Existing Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Share Consolidation;

(iv) a discount of approximately 14.3% to the adjusted average closing prices of approximately HK$1.33 per Consolidated Share based on the average closing price of approximately HK$0.0664 per Existing Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Share Consolidation;

(v) a discount of approximately 10.9% to the theoretical ex-entitlement price of approximately HK$1.28 per Consolidated Share based on the closing price of approximately HK$0.0660 per Existing Share as quoted on the Stock Exchange on the Last Trading Day and the number of Consolidated Shares as enlarged by the Rights Shares and adjusted for the effect of the Share Consolidation;

(vi) theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 3.4%, represented by the theoretical diluted price of approximately HK$1.28 per Consolidated Share to the benchmarked price of approximately HK$1.32 per Consolidated Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of (i) the closing price of the Existing Shares as quoted on the Stock Exchange on the Last Trading Day and (ii) the average of the closing prices of the Existing Shares as quoted on the Stock Exchange for the five (5) previous consecutive trading days prior to the date of Announcement and adjusted for the effect of the Share Consolidation);

(vii) a discount of approximately 5.2% to the adjusted audited consolidated net asset value per Consolidated Share attributable to the Shareholders as at 31 December 2021 of approximately HK$1.20 per Consolidated Share, which is calculated by dividing the audited consolidated net assets of the Group attributable to the Shareholders of approximately RMB287,210,000 (or approximately HK$315,931,000) as at 31 December 2021 as set out in the annual report of the Company for the year ended 31 December 2021 by the number of Shares as at the date of Announcement after adjusted for the effect of the Share Consolidation; and

(viii) a discount of approximately 10.5% to the adjusted unaudited consolidated net asset value per Consolidated Share attributable to the Shareholders as at 30 June 2022 of approximately HK$1.27 per Consolidated Share, which is calculated by dividing the unaudited consolidated net assets of the Group attributable to the Shareholders of approximately RMB304,305,000 (or approximately HK$334,735,500) as at 30 June 2022 as set out in the interim report of the Company for the six months ended 30 June 2022 by the number of Existing Shares as at the date of Announcement after adjusted for the effect of the Share Consolidation.

The net Subscription Price per Rights Share (after deducting the relevant expenses) will be approximately HK$1.11 per Rights Share.

The Subscription Price and the subscription ratio of the Rights Issue were determined with reference to and having considered (i) the prevailing volatile market conditions of the Hong Kong stock market; (ii) the fluctuated downward trend of the prevailing market prices of the Existing Shares since the beginning of 2022 which decreased from HK$0.129 (being the closing price of the Existing Share as quoted on the Stock Exchange on 3 January 2022) to HK$0.050 (being the closing price of the Existing Share as quoted on the Stock Exchange on 12 October 2022), representing a decrease of approximately 61.2% and remained at a relatively low price level with the range from HK$0.050 (being the closing price on 12 October 2022) to HK$0.072 (being the closing price of the Share as quoted on the Stock Exchange on 29 December 2022) and to HK$0.066 as at the Last Trading Day; (iii) the current financial position of the Group; (iv) the relatively large fund-raising size when compared with the market capitalisation of the Company as at the Last Trading Day, it would be reasonable to set the Subscription Price at a discount for attracting the Qualifying Shareholders to participate in the Rights Issue; and (v) the reasons for the Rights Issue and the use of proceeds as set out in the section headed "Reasons for and Benefits of the Rights Issue, the Offset, the Underwriting Agreement and Intended Use of Proceeds" in this circular.

After taking into account the terms of the Rights Issue and the reasons for the Rights Issue as disclosed in the section headed "Reasons for and Benefits of the Rights Issue, the Offset, the Underwriting Agreement and Intended Use of Proceeds" in this circular, the Directors (other than the members of the Independent Board Committee whose opinion will be set forth in this circular after considering the advice from the Independent Financial Adviser) consider that the terms of the Rights Issue, including the Subscription Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Status of the Rights Shares

The Rights Shares (when allotted, fully paid or credited as fully paid and issued) will rank *pari passu* in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the fully paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment and issue of the fully paid Rights Shares.

Qualifying Shareholders

The Rights Issue is available to the Qualifying Shareholders only. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company as at the close of business on the Record Date and not be a Non-Qualifying Shareholder.

Shareholders with their Shares held by a nominee (or held in CCASS) should note that the Board will consider the said nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company and are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names prior to the Record Date.

In order to be registered as members of the Company prior to the close of business on the Record Date, all transfers of the Shares (together with the relevant share certificate(s) and/or the instrument(s) of transfer) must be lodged with the Registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. (Hong Kong time) on Tuesday, 28 March 2023.

The Company will dispatch the Prospectus Documents to the Qualifying Shareholders on or before the Posting Date. Subject to the advice of the Company's legal advisers in the relevant jurisdiction(s) and to the extent reasonably practicable, the Company will send copies of the Prospectus to the Non-Qualifying Shareholders for their information only, but will not send any PAL to them. A copy of the Prospectus will also be made available on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.addnewenergy.com.hk).

Qualifying Shareholders who take up their pro rata entitlement in full will not suffer any dilution to their interests in the Company (except in relation to any dilution resulting from the taking up by third parties of any Rights Shares arising from the aggregation of fractional entitlements).

If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.

Closure of Register of Members

The register of members of the Company will be closed from Thursday, 16 March 2023 to Wednesday, 22 March 2023 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM.

The register of members of the Company will be closed from Wednesday, 29 March 2023 to Tuesday, 4 April 2023 (both days inclusive) for determining the entitlements to the Rights Issue.

No transfer of the Shares will be registered during the above book closure periods.

Basis of provisional allotments

The basis of the provisional allotments shall be one (1) Rights Share (in nil paid form) for every three (3) Consolidated Shares held by the Qualifying Shareholders as at the close of business on the Record Date at the Subscription Price payable in full on acceptance and otherwise on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by lodging a duly completed PAL and a cheque or a banker's cashier order for the sum payable for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

Rights of the Overseas Shareholders (if any)

The Prospectus Documents to be issued in connection with the Rights Issue will not be registered or filed under the securities law of any jurisdiction other than Hong Kong. Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

According to the register of members of the Company currently available to the Company, there were three overseas Shareholders holding a total of approximately 2,066.8 million Existing Shares with registered addresses located overseas including but not limited to BVI as at the Latest Practicable Date.

The Company will comply with Rule 13.36 of the Listing Rules and make necessary enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders (if any) under the laws of the relevant overseas jurisdictions and the requirements of the relevant regulatory bodies or stock exchanges. If, based on legal advice to be provided by the legal advisers to the Company, the Board is of the opinion that it would be necessary or expedient not to offer the Rights Shares to any Overseas Shareholders on account either of the legal restrictions under the laws of the place(s) of their registered address(es) or the requirements of the relevant regulatory body(ies) or stock exchange(s) in such place(s), such Overseas Shareholder will become a Non-Qualifying Shareholder and therefore will not be entitled to participate in the Rights Issue.

The basis for excluding the Non-Qualifying Shareholders, if any, from the Rights Issue will be set out in the Prospectus to be issued. The Company will send the Prospectus and a letter explaining the circumstances in which the Non-Qualifying Shareholders are not permitted to participate in the Rights Issue to the Non-Qualifying Shareholders for their information only but will not send the PAL to them.

The Company reserves the right to treat as invalid any acceptance of or applications for Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares.

Arrangements for the Non-Qualifying Shareholders Rights Shares

The Prospectus Documents are not intended to be registered or filed under the applicable securities legislation or equivalent legislation of any jurisdictions other than Hong Kong.

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders, to be sold in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. If the proceeds from each such sale, less expenses, are more than HK$100, the excess will be paid on pro-rata basis to the relevant Non-Qualifying Shareholders. The Company will retain individual amounts of HK$100 or less for its own benefit to cover the administrative costs that it would have incurred. Any unsold entitlements of Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders will be offered for subscription by the Placing Agent to the Placees under the Placing and, if not successfully placed out, will be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement.

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares and the nil-paid Rights Shares.

Share certificates of the Rights Shares and refund cheques for the Rights Issue

Subject to fulfilment of the conditions of the Rights Issue, share certificate for the fully-paid Rights Shares are expected to be sent on or before Wednesday, 10 May 2023 to those entitled thereto by ordinary post, at their own risk, to their registered addresses. Each allottee will receive one share certificate for all allotted Rights Shares.

If the Underwriting Agreement is terminated or not becoming unconditional, or if the Rights Issue is otherwise terminated, refund cheques will be despatched on or before Wednesday, 10 May 2023 by ordinary post, at the respective Shareholders' own risk, to their registered addresses.

Fractional entitlement to the Rights Shares

On the basis of the provisional allotment of one (1) Rights Share for every three (3) Consolidated Shares held by the Qualifying Shareholders on the Record Date, no fractional entitlements to the Rights Shares will arise under the Rights Issue and no entitlements of the Non-Qualifying Shareholders to the Rights Shares shall be issued to the Non-Qualifying Shareholders. All fractions of the Rights Shares shall be rounded down to the nearest whole number of Rights Shares and aggregated and, if a premium (net of expenses) can be achieved, sold in the market by the Company for its own benefit.

Odd lots matching arrangement

In order to facilitate the trading of odd lots of the Rights Shares arising from the Rights Issue, a designated broker, Cinda International Securities Limited, has been appointed by the Company to match the purchase and sale of odd lots of the Consolidated Shares at the relevant market price per Share. Holders of the Consolidated Shares in odd lots represented by valid share certificates for the Shares who wish to take advantage of this facility either to dispose of their odd lots of the Shares or to top up their odd lots to a full board lot, may directly or through their brokers, contact Mr. Leung Siu Wa of Cinda International Securities Limited at (852) 2235 7801 during the period from 9:00 a.m. on Wednesday, 12 April 2023 to 4:00 p.m. on Wednesday, 3 May 2023 (both days inclusive). Holders of odd lots of Consolidated Shares should note that successful matching of the sale and purchase of odd lots of Consolidated Shares is on a best effort basis and not guaranteed. Any Shareholder who is in any doubt about the odd lot arrangement is recommended to consult his/her/its own professional advisers.

The Irrevocable Undertakings

As at the Latest Practicable Date, (i) Mr. Li is interested in 2,048,138,660 Existing Shares held through Hongfa, a company incorporated in the BVI with limited liability and wholly and beneficially owned by Mr. Li, and Mr. Li holds 122,058,000 Existing Shares personally, which in aggregate amounted to 2,170,196,660 Existing Shares, representing approximately 41.3% of the total issued Existing Shares; (ii) Mr. Geng is interested in 18,884,000 Existing Shares, representing approximately 0.4% of the total issued Existing Shares; and (iii) Mr. Lang is interested in 650,000 Existing Shares and 18,050,000 Existing Shares held through Novi and All Five Capital, respectively both of which were incorporated in the BVI with limited liability and wholly and beneficially owned by Mr. Lang, which in aggregate amounted to 18,700,000 Existing Shares, representing approximately 0.4% of the total issued Existing Shares.

Pursuant to the Irrevocable Undertakings, each of Mr. Li, Hongfa, Mr. Geng and Mr. Lang has irrevocably and unconditionally undertaken to the Company, among other things:

(a) Mr. Li will subscribe for 2,034,300 Rights Shares, and will procure Hongfa to subscribe for 34,135,644 Rights Shares which comprise the full acceptance of their provisional entitlement in respect of the 108,509,833 Consolidated Shares beneficially held by Mr. Li and Hongfa under the Rights Issue;

(b) Mr. Geng will subscribe for 314,733 Rights Shares which comprise the full acceptance of the provisional entitlement in respect of the 944,200 Consolidated Shares beneficially held by Mr. Geng under the Rights Issue;

(c) Mr. Lang will procure Novi and All Five Capital to subscribe for 311,667 Rights Shares in aggregate, and which comprise the full acceptance of their provisional entitlement in respect of the 935,000 Consolidated Shares beneficially held by Mr. Lang under the Rights Issue; and

(d) Mr. Li, Hongfa, Mr. Geng and Mr. Lang will not, and will procure companies controlled by them (including Novi and All Five Capital) not to, dispose of any of the Consolidated Shares comprising the current shareholding in the Company owned by each of them, and such Consolidated Shares will remain beneficially owned by each of them from the date of the Irrevocable Undertakings up to and including the date of completion of the Rights Issue.

Save for the Irrevocable Undertakings, as at the Latest Practicable Date, the Board has not received from any other Shareholders any information of their intention to take up the Rights Shares to be provisionally allotted to them, or any other undertaking to take up their entitlements under the Rights Issue.

Application for listing

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) to be issued and allotted pursuant to the Rights Issue, upon the Rights issue becoming effective.

Subject to the granting of the listing of, and the permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms) on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares (in both their nil-paid and fully-paid forms) will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms with their board lot size being the same (i.e. 2,000) as their underlying Shares on the Stock Exchange, or such other dates as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Dealings in the Rights Shares in both nil-paid and fully-paid forms will be subject to the payment of stamp duty, the Stock Exchange trading fee, SFC transaction levy or any other applicable fees and charges in Hong Kong.

Taxation

Shareholders are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the fully-paid Rights Shares and, regarding Non-Qualifying Shareholders, their receipt of the net proceeds, if any, from sales of the nil-paid Rights Shares on their behalf.

Procedures in respect of the Unsubscribed Rights Shares and the Compensatory Arrangements

Pursuant to Rule 7.21(2) of the Listing Rules, as the Underwriter is a substantial Shareholder of the Company, the Company must make arrangements to dispose of the Unsubscribed Rights Shares, comprising the Rights Shares that are not subscribed by the Qualifying Shareholders and the NQS Rights Shares, by offering the Unsubscribed Rights Shares to independent placees who are not Shareholders by way of a placing for the benefit of the relevant No Action Shareholders. As the Compensatory Arrangements are in place, there will be no excess application arrangements in relation to the Rights Issues as stipulated under Rule 7.21(2)(a) of the Listing Rules.

The Company appointed the Placing Agent to place the Unsubscribed Rights Shares after the Latest Time for Acceptance to independent Placees on a best effort basis, and any premium over the aggregate amount of (i) the Subscription Price for those Rights Shares; and (ii) the expenses of the Placing Agent (including any other related costs and expenses), that is realised from the Placing (the "**Net Gain**") will be paid to those No Action Shareholders in the manner set out below. The Placing Agent will, on a best effort basis, procure, by not later than 4:00 p.m. on Tuesday, 2 May 2023, acquirers who are not Shareholders for all (or as many as possible) of those Unsubscribed Rights Shares at a price not less than the Subscription Price. Any unsold Unsubscribed Rights Shares under the Compensatory Arrangements will be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement.

Net Gain (if any but rounded down to the nearest cent) will be paid on a pro-rata basis to the No Action Shareholders as set out below:

(i) where the nil-paid rights are, at the time they lapse, represented by a PAL, to the person whose name and address appeared on the PAL; and

(ii) where the nil-paid rights are, at the time they lapse, registered in the name of HKSCC Nominees Limited, to the beneficial holders (via their respective CCASS participants) as the holder of those nil-paid rights in CCASS.

It is proposed that if the Net Gain to any of the No Action Shareholder(s) mentioned above (i) is more than HK$100, the entire amount will be paid to them; or (ii) is HK$100 or less, such amount will be retained by the Company for its own benefit.

THE PLACING AGREEMENT

On 11 January 2023 (after trading hours of the Stock Exchange), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has agreed to procure Placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares. Details of the Placing Agreement are summarised as follows:

Date	:	11 January 2023 (after trading hours of the Stock Exchange)
Placing agent	:	The Placing Agent was appointed to place, or procure the placing of, a maximum of 50,791,988 (assuming no change in the issue share capital of the Company on or before the Record Date) Unsubscribed Rights Shares, on a best effort basis, to the Placee(s)

Placing commission payable to the Placing Agent	:	1.0% of the gross proceeds, whichever is higher, from the successful placement of Unsubscribed Rights Shares
Placing price of the Unsubscribed Rights Shares	:	the placing price of the Unsubscribed Rights Shares shall be not less than the Subscription Price The final price will be determined based on the demand for and market conditions of the Unsubscribed Rights Shares at the time of placement
Placees	:	According to the Placing Agreement (as amended by the Supplemental Placing Agreement), the Placing Agent shall ensure that the Placing Shares are placed (i) only to institutional, corporate or individual investors who and whose ultimate beneficial owner(s) shall be the Independent Third Parties; and (ii) such that the Placing will not have any implications under the Takeovers Code and no Shareholder will be under any obligation to make a general offer under the Takeovers Code as a result of the Placing The Placing Agent will ensure it will, and will procure the sub-placing agent(s) to, place the Unsubscribed Rights Shares to the placee(s) to the extent that upon completion of the Placing, at least 25% of the total issued Shares of the Company will be held by the public (within the meaning under the Listing Rules) such that the public float requirement under Rule 8.08 of the Listing Rules will be complied with by the Company
Ranking of Unsubscribed Rights Shares	:	The Unsubscribed Rights Shares (when placed, allotted, issued and fully paid) shall rank *pari passu* in all respects among themselves and with the Consolidated Shares then in issue

Placing condition	:	The Placing is conditional upon the fulfillment of the following conditions on or before the Latest Time for Termination (or such later date as may be agreed in writing between the Placing Agent and the Company): (i) the Listing Committee granting the approval for the listing of, and the permission to deal in, the Rights Shares; (ii) all necessary consents and approvals to be obtained on the part of each of the Placing Agent and the Company in respect of the Placing Agreement and the transactions contemplated thereunder having been obtained; and (iii) the obligations of the Placing Agent under the Placing Agreement not being terminated in accordance with the terms of the Placing Agreement
Placing Period	:	The period from Thursday, 27 April 2023 up to 4:00 p.m. on Tuesday, 2 May 2023, or such other dates as the Company may announce, being the period during which the Placing Agent will seek to effect the Compensatory Arrangements

Termination of the Placing Agreement

The Placing Agent may terminate the Placing Agreement by a notice in writing given to the Company at any time prior to the Latest Time for Termination upon the occurrence of the following events:

(i) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events, developments or changes occurring or continuing before, on and/or after the date of the Placing Agreement) and including an event or change in relation to or a development of an existing state of affairs of a political, military, industrial, financial, economic, fiscal, regulatory or other nature, resulting in a change in, or which may result in a change in, political, economic, fiscal, financial, regulatory or stock market conditions and which in the Placing Agent's reasonable opinion would materially and adversely affect the success of the Placing; or

(ii) the imposition of any moratorium, suspension (for more than ten (10) trading days) or restriction on trading in the securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise and which in the Placing Agent's reasonable opinion, would materially and adversely affect the success of the Placing, excluding any suspension in connection with the clearance of the Announcement or the Prospectus Documents or other announcements and circulars of the Company in connection with the Rights Issue; or

(iii) any new law or regulation or change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdiction relevant to the Group and if in the Placing Agent's reasonable opinion any such new law or change may materially and adversely affect the business or financial prospects of the Group and/or the success of the Placing; or

(iv) any litigation or claim being instigated against any member of the Group, which has or may have a material adverse effect on the business or financial position of the Group and which in the Placing Agent's reasonable opinion would materially and adversely affect the success of the Placing; or

(v) any material adverse change in the business or in the financial or trading position or prospects of the Group as a whole; or

(vi) any breach of any of the representations and warranties set out in the Placing Agreement comes to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date of the Placing Agreement and prior to the date of despatch of share certificates for fully-paid Rights Shares and refund cheques (if any), which if had occurred or arisen before the date of the Placing Agreement would have rendered any of such representations and warranties untrue or incorrect or there has been a breach by the Company of any other provision of the Placing Agreement; or

(vii) there is any material adverse change (whether or not forming part of a series of changes) in market conditions which in the reasonable opinion of the Placing Agent would materially and prejudicially affect the Placing or makes it inadvisable or inexpedient for the Placing to proceed.

If: (i) prior to the Latest Time for Termination any such notice is given by the Placing Agent to the Company; and/or (ii) all the Rights Shares have been taken up by the Qualifying Shareholders and/or the holders of the nil-paid rights on or before the Latest Time for Acceptance, the Placing Agreement shall terminate and be of no further effect and neither party shall be under any liability to the other party in respect of the Placing Agreement save for any antecedent breach under the Placing Agreement prior to such termination.

Mr. Li and the Underwriter confirm that they and parties acting in concert with any of them (including Mr. Geng and Mr. Lang) will not be involved in the solicitation, screening and selecting of placees in relation to the Unsubscribed Rights Shares.

The Placing Agent confirms that it is an Independent Third Party, each of it and its ultimate beneficial owner(s) is independent of and not connected or acting in concert with Mr. Li, the Underwriter and any parties acting in concert with any of them (including Mr. Geng and Mr. Lang) and that there is no other arrangement, agreement, understanding or undertaking with the Underwriter in relation to the Shares.

The terms of the Placing Agreement (including the Placing commission of 1% of the gross proceeds from the successful placement of Unsubscribed Rights Shares) were determined after arm's length negotiation between the Placing Agent and the Company with reference to the size of the Rights Issue and the prevailing market rate of commission and are on normal commercial terms. The Directors (other than the members of the Independent Board Committee whose opinion has been set forth in the Circular after considering the advice from the Independent Financial Adviser) consider that the terms of the Placing Agreement are fair and reasonable.

Given that the Compensatory Arrangements would provide a compensatory mechanism for the No Action Shareholders and protect the interest of the Independent Shareholders, the Directors consider that the Compensatory Arrangements are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Conditions of the Rights Issue

The Rights Issue is conditional upon the Underwriting Agreement having become unconditional and not being terminated in accordance with the terms thereof.

THE UNDERWRITING AGREEMENT

The Rights Shares will be partially underwritten by Hongfa as the Underwriter in accordance with the terms of the Underwriting Agreement. The principal terms and conditions of the Underwriting Agreement are set out below:

Date	:	11 January 2023 (after trading hours of the Stock Exchange)
Parties	:	(1) The Company; and (2) Hongfa as the Underwriter
Underwriter	:	Hongfa is wholly and beneficially owned by Mr. Li. Mr. Li is interested in 2,048,138,660 Existing Shares held through Hongfa, a company incorporated in the BVI with limited liability and Mr. Li holds 122,058,000 Existing Shares personally, which in aggregate amounted to 2,170,196,660 Existing Shares, representing approximately 41.30% of the total Existing Shares. It is not in the ordinary course of business of Hongfa to underwrite securities. The Underwriter confirmed that it has complied with Rule 7.19(1)(b) of the Listing Rules

Number of Rights Shares to be underwritten by the Underwriter	:	Up to 50,791,988 Rights Shares, being all the Underwritten Rights Shares excluding the 36,796,344 Shares under the Irrevocable Undertakings
Underwriting commission	:	The Underwriter will not receive any underwriting commission

Subject to the terms and conditions set out in the Underwriting Agreement, if and to the extent that at the Latest Placing Time, there shall be any Unsubscribed Rights Shares which have not been successfully placed out by the Placing Agent under the Compensatory Arrangements, then the Underwriter shall subscribe or procure subscription for a maximum of 50,791,988 Rights Shares pursuant to the allocations under the terms set out in the Underwriting Agreement and on the terms as set out in the Prospectus Documents. The maximum underwriting commitment of the Underwriter shall be 50,791,988 Rights Shares.

The terms of the Underwriting Agreement were determined after arm's length negotiations between the parties with reference to the financial position of the Group, the size of the Rights Issue, the current and expected market conditions, taking into consideration the prevailing market rates of underwriting commission in rights issue exercises undertaken by Hong Kong listed issuers in the past six months, trading liquidity and risks associated with the underwriting, the intention of the Underwriter to facilitate the Company's fund raising efforts for its business development and working capital requirements, and the relationship between the Underwriter and Mr. Li. The Directors (other than the members of the Independent Board Committee whose opinion has been set forth in this circular after considering the advice from the Independent Financial Adviser) are of the view that the terms of the Underwriting Agreement are fair and reasonable, and the transactions contemplated under the Underwriting Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Conditions of the Underwriting Agreement

The Underwriting Agreement is conditional upon the fulfilment (or waiver, if applicable, by the Underwriter) of the following conditions:

(i) the passing by the Independent Shareholders at the EGM of (1) ordinary resolutions to approve the Rights Issue, the Placing, the Underwriting Agreement, the Offset Agreement and the transactions contemplated thereunder (more than 50% of the Independent Shareholders at the EGM by way of poll); and (2) a special resolution to approve the Whitewash Waiver (at least 75% of the Independent Shareholders at the EGM by way of poll) in accordance with the Listing Rules and the Takeovers Code by no later than the Prospectus Posting Date;

(ii) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in all the Rights Shares by no later than the first day of their dealings;

(iii) compliance with and performance of all the undertakings and obligations of the Company in all material respects under the Underwriting Agreement and all representations and warranties thereunder remain to be true and accurate in all material respects;

(iv) compliance by the Company with all its obligations under the Underwriting Agreement in respect of its delivery of documents to the Underwriter under clauses 4.1, 4.2, 8.1 and 8.2 of the Underwriting Agreement;

(v) the delivery to the Stock Exchange, filing and registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorized in writing) as having been approved by resolution of the Directors in compliance with section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) (and all other documents required to be attached thereto) not later than the Prospectus Posting Date and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong);

(vi) the posting of the Prospectus Documents to the Qualifying Shareholders by the Prospectus Posting Date and the posting of the Prospectus and a letter in the agreed form to the Non-Qualifying Shareholders, if any, for information purposes only explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Prospectus Posting Date;

(vii) the Executive granting the Whitewash Waiver to the Underwriter and the satisfaction of all conditions (if any) attached to the Whitewash Waiver granted;

(viii) the obligations of the Underwriter becoming unconditional and that the Underwriting Agreement is not terminated in accordance with its terms;

(ix) there being no specified event (an event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the warranties contained in clause 11.1 of the Underwriting Agreement untrue or incorrect in any material respect) occurring on or before the Latest Time for Termination;

(x) the Placing Agreement not being terminated pursuant to the terms thereof and remain in full force and effect; and

(xi) the Irrevocable Undertakings with, inter alia, each of Mr. Li, the Underwriter, Mr. Geng and Mr. Lang has irrevocably and unconditionally undertaken to the Company, among other things:

(1) Mr. Li will subscribe for 2,034,300 Rights Shares, and will procure the Underwriter to subscribe for 34,135,644 Rights Shares which comprise the full acceptance of their provisional entitlement in respect of the 108,509,833 Consolidated Shares beneficially held by Mr. Li and the Underwriter under the Rights Issue;

(2) Mr. Geng will subscribe for 314,733 Rights Shares which comprise the full acceptance of the provisional entitlement in respect of the 944,200 Consolidated Shares beneficially held by Mr. Geng under the Rights Issue;

(3) Mr. Lang will procure Novi and All Five Capital to subscribe for 311,667 Rights Shares in aggregate and which comprise the full acceptance of their provisional entitlement in respect of the 935,000 Consolidated Shares beneficially held by Mr. Lang under the Rights Issue;

(4) Mr. Li, the Underwriter, Mr. Geng and Mr. Lang will not, and will procure companies controlled by them (including the Underwriter, Novi and All Five Capital) not to, dispose of any of Consolidated Shares comprising the current shareholding in the Company owned by each of them, and such Consolidated Shares will remain beneficially owned by each of them from the date of the Irrevocable Undertakings up to and including the date of completion of the Rights Issue; and

(5) The total number of Rights Shares that have been undertaken by Mr. Li, Mr. Geng and Mr. Lang is 36,796,344 Right Shares which comprise the full acceptance of their provisional entitlement in respect of the total of 110,389,033 Consolidated Shares beneficially held by them under the Rights Issue.

Save for condition (iii) which can be waived by the Underwriter, none of the above conditions can be waived. If any of the conditions are not satisfied in whole or in part by the Underwriter by the Latest Time for Termination or such later date or dates as the Underwriter may agree with the Company in writing, the Underwriting Agreement shall terminate and the Rights Issue would not proceed, and any costs incurred by the Underwriter in connection with the Rights Issues and the transactions contemplated thereunder shall be borne by the Company absolutely.

INFORMATION ON THE PARTIES

Information on the Group

The Company is an exempted company incorporated under the laws of the Cayman Islands with limited liability whose shares are listed on the Stock Exchange. The principal activities of the Group are iron ore and ilmenite ore exploration, mining and processing as well as trading of iron concentrates and other minerals in the Shandong Province, the PRC.

Information on the Underwriter

Hongfa is a Controlling Shareholder of the Company. The principal activity of Hongfa is investment holding. Mr. Li and Mr. Geng are the directors of Hongfa as at the Latest Practicable Date. As at the Latest Practicable Date, Mr. Li, the chairman of the Board, an executive Director and a Controlling Shareholder of the Company, is interested in 2,048,138,660 Existing Shares held through Hongfa, a company incorporated in the BVI with limited liability and wholly and beneficially owned by Mr. Li, and he holds 122,058,000 Existing Shares personally, which in aggregate represents approximately 41.30% of the total issued Existing Shares.

Information on the Placing Agent

Red Sun Capital Limited, being the placing agent appointed by the Company pursuant to the Placing Agreement, is a corporation licensed by the SFC to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO.

CONNECTED TRANSACTIONS IN RELATION TO THE UNDERWRITING AGREEMENT AND THE OFFSET/REPAYMENT IN RELATION TO THE OFFSET/REPAYMENT

As at the Latest Practicable Date, the principal amount of the Shareholder's Loans owed by the Company to Mr. Li and Hongfa was in the principal of approximately HK$71.2 million in aggregate.

The Company decides to use part of the proceeds from the Rights Issue to offset the Shareholder's Loans in light of (i) the Offset in the Rights Issue was one of the key factors affecting the willingness of Hongfa to act as the Underwriter for the Rights Issue; and (ii) prevent material cash outflow in settlement for the Shareholder's Loans.

Pursuant to the Offset/Repayment under the Offset Agreement, the Company, Mr. Li and the Underwriter agreed that the total amount of subscription monies payable by Mr. Li and the Underwriter for the Rights Shares to which each of them is entitled to and/or is required to subscribe for (if any) under the Rights Issue and the Underwriting Agreement, respectively, would be partially settled by cash and partially offset on a dollar-to-dollar basis against the equivalent amount of the Shareholder's Loans thereon on the completion date of the Rights Issue. The exact amount of the Shareholder's Loans to be offset depends on the number of Rights Shares to be taken up by the Qualifying Shareholders and the total number of Unsubscribed Rights Shares to be successfully placed by the Placing Agent to the independent Placees pursuant to the Compensatory Arrangements. If there remains any balance of the Shareholder's Loans after the Offset, the Company shall continue to assume its repayment obligations and settle the balance of the Shareholder's Loans by use of the proceeds from Rights Issue. In circumstances that if there remains any outstanding subscription monies payable after the Offset, Mr. Li and the Underwriter shall settle the payments in accordance with the terms of the Rights Issue and the Underwriting Agreement.

Since Mr. Li is a Controlling Shareholder of the Company, the Offset and the Underwriting Agreement constitute connected transactions on the part of the Company under Chapter 14A of the Listing Rules and requires the approval of the Independent Shareholders.

Completion of the Offset/Repayment, which is subject to the same conditions as the Rights Issue, shall take place simultaneously with the issue of the Rights Shares by the Company pursuant to the terms of the Rights Issue.

FUND RAISING EXERCISE OF THE COMPANY IN THE PAST 12 MONTHS

During the 12 months immediately preceding the Latest Practicable Date, the Company has not conducted any equity fund raising activities.

REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE, THE OFFSET, THE UNDERWRITING AGREEMENT AND INTENDED USE OF PROCEEDS

During the year ended 31 December 2021, the audited loss for the year of the Group of approximately RMB30.1 million and the financial performance of the Group was adversely affected by (i) 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 (ii) gross profit decreased by approximately RMB44.8 million as compared to that of the same period of 2020, resulted from significant drop in the market price of iron ores in the second half of 2021.

In order to maintain sufficient cash level for the Group's operating requirements, the Group had obtained certain borrowings from banks and Hong Kong Bonds and the total borrowings of the Group was approximately RMB180.6 million (the "**Borrowings**") as at 31 December 2021.

It is not optimistic in the market under the background of the unprecedented changes in 2022. Taking into the consideration of the impact of economic trade activities have been volatile and reshaped to a large degree in 2022, attributable to the PRC government policies in relation to the containment of the COVID outbreak, these uncertainties in the market have an effect on trade activities and trade patterns in 2023. In adapting to the market changes, the Group continued to improve the protective mining, production, sales and service of iron and titanium mines as its traditional principal businesses, and strengthened the construction of new mine production lines in order to maintain its regional competitive edge. In particular, the Group made further efforts to expand the titanium industrial chain; strengthened the expansion of logistics, new energy and other investment businesses in Xinjiang; and speeded up the construction of the Zhuge Shangyu Ilmenite Mine* (諸葛上峪鈦鐵礦) ("**Zhuge Shangyu Ilmenite Mine**"), an ilmenite and magnetite mine located in Yishui County, Shandong Province, the PRC, comprehensive low carbon project and the Group's unaudited profit for the six months ended 30 June 2022 was approximately RMB14.9 million.

As at 30 June 2022, the Group recorded the Borrowings of approximately RMB117.8 million, the Shareholder's Loans of approximately RMB42.0 million, the trade payables of approximately RMB146.4 million and the cash and cash equivalents of approximately RMB311.8 million which was not sufficient to settle the Borrowings, Shareholder's Loans and trade payables after considering the Group's working capital requirements.

As at 30 November 2022, the Group has unaudited cash and cash equivalents of approximately HK$203.3 million, of which HK$201.8 million is tied up in the PRC as investment capital and PRC operating cash requirements which is not practicable to be transferred back to Hong Kong. The remaining balance of unaudited cash and cash equivalents of the Group of approximately HK$1.5 million was not sufficient to repay outstanding principal and interest of Hong Kong Bonds of approximately HK$17.6 million as at 30 November 2022 and to maintain minimum operating cash level for the headquarters in Hong Kong. Therefore, Mr. Li provided the short-term financing in form of Shareholder's Loans to the Group for settlement of the principal and interest of the Borrowings and operating cash for the headquarters in Hong Kong since 2022.

As at the Latest Practicable Date, the Shareholder's Loans was approximately HK$71.2 million and the outstanding principal and accrued interest of Hong Kong Bonds was approximately HK$3.1 million.

The gearing ratio of the Group, being the total borrowings with interest-bearing excluding lease liabilities to shareholders' equity attributable to the owners of the Company, significantly increased from approximately 3.7% as at 31 December 2021 to approximately 63.7% as at 30 June 2022. In view of (i) the Group has no sufficient available cash to fulfill the repayment obligations of the Shareholder's Loans after considering to maintain a minimum cash level to meet the Group's operating requirements and any unforeseen capital requirements from time to time; and (ii) it is appropriate to improve the gearing ratio while maintaining the size of the Group's operation, the Directors consider that it's necessary to conduct fund raising activities to strengthen the financial position of the Group.

Besides, the Company has focused on the carbon market projects for a long time as one of the first batch of green mines in the PRC, and has always adhered to the research and development of and investment in low-carbon and eco-friendly production processes and responded to the PRC 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. Being participating in the Greater Bay Area Carbon Neutrality Association and its foundation since 2011, the Group has been actively seeking latest technology and to explore of business opportunities in sustainability and carbon neutrality. In 2022, the Group is working hard to get access to the national carbon emissions trading market, the Directors are of the view that it is necessary for the Group to maintain sufficient available cash for its development of low-carbon project such as the existing Zhuge Shangyu Ilmenite Mine comprehensive low-carbon project, and investment in other new low-carbon and eco-friendly project(s), given that the Group wants to seize the opportunity to develop and expend low-carbon projects, including but not limited to, (i) to seek cooperation with potential market players on new energy projects such as wind power and photovoltaics; (ii) to seek cooperation with scientific research institution(s) on transformation of new technology application in fields of low carbon, eco-friendly and new energy; (iii) to explore the hydrogen energy application for future development and investment of the Group.

Assuming all Rights Shares are taken up, the net proceeds from the Rights Issue after deducting the incidental expenses are estimated to be approximately HK$97.4 million (assuming no change in the number of Shares in issue on or before the Record Date).

The Company intends to apply the net proceeds from the Rights Issue in the following manner:

(i) approximately 73.1% (being approximately HK$71.2 million) for Offset/Repayment of the outstanding Shareholder's Loans of the Group;

(ii) approximately 3.2% (being approximately HK$3.1 million) for settlement of the outstanding Hong Kong Bonds and accrued interest of the Group;

(iii) approximately 10.4% (being approximately HK$10.1 million) for developing low-carbon project(s); and

(iv) approximately 13.3% (being approximately HK$13.0 million) as general working capital of the Group, including but not limited to daily operational expenses and staff cost of the Group.

The Directors consider that the above use of proceeds (i) may alleviate the financial burden of the Group; and (ii) are necessary for business operation and development of the Group.

The Directors had considered other fund-raising alternatives available to the Group, including debt financing such as bank borrowings, and other equity financing such as placing or subscription of new Shares. The Directors are of the view that debt financing will result in additional interest burden and the interest rate is expected to be further increased in prevailing borrowing market. Besides, the debt financing will further increase the gearing ratio of the Group which is not beneficial to the Group.

The Directors consider that financing the funding needs of the Group in the form of equity is a better alternative. Amongst the equity financing methods, placing or subscription of new Shares would dilute the shareholding of the existing Shareholders without giving the chance to the existing Shareholders to participate the subscription of new Shares. Instead of the placing or subscription of new Shares, the Rights Issue enables the Group to improve its financial position without increasing its debt or finance costs.

The Directors and Mr. Li agreed that the total amount of subscription monies payable by Mr. Li and the Underwriter for the Rights Shares to which each of them is entitled to and/or is required to subscribe for (if any) under the Rights Issue and the Underwriting Agreement, respectively, would be partially settled by cash and partially offset on a dollar-to-dollar basis against the equivalent amount of the Shareholder's Loans thereon on the completion date of the Rights Issue, details please refer to the section under "Connected transactions in relation to the underwriting agreement and the Offset/Repayment in relation to the Offset/Repayment" in this circular.

Since the Rights Issue will allow the Qualifying Shareholders to maintain their proportional shareholdings in the Company and allow the Group fulfill the repayment obligations of the Shareholder's Loans without material cash outflow, the Directors consider that raising capital through the Rights Issue is in the best interest of the Company and the Shareholders as a whole. However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Non-Qualifying Shareholders (if any) should note that their shareholdings in the Company will be diluted.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming that there is no change in the shareholding structure of the Company from the Latest Practicable Date up to the completion of the Rights Issue:

Shareholders	As at the Latest Practicable Date		Immediately after the Share Consolidation		Immediately after the Share Consolidation and upon the Rights Issue Completion assuming full acceptance by all Shareholders under the Rights Issue		Immediately after the Share Consolidation and upon the Rights Issue Completion assuming no subscription by the Shareholders; except for Mr. Li, Hongfa, Mr. Geng and Mr. Lang pursuant to the Irrevocable Undertakings, none of the Unsubscribed Rights Shares are placed and all of the Underwritten Rights Shares are taken up by the Underwriter	
	No. of Shares	*Approx. %*	*No. of Shares*	*Approx. %*	*No. of Shares*	*Approx. %*	*No. of Shares*	*Approx. %*
Hongfa	2,048,138,660	39.0	102,406,933	39.0	136,542,577	39.0	187,334,565	53.4
Mr. Li *(Note 1)*	122,058,000	2.3	6,102,900	2.3	8,137,200	2.3	8,137,200	2.3
Mr. Geng *(Note 2)*	18,884,000	0.4	944,200	0.4	1,258,933	0.4	1,258,933	0.4
Mr. Lang *(Note 3)*	18,700,000	0.4	935,000	0.4	1,246,667	0.4	1,246,667	0.4
Sub-total of Mr. Li, the Underwriter and parties acting in concert with any of them	2,207,780,660	42.1	110,389,033	42.1	147,185,377	42.1	197,977,365	56.5
X. Mining Resources Group Limited	326,344,000	6.2	16,317,200	6.2	21,756,267	6.2	16,317,200	4.7
Other public Shareholders	2,721,175,260	51.7	136,058,763	51.7	181,411,684	51.7	136,058,763	38.8
Total	5,255,299,920	100.0	262,764,996	100.0	350,353,328	100.0	350,353,328	100.0

Note 1: Mr. Li beneficially holds the entire issued share capital of Hongfa, a company incorporated in the BVI with limited liability, which in turn beneficially holds 2,048,138,660 Existing Shares. For the purposes of the SFO, Mr. Li is deemed or taken to be interested in all the Existing Shares held by Hongfa.

Note 2: Mr. Geng is a Director of the Company. Mr. Geng is a party acting in concert with Mr. Li by virtue of his capacity as a director of Hongfa and a Director, pursuant to class 2 and class 6 of the definition of acting in concert under the Takeovers Code, respectively, and he will accept all of the 314,733 Rights Shares provisionally allotted to him under the Rights Issue and pursuant to the Irrevocable Undertakings.

Note 3: Mr. Lang is a Director of the Company and Mr. Lang beneficially holds the entire issued share capital of Novi and All Five Capital, which in turn beneficially holds 650,000 Existing Shares and 18,050,000 Existing Shares, respectively. For the purposes of the SFO, Mr. Lang is deemed or taken to be interested in all the Existing Shares held by Novi and All Five Capital. Mr. Lang is a party acting in concert with Mr. Li by virtue of his capacity as a Director, pursuant to class 6 of the definition of acting in concert under the Takeovers Code, and he will accept all of the 311,667 Rights Shares provisionally allotted to him under the Rights Issue and pursuant to the Irrevocable Undertakings.

LISTING RULES IMPLICATIONS

Rights Issue

As the Company has not conducted any rights issue or open offer within the 12-month period prior to the Latest Practicable Date, the Rights Issue will not increase the issued share capital or market capitalisation of the Company by more than 50% and any issue of the Rights Shares pursuant to the Irrevocable Undertakings is fully exempted from the requirements of Chapter 14A of the Listing Rules, the Rights Issue is not subject to the Shareholders' approval under the Listing Rules.

The Rights Issue will be carried out in compliance with Rule 7.21(1)(a) of the Listing Rules. The Rights Issue does not result in a theoretical dilution effect of 25% or more on its own. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

Connected Transactions

As Mr. Li is a substantial Shareholder of the Company and the Underwriter is wholly and beneficially owned by Mr. Li, therefore the Underwriter is regarded as a connected person of the Company. Accordingly, the transactions contemplated under the Underwriting Agreement and the Offset constitute connected transactions for the Company under the Listing Rules which are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER

Assuming (i) there is no change in the issued share capital of the Company from the Latest Practicable Date up to and including the date of close of the Rights Issue; (ii) none of the Qualifying Shareholders (other than Mr. Li who takes up or procure to take up the entitlements under the Irrevocable Undertakings); and (iii) none of the Unsubscribed Rights Shares have been taken up under the Compensatory Arrangements, the aggregate shareholding of Mr. Li, the Underwriter and parties acting in concert with any of them (including Mr. Geng and Mr. Lang) in the Company upon the close of the Rights Issue will increase from the current level of approximately 42.1% to approximately 56.5% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares. The Underwriter will, in the absence of the Whitewash Waiver, be obliged to make a mandatory general offer for all issued Shares not already owned or agreed to be acquired by it pursuant to Rule 26 of the Takeovers Code. **If the Whitewash Waiver is approved by the Independent Shareholders, the maximum potential holding of voting rights of the Company held by Mr. Li, the Underwriter and parties acting in concert with any of them (including Mr. Geng and Mr. Lang) as a result of the underwriting of the Rights Shares by the Underwriter pursuant to the Underwriting Agreement will exceed 50% of the voting rights of the Company. The Underwriter may further increase its holdings of voting rights of the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.**

An application has been made by Mr. Li and Hongfa to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive may or may not grant the Whitewash Waiver, and if granted, the Whitewash Waiver will be subject to, among other things, (i) the approval by at least 75% of the independent votes that are casted by the Independent Shareholders at the EGM by way of poll in respect of the Whitewash Waiver; and (ii) the approval by more than 50% of the Independent Shareholders at the EGM by way of poll in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Offset, and the transactions contemplated thereunder.

The Rights Issue is conditional on, among other things, the granting of the Whitewash Waiver by the Executive and the approval by the Independent Shareholders at the EGM in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Offset and the transactions contemplated thereunder, and the Whitewash Waiver. If the Whitewash Waiver is not granted and/or approvals by the Independent Shareholders are not obtained, the Rights Issue will not proceed.

Mr. Li, the Underwriter and parties acting in concert with any of them (including Mr. Geng and Mr. Lang) and any Shareholders who are involved in or interested in the Rights Issue, the Underwriting Agreement, the Offset, the Placing Agreement and the transactions contemplated thereunder and/or the Whitewash Waiver shall abstain from voting on the relevant resolution(s) at the EGM.

The Company notes that the Executive may not grant the Whitewash Waiver if the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Set Off and the transactions contemplated thereunder and the Whitewash Waiver does not comply with other applicable rules and regulations. As of the Latest Practicable Date, the Company is not aware of any non-compliance with such other applicable rules and regulations.

GENERAL

EGM

The register of members of the Company will be closed from Thursday, 16 March 2023 to Wednesday, 22 March 2023 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM. For the avoidance of doubt, the Non-Qualifying Shareholders are entitled to attend and vote at the EGM.

The EGM will be held to consider and, if thought fit, pass the resolutions to approve, among other things, the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver. Only the Independent Shareholders will be entitled to vote on the resolution(s) to approve the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver at the EGM.

In accordance with the Listing Rules and the Takeovers Code, the Directors and the chief executive of the Company (but excluding the independent non-executive Directors) and their respective Associates; the Underwriter, its Associates and parties acting in concert with any of Mr. Li and the Underwriter (including Mr. Geng and Mr. Lang); any Shareholders with a material interest in the Rights Issue, the Underwriting Agreement, the Offset, the Placing Agreement and the transactions contemplated thereunder; and Shareholders who are involved in, or interested in (other than by being a Shareholder), the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Offset and/or the Whitewash Waiver will be required to abstain from voting on the relevant resolution(s).

Mr. Geng is a party acting in concert with Mr. Li by virtue of his capacity as a director of Hongfa and a Director, pursuant to class 2 and class 6 of the definition of acting in concert under the Takeovers Code, respectively. Mr. Lang is a party acting in concert with Mr. Li by virtue of his capacity as a Director, pursuant to class 6 of the definition of acting in concert under the Takeovers Code. As such, Mr. Li, the Underwriter and parties acting in concert with any of them, including Mr. Geng and Mr. Lang, were required to abstain from voting at the Board resolutions approving such matters. As at the Latest Practicable Date, 5,255,299,920 Existing Shares were in issue, among which, Mr. Li, the Underwriter and parties acting in concert with any of them, including Mr. Geng and Mr. Lang, were beneficially interested in 2,207,780,660 Existing Shares, representing approximately 42.1% of the total number of issued Existing Shares.

Save as the above, no other Shareholder is required to abstain from voting on the resolution(s) to approve the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Offset and the transactions contemplated thereunder and/or the Whitewash Waiver at the EGM.

THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all independent non-executive Directors, has been established in compliance with Chapter 14A of the Listing Rules and Rule 2.8 of the Takeovers Code to advise the Independent Shareholders as to whether the terms of the Rights Issue, the Offset, the Underwriting Agreement, the Placing Agreement and the Whitewash Waiver are on normal commercial terms, fair and reasonable, in the interests of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser.

The Independent Financial Adviser has been appointed with the approval of the Independent Board Committee, comprising three independent non-executive Directors, to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Rights Issue, the Offset, the Underwriting Agreement, the Placing Agreement and the Whitewash Waiver are on normal commercial terms, fair and reasonable, in the interests of the Independent Shareholders as a whole, and to advise the Independent Shareholders on how to vote at EGM.

DESPATCH OF PROSPECTUS DOCUMENTS OR PROSPECTUS

Subject to, among other things, the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Offset and the transactions contemplated thereunder and the Whitewash Waiver having been approved by the Independent Shareholders at the EGM, the Prospectus Documents or the Prospectus, whichever is appropriate, will be despatched to the Qualifying Shareholders and, for information only, the Non-Qualifying Shareholders in due course. For the avoidance of doubt, the Non-Qualifying Shareholders are entitled to attend and vote at the EGM.

RECOMMENDATION

The Directors (including the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) consider that the terms of the Rights Issue, the Offset, the Underwriting Agreement, the Placing Agreement and the Whitewash Waiver are on normal commercial terms, fair and reasonable, in the interests of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser.

WARNING OF THE RISKS OF DEALING IN THE SHARES AND THE RIGHTS SHARES

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among other things, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the sub-section headed "Termination of the Underwriting Agreement" under the section headed "The Underwriting Agreement" in this circular). Accordingly, the Rights Issue may or may not proceed.

The Shares are expected to be dealt in on an ex-rights basis from Monday, 27 March 2023. Dealings in the Rights Shares in nil-paid form are expected to take place from Wednesday, 12 April 2023 to Wednesday, 19 April 2023. Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares.

Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s). Any Shareholder or other person dealing in the Shares or in the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Existing Shares and/or the nil-paid Rights Shares. Any party (including Shareholders and potential investors of the Company) who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s).

FURTHER INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 51 to 52 of this circular which contains its recommendation to the Independent Shareholders as to voting at the EGM and the letter from the Independent Financial Adviser set out on pages IFA-1 to IFA-38 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue, the Offset, the Underwriting Agreement, the Placing Agreement and the Whitewash Waiver.

Your attention is also drawn to the additional information set out in the appendices to this circular.

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

* *For identification purposes only*

The following is the text of the letter of recommendation, prepared for the purpose of incorporation in this circular, from the Independent Board Committee to the Independent Shareholders regarding the Rights Issue, the Offset, the Underwriting Agreement, the Placing Agreement and the Whitewash Waiver.

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: 2623)

Registered office:
Windward 3
Regatta Office Park
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands

Principal place of business in Hong Kong:
Suite 3105, 31/F
Tower 6, The Gateway
Harbour City, 9 Canton Road
Tsim Sha Tsui, Kowloon
Hong Kong

17 February 2023

To the Independent Shareholders

Dear Sir or Madam,

(1) PROPOSED SHARE CONSOLIDATION;
(2) PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY THREE (3) CONSOLIDATED SHARES HELD ON RECORD DATE;
(3) CONNECTED TRANSACTION IN RELATION TO THE UNDERWRITING AGREEMENT AND OFFSET SHAREHOLDER'S LOANS;
(4) APPLICATION FOR WHITEWASH WAIVER; AND
(5) NOTICE OF EXTRAORDINARY GENERAL MEETING

We refer to the circular dated 17 February 2023 (the "**Circular**") of the Company of which this letter forms part. Unless the context requires otherwise, terms defined in the Circular shall have the same meanings when used herein.

We have been appointed by the Board to advise the Independent Shareholders as to whether the terms of the Rights Issue, the Offset, the Underwriting Agreement, the Placing Agreement and the Whitewash Waiver are on normal commercial terms, fair and reasonable, in the interests of the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders how to vote at the EGM, taking into account the recommendations of the Independent Financial Adviser.

Messis Capital Limited has been appointed with our approval as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect. Details of the advice from the Independent Financial Adviser, together with the principal factors taken into consideration in arriving at such advice, are set out on pages IFA-1 to IFA-38 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 17 to 50 of the Circular.

Having taken into account the principal reasons and factors considered by, and the advice of, the Independent Financial Adviser, we are of the opinion that the Rights Issue, the Offset, the Placing Agreement and the Underwriting Agreement are on normal commercial terms, are in the interests of the Company and the Independent Shareholders as a whole, and the terms of which are fair and reasonable insofar as the Independent Shareholders are concerned, despite the transactions contemplated under the Underwriting Agreement and the Offset are not in the Company's ordinary and usual course of business. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Rights Issue, the Offset, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver.

Yours faithfully,
Independent Board Committee of
Add New Energy Investment Holdings Group Limited

Mr. Leung Nga Tat	**Mr. Zhang Jingsheng**	**Mr. Li Xiaoyang**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the full text of the letter from Messis Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders setting out its advice in respect of the terms of the Rights Issue, the Offset, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder, and the Whitewash Waiver, which has been prepared for the purpose of inclusion in this circular.

MESSIS 大有融資

17 February 2023

To: *The Independent Board Committee and the Independent Shareholders*
of Add New Energy Investment Holdings Group Limited

Dear Sir/Madam,

PROPOSED RIGHTS ISSUE ON THE BASIS OF
ONE (1) RIGHTS SHARES FOR EVERY THREE (3) SHARES
HELD ON THE RECORD DATE;
CONNECTED TRANSACTION IN RELATION TO THE UNDERWRITING
AGREEMENT AND OFFSET SHAREHOLDER'S LOANS;
AND
APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment, which has been approved by the Independent Board Committee as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Rights Issue, the Offset, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder, and the Whitewash Waiver, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company dated 17 February 2023 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Reference is made to the announcement of the Company dated 11 January 2023 (the "**Announcement**") and the supplemental announcement of the Company dated 8 February 2023. As set out in the Announcement, on 11 January 2023, the Company proposed to implement the Rights Issue on the basis of one (1) Rights Share for every three (3) Consolidated Share held by the Qualifying Shareholders on the Record Date at the Subscription Price of HK$1.14 per Rights Share, to raise gross proceeds of up to (i) approximately HK$99,850,698 before the Offset and expenses by issuing 87,588,332 Rights Shares (assuming no change in the issued share capital of the Company on or before the Record Date).

On 11 January 2023 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter in relation to the underwriting and respective arrangements in respect of the Rights Issue. Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite the Underwritten Shares up to 50,791,988 Rights Shares, being all the Underwritten Rights Shares, subject to the terms and conditions set out in the Underwriting Agreement, in particular the fulfilment of the conditions precedent contained in the Underwriting Agreement. Details of the major terms and conditions of the Underwriting Agreement are set out in the section headed "The Underwriting Agreement" in the Letter from the Board.

Subject to the terms and conditions set out in the Underwriting Agreement, if and to the extent that at the Latest Placing Time, there shall be any Unsubscribed Rights Shares which have not been successfully placed out by the Placing Agent under the Compensatory Arrangements, then the Underwriter shall subscribe or procure subscription for a maximum of 50,791,988 Rights Shares pursuant to the allocations under the terms set out in the Underwriting Agreement and on the terms as set out in the Prospectus Documents. The maximum underwriting commitment of the Underwriter shall be 50,791,988 Rights Shares.

The Shareholder's Loans owed by the Company to Mr. Li and Hongfa was in the principal of approximately HK$71.2 million in aggregate as at the Latest Practicable Date.

Pursuant to the Offset under the offset agreement dated 11 January 2023 entered into between the Company, Mr. Li and the Underwriter (the "**Offset Agreement**"), the Underwriter, Mr. Li and the Company agreed that the total amount of subscription monies payable by the Underwriter for the Rights Shares to which he is entitled to and/or is required to subscribe for (if any) under the Rights Issue and the Underwriting Agreement, respectively, would be partially settled by cash and partially offset on a dollar-to-dollar basis against the equivalent amount of the Shareholder's Loans thereon on the completion date of the Rights Issue.

LISTING RULES IMPLICATION

(1) Rights Issue

As the Company has not conducted any rights issue or open offer within the 12-month period prior to the Latest Practicable Date, the Rights Issue will not increase the issued share capital or market capitalisation of the Company by more than 50% and any issue of the Rights Shares pursuant to the Irrevocable Undertakings is fully exempted from the requirements of Chapter 14A of the Listing Rules, the Rights Issue is not subject to the Shareholders' approval under the Listing Rules. The Rights Issue will be carried out in compliance with Rule 7.21(1)(a) of the Listing Rules.

The Rights Issue does not result in a theoretical dilution effect of 25% or more on its own. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

(2) Connected Transactions

Mr. Li is interested in 2,048,138,660 Shares through Hongfa, a company incorporated in the British Virgin Islands with limited liability and wholly-owned by Mr. Li, and he holds 122,058,000 Shares personally, which in aggregate represents approximately 41.30% of the total issued Shares. Accordingly, the transactions contemplated under the Underwriting Agreement and the Offset constitute connected transactions for the Company under the Listing Rules which are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Mr. Li, the chief executive of the Company and their respective Associates shall abstain from voting in favour of the resolution(s) relating to the Rights Issue at the EGM.

TAKEOVERS CODE IMPLICATIONS

Application for whitewash waiver

Assuming (i) there is no change in the issued share capital of the Company from the Latest Practicable Date up to and including the date of close of the Rights Issue; (ii) no Rights Shares are taken up by the Qualifying Shareholders (other than those pursuant to the Irrevocable Undertakings); and (iii) no Unsubscribed Rights Shares are successfully placed under the Compensatory Arrangements, the aggregate shareholding of Mr. Li, the Underwriter and parties acting in concert with any of them in the Company upon the close of the Rights Issue will increase from the current level of approximately 42.1% to approximately 56.5% of the issued share capital of the Company as enlarged by the issue of the Rights Shares. Accordingly, the Underwriter would be required to make a mandatory general offer under Rule 26 of the Takeovers Code for all the Shares not already owned or agreed to be acquired by it and parties acting in concert with it, unless the Whitewash Waiver is granted.

An application has been made to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive may or may not grant the Whitewash Waiver, and if granted, the Whitewash Waiver will be subject to (i) the approval by at least 75% of the independent votes that are casted by the Independent Shareholders at the EGM by way of poll in respect of the Whitewash Waiver; and (ii) the approval by more than 50% of the Independent Shareholders at the EGM by way of poll in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Offset and the transactions contemplated thereunder. Therefore, the Rights Issue is conditional on, among other things, the granting of the Whitewash Waiver by the Executive and the approval by the Independent Shareholders at the EGM in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Offset and the transactions contemplated thereunder, and the Whitewash Waiver. If the Whitewash Waiver is not granted and/or approvals by the Independent Shareholders are not obtained, or if any other conditions precedent under the Underwriting Agreement is not fulfilled, the Rights Issue will not proceed.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company, Mr. Li, the Underwriter or any other parties that could reasonably be regarded as relevant to our independence. In the last two years from the date of our appointment, there was no engagement between the Group and us. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received any fees or benefits from the Company, Mr. Li, the Underwriter or any other parties. Accordingly, we consider ourselves suitable to give independent advice to the Independent Board Committee pursuant to Rule 13.84 of the Listing Rules and Rule 2.6 of the Takeovers Code.

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the representations made to us by the Directors and the management of the Company. We have assumed that all statements, information and representations provided by the Directors and the management of the Company, for which they are solely responsible, are true and accurate at the time when they were provided and continue to be so as at the date of the SGM, and the Shareholders will be informed of any material change of information in this letter. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular, is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or the Circular misleading.

The Circular includes particulars given in compliance with the Takeovers Code. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

The directors of the Underwriter, namely Mr. Li. and Mr. Geng, jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirms, having made all reasonable enquiries, to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in this letter, the omission of which would make any statement in the Circular misleading.

In formulating our opinion, we have reviewed, among other things: (i) the Underwriting Agreement; (ii) the Placing Agreement; (iii) the Circular; (iv) the annual reports of the Company for the years ended 31 December 2020 (the "**2020 AR**") and 2021 (the "**2021 AR**"); and (v) the interim reports of the Company for the six months ended 30 June 2021 (the "**2021 IR**") and 2022 (the "**2022 IR**"). We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Group, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Rights Issue. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of us is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not be used out of context.

Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company. This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Rights Issue, the Placing, the Underwriting Agreement, the Offset Agreement, the transactions contemplated thereunder, and the application of Whitewash Waiver, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation, we have considered the following principal factors and reasons set out below:

1 Background information of the Group

The Company is principally engaged in 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, PRC.

(a) Historical financial performance of the Group

Set out below is a summary of the key financial information of the Group as extracted from the Annual Report 2021 for the years ended 31 December 2020 and 2021 ("**FY20**" and "**FY21**") and the Interim Report 2022 for the six months ended 30 June 2021 and 2022 ("**HY21**" and "**HY22**"):

	Year ended 31 December		**Six months ended 30 June**	
	2020	**2021**	**2021**	**2022**
	(audited)	*(audited)*	*(unaudited)*	*(unaudited)*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	965,975	1,633,758	886,491	521,101
Cost of sales	(887,744)	(1,600,310)	(838,058)	(457,087)
Gross profit	78,231	33,448	48,433	64,014
Total comprehensive income for the year/period	61,785	(30,273)	15,811	17,095

(i) Comparison between FY21 and FY20

Revenue increased significantly from approximately RMB966.0 million for FY20 to approximately RMB1,633.8 million for FY21, representing an increase of approximately RMB668.8 million or 69.1%. According to the Annual Report 2021, the substantial increase was primarily due to the increase in turnover of trading of coarse iron powder by approximately RMB801.1 million for FY21. In 2021, the iron and steel market gradually recovered, the demand in the iron concentrates has reached to the higher level during FY21. The management has strategically increased the trading activities in coarse iron powder due to the comparatively high selling price. Total cost of sales increased by approximately RMB712.6 million, or approximately 80.3%, to approximately RMB1,600.3 million for FY21, as compared with approximately RMB887.7 million for FY20, 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 FY21. Gross profit decreased by approximately RMB44.8 million from the gross profit of approximately RMB78.2 million for FY20 to the gross profit of approximately RMB33.4 million for FY21. The main reasons for the decrease are (i) 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; (ii) the decrease of gross profit from trading turnover of spodumene by approximately RMB20.4 million; (iii) the decrease of gross profit from iron ore tailings by approximately RMB7.2 million, and (iv) 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. The total comprehensive loss of the Company was approximately RMB30.3 million for FY21, representing a turnaround from total comprehensive income of RMB61.8 million for FY20 due to the combined factors mentioned above.

(ii) Comparison between HY22 and HY21

For HY22, the Group recorded revenue of approximately RMB521.1 million as compared with approximately RMB886.5 million for HY21, representing a decrease of approximately 41.2%. The decrease in revenue of the Group was primarily due to (i) the decrease in turnover of trading of coarse iron powder by approximately RMB585.3 million from approximately RMB859.9 million for HY21 to approximately RMB274.6 million for HY22; being net off by the effect of (ii) the increase in sales of blended coal by approximately RMB157.6 million which is a new line of trading product since second half of 2021, and service income from processing of iron and other mineral ores by approximately RMB60.3 million which has been commenced in the last quarter of 2021.

Total cost of sales decreased by approximately 45.5% to approximately RMB457.1 million for the HY22, as compared with approximately RMB838.1 million for the corresponding period in last year. Such decrease was consistent with the decrease in the Group's revenue for HY22, which was mainly due to the decrease in sales volume from trading coarse iron powder which is offset by the new business lines in trading of blended coal and provision of processing services.

Gross profit increased by approximately RMB15.6 million from gross profit of approximately RMB48.4 million for HY21 to gross profit of approximately RMB64.0 million for HY22. The main reason for the increase was the launch of processing services to third-party customers which has a higher profit margin than production and trading activities.

The total comprehensive income attributable to owners of the Company was approximately RMB17.1 million for HY22, representing a slight increase of approximately RMB1.3 million, or 8.2%, as compared with that of RMB15.8 million for HY21. This was mainly due to (i) the effect of the increase in gross profit margin from its operations by approximately RMB15.6 million to RMB64.0 million for HY22 from approximately RMB48.4 million for the corresponding period in last year; and (ii) the appreciation of financial assets at fair value through other comprehensive income by approximately RMB2.2 million; being net off by the effect of (iii) the net exchange loss of approximately RMB4.5 million mainly derived from retranslation of HKD-denominated bonds resulted from the appreciation of HKD against RMB, compared to a net exchange gain of approximately RMB5.3 million for HY21; and (iv) the increase in distribution costs and administrative expenses by approximately RMB6.4 million in total, attributable to the launch of research and development measures during HY22.

(b) Financial position of the Group

Set out below is a summary of the financial position of the Group as at 31 December 2020 and 2021 and 30 June 2022 as extracted from the 2021 AR and the 2022 IR:

	As at 31 December		As at 30 June
	2020	**2021**	**2022**
	(audited)	*(audited)*	*(unaudited)*
	RMB'000	*RMB'000*	*RMB'000*
Total assets	662,509	705,971	766,138
Total liabilities	334,890	418,761	461,833
Net current assets	201,254	45,151	39,442
Net assets	327,619	287,210	304,305

Total assets of the Group increased from approximately RMB662.5 million as at 31 December 2020 to approximately RMB706.0 million as at 31 December 2021, representing an increase of approximately RMB43.5 million or 6.5%. The increase in total assets as at 31 December 2021 was mainly due to the increase in (i) current assets due to the increase in cash generated from operations. Total assets of the Group further increased slightly by approximately 8.5% to approximately RMB766.1 million as at 30 June 2022 from approximately RMB706.0 million as at 31 December 2021.

The Group's total liabilities increased by approximately RMB83.9 million or 25.0% from approximately RMB334.9 million as at 31 December 2020 to approximately RMB418.8 million as at 31 December 2021. The increase was mainly due to the increase in borrowings. Total liabilities of the Group increased by approximately RMB43.0 million or 10.2% to approximately RMB461.8 million as at 30 June 2022 from approximately RMB418.8 million as at 31 December 2021. The increase in total liabilities was mainly due to the increase of approximately RMB42 million in other borrowings advanced by Mr. Li.

Net assets decreased from approximately RMB327.6 million as at 31 December 2020 to approximately RMB287.2 million as at 31 December 2021, representing a decrease of approximately RMB40.4 million or 12.3%. Such decrease was mainly due to the loss for the year of approximately RMB30.1 million for FY21.

The Group's liquidity position was deteriorating during the two years and six months ended 30 June 2022 as the net current assets as at 31 December 2021 decreased severely to approximately RMB45.2 million, mainly due to the increase in contract liabilities, net current assets of the Group further decreased to RMB39.4 million as at 30 June 2022 due to the increase in trade payables. As at 30 June 2022, the Group recorded borrowings of approximately RMB117.8 million, the Shareholder's Loans of approximately RMB42.0 million, the trade payables of approximately RMB146.4 million and the cash and cash equivalents of approximately RMB311.7 million which was not sufficient to settle the borrowings, Shareholder's Loans and trade payables after considering the Group's working capital requirements. In light of the above, we consider that the Group has imminent funding need to strengthen its capital base and improve its liquidity position.

(c) Future prospect

To evaluate the prospect of the Group, we have discussed with the management of the Group and reviewed the 2022 IR and 2021 AR and note that uncertain factors such as the unstable political situation between Ukraine and Russia, Europe's energy crisis, the gradually loosening COVID-19 lockdowns/restrictions in China and tighter monetary policy due to increased inflationary pressures, all of which have resulted in an overall slowing of global growth and remained as challenges and uncertainties for the Group performance in the near future.

As advised by the management, the Group will focus on the release of new production capacity and continue improve the protective mining, production, sales and service of iron and titanium mines as its traditional principal businesses. As mine is a non-renewable resource, the Group has focused on the carbon market projects for a long time as one of the first batch of green mines in the PRC, and has always adhered to the research and development of and investment in low-carbon and eco-friendly production processes in order to open up sustainable revenue stream, which will incur further capital commitment.

We note from the 2022 IR that, due to the complex and constantly evolving situation around the COVID-19 pandemic and the impacts of the heightened inflation and dampened global growth, it is not possible to predict the possible future impacts to the Group, including any further negative impacts on the Group's efforts to expand the titanium industrial chain, further expand logistics, new energy and other investment businesses, as well as any subsequent impact on the Group's cash flow, revenue and prospects.

In view of the above and further taking into account of (i) the financial position of the Group as at 30 June 2022; (ii) the financial performance of for the six months ended 30 June 2022 has shown no sign of significant recovery; (iii) the liquidity position of the Group would be significantly improved upon the completion of the Rights Issue; (iv) the funding need of the Group as further discussed in the section headed "2. Reasons for the Rights Issue, the Offset, the Underwriting Agreement and the use of proceeds" below; and (v) the prospect of the Group, we consider the Rights Issue is beneficial to the Company and the Shareholder as a whole.

2 Reasons for the Rights Issue, the Offset, the Underwriting Agreement and the use of proceeds

(a) Reasons for the Rights Issue and the intended use of proceeds

The principal activities of the Group are iron ore and ilmenite ore exploration, mining and processing as well as trading of iron concentrates and other minerals in the Shandong Province, the PRC.

During the year ended 31 December 2021, the audited loss for the year of the Group of approximately RMB30.1 million and the financial performance of the Group was adversely affected by (i) 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 (ii) gross profit decreased by approximately RMB44.8 million as compared to that of the same period of 2020, resulted from significant drop in the market price of iron ores in the second half of 2021.

In order to maintain sufficient cash level for the Group's operating requirements, the Group had obtained certain of borrowings from banks and Hong Kong Bonds and the total borrowings of the Group was approximately RMB180.6 million (the "Borrowings") as at 31 December 2021.

It is not optimistic in the market under the background of the unprecedented changes in 2022. Taking into the consideration of the impact of economic trade activities have been volatile in 2022, attributable to the PRC government policies in relation to the containment of the COVID outbreak, these uncertainties in the market have an effect on trade activities and trade patterns in 2023. In adapting to the market changes, the Group continued to improve the protective mining, production, sales and service of iron and titanium mines as its traditional principal businesses, and strengthened the construction of new mine production lines in order to maintain its regional competitive edge. In particular, the Group made further efforts to expand the titanium industrial chain; strengthened the expansion of logistics, new energy and other investment businesses in Xinjiang; and speeded up the construction of the Zhuge Shangyu Ilmenite Mine* (諸葛上峪鈦鐵礦) ("Zhuge Shangyu Ilmenite Mine"), an ilmenite and magnetite mine located in Yishui County, Shandong Province, the PRC, comprehensive low carbon project and the Group's unaudited profit for the six months ended 30 June 2022 was approximately RMB14.9 million.

As stated in 2022 IR, as at 30 June 2022, the Group recorded the Borrowings of approximately RMB117.8 million, the Shareholder's Loans of approximately RMB42.0 million, the trade payables of approximately RMB146.4 million and the cash and cash equivalents of approximately RMB311.7 million which was not sufficient to settle the Borrowings, Shareholder's Loans and trade payables after considering the Group's working capital requirements.

As advised by the management and per our review of the management account, as at 30 November 2022, the Group has unaudited cash and cash equivalents of approximately HK$203.3 million, of which HK$201.8 million is tied up in the PRC as investment capital and PRC operating cash requirements which is not practicable to be transferred back to Hong Kong. The remaining balance of unaudited cash and cash equivalents of the Group of approximately HK$1.5 million was not sufficient to repay outstanding principal and interest of Hong Kong Bonds of approximately HK$17.6 million as at 30 November 2022 and to maintain minimum operating cash level for the headquarters in Hong Kong. Therefore, Mr. Li provided the short-term financing in form of Shareholder's Loans to the Group for settlement of the principal and interest of the Borrowings and operating cash for the headquarters in Hong Kong since 2022. As at the Latest Practicable Date, the Shareholder's Loans was approximately HK$71.2 million and the outstanding principal and accrued interest of Hong Kong Bonds was approximately HK$3.1 million.

According to the 2022 IR, the Group has entered into loan facility agreement with Mr. Li on 23 March 2022 (the "**the Shareholder's Loan Agreement**"), the Shareholder's Loan is unsecured, interest-free and has no fixed repayment terms. However, we were advised by the management that the Shareholder's Loans was agreed to be a short-term financing in order to meet the Group's short-time working capital needs at the material times. We also noted from the Management that the Group was advised to explore all possible funding exercises to enhance the Group's financial position to maintain sufficient cash level for its operating requirements and any unforeseen capital requirements from time to time. The gearing ratio of the Group, being the total borrowings with interest-bearing excluding lease liabilities to shareholders' equity attributable to the owners of the Company, significantly increased from approximately 3.7% as at 31 December 2021 to approximately 63.7% as at 30 June 2022.

In view of (i) the unsatisfactory financial performance of the Group as discussed in the section headed "1 Background information of the Group" above; (ii) deteriorating financial position and imminent funding requirements of the Group; (iii) the Shareholder's Loan was agreed to be a short-term financing; and (iv) the Group has insufficient internal financial resources for its operating requirements and any unforeseen capital requirements from time to time in absence of the Shareholder's Loan, it is appropriate to improve the gearing ratio while maintaining the size of the Group's operation, we concur that the Directors' view that it's necessary for the Group to consider and conduct fund raising activities to strengthen the financial position of the Group, and as such the Rights Issue would enable the Group to have access to additional funding, strengthen its capital base and improve its liquidity position.

Assuming all Rights Shares are taken up, the net proceeds from the Rights Issue after deducting the incidental expenses are estimated to be approximately HK$97.4 million (assuming no change in the number of Shares in issue on or before the Record Date).

The Company intends to apply the net proceeds from the Rights Issue in the following manner:

(i) approximately 73.1% (being approximately HK$71.2 million) for Offset of the outstanding Shareholder's Loan of the Group;

(ii) approximately 3.2% (being approximately HK$3.1 million) for settlement of the outstanding Hong Kong Bonds and accrued interest of the Group;

(iii) approximately 10.4% (being approximately HK$10.1 million) for developing low-carbon project(s); and

(iv) approximately 13.3% (being approximately HK$13.0 million) as general working capital of the Group, including but not limited to its daily operational expenses and its staff cost of the Group.

As advised by the management, the part of the net proceeds will be used for settlement of the outstanding Hong Kong Bonds and accrued interest of the Group. As the Hong Kong Bonds are wholly repayable within two months from the Latest Practicable Date, the net proceeds of the Rights Issue will be utilised in proportion to such use.

As advised by the management, the Company has focused on the carbon market projects for a long time as one of the first batch of green mines in the PRC, and has always adhered to the research and development of and investment in low-carbon and eco-friendly production processes and responded to the PRC 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. Being participating in the Greater Bay Area Carbon Neutrality Association and its foundation since 2011, the Group has been actively seeking latest technology and to explore of business opportunities in sustainability and carbon neutrality. In 2022, the Group is working hard to get access to the national carbon emissions trading market, the Directors are of the view that it is necessary for the Group to maintain sufficient available cash for its development of low-carbon project such as the existing Zhuge Shangyu Ilmenite Mine comprehensive low-carbon project, and investment in other new low-carbon and eco-friendly project(s). The part of the net proceeds for development of low-carbon projects will be applied for potential investment opportunities including but not limited to, (i) cooperation with potential market players on new energy projects such as wind power and photovoltaics; (ii) cooperation with scientific research institution(s) on transformation of new technology application in fields of low carbon, eco-friendly and new energy; (iii) to explore the hydrogen energy application for future development and investment of the Group.

Based on the breakdown prepared by the Management, the net proceeds of approximately HK$13.0 million being allocated to general working capital purpose will be mainly used to settle daily operational expenses and its staff cost of the Group for the next six to nine months.

(b) fund raising alternatives

As disclosed in the Letter from the Board, the Directors have evaluated various debt and/or equity fund raising alternatives before resolving to the Rights Issue, the final selection of Rights issue is principally considered with respect to cost, accessibility and timing. The Company has considered (i) borrowings from banks and/or financial institutions; (ii) placing of new Shares; and (iii) open offer as fund raising alternatives. We do not identify any other alternative options, other than the alternatives which have been mentioned above.

Regarding debt financing, the Management advises that it usually requires security of properties and other tangible assets, which is not feasible to the Company, given that the Company does not possess any material tangible assets that can be offered as collateral for borrowing. We have reviewed the 2022 IR and note that the Group's total assets of RMB766.1 million as at 30 June 2022 mainly comprised of assets for operation, and majority if it is mining related infrastructures, which are typically not welcomed by financial institutions as collaterals for borrowing. Given the unsatisfactory financial performance of the Group and the reluctance to accept mining-related assets as collaterals for secured lending by creditors, the Group has been facing difficulties in negotiations with its main commercial bank for obtaining business loans. Also, given that the prevailing interest rate hike and the high gearing ratio of the Group, it is considered that even a financial institution is willing to provide facility to the Group, the interest rate will not be favorable. Regarding placing of new Shares, in light of the current bearish market sentiment which adversely affects the willingness of potential investors to participate in equity placements and given the scale of the proposed fund-raising exercise, we consider that the material dilution on the shareholding of the existing Shareholders resulting from the placing of new Shares to new investors or one or few existing Shareholders, would be unfair to the other existing Shareholders as they will not be able to participate in the placing of new Shares. Lastly, although an open offer is similar to a rights issue which provides the Qualifying Shareholders with equal opportunity to participate in proportion to their existing shareholder interest, an open offer is less favourable to the shareholders compared to a rights issue due to the flexibility of the shareholders being able to sell their entitled nil-paid rights when they do not wish to take up the entitlements under the rights issue.

After taking into account all of the above factors and considerations, we consider that the current fund-raising method by way of the Rights Issue, which would, among other things, significantly improves the financial position and gearing ratio of the Group by turning the Company into an essentially debt free enterprise, facilitates the Group in reducing its future financing costs by early repayment of its outstanding debts, and gives the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interest in the Company and to continue to participate in the future development of the Company, is appropriate and acceptable for the Company and its Shareholders as a whole.

(c) the Offset and the Underwriting Agreement

On 23 March 2022, the Company entered into the Shareholder's Loan Agreement and obtained loan facilities up to a principal amount of RMB120,000,000, of which a loan with a principal amount of HK$61,200,000 was subsequently drawn down. The loan was unsecured, interest-free and had no fixed repayment terms. The Shareholder's Loans were agreed to be short-term financing and provided to the Group for its working capital needed in the material times.

Pursuant to the Offset under the Offset Agreement, the Underwriter, Mr. Li and the Company agreed that the total amount of subscription monies payable by Mr. Li and the Underwriter for the Rights Shares to which each of them is entitled to and/or is required to subscribe for (if any) under the Rights Issue and the Underwriting Agreement, respectively, would be partially settled by cash and partially offset on a dollar-to-dollar basis against the equivalent amount of the Shareholder's Loans thereon on the completion date of the Rights Issue. The exact amount of the Shareholder's Loans to be offset depends on the number of Rights Shares to be taken up by the Qualifying Shareholders and the total number of Unsubscribed Rights Shares to be successfully placed by the Placing Agent to the independent placees pursuant to the Compensatory Arrangements. If there remain any balance of the Shareholder's Loans after the Offset, the Company shall continue to assume its repayment obligations and settle the balance of the Shareholder's Loans by use of the proceeds from Rights Issue. In circumstances that if there remain any outstanding subscription monies payable after the Offset, Mr. Li and the Underwriter shall settle the payments in accordance with the terms of the Rights Issue and the Underwriting Agreement.

Since Mr. Li is a Controlling Shareholder of the Company, the Offset and the Underwriting Agreement constitute connected transactions on the part of the Company under Chapter 14A of the Listing Rules and requires the approval of the Independent Shareholders.

As mentioned above, the Company is indebted to Mr. Li, who is also the wholly and beneficially owner of the Underwriter, a principal amount of approximately HK$61.2 million as at the date of the Announcement and HK$71.2 million as at the Latest Practicable Date. The Shareholder's Loans were made only for the Group's short-term working capital needs. It is also noted that the Group has insufficient internal financial resource to meet the Group's operating requirements and any unforeseen capital requirements from time to time in absence of the Shareholder's Loan. We noted that the Shareholder's Loan was unsecured, interest-free and had no fixed repayment terms, it was provided to the Group in order to meet the Group's short term needs and it is repayable on Shareholder's demand. Although as at the Latest Practicable Date, we were advised that Mr. Li did not issue any demand note to the Group requesting the sum of HK$71.2 million to be repaid, we understand the Group is expected to operate independently and is not expected to rely any financial supports by the Shareholders to operate in long run. Given the limited fund-raising options as discussed in the section headed "2 (b) fund raising alternatives" above and the prevailing market condition, we concur that the Directors' view that the Rights Issue is the most viable option for the Company to raise funds.

In addition, due to the prevailing poor market conditions, recent financial performance of the Group, thin trading volume of the Shares and/or demand for high underwriting fees, we consider that the Company had difficulties in identifying any independent securities brokers that were willing to act as the underwriter for the Rights Issue. In the event of the absence of the Offset arrangement, it will affect the willingness of Hongfa to act as underwriter for the Rights Issue. We consider that the Offset is part of the arrangement under the Rights Issue which incentivises Hongfa to act as the Underwriter to partially underwrite the Rights Shares. Given the thin trading volume of the Shares, we consider that no commission rate to be charged by Hongfa on partially underwriting the Rights Issue is comparatively beneficial to the Company should the Company appoint an independent broker to act as underwriter for the Rights Issue.

In light of the deterioration in the Group's financial position, the Offset signifies the continued support by Mr. Li to the Group as Mr. Li is still willing to increase his equity investment in the Company through the Offset arrangement which helps to improve the liquidity position of the Group upon completion of the Rights Issue.

In view of the above, we consider that both the Offset and the Underwriting Agreement are part of the terms to facilitate the Company to conduct the fund-raising activity by way of the Rights Issue in order to alleviate the Group's financial pressure.

As discussed with the Company, in considering methods of settlement of the amount owed to Mr. Li, the Company also considered loan capitalisation by issuing Shares to Mr. Li as a form of repayment to Mr. Li. However, such loan capitalisation would cause an immediate dilution in the shareholding interest of existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company. Furthermore, a loan capitalisation would not raise any proceeds for the Group for its business and working capital use while the Rights Issue would enable the Company to raise additional capital.

Having considered that (i) the funding needs and the obligation of repayment of the Group; (ii) the Offset, is part of the terms of the Underwriting Agreement, arrived at based on arm's length negotiation between the Company and the Underwriter and, as mentioned in the Letter from the Board, the Offset in the Rights Issue was one of the key factors affecting the willingness of Hongfa to act as the Underwriter for the Rights Issue; and (iii) the Offset and underwriting the Rights Issue demonstrate Mr. Li's continued support for the Group's development in the long run by extinguishment of the Shareholder's Loans and increasing his investment in the equity of the Company through the Rights Issue, we consider that the Offset is fair and reasonable as far as the Independent Shareholders are concerned and is in the interest of the Company and the Shareholders as a whole.

Based on the above, given that (i) the continuing deterioration of the Group's financial position; (ii) the Rights Issue would enable the Group to have access to additional funding, strengthen its capital base and improve its liquidity position; (iii) Offset of Shareholder's Loan and repayment outstanding Hong Kong Bonds and accrued interest of the Group could improve the gearing ratio of the Group; (iv) Offset of the outstanding Shareholder's Loan could mitigate the reliance issue from the Shareholder; (v) development of low-carbon project is in line with the Group's strategy; and (vi) the Rights Issue could improve the Group's working capital for its operation, we consider that the Rights Issue (including use of proceeds from the Rights Issue) is fair and reasonable and as far as the Independent Shareholders are concerned and is in the interest of the Company and the Shareholders as a whole.

3 Previous fundraising exercise involving issue of securities in the prior 12-month period

The Company has not conducted any equity fund raising activities in the past twelve months immediately before the Latest Practicable Date.

4 Principal terms of the Rights Issue and the Underwriting Agreement

4.1 Rights Issue Statistics

Basis of the Rights Issue	:	One (1) Rights Shares for every three (3) Shares held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK$1.14 per Rights Share
Net price per Rights Share (i.e. Subscription Price less estimated cost and expenses incurred in the Rights Issue on a per Rights Share basis)	:	Approximately HK$1.11 per Rights Share
Gross proceeds from the Rights Issue (before the Offset and expenses)	:	Approximately HK$99,850,698 (assuming no change in the issued share capital of the Company on or before the Record Date, and all the Qualifying Shareholders taking up their respective allotment of Rights Shares in full)
Net proceeds from the Rights Issue (before the Offset and after deducting the estimated expenses of approximately HK$2.4 million)	:	Approximately HK$97.4 million (assuming no change in the issued share capital of the Company on or before the Record Date, and all the Qualifying Shareholders taking up their respective allotment of Rights Shares in full)
Number of Shares in issue as at the Latest Practicable Date	:	5,255,299,920 Existing Shares
Number of Consolidated Shares in issue upon the Share Consolidation becoming effective	:	262,764,996 Consolidated Shares
Number of Rights Shares to be issued pursuant to the Rights Issue	:	87,588,332 Rights Shares

Number of Consolidated Shares in issue upon completion of the Rights Issue	:	350,353,328 Consolidated Shares (assuming no change in the number of Shares in issue on or before the Record Date)
Right of excess applications	:	As the Compensatory Arrangements are in place, there will be no excess application arrangements in relation to the Rights Issues as stipulated under Rule 7.21(2)(a) of the Listing Rules
Underwriter	:	Hongfa is wholly and beneficially owned by Mr. Li. Mr. Li is interested in 2,048,138,660 Existing Shares held through Hongfa, a company incorporated in the BVI with limited liability and Mr. Li holds 122,058,000 Existing Shares personally, which in aggregate amounted to 2,170,196,660 Existing Shares, representing approximately 41.30% of the total Existing Shares. It is not in the ordinary course of business of Hongfa to underwrite securities.
Number of Rights Shares underwritten	:	50,791,988 Rights Shares

Assuming no changes in the share capital of the Company on or before the Record Date, the 87,588,332 Rights Shares proposed to be allotted and issued pursuant to the terms of the Rights Issue represent approximately (i) 33.3% of the total number of Consolidated Shares in issue upon the Share Consolidation becoming effective; (ii) 25.0% of the total number of issued Consolidated Shares as enlarged by the issue of the Rights Shares immediately upon completion of the Rights Issue.

4.2 The Subscription Price

The Subscription Price of HK$1.14 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue, and, where applicable, when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

(i) a premium of approximately 1.7% to the adjusted closing price of approximately HK$1.16 per Consolidated Share based on the closing price of HK$0.058 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Share Consolidation;

(ii) a discount of approximately 13.6% to the adjusted closing price of approximately HK$1.34 per Consolidated Share based on the closing price of HK$0.0670 per Existing Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Share Consolidation;

(iii) a discount of approximately 13.0% to the adjusted average closing prices of approximately HK$1.31 per Consolidated Share based on the average closing price of approximately HK$0.0654 per Existing Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Share Consolidation;

(iv) a discount of approximately 14.3% to the adjusted average closing prices of approximately HK$1.33 per Consolidated Share based on the average closing price of approximately HK$0.0664 per Existing Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Share Consolidation;

(v) a discount of approximately 10.9% to the theoretical ex-entitlement price of approximately HK$1.28 per Consolidated Share based on the closing price of approximately HK$0.0660 per Existing Share as quoted on the Stock Exchange on the Last Trading Day and the number of Consolidated Shares as enlarged by the Rights Shares and adjusted for the effect of the Share Consolidation;

(vi) theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 3.4%, represented by the theoretical diluted price of approximately HK$1.28 per Consolidated Share to the benchmarked price of approximately HK$1.32 per Consolidated Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of (i) the closing price of the Existing Shares as quoted on the Stock Exchange on the Last Trading Day and (ii) the average of the closing prices of the Existing Shares as quoted on the Stock Exchange for the five (5) previous consecutive trading days prior to the Last Trading Day and adjusted for the effect of the Share Consolidation);

(vii) a discount of approximately 5.2% to the adjusted audited consolidated net asset value per Consolidated Share attributable to the Shareholders as at 31 December 2021 of approximately HK$1.20 per Consolidated Share, which is calculated by dividing the audited consolidated net assets of the Group attributable to the Shareholders of approximately RMB287,210,000 (or approximately HK$315,931,000) as at 31 December 2021 as set out in the annual report of the Company for the year ended 31 December 2021 by the number of Shares as at the Last Trading Day after adjusted for the effect of the Share Consolidation; and

(viii) a discount of approximately 10.5% to the adjusted unaudited consolidated net asset value per Consolidated Share attributable to the Shareholders as at 30 June 2022 of approximately HK$1.27 per Consolidated Share, which is calculated by dividing the unaudited consolidated net assets of the Group attributable to the Shareholders of approximately RMB304,305,000 (or approximately HK$334,735,500) as at 30 June 2022 as set out in the interim report of the Company for the six months ended 30 June 2022 by the number of Existing Shares as at the Last Trading Day after adjusted for the effect of the Share Consolidation.

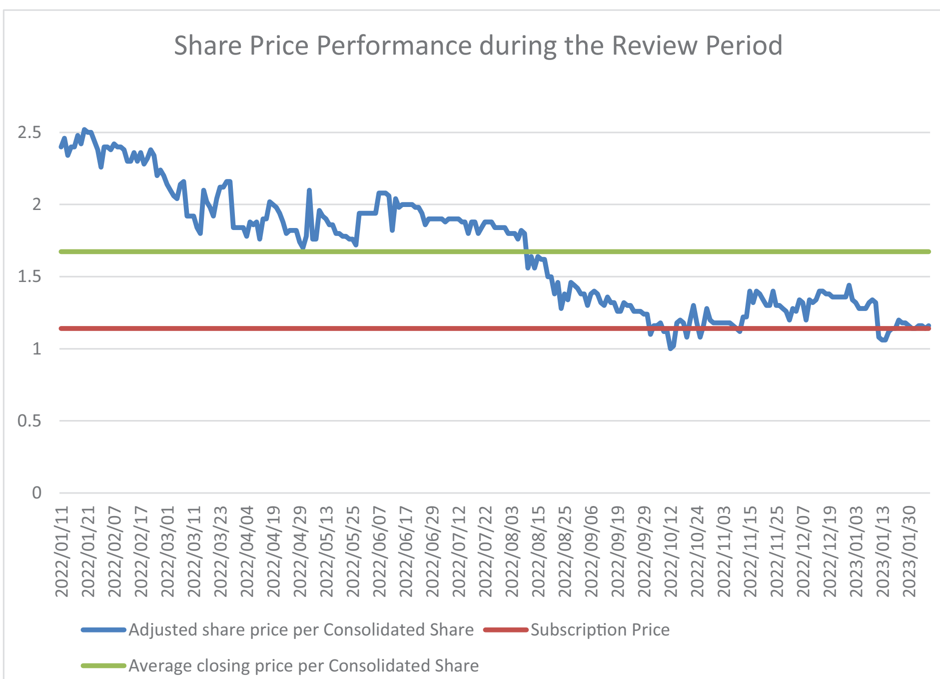
As stated in the Letter from the Board, the Subscription Price was arrived at after arm's length negotiations between the Company and the Underwriter, having considered various factors including (i) deteriorating financial condition and imminent funding requirements of the Group; (ii) the recent market price of the Shares under the prevailing market conditions; (iii) the recent volatility of the capital market in Hong Kong which adversely affects investors' confidence in the market; (iv) the necessity to increase the attractiveness of the Rights Issue by offering Qualifying Shareholders the opportunity to participate at a considerable discount to the price of the shares of the Company as at the Last Trading Day; and (v) the equal opportunity being offered to each of the Qualifying Shareholders for the subscription of the Rights Shares at the Subscription Price in proportion to his/her/its existing shareholding in the Company.

4.3 Analysis on the terms of the Rights Issue

For the purpose of assessing the fairness and reasonableness of the Subscription Price, we have compared the Subscription Price with reference to (a) the historical price performance of the Shares; (b) liquidity of the Shares; and (c) comparison with recent rights issue transactions, as follows:

(a) Historical Share price performance

Set out below is a chart showing the movement of the daily closing price per Share based on the closing price per Share as quoted on the Stock Exchange during the 12 months period from 11 January 2022 to 11 January 2023 being the date falling one year prior to the date of the Last Trading Day, up to and including the Latest Practicable Date (the "**Review Period**"), which is commonly used for analysis purpose to illustrate the general trend of the daily closing prices and the level of movement of the Shares; and compare with the Subscription Price. We consider the Review Period is representative and adequate to illustrate the price movements of the Shares to conduct a reasonable comparison between the daily closing prices of the Shares and the Subscription Price:



Note: Historical closing share prices are adjusted based on the proposed consolidation of every twenty (20) Existing Shares of par value of HK$0.002 each into one (1) Consolidated Share of par value of HK$0.04 each in the share capital of the Company.

Source: the website of the Stock Exchange (http://www.hkex.com.hk)

During the Review Period, the adjusted lowest closing price per Consolidated Share was HK$1 recorded on 12 October 2022 while the adjusted highest closing price per Consolidated Share was HK$2.52 recorded on 20 January 2022. The adjusted average daily closing price per Consolidated Share was approximately HK$1.66.

We note from the graph above that the adjusted closing price per Consolidated Share had been demonstrating a decreasing trend. The adjusted closing price per Consolidated Share gradually decreased from the highest price of HK$2.52 at around the beginning of the Review Period to the lowest closing Share price of HK$1 on 12 October 2022. The Consolidated Share price oscillated within the range of HK$1.06 and HK$1.32 from 11 January 2023, being the Last Trading Day and up to the Latest Practicable Date.

The Subscription Price represents (i) a discount of approximately 54.8% to the highest adjusted closing price per Consolidated Share; (ii) a premium of approximately 14.0% to the lowest adjusted closing price per Consolidated Share; and (iii) a discount of approximately 31.3% from the average daily adjusted closing price per Consolidated Share during the Review Period.

We consider the setting of the Subscription Price at a discount to the market price could enhance the attractiveness of the Rights Issue for encouraging Qualifying Shareholders to participate in the Rights Issue and accordingly maintain their respective shareholding interest in the Company and participate in the future growth of the Company. Given the genuine and imminent funding needs of the Group as discussed in the section headed "Reasons for the Rights Issue and the intended use of proceeds", we consider the Subscription Price is fair and reasonable.

(b) Liquidity of the Shares

The table below sets out the average daily trading volume of the Shares per month and the respective percentages of the average daily trading volume as compared to the total number of issued Shares during the Review Period:

	Total trading volume of the Shares in the month	**Number of trading days in the month**	**Average daily trading volume of the Shares in the month**	**Percentage of average daily trading volume to total number of Shares**	**Percentage of the average daily trading volume to total number of Shares held by public shareholders**
				(Approximate %)	*(Approximate %)*
			(Note 1)	*(Note 2)*	*(Note 3)*
2022					
January (from the beginning of the Review Period)	13,962,000	15	930,800	0.0177	0.0342
February	5,656,000	17	332,706	0.0063	0.0122
March	7,722,000	23	335,739	0.0064	0.0123
April	1,854,000	18	103,000	0.0020	0.0038
May	2,892,000	20	144,600	0.0028	0.0053
June	20,164,000	21	960,190	0.0183	0.0353
July	807,000	20	40,350	0.0008	0.0015
August	18,900,000	22	859,091	0.0163	0.0316
September	5,308,000	21	252,762	0.0048	0.0093
October	5,374,000	20	268,700	0.0051	0.0099
November	1,516,000	22	68,909	0.0013	0.0025
December	2,030,000	20	101,500	0.0019	0.0037
2023					
January	19,480,000	18	1,082,222	0.0206	0.0398
February (up to the Latest Practicable Date)	3,266,000	10	326,600	0.0062	0.0120
Average:				0.0080	0.0155
Maximum:				0.0206	0.0398
Minimum:				0.0008	0.0015

Source: the website of the Stock Exchange (http://www.hkex.com.hk)

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days in the respective month/period.

2. Calculation is based on the average daily trading volume of Shares divided by the total issued Shares of the Company at the end of each respective month or as at the Last Trading Day.

3. The total number of Shares held by the public is based on the number of Shares held by public Shareholders of 2,721,175,260 Shares as at the Latest Practicable Date.

We note from the above table that the trading volume of the Share is generally thin during the Review Period, where the percentages of average daily trading volume of the Share to the total issued Shares and the total issued Shares held by the public Shareholders during the Review Period are 0.008% and 0.0155% respectively. Due to the thin trading volume of the Share, we consider that the Company is unlikely to raise fund by way of placing without substantial discount. Even if the Company is able to conduct a placing of new Shares to new investors or one or few existing Shareholders with a substantial discount, it may not be able to raise a sufficient level of funds as compared to the Rights Issue. Also, we consider that it would be unfair to other existing Shareholders as they will not be able to participate in the placing of new Shares. In view of the declining trend of the Share price and thin trading liquidity of the Share during the Review Period, we are of the view that the Rights Issue is an appropriate and equitable way of equity financing for both the Company and the Shareholders.

(c) Comparison with recent rights issue transactions

In assessing the fairness and reasonableness of the Subscription Price, we have conducted a search of recent proposed rights issue transactions based on the following selection criteria: (i) the company listed on the Stock Exchange; (ii) the rights issue transaction with gross proceeds less than HK$300 million having regarded to the fund raising size of the Rights Issue of approximately HK$99.85 million; (iii) the exclusion of proposed rights issue transaction of A-Shares and H-Shares; and (iv) the rights issue transaction announced since 11 July 2022 up to the Last Trading Day and have identified, based on such search criteria, 23 rights issues (the "**Rights Issue Comparable(s)**") for comparison purpose. We believe that the list of Rights Issue Comparables is an exhaustive list of rights issues meeting the aforesaid search criteria and is a fair and representative sample to be taken as a general reference of the recent market practices in relation to rights issues.

Although the Rights Issue Comparables may be different from the Group in terms of business nature, financial performance, financial position and funding requirements, the Rights Issue Comparables can serve as a market reference for recent market practice in relation to the subscription prices under other rights issues as compared to the relevant prevailing market share prices and provide an insight to the reasonableness of the Subscription Price in respect of the Rights Issue.

We set out our findings in the following table:

Date of announcement	Company name (Stock code)	Basis of entitlement	Gross Proceeds	Premium/(Discount) of subscription price over/to the closing price on the Last Trading Day	Premium/(Discount) of subscription price over/to the theoretical ex-rights price	Premium/(Discount) of subscription price over/to the consolidated NAV per Share *(Note 1)*	Theoretical dilution effect *(Note 2)*	Underwriting Commission *(Note 3)*	Excess application
			(HK$, million)	*(%)*	*(%)*	*(%)*	*(%)*	*(%)*	*(Yes/No)*
10-Feb-23	Windmill Group Limited (1850)	2 for 1	130.56	-1.45	0	-54.05	N/A	N/A	No
10-Jan-23	Kinetix Systems Holdings Limited (8606)	1 for 2	31.3	(29.35)	(21.69)	(47.01)	(9.78)	N/A	No
6-Jan-23	SDM Education Group Holdings Limited (8363)	1 for 2	23.84	0	0	N/A	0	4	Yes
28-Dec-22	New Amante Group Limited (8412)	1 for 2	12.6	(10.6)	(7.3)	N/A	(5.63)	1.5	Yes
28-Dec-22	Jiading International Group Holdings Limited (8153)	1 for 2	51	(50)	(40.12)	30	(17.28)	N/A	No
9-Dec-22	Hope Life International Holdings Limited (1683)	2 for 1	120.96	(16.67)	(6.04)	(77)	(11.11)	N/A	No
29-Nov-22	Enterprise Development Holdings Limited (1808)	3 for 2	106.16	(39.72)	(20.86)	(55.96)	(23.83)	1%	Yes
28-Nov-22	CCIAM Future Energy Limited (145)	1 for 2	31.4	(21.88)	(15.97)	66.7	(7.63)	2.5%	Yes
14-Nov-22	Contel Technology Company Limited (1912)	2 for 5	20.2	(23.2)	(18.2)	(80.9)	(7.1)	N/A	No

Date of announcement	Company name (Stock code)	Basis of entitlement	Gross Proceeds *(HK$, million)*	Premium/(Discount) of subscription price over/to the closing price on the Last Trading Day *(%)*	the theoretical ex-rights price *(%)*	the consolidated NAV per Share *(Note 1)* *(%)*	Theoretical dilution effect *(Note 2)* *(%)*	Underwriting Commission *(Note 3)* *(%)*	Excess application *(Yes/No)*
21-Oct-22	C&N Holdings Limited (8430)	3 for 1	32.5	(13.3)	(3.7)	(34.49)	(10)	N/A	No
21-Oct-22	E. Bon Holdings Limited (599)	1 for 4	28.8	(20)	(17.6)	(75.5)	(4.12)	2.5	Yes
20-Oct-22	Crocodile Garments Limited (122)	1 for 2	47.4	(66.1)	(56.5)	(93.7)	(22.8)	N/A	Yes
18-Oct-22	Cherish Sunshine International Limited (1094) *(Note 4)*	5 for 8	119.6	(25)	(13.7)	(11.27)	(10.76)	0	No
18-Oct-22	China Zenith Chemical Group Limited (362)	5 for 2	79.5	(28.57)	(9.1)	(66.1)	(21.43)	1%	Yes
13-Oct-22	Great Wall Terroir Holdings Limited (524)	1 for 4	17.7	(6.3)	(5.1)	28.6	(3.15)	N/A	Yes
11-Oct-22	AMCO United Holding Limited (630)	1 for 1	48.4	(16.7)	(9.1)	(57.9)	(8.33)	N/A	No
26-Sep-22	Endurance RP Limited (575) *(Note 4)*	1 for 1	188.43	6.08	(15.59)	(38.19)	(13.89)	1	No
10-Aug-22	Easy Repay Finance & Investment Limited (8079)	1 for 2	14.4	(44.95)	(35.14)	(87.48)	(16.09)	N/A	No
5-Aug-22	Jia Yao Holdings Limited (1626)	1 for 1	180	(14.29)	(7.69)	(4.76)	(7.14)	5	Yes
3-Aug-22	Kwan On Holdings Limited (1559)	1 for 4	57.5	0	(0.42)	(44.23)	(0.13)	N/A	Yes

Date of announcement	Company name (Stock code)	Basis of entitlement	Gross Proceeds	Premium/(Discount) of subscription price over/to the closing price on the Last Trading Day	the theoretical ex-rights price	the consolidated NAV per Share *(Note 1)*	Theoretical dilution effect *(Note 2)*	Underwriting Commission *(Note 3)*	Excess application
			(HK$, million)	*(%)*	*(%)*	*(%)*	*(%)*	*(%)*	*(Yes/No)*
28-Jul-22	China Financial Leasing Group Limited (2312)	2 for 1	43.9	(29.1)	(4.99)	(33.7)	(19.6)	1	Yes
14-Jul-22	Wan Cheng Metal Packaging Company Limited (8291)	1 for 1	24	(25)	(14.3)	11.9	(16.5)	N/A	No
12-Jul-22	Besunyen Holdings Company Limited (926)	2 for 1	140.2	(14.22)	(5.91)	(92.58)	(10.58)	1	Yes
	Maximum		188.43	6.08	0.00	66.70	0.00	5.00	
	Minimum		12.60	66.10	56.50	93.70	23.83	0.00	
	Average		69.99	21.13	13.97	38.53	11.69	1.46	
	Median		47.40	20.00	9.10	49.14	10.67	1.00	
	The Company	1 for 3	99.85	(-13.60)	(10.90)	(5.20)	(3.70)	0.00	No

Source: the website of the Stock Exchange (http://www.hkex.com.hk)

Notes:

1. The NAV per share is calculated based on the latest published audited/unaudited consolidated NAV and total number of shares in issue as at the date of the respective announcements. "N/A" denotes that the NAV of the rights issue comparable company has net liabilities according to their respective latest published audited/unaudited results. Latest audited consolidated NAV of the Company was used for comparison.

2. The theoretical dilution effect is calculated in accordance with Rule 7.27B of the Listing Rules.

3. "N/A" denotes that the rights issue was conducted on a non-underwritten basis and therefore the underwriting commission is not applicable.

4. Based on our research, the underwriter of Cherish Sunshine International Limited and Endurance RP Limited were connected party respectively; whereas the underwriters of the remaining Rights Issue Comparables were independent third parties.

As set out in the table above, we noted that:

(i) the subscription prices to the share price on the last trading day of the Rights Issue Comparables ranged from discounts of 66.10% to premium of approximately 6.08% (the "**Comparable LTD Range**"), with average and median of discounts of approximately 21.13% and 20.00% respectively. The discount of approximately 13.60% to the adjusted closing price per Consolidated Share on the Last Trading Day as represented by the Subscription Price is within the Comparable LTD Range, lower than the average and median discounts of the Rights Issue Comparables;

(ii) the subscription prices to the theoretical ex-rights price per share based on the last trading day of the Rights Issue Comparables ranged from discounts of approximately 0% to 56.50% (the "**Comparable TERP Range**"), with average and median discounts of approximately 13.97% and 9.10%, respectively. The discount of 10.90% to the theoretical ex-rights price per Consolidated Share on the Last Trading Day as represented by the Subscription Price is within the Comparable TERP Range, lower than the average and slightly higher than the median discounts of the Rights Issue Comparables;

(iii) the subscription prices to the consolidated NAV per share of the Rights Issue Comparables ranged from discounts of approximately 93.70% to premium of approximately 66.70% (the "**Comparable NAV Range**"), with average and median discounts of approximately 38.53% and 49.14%, respectively. The discount of 5.20% to the adjusted audited consolidated NAV per Consolidated Share as represented by the Subscription Price is within the Comparable NAV Range and lower than the average and median discounts of the Rights Issue Comparables; and

(iv) the theoretical dilution effect of the Rights Issue Comparables ranged from approximately 0.00% to 23.83% (the "**Comparable Dilution Range**"), with average and median dilution effects of approximately 11.69% and 10.67%, respectively. The theoretical dilution effect of the Rights Issue of approximately 3.40% is within the Comparable Dilution Range, lower than the average and median dilution effects of the Rights Issue Comparables. As the theoretical dilution effect of the Rights Issue is below 25%, it is in compliance with Rule 7.27B of the Listing Rules.

In determining the current subscription ratio and the Subscription Price, we understand from the Management that the Company has considered various factors, including (i) as in other market precedents, that a reasonable discount to the closing price of the Consolidated Shares is necessary to attract the Qualifying Shareholders to participate in the Rights Issue; (ii) the funding needs of the Group; and (iii) the Subscription Price has to be set at a discount to the closing price of the Consolidated Shares that is acceptable to the Underwriter.

In view of (i) although the Subscription Price represents lower discount than the closing price of the last trading day of the Rights Issue Comparables, it still falls within the ranges of such Rights Issue Comparables; (ii) the discount of the theoretical ex-rights price per Consolidated Share on the Last Trading Day as represented by the Subscription Price is within the Comparable TERP Range and close to the median of the Rights Issue Comparables; (iii) the discount of the adjusted audited consolidated NAV per Consolidated Share as represented by the Subscription Price is within the Comparable NAV Range and lower than the average and median discounts of the Rights Issue Comparables; (iv) the theoretical dilution effect of the Rights Issue is within the Comparable Dilution Range, lower than the average and median dilution effects of the Rights Issue Comparables; and (v) the Subscription Price is available to all Qualifying Shareholders and the independent Underwriter without any prejudice or favoritism towards any particular party, we consider that the principal terms of the Rights Issue (including the Subscription Price) and potential dilution of the Rights Issue are fair and reasonable to the Shareholders and in the interest of the Company and the Shareholders as a whole.

4.4 The Underwriting Arrangement for the Rights Issue

(a) Principal terms of the Underwriting Agreement

The Rights Shares will be partially underwritten by Hongfa as the Underwriter in accordance with the terms of the Underwriting Agreement. The principal terms and conditions of the Underwriting Agreement are set out below:

Date	:	11 January 2023 (after trading hours of the Stock Exchange)
Parties	:	(1) The Company; and (2) Hongfa as the Underwriter
Underwriter	:	Hongfa is wholly and beneficially owned by Mr. Li. Mr. Li is interested in 2,048,138,660 Existing Shares held through Hongfa, a company incorporated in the BVI with limited liability and Mr. Li holds 122,058,000 Existing Shares personally, which in aggregate 2,170,196,660 Shares, representing approximately 41.30% of the total Existing Shares. It is not in the ordinary course of business of Hongfa to underwrite securities.
Number of Rights Shares to be underwritten by the Underwriter:	:	Up to 50,781,988 Rights Shares, being all the Underwritten Rights Shares excluding the 36,796,344 Shares under the Irrevocable Undertakings

Underwriting commission	:	The Underwriter will not receive any underwriting commission

Subject to the terms and conditions set out in the Underwriting Agreement, if and to the extent that at the Latest Placing Time, there shall be any Unsubscribed Rights Shares which have not been successfully placed out by the Placing Agent under the Compensatory Arrangements, then the Underwriter shall subscribe or procure subscription for a maximum of 50,791,988 Rights Shares pursuant to the allocations under the terms set out in the Underwriting Agreement and on the terms as set out in the Letter from the Board. The maximum underwriting commitment of the Underwriter shall be 50,791,988 Rights Shares.

For further details of the terms and conditions of the Underwriting Agreement, please refer to the paragraph headed "The Underwriting Agreement" in the Letter from the Board.

As disclosed in the Letter from the Board, the terms of the Underwriting Agreement were determined after arm's length negotiations between the parties with reference to the financial position of the Group, the size of the Rights Issue, the current and expected market conditions, taking into consideration the prevailing market rates of underwriting commission in rights issue exercises undertaken by Hong Kong listed issuers in the past six months, trading liquidity and risks associated with the underwriting, the intention of the Underwriter to facilitate the Company's fundraising efforts for its business development and working capital requirements, and the relationship between the Underwriter and Mr. Li. We consider the assumption and selection criteria considered by the Directors in respect of the market comparables for determining the terms of the Underwriting Agreement are fair and reasonable given that the six-months period prior to the date of the Announcement is able to capture the prevailing market practices of the recent right issue exercises conducted by issuers listed on the Stock Exchange having regarded to the prevailing market conditions and bearish market sentiment.

Based on the table set out in the section headed "Comparison with recent rights issue transactions" above, we noted that the underwriter of Cherish Sunshine International Limited and Endurance RP Limited were connected parties respectively, which is similar to the underwriting arrangement of the Rights Issue. We noted that underwriting commission to be received by underwriters who are connected persons in the aforementioned cases were nil and 1% respectively. Pursuant to the Underwriting Agreement, no underwriting commission will be charged for the Rights Issue, having considered that (i) no underwriting commission to be charged by the underwriter who are connected persons is not uncommon in the market; and (ii) no underwriting commission to be charged by the Underwriter will facilitate the fund raising effort of the Company, we concur with the Directors' view that the Underwriting Agreement is on normal commercial terms and is fair and reasonable as far as the Shareholders are concerned.

(b) ***Procedures in respect of the Unsubscribed Rights Shares and the Compensatory Arrangements***

As stated in the Letter from the Board, pursuant to Rule 7.21(2) of the Listing Rules, as the Underwriter is wholly-owned by Mr. Li who is a substantial shareholder of the Company, the Company must make arrangements to dispose of the Unsubscribed Rights Shares, comprising the Rights Shares that are not subscribed by the Qualifying Shareholders and the NQS Rights Shares, by offering the Unsubscribed Rights Shares to independent placees who are not Shareholders by way of a placing for the benefit of the relevant No Action Shareholders. As the Compensatory Arrangements are in place, there will be no excess application arrangements in relation to the Rights Issue as stipulated under Rule 7.21(2)(a) of the Listing Rules.

As further mentioned in the Letter from the Board, the Company appointed the Placing Agent to place the Unsubscribed Rights Shares after the Latest Time for Acceptance to independent placees on a best effort basis, and any premium over the aggregate amount of (i) the Subscription Price for those Rights Shares; and (ii) the expenses of the Placing Agent (including any other related costs and expenses), that is realised from the Placing (the "**Net Gain**") will be paid to those No Action Shareholders in the manner set out below. The Placing Agent will, on a best effort basis, procure, by not later than the Latest Placing Time, acquirers who are not Shareholders for all (or as many as possible) of those Unsubscribed Rights Shares at a price not less than the Subscription Price. Any unsold Unsubscribed Rights Shares under the Compensatory Arrangements will be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement.

Net Gain (if any but rounded down to the nearest cent) will be paid on a pro-rata basis to the No Action Shareholders as set out below:

(i) where the nil-paid rights are, at the time they lapse, represented by a PAL, to the person whose name and address appeared on the PAL; and

(ii) where the nil-paid rights are, at the time they lapse, registered in the name of HKSCC Nominees Limited, to the beneficial holders (via their respective CCASS participants) as the holder of those nil-paid rights in CCASS.

It is proposed that if the Net Gain to any of the No Action Shareholder(s) mentioned above (i) is more than HK$100, the entire amount will be paid to them; or (ii) is HK$100 or less, such amount will be retained by the Company for its own benefit.

Principal terms of the Placing Agreement are as below:

Date	:	11 January 2023 (after trading hours of the Stock Exchange)

Placing agent	:	The Placing Agent was appointed to place, or procure the placing of, a maximum of 50,791,988 (assuming no change in the issue share capital of the Company on or before the Record Date), Unsubscribed Rights Shares, on a best effort basis, to the Placee(s)
Placing commission payable to the Placing Agent	:	1.0% of the gross proceeds, whichever is higher, from the successful placement of Unsubscribed Rights Shares
Placing price of the Unsubscribed Rights Shares	:	the placing price of the Unsubscribed Rights Shares shall be not less than the Subscription Price. The final price will be determined based on the demand for and market conditions of the Unsubscribed Rights Shares at the time of placement.
Placees	:	According to the Placing Agreement (as amended by the Supplemental Placing Agreement), the Placing Agent shall ensure that the Placing Shares are placed (i) only to institutional, corporate or individual investors who and whose ultimate beneficial owner(s) shall be the Independent Third Parties; and (ii) such that the Placing will not have any implications under the Takeovers Code and no Shareholder will be under any obligation to make a general offer under the Takeovers Code as a result of the Placing. The Placing Agent will ensure it will, and will procure the sub-placing agent(s) to, place the Unsubscribed Rights Shares to the placee(s) to the extent that upon completion of the Placing, at least 25% of the total issued Shares of the Company will be held by the public (within the meaning under the Listing Rules) such that the public float requirement under Rule 8.08 of the Listing Rules will be complied with by the Company.

Ranking of Unsubscribed Rights Shares	:	The Unsubscribed Rights Shares (when placed, allotted, issued and fully paid) shall rank pari passu in all respects among themselves and with the Shares then in issue
Placing condition	:	The Placing is conditional upon the fulfillment of the following conditions on or before the Latest Time for Termination (or such later date as may be agreed in writing between the Placing Agent and the Company): (i) the Listing Committee granting the approval for the listing of, and the permission to deal in, the Rights Shares; (ii) all necessary consents and approvals to be obtained on the part of each of the Placing Agent and the Company in respect of the Placing Agreement and the transactions contemplated thereunder having been obtained; and (iii) the obligations of the Placing Agent under the Placing Agreement not being terminated in accordance with the terms of the Placing Agreement
Placing Period	:	The period from Monday, 27 March 2023 up to 4:00 p.m. on Wednesday, 29 March 2023, or such other dates as the Company may announce, being the period during which the Placing Agent will seek to effect the Compensatory Arrangements.

For further details of the terms and conditions of the Placing Agreement, please refer to the paragraph headed "The Placing Agreement" in the Letter from the Board. We understand that the Compensatory Arrangements is at the cost of the Company that would protect the interest of the Company's minority Shareholders in the Rights Issue. The placing of the Unsubscribed Rights Shares may be placed to independent placees under the Compensatory Arrangements which will expand the shareholders' base. As there will be no excess application arrangement in relation to the Rights Issue as stipulated under Rule 7.21(1)(a) of the Listing Rules, the Company has put in place the Compensatory Arrangements as required by Rule 7.21(1)(b) of the Listing Rules. Given that the Compensatory Arrangements would (i) provide a distribution channel of the Unsubscribed Rights Shares for the Company; (ii) broaden the diversity and base of the Shareholders; (iii) potentially offer monetary benefits to the No Action Shareholders under the Net Gain arrangement; (iv) facilitate the implementation of the Rights Issue; and (v) the expenses of the Placing Agent to be incurred during the placing of the Shares are borne by the Company, we are of the view that the Compensatory Arrangements are fair and reasonable to the Independent Shareholders. Taking into account the principal terms of the Rights Issue as highlighted above, we consider that the terms of the Rights Issue, the Underwriting Agreement and the Placing Agreement are on normal commercial terms and are fair and reasonable as far as the Independent Shareholders are concerned.

4.5 Potential dilution effect of the Rights Issue

The table below illustrates the shareholding structure of the Company as at the Latest Practicable Date and the possible changes upon completion of the Rights Issue.

Shareholders	As at the Latest Practicable Date		Immediately after the Share Consolidation		Immediately after the Share Consolidation and upon the Rights Issue Completion assuming full acceptance by all Shareholders under the Rights Issue		Immediately after the Share Consolidation and upon the Rights Issue Completion assuming no subscription by the Shareholders; except for Mr. Li, Mr. Geng, Mr. Lang and Hongfa pursuant to the Irrevocable Undertakings, none of the Unsubscribed Rights Shares are placed and all of the Underwritten Rights Shares are taken up by the Underwriter	
	No. of Shares	*Approx. %*	*No. of Shares*	*Approx. %*	*No. of Shares*	*Approx. %*	*No. of Shares*	*Approx. %*
Hongfa	2,048,138,660	39.0	102,406,933	39.0	136,542,577	39.0	187,334,565	53.4
Mr. Li *(Note 1)*	122,058,000	2.3	6,102,900	2.3	8,137,200	2.3	8,137,200	2.3
Mr. Geng *(Note 2)*	18,884,000	0.4	944,200	0.4	1,258,933	0.4	1,258,933	0.4
Mr. Lang *(Note 3)*	18,700,000	0.4	935,000	0.4	1,246,667	0.4	1,246,667	0.4
Sub-total of Mr. Li, the Underwriter and parties acting in concert with any of them	2,207,780,660	42.1	110,389,033	42.1	147,185,377	42.1	197,977,365	56.5
X. Mining Resources Group Limited	326,344,000	6.2	16,317,200	6.2	21,756,267	6.2	16,317,200	4.7
Other public Shareholders	2,721,175,260	51.7	136,058,763	51.7	181,411,684	51.7	136,058,763	38.8
Total	5,255,299,920	100.0	262,764,996	100.0	350,353,328	100.0	350,353,328	100.0

Note 1: Mr. Li beneficially holds the entire issued share capital of Hongfa, a company incorporated in the BVI with limited liability, which in turn beneficially holds 2,048,138,660 Shares. For the purposes of the SFO, Mr. Li is deemed or taken to be interested in all the Shares held by Hongfa.

Note 2: Mr. Geng is a Director of the Company. Mr. Geng is a party acting in concert with Mr. Li by virtue of his capacity as a director of Hongfa and a Director, pursuant to class 2 and class 6 of the definition of acting in concert under the Takeovers Code, respectively, and he will accept all of the 314,733 Rights Shares provisionally allotted to him under the Rights Issue and pursuant to the Irrevocable Undertakings.

Note 3: Mr. Lang is a Director of the Company and Mr. Lang beneficially holds the entire issued share capital of Novi and All Five Capital, which in turn beneficially holds 650,000 Existing Shares and 18,050,000 Existing Shares, respectively. For the purposes of the SFO, Mr. Lang is deemed or taken to be interested in all the Existing Shares held by Novi and All Five Capital. Mr. Lang is a party acting in concert with Mr. Li by virtue of his capacity as a Director, pursuant to class 6 of the definition of acting in concert under the Takeovers Code, and he will accept all of the 311,667 Rights Shares provisionally allotted to him under the Rights Issue and pursuant to the Irrevocable Undertakings.

All Qualifying Shareholders are entitled to subscribe for the Right Shares, and for those who take up their full provisional allotments under the Rights Issue, their shareholding interest in the Company remain the same after the Rights Issue. As illustrated above, if (i) no Qualifying Shareholders takes up the Rights Issue; (ii) no Unsubscribed Rights Shares can be placed to independent placees; and (iii) all the Underwritten Rights Shares are taken up by the Underwriter, the shareholding of the public Shareholders would be reduced (a) assuming no change in the issued share capital of the Company on or before the Record Date, from approximately 51.7% to 38.8%, representing a possible dilution of approximately 12.9% in their shareholding interests arising from Rights Issue, and the shareholding of Mr. Li and parties acting in concert or presumed acting in concert with him would be increased from approximately 42.1% as at the Latest Practicable Date to approximately 56.5% upon the completion of the Rights Issue.

Taking into account: (i) all Qualifying Shareholders are offered an equal opportunity to participate in the Rights Issue and that the Qualifying Shareholders have their choice of whether to accept the Rights Issue or not; (ii) the Rights Issue offers the Qualifying Shareholders a chance to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at the Subscription Price; (iii) those Qualifying Shareholders who choose to accept the Rights Issue in full can maintain their respective existing shareholding interests in the Company after the Rights Issue; (iv) the inherent dilutive nature of rights issue in general if the existing shareholders do not subscribe in full for their assured entitlements; (v) the Rights Issue would enable the Group to improve its financial position; and (vi) the Compensatory Arrangements will provide a compensatory mechanism at the cost of the Company that would protect the interest of the Company's minority Shareholders in the Rights Issue to address the concern that the Underwriter has the potential to increase its equity interests in the Company at a lower cost because the Subscription Price is at discounts to the recent prevailing market price, we are of the view that the potential dilution effect of the Rights Issue is fair and reasonable so far as the Independent Shareholders are concerned.

We are of the view that the implementation of the Rights Issue is beneficial to the Company and the Shareholders as a whole despite the potential dilution impact to the shareholding interests of the existing public Shareholders, who do not participate fully or partly in the Rights Issue, having regard to the potential mitigating measure such as the Compensatory Arrangements.

5. Financial effects of the Rights Issue, the Offset

Net Assets

According to the unaudited pro forma financial information of the Group set out in Appendix II to the Circular, the unaudited consolidated net tangible liabilities, before any adjustments, of the Group attributable to the equity holders of the Company was approximately HK$355.8 million as at 30 June 2022. Assuming 87,588,332 Rights Shares are issued on the basis of one Rights Share for every three Consolidated Shares in issue as at 30 June 2022 at the Subscription Price of HK$1.14 per Rights Share, upon completion of the Rights Issue, the unaudited consolidated net tangible assets of the Group attributable to the equity holders of the Company would improve from approximately HK$355.8 million to unaudited consolidated net tangible assets of the Group attributable to the equity holders of the Company of approximately HK$453.3 million as at 30 June 2022.

Liquidity

According to the 2022 IR, as at 30 June 2022, the Group had cash and cash equivalents of approximately RMB311.7 million, current asset of approximately RMB483.9 million and current liabilities of approximately RMB444.5 million. Accordingly, the current ratio of the Group (being the current assets of the Group divided by the current liabilities of the Group) as at 30 June 2022 was approximately 1.09 times. Assuming 87,588,332 Rights Shares are issued on the basis of one Rights Share for every three Consolidated Shares on the Record Date at the Subscription Price of HK$1.14 per Rights Share, upon completion of the Rights Issue, the current liabilities of the Group will decrease by, according to the intended use of proceeds stated in the Letter from the Board, approximately HK$71.2 million and approximately HK$3.1 million will be applied to offset the outstanding Shareholder's Loan and settlement of the outstanding Hong Kong Bonds and accrued interest of the Group, being approximately RMB63.89 million in total upon the completion of the Rights Issue. The current ratio of the Group, upon completion of the Rights Issue and the Offset, would increase to approximately 1.27 times as at 30 June 2022.

Gearing ratio

According to the 2022 IR, as at 30 June 2022, the gearing ratio of the Company was approximately 63.7% (being total borrowings with interest-bearing excluding lease liabilities over shareholders' equity attributable to the owners of the Company). Assuming 87,588,332 Rights Shares are issued on the basis of one Rights Share for every three Consolidated Shares on the Record Date at the Subscription Price of HK$1.14 per Rights Share, upon completion of the Rights Issue, the total borrowings of the Group will decrease by, according to the intended use of proceeds stated in the Letter from the Board, approximately HK$71.2 million and approximately HK$3.1 million will be applied to offset the outstanding Shareholder's Loan and settlement of the outstanding Hong Kong Bonds and accrued interest of the Group, being approximately RMB63.89 million in total upon the completion of the Rights Issue. The gearing ratio of the Group, upon completion of the Rights Issue and the Offset, would decrease to approximately 42.7% as at 30 June 2022.

Having considered that the Rights Issue will (i) increase the unaudited consolidated net tangible assets from approximately HK$355.8 million to unaudited consolidated net tangible assets of the Group attributable to the equity holders of the Company of approximately HK$453.3 million as at 30 June 2022; and (ii) improve the overall liquidity position and gearing level of the Group, we are of the view that the Rights Issue are fair and reasonable as far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

Shareholders should note that the aforesaid analyses are for illustrative purpose only and do not purport to represent the financial position of the Group upon completion of the Rights Issue and due to its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of: (i) the financial position of the Company as at 30 June 2022 or any future date; or (ii) the unaudited consolidated net tangible assets per Share of the Company as at 30 June 2022 or any future date.

6. Whitewash Waiver

Assuming (i) there is no change in the issued share capital of the Company from the Latest Practicable Date up to and including the date of close of the Rights Issue; (ii) none of the Qualifying Shareholders (other than Mr. Li who takes up or procure to take up the entitlements under the Irrevocable Undertakings); and (iii) none of the Unsubscribed Rights Shares have been taken up under the Compensatory Arrangements, the aggregate shareholding of the Underwriter, Mr. Li and parties acting in concert with any of them in the Company upon the close of the Rights Issue will increase from the current level of approximately 42.1% to approximately 56.5% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares. The Underwriter will, in the absence of the Whitewash Waiver, be obliged to make a mandatory general offer for all issued Shares not already owned or agreed to be acquired by it and its concert parties pursuant to Rule 26 of the Takeovers Code. If the Whitewash Waiver is approved by the Independent Shareholders, the maximum potential holding of voting rights of the Company held by the Underwriter and parties acting in concert with it as a result of the underwriting of the Rights Shares by the Underwriter pursuant to the Underwriting Agreement will exceed 50% of the voting rights of the Company. The Underwriter may further increase its holdings of voting rights of the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

An application has been made to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive may or may not grant the Whitewash Waiver, and if granted, the Whitewash Waiver will be subject to, among other things, (i) the approval by at least 75% of the independent votes that are casted by the Independent Shareholders at the EGM by way of poll in respect of the Whitewash Waiver; and (ii) the approval by more than 50% of the Independent Shareholders at the EGM by way of poll in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Offset, and the transactions contemplated thereunder.

Based on our analysis of the benefits and terms of the Rights Issue, we consider that the Rights Issue is in the interests of the Company and the Independent Shareholders. If the Whitewash Waiver is not approved by the Independent Shareholders at the EGM, the Rights Issue will not proceed and the Company will lose all the benefits that are expected to be brought by the Rights Issue. Accordingly, we consider that the Whitewash Waiver, which is to facilitate the implementation of the Rights Issue, is in the interests of the Company and the Independent Shareholders as a whole and is fair and reasonable as far as the Independent Shareholders are concerned for the purpose of proceeding with the Rights Issue.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above and summarised below:

(i) the deteriorating financial position and the imminent need of capital of the Group as discussed in section 1 to this letter;

(ii) the Rights Issue, which the net proceeds of approximately HK$71.2 million would be contributed to the Offset, approximately HK$3.1 million would be contributed to the settlement of outstanding bonds while approximately HK$10.1 million would be contributed to the implementation of business development plan and approximately HK$13.0 million would be contributed to general working capital of the Group, is expected to have a positive financial effect on the net assets, liquidity and gearing ratio of the Group, more specially it is expected to lower the liabilities of the Group while increase its equity capital;

(iii) taking into account the benefits and costs of each of the alternatives, the Rights Issue represents an appropriate means for fund raising to improve the Group's financial position as discussed under the section headed "2 (b) Fund raising alternatives" above;

(iv) the Subscription Price, which was determined at discounts to the prevailing market prices of the Share before the Last Trading Day, ensures that the Company would raise sufficient funding from the Rights Issue to improve its overall liquidity position and fulfil its capital requirements;

(v) the Subscription Price and the dilution effects of the Rights Issue are reasonable as discussed in the section headed "4.3 Analysis on the terms of the Rights Issue" above;

(vi) the terms of the Underwriting Agreement are fair and reasonable as discussed in the section headed "4.4 The Underwriting Arrangement for the Rights Issue" above;

(vii) the Rights Issue is conducted on the basis that all the Qualifying Shareholders have been offered the equal opportunity to maintain their proportionate interests in the Company and allows the Qualifying Shareholders to participate in the future growth of the Company, and the maximum dilution effect only occur when the Qualifying Shareholders do not subscribe for their proportionate Rights Shares; and

(viii) the analysis on the fairness and reasonableness of the Whitewash Waiver as discussed in the section headed "6. Whitewash Waiver" above,

we are of the opinion that (i) the terms of the Rights Issue, the Offset, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder, and the Whitewash Waiver are on normal commercial terms and are fair and reasonable as far as the Independent Shareholders are concerned; and (ii) the Offset and the Underwriting Agreement, although not in the Company's ordinary and usual course of business, are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolution(s) on the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Offset and the Whitewash Waiver to be proposed at the EGM.

Yours faithfully,
For and on behalf of
Messis Capital Limited
Thomas Lai
Chief Executive Officer

Mr. Thomas Lai is a licensed person registered with the Securities and Futures Commission of Hong Kong and regarded as a responsible officer of Messis Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulatory activity under the SFO and has over 28 years of experience in corporate finance industry.

(1) FINANCIAL INFORMATION OF THE GROUP

Set out below is a summary of the consolidated financial results of the Group for each of the three years ended 31 December 2019, 2020 and 2021 as extracted from the annual reports of the Company for the years ended 31 December 2019, 2020 and 2021, and the unaudited consolidated interim results of the Group for the six months ended 30 June 2021 and 2022 as extracted from the interim reports of the Company for the six months ended 30 June 2021 and 2022.

Consolidated Statement of Comprehensive Income

	For the six months ended 30 June		For the year ended 31 December		
	2022	**2021**	**2021**	**2020**	**2019**
	(unaudited)	*(unaudited)*	*(audited)*	*(audited)*	*(audited)*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	521,101	886,491	1,633,758	965,975	323,341
Cost of sales	(457,087)	(838,058)	(1,600,310)	(887,744)	(322,048)
Gross profit	64,014	48,433	33,448	78,231	1,293
Operating profit/(loss)	23,779	25,021	(25,103)	82,139	(56,713)
Net finance costs	(7,097)	(8,715)	(18,156)	(18,193)	(14,591)
Profit/(loss) before income tax	16,682	16,306	(30,057)	(60,705)	(71,304)
Income tax expense	(1,741)	–	–	–	–
Net profit/(loss) for the period/year	14,941	16,306	(30,057)	60,705	(71,304)
Total comprehensive income/(loss)	17,095	15,811	(30,273)	61,785	(76,930)
Earnings/(loss) per share for profit/(loss) attributable to owners of the Company					
Earnings/(loss) per share-basic and diluted	0.285	0.308	(0.006)	0.011	(0.014)

The management discussion and analysis of the Company for each of the financial years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022 are disclosed in the annual reports of the Company for the financial years ended 31 December 2019, 2020 and 2021 and the interim reports of the Company for the six months ended 30 June 2021 and 2022 respectively.

For each of the three years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022, no dividend or dividend per share has been declared by the Group. Save as disclosed above, there were no material items of income or expense for each of the three years ended 31 December 2019, 2020 and 2021 and for the six months ended 30 June 2021 and 2022.

Crowe (HK) CPA Limited is the auditor of the Group for the three years ended 31 December 2021 and unqualified audit opinion was issued by Crowe (HK) CPA Limited for the consolidated financial statements of the Group for each of the three years ended 31 December 2021.

(2) AUDITED FINANCIAL INFORMATION

The Company is required to set out or refer to in this circular the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity and any other primary statement as shown in (i) the audited consolidated financial statements of the Group for the year ended 31 December 2019 (the "**2019 Financial Statements**"); (ii) the audited consolidated financial statements of the Group for the year ended 31 December 2020 (the "**2020 Financial Statements**"); (iii) the audited consolidated financial statements of the Group for the year ended 31 December 2021 (the "**2021 Financial Statements**"); (iv) the unaudited consolidated financial statements of the Group for the six months ended 30 June 2021 (the "**2021 Interim Financial Statements**"); and (v) the unaudited consolidated financial statements of the Group for the six months ended 30 June 2022 (the "**2022 Interim Financial Statements**"), together with significant accounting policies and the notes to the relevant published financial statements which are of major relevance to the appreciation of the above financial information.

The 2019 Financial Statements are set out on pages 89 to 156 of the annual report of the Company for the year ended 31 December 2019, which was published on 14 May 2020 on the websites of the Stock Exchange and the Company, and is accessible via the following hyperlink:

https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0514/2020051401302.pdf

The 2020 Financial Statements are set out on pages 62 to 126 of the annual report of the Company for the year ended 31 December 2020, which was published on 27 April 2021 on the websites of the Stock Exchange and the Company, and is accessible via the following hyperlink:

https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0427/2021042701389.pdf

The 2021 Financial Statements are set out on pages 64 to 132 of the annual report of the Company for the year ended 31 December 2021, which was published on 28 April 2022 on the websites of the Stock Exchange and the Company, and is accessible via the following hyperlink:

https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0428/2022042801657.pdf

The 2021 Interim Financial Statements are set out on pages 3 to 23 of the interim report of the Company for the six months ended 30 June 2021, which was published on 29 September 2021 on the websites of the Stock Exchange and the Company, and is accessible via the following hyperlink:

https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0929/2021092900473.pdf

The 2022 Interim Financial Statements are set out on pages 3 to 23 of the interim report of the Company for the six months ended 30 June 2022, which was published on 29 September 2022 on the websites of the Stock Exchange and the Company, and is accessible via the following hyperlink:

https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0929/2022092900727.pdf

(3) MATERIAL CHANGE

Save as disclosed in the interim report of the Company for the six months ended 30 June 2022 that (a) the Group recorded the revenue of approximately RMB521.1 million for the six months ended 30 June 2022, representing a decrease of approximately RMB365.4 million or 41.2% as compared to approximately RMB886.5 million for the six months ended 30 June 2021; (b) the Group recorded the gross profit margin of approximately 12.3% million for the six months ended 30 June 2022 as compared to approximately 5.5% for the six months ended 30 June 2021; and (c) the Group recorded the net profit for the period of approximately RMB14.9 million for the six months ended 30 June 2022, representing a decrease of approximately RMB1.4 million or 8.6% as compared to approximately RMB16.3 million for the six months ended 30 June 2021 and save that the Company proposed to conduct the Rights Issue to raise estimated net proceeds of approximately HK$97.4 million, in which (i) approximately HK$71.2 million for Offset/Repayment of the outstanding Shareholder's Loan of the Group; (ii) approximately HK$3.1 million for settlement of the outstanding Hong Kong Bonds and accrued interest of the Group; and (iii) approximately HK$13.0 million as general working capital of the Group, the Directors confirmed that there has been no material change in the financial or trading position or outlook of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Company were made up, and up to and including the Latest Practicable Date.

(4) INDEBTEDNESS

As at 31 January 2023, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had the following indebtedness: (i) the Shareholder's Loans which amounted to approximately RMB64.7 million; (ii) the Hong Kong Bonds which amounted to approximately RMB2.8 million comprising the outstanding principal and accrued interest; (iii) the bank borrowings which amounted to approximately RMB60.0 million; and (iv) the lease liabilities which amounted to approximately RMB2.7 million.

Saved as disclosed above, the Group did not have any outstanding bank overdrafts or loans, or other similar indebtedness, mortgages, charges, or guarantees, debt securities, term loans, hire purchase commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits, other borrowings or indebtedness in the nature of borrowings or other material contingent liabilities as at the close of business on 31 January 2023.

(5) SUFFICIENCY OF WORKING CAPITAL

The Directors are of the opinion that, after taking into account the financial resources available to the Group and the estimated net proceeds from the Rights Issue, the Group will have sufficient working capital for its requirements for at least the next twelve months from the date of this circular.

(6) BUSINESS REVIEW AND FINANCIAL AND TRADING PROSPECTS

The principal activities of the Group are iron ore and ilmenite ore exploration, mining and processing as well as trading of iron concentrates and other minerals in the Shandong Province, the PRC. The sudden outbreak of COVID-19 pandemic in early 2020 has brought unprecedented challenges to the global economy. The Group recorded revenue of approximately RMB521.1 million for the six months ended 30 June 2022, representing a decrease of approximately 41.2% over the revenue of approximately RMB886.5 million for the six months ended 30 June 2021. The decrease in revenue of the Group was primarily due to the decrease in turnover of trading of coarse iron powder by approximately RMB585.3 million from approximately RMB859.9 million for the six months ended 30 June 2021 to approximately RMB274.6 million for the six months ended 30 June 2022 which being net off by the effect of the increase in sales of blended coal by approximately RMB157.6 million which is a new line of trading product since second half of 2021, and service income from processing of iron and other mineral ores by approximately RMB60.3 million which has been commenced in the last quarter of 2021.

In fact, the COVID-19 prevention and control measures have been gradually eased in various region in the PRC since January 2023. Adapting the market changes by reason of COVID-19, the Company positively seized the opportunities provided by national policies in relation to the development of clean energy, such as wind power, photovoltaic power and solar thermal power into new economic growth points, which have made substantial progress. As regards the abovementioned, the Group intends to continue expanding into new business including but not limited to clean energy business, development of iron and titanium concentrates business, deepening and expending the building of whole industrial chain of titanium products including sponge titanium and high purity titanium.

Being participating in the Greater Bay Area Carbon Neutrality Association and its foundation since 2011, the Group has been actively seeking latest technology and to explore of business opportunities in sustainability and carbon neutrality. In 2022, the Group is working hard to get access to the national carbon emissions trading market, the Directors are of the view that it is necessary for the Group to maintain sufficient available cash.

Upon completion of such Rights Issue, the Group will continue to develop low-carbon project(s). The second phrase construction of the comprehensive utilization of green and low-carbon resources project, namely Shangyu Ilmenite Mine, is expected be completed before the end of 2025, and that an additional 600,000 tons of iron ore will be processed annually, resulting in an annual output of 300,000 tons of 65% iron concentrates. Upon completion of the construction of the two phases, it is expected that it will bring an annual turnover of RMB2.8 billion as set out in the circular of the Company dated 30 March 2022. Considering the Group will further explore to new projects, the Group will continue its effort in the current and upcoming financial years.

A UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The unaudited pro forma statement of adjusted consolidated net tangible assets of Add New Energy Investment Holdings Group Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the proposed rights issue of up to 87,588,332 new shares of the Company ("**Right Shares**") at the subscription price of HK$1.14 each and on the basis of one new share for every three consolidated shares (being ordinary shares of the Company after the share consolidation proposed by the board of directors of the Company being effective) held by the qualifying shareholders (hereinafter collectively referred to as the "**Rights Issue**") on the consolidated net tangible assets of the Group as if the Rights Issue had been completed on 30 June 2022.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared on the basis set out on the notes below for illustrative purpose only, and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Rights Issue been completed as at 30 June 2022 or at any future date.

	Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2022	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2022 upon Completion of the Rights Issue	Estimated net proceeds from the Rights Issue	Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2022 prior to the completion of the Rights Issue	Unaudited pro forma adjusted consolidated net tangible assets of the Group per share attributable to owners of the Company as at 30 June 2022 Immediately after completion of the Rights Issue
	(Note 1)		*(Note 2)*	*(Note 3)*	*(Note 4)*
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Based on 87,588,332 Rights Shares at subscription price of HK$1.14 per Rights Share less expenses	355,829,000	453,280,000	97,451,000	1.354	1.294

Notes:

1. The unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2022 are based on the unaudited consolidated net assets of the Group attributable to owners of the Company as at 30 June 2022 of approximately RMB304,305,000, equivalent to approximately HK$355,829,000.

2. The estimated net proceeds from the Rights Issue are based on 87,588,332 Rights Shares at the subscription price of HK$1.14 each, totaling approximately HK$99,851,000, and after deduction of the estimated professional fees and other share issue related expenses payable by the Company of approximately HK$2,400,000.

3. Based on 262,764,996 shares of the Company, representing 5,255,299,920 shares of the Company in issue as at 14 February 2023, being the latest practicable date prior to the printing of the Circular (the "**Latest Practicable Date**") before completion of the Rights Issue, after taking into account the effect of share consolidation.

4. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share immediately after completion of the Rights Issue is calculated based on the pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after completion of the Rights Issue of approximately HK$453,280,000 and on 350,353,328 shares in issue and issuable, comprising 262,764,996 shares of the Company in issue as at the Latest Practicable Date (after taking into account the effect of share consolidation), and 87,588,332 Rights Shares to be issued.

5. No adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2022.

B INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of the independent reporting accountants' assurance report, received from Crowe (HK) CPA Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Unaudited Pro Forma Financial Information of the Group, prepared for the purpose of inclusion in this circular.

Independent Reporting Accountant's Assurance Report on the Compilation of Pro Forma Financial Information

To the Directors of Add New Energy Investment Holdings Group Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Add New Energy Investment Holdings Group Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at 30 June 2022, and related notes (the "Unaudited Pro Forma Financial Information") as set out in Appendix II to the circular dated 17 February 2023 issued by the Company (the "Circular"). The applicable criteria on the basis of which the directors have compiled the unaudited Pro Forma Financial Information are described in Notes 1 to 5 to the unaudited Pro Forma Financial Information.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed rights issue on the Group's consolidated net tangible assets as at 30 June 2022 as if the proposed rights issue had taken place at 30 June 2022. As part of this process, information about the Group's consolidated net tangible assets has been extracted by the directors from the Group's consolidated financial statements for the six months ended 30 June 2022, on which no audit or review report has been published.

Directors' Responsibility for the Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus, issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at the specific date would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong, 17 February 2023

Leung Chun Wa
Practising Certificate Number: P04963

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

This circular includes particulars given in compliance with the Takeovers Code. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The directors of the Underwriter, namely Mr. Li. and Mr. Geng, jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirms, having made all reasonable enquiries, to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company, assuming there is no further change in the number of issued Shares from the Latest Practicable Date up to and including the date of completion of the Rights Issue (i) as at the Latest Practicable Date; (ii) immediately following the Share Consolidation becoming effective but before the completion of the Rights Issue; and (iii) immediately following the allotment and issue of the Rights Shares will be as follows:

(i) As at the Latest Practicable Date

Authorised:	*HK$*
15,000,000,000 Existing Shares of HK$0.002 each	30,000,000.00
Issued and paid-up share capital:	
5,255,299,920 Existing Shares of HK$0.002 each	10,510,599.84

(ii) Immediately following the Share Consolidation becoming effective (assuming no further change in the number of issued Shares from the Latest Practicable Date up to the Share Consolidation having become effective):

Authorised:		*HK$*
750,000,000	Consolidated Shares of HK$0.04 each	30,000,000.00
Issued and paid-up share capital:		
262,764,996	Consolidated Shares of HK$0.04 each	10,510,599.84

(iii) Immediately after the Share Consolidation becoming effective and the completion of the Rights Issue (assuming no further change in the number of issued Shares from the Latest Practicable Date up to completion of the Rights Issue):

Authorised:		*HK$*
750,000,000	Consolidated Shares of HK$0.04 each	30,000,000.00
Issued and paid-up share capital:		
262,764,996	Consolidated Shares of HK$0.04 each	10,510,599.84
87,588,332	Rights Shares to be allotted and issued upon completion of the Rights Issue	3,503,533.28
350,353,328	Consolidated Shares of HK$0.04 each in issue immediately after completion of the Rights Issue	14,014,133.12

All of the Consolidated Shares and the Rights Shares when allotted, issued and fully paid, will rank *pari passu* in all respect with each other, including, in particular, as to dividends, voting rights and capital, and with all the Consolidated Shares in issue as at the date of allotment and issue of the Rights Shares.

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares, in both their nil-paid and fully-paid forms. No part of the securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges.

As at the Latest Practicable Date, the Company had no other derivatives, options, warrants, other securities or conversion rights or other similar rights which are convertible or exchangeable into, any Existing Shares or Consolidated Shares, as the case may be.

As at the Latest Practicable Date, there was no arrangement under which future dividends are waived or agreed to be waived.

3. MARKET PRICES

The table below shows the closing price(s) of the Shares as quoted on the Stock Exchange (i) on the Last Trading Day, (ii) at the end of each calendar months during the Relevant Period and (iii) on the Latest Practicable Date:

Date	Closing price Per Share *HK$*
29 July 2022	0.092
31 August 2022	0.071
30 September 2022	0.062
31 October 2022	0.059
30 November 2022	0.063
30 December 2022	0.067
11 January 2023 (the Last Trading Date)	0.066
31 January 2023	0.057
14 February 2023 (the Latest Practicable Date)	0.058

The lowest and highest closing prices per Share recorded on the Stock Exchange during the period commencing on 11 July 2022 (being the date falling six months immediately prior to the date of the Announcement) and ending on the Latest Practicable Date were HK$0.050 on 12 October 2022 and HK$0.095 on 11 July 2022 and 12 July 2022 respectively.

4. DISCLOSURE OF INTERESTS

Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company or any associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in the Listing Rules; or (iv) which were required to be disclosed under the Takeovers Code, were as follows:

Interests or short positions in Shares, underlying Shares of the Company

Name of director	Capacity	Number of Existing Shares held	Approximate percentage of the Company's issued share capital
Mr. Li	Interest of controlled corporation	2,048,138,660 *(Note 1)*	38.97%
	Beneficial Owner	122,058,000	2.32%
Mr. Geng	Beneficial Owner	18,884,000	0.36%
Mr. Lang	Interest of controlled corporations	18,700,000 *(Note 2)*	0.36%

Note 1: Mr. Li beneficially holds the entire issued share capital of Hongfa, a company incorporated in the BVI with limited liability, which in turn beneficially holds 2,048,138,660 Existing Shares. For the purposes of the SFO, Mr. Li is deemed or taken to be interested in all the Existing Shares held by Hongfa.

Note 2: Mr. Lang beneficially holds the entire issued share capital of Novi and All Five Capital, both of which were incorporated in the BVI with limited liability, which in turn beneficially hold 650,000 Existing Shares and 18,050,000 Existing Shares, respectively. For the purposes of the SFO, Mr. Lang is deemed or taken to be interested in all the Existing Shares held by Novi and All Five Capital.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, chief executives of the Company or their associates had any interests or short positions in any Shares, underlying Shares and debentures of the Company or any of its associated corporations as defined in Part XV of the SFO as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code or as required to be disclosed under the Takeovers Code.

Interests and short positions of substantial shareholders

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of SFO, the following person(s) (other than the Directors and the chief executive of the Company) has, or is deemed to have, interests or short positions in the Shares or underlying Shares, (a) which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, (b) who was, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group or had any options in respect of such securities, details of which are set out as follows:

Long positions in the Shares and underlying Shares of the Company

Name of shareholder	Capacity	Number of Existing Shares held	Approximate percentage of the Company's issued share capital
Hongfa	Beneficial owner	2,048,138,660	38.97%
Ms. Zhang Limei (*"**Ms. Zhang**"*)	Interest of spouse	2,170,196,660 *(Note 1)*	41.30%
X. Mining Resources Group Limited	Beneficial owner	326,344,000 *(Note 2)*	6.21%
Mr. Wu Pun Yan (*"**Mr. Wu**"*)	Interest of controlled corporation	326,344,000 *(Note 2)*	6.21%

Note 1: Ms. Zhang is the spouse of Mr. Li. For the purpose of the SFO, Ms. Zhang is deemed or taken to be interested in all the Existing Shares in which Mr. Li is interested.

Note 2: Mr. Wu beneficially holds the entire issued share capital of X. Mining Resources Group Limited which in turn beneficially holds 326,344,000 Existing Shares. For the purposes of SFO, Mr. Wu is deemed or taken to be interested in all the Existing Shares held by X. Mining Resources Limited.

Save as disclosed above, as at the Latest Practicable Date, as far as the Directors are aware, the Company has not been notified by any person (other than the Directors or chief executive of the Company) who had interests or short position in the Shares or underlying shares of the Company as recorded in the register required to be kept pursuant to section 336 of the SFO.

5. DIRECTORS' SERVICE CONTRACTS

Particulars of the relevant Directors' service contracts in relation to their positions as Directors are set out below:

Director	Position	Term of the service contract	Amount of remuneration *HK$*
Mr. Li	Executive Director and chairman	Three years from 27 April 2021 to 26 April 2024	HK$832,000 per annum
Mr. Geng	Executive Director and chief executive officer	Three years from 27 April 2021 to 26 April 2024	HK$780,000 per annum
Mr. Lang	Executive Director	Three years from 27 April 2021 to 26 April 2024	HK$312,000 per annum
Mr. Leung Nga Tat	Independent non-executive Director	Two years from 18 June 2021 to 17 June 2023	HK$312,000 per annum
Mr. Li Xiaoyang	Independent non-executive Director	Two years from 27 April 2022 to 26 April 2024	HK$156,000 per annum
Mr. Zhang Jingsheng	Independent non-executive Director	Two years from 27 April 2022 to 26 April 2024	HK$156,000 per annum

As at the Latest Practicable Date, none of the aforementioned Director had entered into any other service contracts/appointment letters with the Group and no earlier service contracts or appointment letters have been replaced or amended and none of them are entitled to variable remuneration (such as commission on profits) under their respective service contract.

Save as disclosed above, as at the Latest Practicable Date, (i) none of the Directors had any service contracts with the Company or any of its subsidiaries or associated companies in force which (a) (including continuous and fixed term contracts) had been entered into or amended during the Relevant Period; (b) were continuous contracts with a notice period of 12 months or more; or (c) were fixed term contracts with more than 12 months to run irrespective of the notice period; and (ii) none of the Directors had any existing or proposed service contract with any member of the Group which is not expiring or determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

6. DIRECTORS' INTEREST IN ASSETS

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, none of the Directors had any direct or indirect interest in any assets which had been since 31 December 2021 (being the date to which the latest published audited financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

7. DIRECTORS' INTEREST IN CONTRACTS AND ARRANGEMENT

As at the Latest Practicable Date, save for the Offset, the Underwriting Agreement and the Irrevocable Undertakings, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to any business of the Group.

8. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, none of the Directors, the controlling shareholders of the Company or their respective associates had any interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

9. ADDITIONAL DISCLOSURE OF DEALINGS AND INTEREST IN THE SECURITIES OF THE COMPANY

As at the Latest Practicable Date, Mr. Li, the Underwriter and any parties acting in concert with any of them (including Mr. Geng and Mr. Lang):

(i) do not own, control or have control or direction over any voting rights and right over Shares, outstanding options, warrants, or any securities that are convertible into Existing Shares or any derivatives in respect of securities in the Company, or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company, save for the Existing Shares as set out in the section headed "Effects on the Shareholding Structure of the Company" in this circular;

(ii) have not received any irrevocable commitment to vote for or against the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Offset, and/or the Whitewash Waiver;

(iii) have not borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;

(iv) have not paid and will not pay any other consideration, compensation or benefit in whatever form to the Company in connection with the Rights Issue and the Underwriting Agreement, save for the Rights Shares to be subscribed and underwritten by the Underwriter and the Offset;

(v) do not have any arrangements referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, which might be material to the Rights Issue and/or the Underwriting Agreement, the Offset, and/or the Whitewash Waiver, with any other persons, save for the Underwriting Agreement and the Irrevocable Undertakings therein given by Mr. Li;

(vi) do not have any agreement or arrangement to which it is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Rights Issue, the Underwriting Agreement, the Offset, and/or the Whitewash Waiver, except that the Rights Issue and the Underwriting Agreement are conditional upon, among other things, obtaining of the Whitewash Waiver by the Underwriter as set out in the sub-section headed "Conditions of the Underwriting Agreement" under the section headed "The Underwriting Agreement" of this circular;

(vii) have not dealt in any securities of the Company during the Relevant Period; and

(viii) have not entered into any derivative in respect of the relevant securities in the Company which are outstanding.

As at the Latest Practicable Date:

(i) apart from the Underwriting Agreement and the Irrevocable Undertakings therein and the Offset/Repayment, there is no other understanding, arrangement or special deal between the Group on the one hand, and Mr. Li, the Underwriter and parties acting in concert with any of them (including Mr. Geng and Mr. Lang) on the other hand;

(ii) apart from the Underwriting Agreement and the Irrevocable Undertakings therein and the Offset/Repayment, there is no understanding, arrangement or agreement or special deal between (a) any Shareholder; and (b) Mr. Li, the Underwriter and parties acting in concert with any of them (including Mr. Geng and Mr. Lang); or the Company, its subsidiaries or associated companies;

(iii) there was no agreement, arrangement or understanding (including any compensation arrangement) between Hongfa and any parties acting in concert with it/them and other persons in relation to the transfer, charge or pledge of the Shares that may be allotted and issued to Hongfa, its ultimate beneficial owners and parties acting in concert with it/them under the Rights Issue or as a result of the obligations under the Underwriting Agreement;

(iv) there was no arrangements referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, which might be material to the Rights Issue, the Offset, the Placing Agreement, the Underwriting Agreement and/or the Whitewash Waiver, with any other persons;

(v) save as disclosed in the paragraph headed "4. Disclosure of Interests" in this appendix, none of the Directors was interested in any Shares, convertible securities, warrants, options or derivatives of the Company or similar rights which are convertible or exchangeable into any Shares. In addition, none of the Directors had dealt for value in any Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period;

(vi) there was no benefit to be given to any Directors as compensation for loss of office in any member of the Group or otherwise in connection with the Rights Issue, the Placing Agreement, the Offset, the Underwriting Agreement and the Whitewash Waiver;

(vii) there was no agreement, arrangement or understanding (including any compensation arrangement) between (i) Hongfa and parties acting in concert with it and (ii) any of the Directors, recent Directors, Shareholders or recent Shareholders, having any connection with or dependence upon the Rights Issue, the Placing Agreement, the Offset, the Underwriting Agreement and/or the Whitewash Waiver;

(viii) save for the Offset, the Underwriting Agreement and the Irrevocable Undertakings, there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the Rights Issue, the Offset, the Placing Agreement, the Underwriting Agreement and/or the Whitewash Waiver or otherwise connected therewith;

(ix) save for the Offset, the Underwriting Agreement and the Irrevocable Undertakings, there was no material contract entered into by Mr. Li, Hongfa and parties acting in concert with any of them (including Mr. Geng and Mr. Lang) in which any Director had a material personal interest;

(x) save for the Offset, the Placing Agreement, the Underwriting Agreement and the Irrevocable Undertakings, there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of associate under the Takeovers Code, and none of them had dealt for value in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company during the Relevant Period;

(xi) no Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company were managed on a discretionary basis by fund managers connected with the Company and no such person had dealt for value in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Existing Shares or securities of the Company during the Relevant Period; and

(xii) none of the Company or the Directors had borrowed or lent any Existing Shares, convertible securities, warrants, options or derivatives in respect of any Shares.

10. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was involved in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

11. EXPERTS AND CONSENTS

The following sets out the qualifications of the experts who have given opinions, letters or advices included in this circular:

Name	Qualifications
Red Sun Capital Limited	a corporation licensed by the SFC to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Messis Capital Limited	a corporation licensed by the SFC to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the Independent Financial Adviser appointed with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Placing Agreement, the Offset, the Underwriting Agreement and the Whitewash Waiver

Name	Qualifications
Crowe (HK) CPA Limited	Certified Public Accountants and Registered Public Interest Entity Auditor

As at the Latest Practicable Date, each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letters or reports and the reference to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of the experts had any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of the experts had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2021, being the date to which the latest published audited accounts of the Company were made up.

12. MATERIAL CONTRACTS

The following material contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) were entered into by members of the Group after the date falling two years immediately preceding the date of the Announcement up to and including the Latest Practicable Date:

(a) the Underwriting Agreement;

(b) the Placing Agreement;

(c) the Offset Agreement;

(d) the Supplemental Offset Agreement; and

(e) the Supplemental Placing Agreement.

13. EXPENSES

The expenses in connection with the proposed Share Consolidation, Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver, including placing commission, financial advisory fees, printing, registration, translation, legal and accountancy charges are estimated to amount approximately HK$2.4 million, which are payable by the Company.

14. CORPORATE INFORMATION

Registered office	Windward 3 Regatta Office Park P.O. Box 1350 Grand Cayman KY1-1108 Cayman Islands
Head office and principal place of business in Hong Kong	Suite 3105, 31/F Tower 6, The Gateway Harbour City, 9 Canton Road Tsim Sha Tsui, Kowloon Hong Kong
Authorised representatives	Geng Guohua Chan Yuen Ying, Stella
Company secretary	Chan Yuen Ying, Stella
Legal adviser to the Company	*As to Cayman Islands law:* **Appleby**
Financial adviser	**Red Sun Capital Limited** Room 310, 3/F. China Insurance Group Building 141 Des Voeux Road Central Hong Kong
Independent Financial Adviser to the Independent Board Committee in relation to the Rights Issue, the Offset, the Underwriting Agreement, the Placing Agreement and the Whitewash Waiver	**Messis Capital Limited** Room 1001, 10/F. OfficePlus @Wan Chai No. 303 Hennessy Road, Wan Chai Hong Kong
Reporting accountant	**Crowe (HK) CPA Limited** 9/F Leighton Centre 77 Leighton Road, Causeway Bay Hong Kong

Placing agent	**Red Sun Capital Limited** Room 310, 3/F. China Insurance Group Building 141 Des Voeux Road Central Hong Kong
Underwriter	**Hongfa Holdings Limited** *Registered address:* Vistra Corporate Services Centre Wickhams Cay II, Road Town Tortola, VG1110 British Virgin Islands *Correspondence address in Hong Kong:* Suite 3105, 31/F, Tower 6, The Gateway, Harbour City, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong The principal members of the concert group of the Underwriter are listed below: Mr. Li Suite 3105, 31/F, Tower 6, The Gateway Harbour City, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong Mr. Geng Suite 3105, 31/F, Tower 6, The Gateway Harbour City, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong
Principal share registrar	**Ocorian Trust (Cayman) Limited** Windward 3 Regatta Office Park P.O. Box 1350 Grand Cayman KY1-1108 Cayman Islands

Hong Kong branch share registrar	**Tricor Investor Services Limited** 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong
Principal bankers	**Agricultural Bank of China Limited** Yishui Branch **China Construction Bank Corporation** Yishui Branch **Bank of China Limited** Yishui Branch **Industrial and Commercial Bank of China Limited** Yishui Branch **Rural Commercial Bank of Shandong Yishui Linshang Bank** Yishui Branch **Shanghai Pudong Development Bank Co., Ltd.** Yishui Branch **Ping An Bank Co., Ltd.** Linyi Branch **Industrial Bank Co., Ltd.** Linyi Branch

15. DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY

Executive Directors

Mr. Li

Mr. Li, aged 56, was appointed as a Director on 8 February 2011 and redesignated as an executive Director on 9 April 2012. Mr. Li is also the chairman of the Board, and a director of certain subsidiaries of the Group. He is also the chairman of the nomination committee of the Company (the "**Nomination Committee**") and a member of the remuneration committee of the Company (the "**Remuneration Committee**"). He is primarily responsible for the Group's overall strategic planning, business development and management. Mr. Li has over 23 years of experience in iron ore exploration, mining and processing in Shandong Province, the PRC. Mr. Li graduated from Shandong University (山東大學) in July 2002, majoring in marketing (市場行銷). He has also completed the China Private Enterprise Entrepreneur Training (中國民營企業總裁研修) held by Tsinghua University (清華大學) in March 2005. He has been the chairman of the Board of the Association of Industry and Commerce of Linyi City, Yishui County, Shandong Province (沂水縣工商業聯合會). Mr. Li was awarded the "Outstanding Member of the National People's Congress of Linyi City (臨沂市優秀人大代表)" in February 2007 by the Standing Committee of the National People's Congress of Linyi City and the

"Model Worker of Shandong Province (山東省勞動模範)" in April 2008 by the People's Government of Shandong Province. Since November 2012, Mr. Li has been the Vice-President of China Mining Association (中國礦業聯合會) Australian Branch, and was elected as the Representative of the National People's Congress of Shandong Province in January 2013. He has been the Standing Director of China Federation of Industry & Commerce (全國工商業聯合會) Metallurgy Branch. He has also been the Standing Director of the Chinese Enterprises Investment Association since 2013 and also the Vice-Chairman of the board of directors of the Listed Companies Council of the Hong Kong Chinese Enterprises Association since November 2015. Mr. Li has also been selected as 2017-2018 National Excellent Entrepreneur by China Enterprise Confederation, China Enterprise Directors Association and China Enterprise Management Science Foundation. He is the sole director of Hongfa, a company which has disclosable interests in the Shares under the provisions in Divisions 2 and 3 of Part XV of the SFO.

Mr. Geng

Mr. Geng, aged 53, was appointed as an executive Director and the Chief Operating Officer of the Company on 9 April 2012. He was appointed as the Chief Executive Officer of the Company on 14 May 2013 and resigned as the Chief Operating Officer of the Company with effect from 2 May 2014. Mr. Geng was the chief operating officer of Shandong Ishine Mining Industry Co., Ltd ("**Shandong Ishine**") from 2007 to 2 May 2014, an indirect wholly-owned subsidiary of the Company, and has been a director of Shandong Ishine since November 2010 during which he has acquired relevant experience in the operation of iron and ilmenite mines and participated in trainings relating to mining, production, management and geology organised by Tsinghua University and University of Toronto. He is primarily responsible for the Group's overall operation. Mr. Geng began his career in 1989 and worked at different managerial levels in Shandong Liaherd Chemical Industry Co., Ltd. (山東聯合化工股份有限公司). From 1999 to 2003, he worked as a management person of Shandong Fuyuan Leather Group Ltd. (山東富源皮革集團有限公司) and was responsible for its technical services, production and sales management. He had been the deputy general manager in charge of production of China Huiyuan Juice Group Limited (中國匯源果汁集團有限公司) (formerly known as Beijing Huiyuan Juice Group Limited (北京匯源果汁集團有限公司), a company listed on the Stock Exchange; Stock code: 1886) from 2003 to 2007 and was responsible for its general management. Mr. Geng graduated at Correspondence Institute of the Party School of Central Committee of Communist Party of China (中共中央黨校函授學院) majoring in Law in December 2001. Mr. Geng was accredited as a Human Resources Developments and Project Technician (Enterprise Human Resource Management) (人力資源開發管理工程技術人員(企業人力資源管理人員)) in October 2003 by the Occupational Skill Testing Authority (職業技能鑒定(指導)中心) of Shandong Province, the PRC. He has been a director of the Chinese Enterprises Investment Association since 2013 and the deputy president of the Listed Companies Council of the Hong Kong Chinese Enterprises Association since December 2015. Mr. Geng has been an enterprise mentor of MBA in Jiangnan University since December 2017.

Mr. Lang

Mr. Lang, aged 64, was appointed as an executive Director on 9 April 2012. He joined the Group in 2010 and has been the vice chairman of the board of directors of Shandong Ishine since November 2010. He is primarily responsible for the Group's business development and investment. Mr. Lang is also a director of Fortuneshine Investment Ltd. and Shine Mining Investment Limited, both of which are the subsidiaries of the Group. He received a bachelor degree in Engineering from Agriculture University of Heilongjiang (黑龍江八一農墾大學) in July 1982 and further obtained his master's and doctorate degrees in Engineering from University of Saskatchewan in Canada in May 1989 and May 1993, respectively. From 1999 to 2004, he had been the president and a director of Q-Net Technologies Co., Ltd., a company which was quoted on the Over-The-Counter Bulletin Board Trading System ("OTCBB") (symbol: QNTI) in the United States of America, responsible for its general management and business development. From 2004 to 2005, he became the chairman of the board of directors of Savoy Resources Co., Ltd., a company quoted on the National Association of Securities Dealers Over-The-Counter Bulletin Board (symbol: SVYR) in the United States of America, responsible for its business development. From 2003 to 2008, he acted as a director of Vendtek Systems Inc., a company listed on Toronto Stock Exchange Venture (symbol: VSI) in Canada, responsible for its business development. From 2007 to 2011, Mr. Lang had also been a director of Zhongrun (Tianjin) Mining Development Co., Ltd (中潤(天津)礦業開發有限公司), a PRC company principally engaged in the development and exploration of metal mines and resources, and relevant consultancy services, responsible for its business development. Since June 2015, Mr. Lang has become the Director, CEO & President of Ultra Resources Inc., a company listed on Toronto Stock Exchange Venture (symbol: ULT.V) in Canada.

Independent non-executive Directors

Mr. Li Xiaoyang ("Mr. Li XY")

Mr. Li XY, aged 67, was appointed as an independent non-executive Director on 9 April 2012. He is a member of each of the audit committee of the Company (the "**Audit Committee**") and the Nomination Committee. Mr. Li XY graduated from Central South Institute of Mining and Metallurgy (中南礦冶學院) (currently known as Central South University (中南大學)) in July 1978, majoring in Metallurgical Analytical Chemistry (冶金分析化學). He also obtained a master's degree of Regional Economics Management (區域經濟管理) granted by Beijing Normal University (北京師範大學) in December 2002. From 1980 to 2000, he worked in Kunming Institute of Metallurgy (昆明冶金研究院) and was appointed as an engineer, and a senior engineer in 1986 and 1996, respectively, focusing on the research and technical development of metallurgy.

Mr. Leung Nga Tat ("Mr. Leung")

Mr. Leung, aged 41, was appointed as an independent non-executive Director on 18 June 2019. He is the chairman of each of the Audit Committee and the Remuneration Committee. Mr. Leung graduated from The Hong Kong Polytechnic University, majoring in Accountancy. He is also a member of Hong Kong Institute of Certified Public Accountants starting from

January 2010. He had been employed under an international auditing firm, KPMG for more than 8 years. He worked in Landsea Green Management Limited (formerly known as Landsea Green Properties Co., Ltd.) (a company listed on the main board of the Stock Exchange; stock code: 106) as the deputy financial controller, mainly responsible for financing, financial reporting, legal and compliance during February 2014 and July 2018 and has been an independent non-executive director of Xinhua News Media Holdings Limited (a company listed on the main board of the Stock Exchange; stock code: 309) since 1 November 2021. He started his own serviced apartment business in June 2018. With over 16 years of working experiences in the industry, Mr. Leung is equipped with comprehensive knowledge of accounting, financing, compliance and merger and acquisition.

Mr. Zhang Jingsheng ("Mr. Zhang")

Mr. Zhang, aged 77, was appointed as an independent non-executive Director on 9 April 2012. He is a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee. He has been an independent director of Shandong Ishine since 2008. He worked as an engineer, manager, deputy dean and dean of Changsha Research Institute of Mining and Metallurgy (長沙礦冶研究院) (currently known as the Changsha Research Institute of Mining and Metallurgy Limited (長沙礦冶研究院有限公司)) from 1981 to 2007, and was primarily responsible for human resources and financials. Mr. Zhang has been awarded various prizes in relation to ore dressing which include (among others):

1. the second prize of science and technology advancement regarding "Research on Reasonable Ore Processing Process for Lean Hematite in Qidashan District (齊大山貧紅鐵礦合理選礦工藝流程)" awarded by the Metallurgy Ministry in December 1992;

2. the third prize of science and technology advancement regarding "Research on the Techniques for Ocean Polymetallic Nodules Special Ore Processing (大洋多金屬結核特殊選礦工藝研究)" awarded by the Metallurgy Ministry in December 1996;

3. the first prize of science and technology advancement regarding "Research on Grading of Controlling Iron Ore Swirler, Spinning Clay, and Anti-flotation Process in East Anshan District (東鞍山鐵礦石旋流器控制分級–脫泥–反浮選流程研究)" awarded by the Metallurgy Ministry in 1998;

4. "95" outstanding individual on national scientific and technological achievement and advancement ("九五"國家重點科技攻關計劃先進個人) awarded by the Scientific and Technological Ministry, Ministry of Economic Trade, Finance Ministry, and State Development Planning Commission of the PRC in 2001;

5. the first prize for science and technology advancement progress regarding "Research on Equipment and Technology for Ore Processing Process for Panzhihua Micro-fine Ilmenite (攀枝花微細粒級鈦鐵礦選礦工程技術及選鈦裝備研究)" awarded by the People's Government of Sichuan in 2002; and

6. the special award of Metallurgy technology awarded by the Metallurgy Ministry in October 2003 regarding "Research on Technical Use of New Techniques, New Medicine and New Equipment for Ore Processing of Lean Hematite (Magnetic) in Anshan District (鞍山貧赤(磁)鐵礦選礦新工藝、新藥劑、新設備研究及工藝應用)".

Senior Management

Ms. Chan Wing Ki Michele ("Ms. Chan")

Ms. Chan, aged 41, was appointed as the Financial Controller of the Company on 9 April 2012 and was redesignated as the Chief Financial Officer of the Company on 25 August 2016. Ms. Chan graduated from Macquarie University, Sydney, Australia with Bachelor of Commerce (Accounting). She also obtained a Postgraduate Diploma, majoring in Commerce, granted by the University of Sydney, Sydney, Australia in October 2006. Ms. Chan was admitted as a Certified Practising Accountant of the Certified Practising Accountants, Australia in December 2009. Ms. Chan began her career in Dell Australia Ltd as an accountant and was primarily responsible for preparing daily and monthly reports of assets, liabilities and inventories from 2006 to 2007. From 2007 to 2008, she was appointed as an assistant accountant in BEA System Pty Ltd, and was responsible for accounts receivable and payable function as well as supporting the senior accountant and finance function. From 2008 to 2010, she was appointed as a fund accountant in ING Real Estate Fund Investment Management Australia (INGREFIMA), and was primarily responsible for controlling and adjusting daily reports, and preparing cash, asset and liability forecasts. In 2010, she was appointed as a staff accountant of the Carlyle Management Hong Kong Limited and was responsible for assisting the establishment of a branch office in Australia and handling accounting duties for the branch offices located in Australia, Singapore and Korea.

Company Secretary

Ms. Chan Yuen Ying, Stella ("Ms. Stella Chan")

Ms. Stella Chan, aged 51, was appointed as the Company Secretary on 9 April 2012. Ms. Stella Chan is a fellow member of The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrator) and a fellow member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries). She is also a member of the Hong Kong Institute of Directors. Ms. Stella Chan has over 25 years' experience in handling listed company secretarial matters.

16. MISCELLANEOUS

As at the Latest Practicable Date, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.

17. DOCUMENTS ON DISPLAY

Pursuant to paragraph 43 of Appendix 1B to the Listing Rules, the issuer shall set out in the listing document the details of a reasonable period of time (being not less than 14 days) during which the documents as required under the paragraph are published on the Stock Exchange's website and the issuer's own website.

Accordingly, copies of the following documents will be published on the websites of the Company (www.addnewenergy.com.hk), the Stock Exchange (www.hkexnews.hk) and the SFC (www.sfc.hk) between the period from the date of this circular up to and including the date of the EGM:

(i) the memorandum and articles of association of the Company;

(ii) the memorandum and articles of association of Hongfa;

(iii) the letter from the Board, the text of which is set out on pages 17 to 50 of this circular;

(iv) the letter from the Independent Board Committee, the text of which is set out on pages 51 to 52 of this circular;

(v) the letter from the Independent Financial Adviser, the text of which is set out on pages IFA-1 to IFA-38 of this circular;

(vi) the annual reports of the Company for each of the years ended 31 December 2019, 2020 and 2021 and the interim reports of the Company for each of the six months ended 30 June 2021 and 30 June 2022;

(vii) the accountants' report on the unaudited pro forma financial information of the Group issued by Crowe (HK) CPA Limited, the text of which is set out in Appendix II to this circular;

(viii) the written consents of the experts referred to in the section headed "11. Experts and consents" in this appendix;

(ix) the material contracts referred to in the paragraph headed "12. Material Contracts" in this appendix;

(x) the Directors' service contracts referred to in the section headed "5. Directors' service contracts" in this appendix;

(xi) the Irrevocable Undertakings; and

(xii) this circular.

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: 2623)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**Meeting**") of Add New Energy Investment Holdings Group Limited (the "**Company**") will be held at Room R1, 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong on Wednesday, 22 March 2023 at 11:00 a.m. to consider and, if thought fit, pass with or without amendments, the following resolutions of the Company (unless otherwise indicated, capitalised terms used in this notice have the same meanings as those defined in the circular of the Company dated 17 February 2023 (the "**Circular**")):

ORDINARY RESOLUTIONS

1. "**THAT** subject to and conditional upon, among other things, the Listing Committee of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") granting approval for the listing of, and permission to deal in, the Consolidated Shares (as defined below) in issue, with effect from the second business day immediately following the day of passing of this resolution, being a day on which the shares of the Company are traded on the Stock Exchange:

   (i) every twenty (20) issued and unissued Existing shares in the share capital of the Company be consolidated into one (1) share (each a "**Consolidated Share**"), and such Consolidated Share(s) shall rank *pari passu* in all respects with each other and have the rights and privileges and be subject to the restrictions in respect of ordinary shares contained in the articles of association of the Company (the "**Share Consolidation**");

   (ii) all fractional Consolidated Shares resulting from the Share Consolidation will be disregarded and will not be issued to holders of the same but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefit of the Company in such manner and on such terms as the directors (the "**Directors**", and each a "**Director**") of the Company may think fit; and

(iii) any one Director be and is hereby authorised to approve, sign and execute such documents and do and/or procure to be done any and all acts, deeds and things which in his/her opinion may be necessary, desirable or expedient to effect and implement this resolution."

2. "**THAT** subject to and conditional upon fulfillment of the conditions of the Underwriting Agreement (as defined below), the Rights Issue (as defined below) and the transactions contemplated thereunder be and are hereby approved:

(i) for the purpose of these resolutions, "Rights Issue" means the proposed issue by way of rights issue of up to 87,588,332 shares (the "**Rights Share(s)**") of HK$0.04 each in the capital of the Company at the subscription price of HK$1.14 per Rights Share to the qualifying shareholders (the "**Qualifying Shareholders**") of the Company whose names appear in the register of members of the Company on the date by reference to which entitlement under the Rights Issue will be determined (other than those shareholders (the "**Non-Qualifying Shareholders**") with registered addresses outside Hong Kong whom the Directors, after making relevant enquiry, consider their exclusion from the Rights Issue to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place) in the proportion of one (1) Rights Share for every three (3) Consolidated Shares of the Company held on the Record Date subject to the fulfilment of the conditions and terms set out in the Underwriting Agreement (as defined below);

(ii) the placing agreement dated 11 January 2023 (as amended by the supplemental placing agreement dated 8 February 2023) (the "**Placing Agreement**") (copy of which, signed by the chairman of the Meeting for the purposes of identification, has been produced to the Meeting marked "A") entered into between the Company and Red Sun Capital Limited in relation to the placing of the Rights Shares on a best effort basis and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(iii) the Directors be and are hereby authorised to allot and issue the Rights Shares pursuant to the Rights Issue notwithstanding the same may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, the Directors may make such exclusions or other arrangements in relation to the Non-Qualifying Shareholders as they may deem necessary, desirable or expedient to having regard to any restrictions or obligations under the articles of association of the Company or the laws of, or the rules and regulations of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong; and

(iv) the Directors be and are hereby authorised to do all such things and acts and execute all documents which they consider necessary, desirable or expedient to implement or to give effect to any matters relating to the Rights Issue, the Placing Agreement, and the transactions contemplated thereunder."

3. "**THAT**

(i) the entering into of the underwriting agreement dated 11 January 2023 (the "**Underwriting Agreement**") (copy of which, signed by the chairman of the Meeting for the purposes of identification, has been produced to the Meeting marked "B") entered into between the Company and the Underwriter in relation to the Rights Issue and the transactions contemplated thereunder (including but not limited to the arrangements for taking up of the Underwritten Rights Shares, if any, by the Underwriter) be and are hereby approved, confirmed and ratified and the Directors be and are hereby authorised to do all such things and acts and execute all documents which they consider necessary, desirable or expedient to implement or to give effect to any matters relating to the Underwriting Agreement; and

(ii) the total subscription price payable by Mr. Li Yunde and Hongfa Holdings Limited for the Rights Shares to which each of them is entitled to and/or is required to subscribe for (if any) under the Rights Issue and the Underwriting Agreement, respectively, would be partially settled by cash and partially offset (the "**Offset**") on a dollar-to-dollar basis against the equivalent amount of the shareholder's loans in the total principal amount of approximately HK$71.2 million, indebted by the Company to Mr. Li Yunde and Hongfa Holdings Limited, and the remaining balance of the subscription price, if any, in cash and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified and the Directors be and are hereby authorised to do all such things and acts and execute all documents which they consider necessary, desirable or expedient to implement or to give effect to any matters relating to the Offset."

SPECIAL RESOLUTION

4. "**THAT** the terms of the application for a waiver (the "**Whitewash Waiver**") granted or to be granted by the Executive to the Underwriter pursuant to Note 1 on the Dispensations from Rule 26 of the Takeovers Code from an obligation to make a mandatory general offer for all the issued Shares not already owned by Mr. Li Yunde, Hongfa Holdings Limited and the parties acting in concert with any of them (including Mr. Geng Guohua and Mr. Lang Weiguo) as a result of the underwriting of the Rights Shares by Hongfa Holdings Limited pursuant to the Underwriting Agreement be and are hereby approved and the Directors be and are hereby authorised to do all such things and acts and execute all documents which they consider necessary, desirable or expedient to implement or to give effect to any matters relating to the Whitewash Waiver."

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

Hong Kong, 17 February 2023

Registered office:
Windward 3
Regatta Office Park
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands

Principal place of business in Hong Kong:
Suite 3105, 31/F
Tower 6, The Gateway
Harbour City, 9 Canton Road
Tsim Sha Tsui, Kowloon
Hong Kong

Notes:

1. Shareholders are recommended to read the Circular which contains important information concerning the resolutions proposed at the Meeting being convened by this notice. Unless the context requires otherwise, capitalised terms used in this notice shall have the same meaning given to them in the Circular, of which this notice forms part.

2. In order to be valid, the proxy form, accompanied by the power of attorney (if applicable) or other authority (if any) under which it is signed or a certified copy of that power or authority, must be deposited with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as practicable but in any event no later than 48 hours before the time appointed for holding of the Meeting or any adjournment thereof. Completion and return of the proxy form will not preclude a Shareholder from attending and voting in person at the Meeting or at any adjournment thereof (as the case may be) if he/she so wishes.

3. In order to ascertain the entitlements to vote at the Meeting, all relevant transfer document(s) and share certificate(s) must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 15 March 2023.

4. In the case of joint registered holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint registered holder(s). For this purpose, seniority shall be determined by the order in which the names of the joint holders stand in the register of members of the Company in respect of the relevant holding.

5. The voting on the proposed resolutions as set out in this notice will be taken by poll at the Meeting.

6. If at any time after 7:00 a.m. on the date of the Meeting, Typhoon Signal Number 8 or above or a Black Rainstorm Warning is hoisted or remains hoisted, the Meeting will be postponed or adjourned. The Company will post an announcement on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.addnewenergy.com.hk) to notify Shareholders of the date, time and place of the re-scheduled meeting. At least seven clear days' notice shall be given of the re-scheduled meeting.

7. In the case of any discrepancy, the English version of this notice shall prevail over the Chinese version.

8. References to time and dates in this notice are to Hong Kong time and dates.

As at the date of this notice, the Board of Directors comprises of six Directors:

Executive Directors:
Mr. Li Yunde *(Chairman)*
Mr. Geng Guohua *(Chief Executive Officer)*
Mr. Lang Weiguo

Independent Non-executive Directors:
Mr. Leung Nga Tat
Mr. Li Xiaoyang
Mr. Zhang Jingsheng

* *For identification purposes only*