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

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 02623)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL HIGHLIGHTS

The Group recorded revenue of approximately RMB1,865.9 million for the year ended 31 December 2022, representing an increase of approximately 14.2% over the revenue of approximately RMB1,633.8 million for the year ended 31 December 2021.

The Group's results turned around from total comprehensive loss attributable to owners of the Company of approximately RMB30.3 million for the year ended 31 December 2021 to total comprehensive income attributable to owners of the Company of approximately RMB66.8 million for the year ended 31 December 2022.

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Add New Energy Investment Holdings Group Limited (the "**Company**") announces the audited consolidated statement of profit or loss and other comprehensive income of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2022 and the Group's audited consolidated statement of financial position as at 31 December 2022, together with the relevant comparative figures for the year ended 31 December 2021, as follows:

AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

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

	Note	**Year ended 31 December** **2022** ***RMB'000***	2021 *RMB'000*
Revenue	*4*	**1,865,892**	1,633,758
Cost of sales		**(1,720,793)**	(1,600,310)
Gross profit		**145,099**	33,448
Other income	*5*	**13,633**	2,138
Distribution expenses		**(1,127)**	(3,146)
Administrative expenses		**(78,817)**	(54,104)
(Impairment loss)/reversal of impairment loss on financial assets		**(653)**	395
Write-down of inventories		**–**	(3,834)
Operating profit/(loss)		**78,135**	(25,103)
Interest income		**3,040**	205
Interest expenses		**(12,333)**	(18,361)
Finance costs – net		**(9,293)**	(18,156)
Net foreign exchange (loss)/gain		**(6,850)**	13,202
Profit/(loss) before income tax		**61,992**	(30,057)
Income tax	*6*	**(4,357)**	–
Profit/(loss) for the year attributable to owners of the Company		**57,635**	(30,057)
Other comprehensive income/(loss):			
Item that will not be reclassified to profit or loss:			
Change in the fair value of financial assets at fair value through other comprehensive income		**9,139**	(216)
Total comprehensive income/(loss) for the year attributable to the owners of the Company		**66,774**	(30,273)
Earnings/(loss) per share for profit/(loss) attributable to owners of the Company *(expressed in RMB per share)*			
Basic earnings/(loss) per share	*7*	**0.011**	(0.006)

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

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

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

	Note	As at 31 December **2022** ***RMB'000***	2021 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**299,379**	211,800
Right-of-use assets		**12,687**	881
Financial assets at fair value through other comprehensive income		**13,396**	4,257
Prepayments for renewal of mining rights	*8*	**76,815**	35,466
Other non-current assets		**28,896**	10,985
		431,173	263,389
Current assets			
Inventories		**49,458**	92,643
Trade and bill receivables	*9*	**22,982**	18,539
Contract assets		**17,374**	7,581
Prepayments and other receivables	*10*	**100,393**	131,773
Restricted bank deposits		**–**	760
Cash and cash equivalents		**124,665**	191,286
		314,872	442,582
Total assets		**746,045**	705,971
EQUITY			
Equity attributable to owners of the Company			
Share capital	*11*	**8,571**	8,571
Share premium	*11*	**687,845**	687,845
Other reserves		**(46,917)**	(55,827)
Accumulated losses		**(295,515)**	(353,379)
Total equity		**353,984**	287,210

	Note	As at 31 December 2022 RMB'000	2021 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings		**–**	4,330
Provisions for close down, restoration and environmental costs		**12,112**	11,355
Lease liabilities – non-current portion		**1,840**	–
Deferred income – non-current portion		**154**	232
Deferred income tax liabilities		**–**	5,413
		14,106	21,330
Current liabilities			
Borrowings		**68,002**	176,315
Trade payables	*12*	**34,412**	27,431
Accruals and other payables	*13*	**39,597**	67,017
Amounts due to substantial shareholders		**55,400**	–
Contract liabilities		**166,804**	125,810
Lease liabilities – current portion		**933**	819
Deferred income – current portion		**39**	39
Income tax payable		**12,768**	–
		377,955	397,431
Total liabilities		**392,061**	418,761
Total equity and liabilities		**746,045**	705,971

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

Notes:

1. GENERAL INFORMATION

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

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

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

These consolidated financial statements have been approved for issuance by the Board on 30 March 2023.

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	Covid-19-related rent concessions beyond 30 June 2021
Amendments to HKAS 16	Property, plant and equipment – proceeds before intended use
Amendments to HKAS 37	Onerous contracts – cost of fulfilling a contract
Amendments to HKFRSs	Annual improvements to HKFRSs 2018-2020

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. The application of these amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. DIVIDENDS

The Board did not recommend a final dividend for the year ended 31 December 2022 (2021: nil).

4. REVENUE

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Trading		
– Sales of coarse iron powder	**456,280**	1,526,573
– Sales of semi-coke	**536,214**	34,766
– Sales of blended coal	**689,694**	18,937
	1,682,188	1,580,276
Processing service income		
– from processing of iron and other mineral ores	**183,704**	33,920
Production		
– Sales of iron concentrates	**–**	7,999
– Sales of iron ore tailings	**–**	11,563
	–	19,562
	1,865,892	1,633,758

5. OTHER INCOME

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Government grants	**67**	63
Consultancy fee income *(Note (a))*	**9,585**	–
Compensation income *(Note (b))*	**3,308**	–
Agency income	**–**	2,075
Others	**673**	–
	13,633	2,138

Note:

a) During the year, Shandong Ishine Mining Industry Co., Ltd ("Shandong Ishine", being the principal subsidiary of the Group in the PRC) provided consultancy services to an independent wind power operator in relation to a wind power generation project situated in the Shandong province at a total consideration, net of value-added tax, amounting to RMB9,585,000, for which, RMB4,001,000 was received in previous years and included in contract liabilities as at 31 December 2021 and RMB5,584,000 was received during the year ended 31 December 2022 and was recognised as consultancy fee income for the year ended 31 December 2022.

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

On 3 August 2022, Shandong Ishine and the JV Party entered into an additional agreement, pursuant to which, the Joint Arrangement was cancelled with effect on 3 August 2022, and the JV Party shall compensate Shandong Ishine for a sum of approximately RMB3,308,000, which have been deducted against the refundable deposit of RMB30,430,000 paid to the Group up to 3 August 2022. Accordingly, compensation income of RMB3,308,000 was recognised in the consolidated profit or loss for the year ended 31 December 2022 and the remaining balance of the deposit was refunded to the JV Party during the year ended 31 December 2022.

6. INCOME TAX

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

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

Hong Kong profits tax has not been provided for the subsidiaries of the Company in Hong Kong as there is no estimated assessable profit arising in or derived from Hong Kong during the years ended 31 December 2022 and 2021.

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

No provision for the PRC corporate income tax has been made for Shandong Ishine in the current year as Shandong Ishine 2022 has available tax losses brought forward from previous years which fully offset its assessable profit for the year. PRC corporate income tax has been provided for at the rate of 25% on the assessable profits of other subsidiaries of the Group in the PRC.

Income tax in the consolidated statement of profit or loss and other comprehensive income represents:

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Current tax	**9,770**	–
Deferred tax	**(5,413)**	–
	4,357	–

7. EARNINGS/(LOSS) PER SHARE

(a) Basic

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

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Profit/(loss) attributable to owners of the Company	**57,635**	(30,057)
Weighted average number of ordinary shares in issue	**5,253,963,920**	5,270,496,265
Basic earnings/(loss) per share (Expressed in RMB per share)	**0.011**	(0.006)

(b) Diluted

No diluted earnings/(loss) per share for 2022 and 2021 were presented as there were no potential ordinary shares in issue for 2022 and 2021.

8. PREPAYMENTS FOR RENEWAL OF MINING RIGHTS

The Group applied for the renewal of the mining right of Shandong Ishine's Yangzhuang iron ore mine which expired on 20 June 2019. Pursuant to an agreement dated 3 August 2020 entered into between Shandong Ishine and the PRC relevant authorities, Shandong Ishine is required to pay a total consideration of RMB70,466,000 for the renewal of mining right in relation to Shandong Ishine's Yangzhuang iron ore mine. Up to the end of the reporting period, Shandong Ishine has paid RMB40,466,000 (2021: RMB35,466,000), which was recognised as prepayments for renewal of mining right. The remaining amount of RMB30,000,000 (2021: RMB35,000,000) will be payable in six (2021: seven) instalments from 2023 to 2028 (2021: 2022 to 2028). The renewal of the mining right has not yet been completed at the end of the reporting period.

The Group also applied for the renewal of the mining right of Shandong Ishine's Zhuge Shangyu ilmenite ore mine which expired on 31 December 2020. Pursuant to an agreement dated 17 November 2022 entered into between Shandong Ishine and the PRC relevant authories, Shandong Ishine is required to pay a total consideration of approximately RMB171,349,000 for the renewal of mining right in relation to Shandong Ishine's Zhuge Shangyu ilmenite ore mine. Up to the end of the reporting period, Shandong Ishine has paid approximately RMB36,349,000, which was recognised as prepayments for renewal of mining right. The remaining amount of RMB135,000,000 will be payable in nine instalments from 2023 to 2031. The renewal of the mining right has not yet been completed at the end of the reporting period.

9. TRADE AND BILL RECEIVABLES

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**23,790**	16,187
Less: allowance for impairment of trade receivables	**(4,158)**	(3,505)
Trade receivables – net	**19,632**	12,682
Bill receivables	**3,350**	5,857
Trade and bill receivables – net	**22,982**	18,539

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

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Within 3 months	**18,075**	12,026
3 to 6 months	**2,000**	857
6 months to 1 year	**–**	–
Over 1 year	**3,715**	3,304
	23,790	16,187

As at 31 December 2022 and 2021, the carrying amounts of the Group's trade receivables were denominated in RMB.

10. PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Trade deposits to suppliers	**70,081**	100,895
Utility deposits	**4,047**	2,158
Prepaid taxes	**7,278**	7,278
Land restoration deposits	**36**	38
Deductible input value-added tax	**874**	2,411
Advances to employees	**914**	111
Compensation receivable	**15,000**	15,000
Others	**2,163**	3,882
	100,393	131,773

11. SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares, issued and fully paid:

	Number of shares	Share capital *RMB'000*	Share premium *RMB'000*	Total *RMB'000*
At 31 December 2020	5,293,993,920	8,638	695,493	704,131
Repurchased shares:				
– Repurchased and cancelled	(38,694,000)	(65)	(7,502)	(7,567)
– Repurchased and pending for cancellation	(1,336,000)	(2)	(146)	(148)
At 31 December 2021 and 31 December 2022	5,253,963,920	8,571	687,845	696,416

12. TRADE PAYABLES

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Trade payables	**34,412**	27,431

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

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Within 6 months	**32,015**	25,792
6 months to 1 year	**289**	244
Over 1 year	**2,108**	1,395
	34,412	27,431

As at 31 December 2022 and 2021, the carrying amounts of the Group's trade payables were denominated in RMB.

13. ACCRUALS AND OTHER PAYABLES

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Accrued land compensation costs	**9,429**	6,700
Advance construction funds from government	**11,950**	11,950
Guarantee deposits	**7,198**	4,230
Employee benefits payable	**7,692**	5,538
Interest payable	**222**	3,556
Deposit received *(Note)*	**–**	27,450
Others	**3,106**	7,593
	39,597	67,017

Note:

As disclosed in Note 5(b) to this announcement, during the year ended 31 December 2022, the conditional cooperating agreement, for which the deposit of RMB27,450,000 was received from the JV Party, was cancelled with effect on 3 August 2022. A compensation income amounting to approximately RMB3,308,000 was agreed and the remaining balance of the deposit received was refunded to the JV Party during the year ended 31 December 2022.

14. COMMITMENTS

Capital commitments

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

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Mining rights *(Note(a))*	**165,000**	35,000
Joint venture investment *(Note(b))*	**–**	8,000
	165,000	43,000

Note:

(a) The amount represented outstanding committed balance payable by the Group in relation to the renewal of mining rights, details of which are disclosed in Note 8 to this announcement.

(b) On 28 September 2018, Grandson Holdings Limited ("Grandson"), an indirect wholly-owned subsidiary of the Company, and other three parties entered into an investment agreement to set up Xinjiang Zhongtai Aide Energy Technology Co., Ltd. ("Xinjiang Zhongtai"). Grandson's share of equity is 40%. Xinjiang Zhongtai was established on 15 November 2018. Xinjiang Zhongtai had not carried out any operations and the Group had not made any capital contribution to Xinjiang Zhongtai as of 31 December 2021. As Xinjiang Zhongtai had been deregistered, the Group had no capital commitment in respect of Xinjiang Zhongtai as at 31 December 2022.

15. COMPARABLE FIGURES

Certain comparable figures have been reclassified to conform with current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The principal activities of the Group are iron and ilmenite ore exploration, mining and processing in Shandong Province, as well as trading of iron concentrates and other minerals in Shandong Province and Gansu Province, the People's Republic of China (the "**PRC**" or "**China**"). Since 2013, the Group has started to engage in ilmenite ore mining and ilmenite ore processing to produce and sell iron concentrates and titanium concentrates, establish the full titanium industrial chain in Shandong Province, the PRC. The Group's major customers are iron pellets makers and steel manufacturers located in close proximity. Starting from 2021, the Group utilised its processing capacity to provide processing services on iron and other mineral ores which attributed to an increasing profitability to the Group.

The Group possessed mining rights in respect of Yangzhuang Iron Mine (楊莊鐵礦), an iron ore mine located in Qinjiazhuang Village, Yangzhuang Town, Shandong Province, the PRC ("**Yangzhuang Iron Mine**"), Zhuge Shangyu Ilmenite Mine (諸葛上峪鈦鐵礦), an ilmenite and magnetite mine located in Yishui County, Shandong Province, the PRC ("**Zhuge Shangyu Ilmenite Mine**"), both of which were expired and are in the process of renewal. The Group also owns the exploration rights over Yangzhuang Iron Mine, Qinjiazhuang Ilmenite Project, an ilmenite ore project located in Qinjiazhuang District, Yishui County, Shandong Province, the PRC ("**Qinjiazhuang Ilmenite Project**") and Zhuge Shangyu Ilmenite Mine. The Group used to own the exploration right over Gaozhuang Shangyu Ilmenite Project, an ilmenite ore project located in Shangyu District, Yishui County, Shandong Province, the PRC ("**Gaozhuang Shangyu Ilmenite Project**") in previous years.

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

The Group's revenue increased by approximately RMB232.1 million, or approximately 14.2%, to approximately RMB1,865.9 million for the year ended 31 December 2022, as compared with approximately RMB1,633.8 million for the year ended 31 December 2021. The increase in revenue was primarily due to the increase in turnover of processing service income and trading of mineral commodities by approximately RMB149.8 million and RMB101.9 million, respectively.

The total comprehensive income of the Group was approximately RMB66.8 million for the year ended 31 December 2022, representing a turnaround from the total comprehensive loss of approximately RMB30.3 million for the year ended 31 December 2021. This is mainly due to (1) the increase in revenue of approximately RMB232.1 million coupled with the increase in the gross profit margin from 2.0% for the same corresponding period last year to 7.8% for the year ended 31 December 2022, (2) the increase in other income of approximately RMB11.5 million which was attributable by, among others, compensation income and consultancy fee income of approximately RMB3.3 million and RMB9.6 million, respectively, recognised in 2022, and (3) the appreciation of fair value of the Group's investment in listed equity of approximately RMB9.1 million, which was partly offset by (I) the increase of administrative expenses of approximately RMB24.7 million which was mainly attributable to research and development expenses incurred in 2022 amounting to approximately RMB25.1 million, and (II) the effect of appreciation of HKD against RMB mainly on the Group's bonds denominated in HKD, resulting in net foreign exchange loss of approximately RMB6.8 million compared to net foreign exchange gain of approximately RMB13.2 million in the same corresponding period last year.

Measures Taken by the Management in 2022

The total comprehensive income of the Group was approximately RMB66.8 million for the year ended 31 December 2022, representing a turnaround from the total comprehensive loss of the Group of RMB30.3 million for the year ended 31 December 2021; and the operating revenue increased by RMB232.1 million, representing an increase of 14.2% as compared to RMB1,633.8 million for the same period last year.

The management has taken the following measures during the year ended 31 December 2022:

I. Throughout this year, there was no mining in the Group's own mines due to tightened control over environmental impact assessment, safety assessment and the issue of mining permit in China. Facing the picked up iron concentrate price and riding its close access to the port from its processing plant, the Group had actively conducted the businesses of port trade as well as overseas ore reprocessing and sales.

II. The reserve of Yangzhuang Iron Mine has been reviewed with a current reserve of 28.80 Mt as assessed by the experts from the Department of Natural Resources of Shandong Province. The Group had also obtained certificate of reserves, filed geological data and conducted the registration of occupying reserves, which has been preliminarily assessed by the Bureau of Natural Resources of Yishui County, has been assessed by the Bureau of Natural Resources of Linyi City and is being approved by the Bureau of Natural Resources of Shandong Province.

III. A reserve of 3,549 tons of rubidium ore was further confirmed in Yangzhuang Iron Mine with a contained metal of 4.47 tons and a grade of 0.126% (industrial grade of 0.12%) through exploration. In light of the fact that rubidium is a kind of highly scarce and very expensive mineral substance at present, the Group will conduct mining, producing, processing and sales in due course.

IV. The experts from the Department of Natural Resources of Shandong Province have reviewed the environmental management in respect of Yangzhuang Iron Mine, and the environmental management and land rehabilitation program has been approved. A lot of ore, rubble and sandy soil can be processed into iron concentrate and tailings for marketing; the rubble can be processed into carpolite and the sandy soil can be processed into sand. Both the carpolite and sand have become desperately demanded building materials at the moment and have been realized into economic benefits.

V. The environmental impact assessment on technical improvement of Yangzhuang Iron Mine has also accepted the review of relevant experts. Once verified, the Group will be able to process building materials for sale by capitalizing on the mine restoration.

VI. Zhuge Shangyu Ilmenite Mine has passed safety pre-evaluation in handling the procedures of safety production permits, paving a sound foundation for the exploration and processing of ilmenite ore into ilmenite powder. The verified reserve available for mining amounted to 28.456 Mt. The comprehensive low-carbon environmental protection program with an investment of RMB3,000 million has been recognized by the government.

VII. The management of internal control has been recognized by the independent third party. The Group has strengthened its own capability in checking the management of internal control, thus enhancing the overall management level.

VIII. The business of logistics trade and investment in Xinjiang has been carried out smoothly.

IX. The Company has always been committed to constructing a comprehensive industrial value chain, including mining of raw titanium ore, production of titanium concentrates, titanium tetrachloride and sponge titanium, and has maintained contact and scientific research cooperation with relevant units throughout the year, so as to lay a foundation for the further industrial operation.

OPERATION OVERVIEW AND CAPITAL EXPENDITURE

I. Production and operation of titanium and iron mines

1. Yangzhuang Iron Mine

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

The Group planned to decide whether to mine and process its own mines based on the market conditions. It analysed operating risks and judged the timing for trading, and based on profitability to decide whether to process with part of coarse powders purchased from other suppliers. In 2022, there was no processing nor production in relation to the iron ore in Yangzhuang Iron Mine.

In 2022, the Group invested approximately RMB13.7 million in processing line and production line in Yangzhuang Iron Mine.

During the year ended 31 December 2020, an agreement was reached by the Group with the relevant authorities for the renewal of the mining permit for Yangzhuang Iron Mine, pursuant to which, the Group is required to pay for approximately RMB70.5 million of which approximately RMB40.5 million were paid by the Group up to 31 December 2022. The new mining permit for Yangzhuang Iron Mine has not yet been issued by the relevant authorities to the Group up to the date of this announcement. Accordingly, there was no production activities carried out in the mine in 2022. Certain exploration activities were conducted in the mine during 2022.

2. Zhuge Shangyu Ilmenite Mine

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

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

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

In 2022, the Group invested approximately RMB72.6 million in processing line and production line in Zhuge Shangyu Ilmenite Mine.

During the year ended 31 December 2022, an agreement was reached by the Group with the relevant authorities for the renewal of the mining permit for Zhuge Shangyu Ilmenite Mine, pursuant to which, the Group is required to pay for approximately RMB171.3 million of which approximately RMB36.3 million were paid by the Group up to 31 December 2022. The new mining permit for Zhuge Shangyu Iron Mine has not yet been issued by the relevant authorities to the Group up to the date of this announcement. Accordingly, there was no production activities carried out in the mine in 2022. Certain exploration activities were conducted in the mine during 2022.

3. Qinjiazhuang Ilmenite Mine

In 2022, the Group was determining whether it will make investment in or conduct production activities at Qinjiazhuang Ilmenite Mine based on market changes.

Due to the market condition, there was no investments made and no production activities carried out in the mine in 2022. Certain exploration activities were conducted in the mine during 2022.

4. Gaozhuang Shangyu Ilmenite Mine

In 2022, there was no capital expenditure and no exploration and mining activity carried out in the mine.

II. Development of green mines

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

In 2022, by closely following market changes, the Group stuck to the development of titanium business, adjusted titanium and iron concentrates production in a timely manner and focused on expanding new energy business, particularly for solar thermal projects. The Group made targeted adjustment to its working plan and actively sought for new sources of economic growth.

RESOURCES AND RESERVES OF MINES

The mines and projects owned by the Group have significant iron and titanium ore reserves and resources. According to the report of the independent technical adviser Micromine Consulting Services ("**Micromine**"), as at November 2011 as disclosed in the prospectus of the Company dated 17 April 2012, the total aggregate proved and probable reserve of ore in Yangzhuang Iron Mine was approximately 43.93 Mt at an average grade of approximately 24.58% TFe (total iron); the total proved and probable reserve of ore in Zhuge Shangyu Ilmenite Mine was approximately 546.29 Mt at an average grade of approximately 5.69% TiO_2 and approximately 12.81% TFe (total iron); whereas the total proved and probable reserve of ore in Qinjiazhuang Ilmenite Project was approximately 86.63 Mt at an average grade of approximately 4.50% TiO_2 and approximately 13.56% TFe (total iron).

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

Yangzhuang Iron Mine

1. Resource reporting cutoff grade: 15% TFe.

2. An mFe grade cut-off of 8.0% was applied to each mining block based on the breakeven analysis.

3. The Ore Reserve depletion for the Yangzhuang Iron Mine was approximately 4.6 Mt @ 24.6% TFe and 10.6% mFe compared to reported production of approximately 4.5 Mt @ 24.1% TFe and 10.5% mFe for the period from November 2011 to December 2013 inclusive.

4. Stope design parameters are 50 metres in length by approximately 16 metres wide (matching the thickness of the ore body) with a 6 metre wide pillar between stopes as well as a crown pillar of 6 metres.

5. It is assumed that there are no significant geotechnical difficulties.

6. Inferred Resources were excluded from the mine design used to determine the reserves.

7. Parameters for Short Hole Shrinkage mining method:

Length of Block:	48 m
Minimum width of Block:	8 m
Pillar between Blocks:	6 m
Crown Pillar:	5 m
Distance between levels:	60 m

Reason for the changes in the resources and reserves estimates:

During the period from November 2011 to December 2013, reserves were reduced by approximately 4.6 Mt due to mining activities. There was no exploration or mining activities carried out in Yangzhuang Iron Mine from 1 January 2014 to 31 December 2022.

Zhuge Shangyu Ilmenite Mine

1. Resource reporting cutoff grade: 9.2% TiO_2 equivalent.

2. Underground resources and reserves remain unchanged from the previous (2012) Micromine estimate.

3. Mineral resources are inclusive of the ore reserve.

4. The reserve includes diluting material with an assumed diluent grade of 0%, total dilution used was 9%.

5. The Micromine reserve is stated based on titanium with an iron credit.

6. The Open Pit Ore Reserve block model depletion for the Zhuge Shangyu resource was approximately 0.27 Mt grading 5.69% TiO_2 and 12.78% TFe compared to reported production of approximately 0.26 Mt grading 6.75% TiO_2 and 13.44% TFe for the period from September 2013 to December 2013 inclusive.

7. The underground mining height is 50 m to 60 m.

Reason for the changes in the resources and reserves estimates:

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

Qinjiazhuang Ilmenite Project

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

There was no exploration or mining activity carried out in Qinjiazhuang Ilmenite Project from 1 January 2014 to 31 December 2022.

Based on (1) the resources and reserves under the JORC for the Yangzhuang Iron Mine, Zhuge Shangyu Ilmenite Mine and Qinjiazhuang Ilmenite Project as at November 2011 as disclosed in the prospectus of the Company dated 17 April 2012; and (2) the estimated amount of ores mined by the Group from November 2011 to December 2013, the Group's estimated resources and reserves as at 31 December 2022 were as follows:

JORC ore reserve estimate as of 31 December 2022: ***(Note: JORC ore reserves as of 31 December 2013 less exploration during the period from 1 January 2014 to 31 December 2022. On 2 November 2017, the Group disclosed the area of exploration was changed in Zhuge Shangyu, which deduced the total reserve.)***

	Yangzhuang Iron Mine	**Zhuge Shangyu Ilmenite Mine**	**Qinjiazhuang Ilmenite Project**
Ore reserves (Mt)			
– proved	5.86	199.40	45.33
– probable	31.20	204.50 *(Note)*	41.30
Total ore reserves	37.06	403.90	86.63
Grade of total iron (TFe) (%)			
– proved	24.15	12.78	13.50
– probable	24.65	12.83	13.61
Average grade of total iron (TFe) (%)	24.55	12.82	13.56
Grade of titanium dioxide (TiO_2) (%)			
– proved	N/A	5.76	4.52
– probable	N/A	5.65	4.48
Average grade of total titanium dioxide (TiO_2) (%)	N/A	5.69	4.50

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

JORC ore reserve estimate as of 31 December 2022: ***(Note: JORC ore reserves as of 31 December 2013 less exploration during the period from 1 January 2014 to 31 December 2022)***

	Yangzhuang Iron Mine	**Zhuge Shangyu Ilmenite Mine**	**Qinjiazhuang Ilmenite Project**
Ore reserves (Mt)			
– proved	5.86	199.40	45.33
– probable*(Note)*	31.20	204.50	41.30
Total ore reserves	37.06	403.90	86.63

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

Yangzhuang Iron Mine resources estimate as of 31 December 2022: ***(Note: JORC mineral resources as of 31 December 2013 less exploration during the period from 1 January 2014 to 31 December 2022)***

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

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

Zhuge Shangyu Ilmenite Mine resources estimate as of 31 December 2022: ***(Note: JORC mineral resources as of 31 December 2013 less exploration during the period from 1 January 2014 to 31 December 2022. On 2 November 2017, the Company disclosed the area of exploration was changed in Zhuge Shangyu, which deduced the total reserve.)***

Resources Category	**Resources** *(Mt)*	**SG** *(t/m^3)*	**TiO_2** *(%)*	**TFe** *(%)*
Measured	372.6	3.19	6.23	14.04
Indicated	118.3	3.13	6.14	14.18
Total Measured and Indicated	490.9	3.17	6.19	14.10
Inferred	4.0	3.13	5.92	15.03
Total Resources	494.9	3.16	6.19	14.10

Qinjiazhuang Ilmenite Project resources estimate as of 31 December 2022: ***(Note: JORC mineral resources as of 31 December 2013, there was no mining activity or exploration activity carried out from 1 January 2014 to 31 December 2022)***

Resources Category	**Resources** *(Mt)*	**SG** *(t/m^3)*	**TiO_2** *(%)*	**TFe** *(%)*
Measured	46.2	3.23	4.90	14.72
Indicated	42.1	3.19	4.88	14.84
Total Measured and Indicated	88.3	3.21	4.89	14.78
Inferred	11.3	3.29	5.06	15.05
Total Resources	99.6	3.22	4.91	14.81

Gaozhuang Shangyu Ilmenite Project

Gaozhuang Shangyu Ilmenite Project is located in Yishui County and Yinan County of Shandong Province, the PRC. Shandong Ishine has engaged an independent third party surveying agency to conduct preliminary exploration work in Gaozhuang Shangyu Ilmenite Project and the work was completed in 2012. It has exploration rights over an area of approximately 1.53 km^2, with the exploration term expired in March 2019. According to Titanium Mine Detailed Survey Report in respect of the project, it was estimated that the exploration area had approximately 46.0 Mt of resources of Type 332 and 333 of ilmenite ores as at 2 September 2012 under PRC classification standard with an average grading of iron and titanium contents of approximately 12.4% and 6.8%. As there is no change in resources and reserves from October 2012 to December 2022, the Group did not have any plan to carry out mining work or other expansion plan.

EXPLORATION, DEVELOPMENT AND MINING PRODUCTION ACTIVITIES AND COSTS

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

	Year ended 31 December	
	2022	2021
	Kt	*Kt*
Production Volume		
Feed tonnage	–	–

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Mining Costs		
Workforce employment	–	–
Transportation	–	–
Fuel, electricity, water and other services	–	–
Non-income taxes, royalties and other governmental charges	–	–
Filling Expense	–	–
Subtotal	–	–
Processing Costs		
Workforce employment	–	2,138
Consumables and factory overheads	–	18,270
Fuel, electricity, water and other services	–	3,204
Transportation	–	1,655
Non-income taxes, royalties and other governmental charges	–	54
Subtotal	–	25,321
Management Expenses		
Land compensation expenses	–	5,714
Other administration cost	–	26,098
Product marketing and transportation	–	1,491
Subtotal	–	33,303
Other Costs		
Depreciation and Amortisation	–	14,428
Total	–	73,052

* The Group did not process any iron ores previously mined from the Group's mines during the year ended 31 December 2022. Accordingly, no analysis of cost is presented for the year ended 31 December 2022.

CONNECTED TRANSACTIONS

On 29 December 2021, Hami Xinxing Tianshan Logistics Co., Ltd.* (哈密新星天山物流有限公司) ("**Hami Xinxing**"), an indirect wholly-owned subsidiary of the Company, and Xinjiang Jiangna Mining Co., Ltd.* (新疆疆納礦業有限公司) ("**Xinjiang Jiangna Mining**") entered into the coal purchase and sale agreement ("**Coal Purchase and Sale Agreement**"), pursuant to which Hami Xinxing shall purchase blended coal from Xinjiang Jiangna Mining from 22 April 2022 (being the date immediately after fulfilling all the conditions precedent as set out in the Coal Purchase and Sale Agreement) to 31 December 2024.

Xinjiang Jiangna Mining is a company wholly and beneficially owned by Mr. Li Yunde ("**Mr. Li**"), the chairman of the Board, an executive Director and a controlling shareholder of the Company (as defined under the Rules Governing the Listing of securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**")). The annual caps for Hami Xinxing to purchase blended coal from Xinjiang Jiangna Mining under the Coal Purchase and Sale Agreement for each year up to 31 December 2024 amounted to RMB1.5 billion. During the year ended 31 December 2022, the Group purchase blended coal amounting to approximately RMB132,089,000 from Xinjiang Jiangna under the Coal Purchase and Sale Agreement.

The Coal Purchase and Sale Agreement constituted a continuing connected transaction of the Company under Chapter 14A of the Listing Rules, and is subject to reporting, announcement, independent shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules. An extraordinary general meeting of the Company was convened and held on 22 April 2022 and the Coal Purchase and Sale Agreement was approved. For details, please refer to the circular of the Company dated 30 March 2022.

On 23 March 2022, Mr. Li has agreed to grant an interest free, unsecured loan in the principal amount of RMB120 million with no fixed repayment term (the "Loan") to Shandong Ishine, pursuant to a loan agreement entered into between Mr. Li and Shandong Ishine on 23 March 2022 (the "**Loan Agreement**"). The Loan was granted to the Group for the purpose of repayment of the bonds issued by the Company in the aggregate principal amount of approximately HK$130 million at an annual interest rate of 7.0% which was due for repayment within the year ended 31 December 2022 (the "**Bonds**"). The repayment of the Bonds will reduce the Group from the interest payment of the Bonds. During the year ended 31 December 2022, an amount of RMB42,000,000 has been advanced by Mr. Li to the Group under the Loan Agreement.

During the year ended 31 December 2022, an additional amount of approximately RMB13,400,000 has been advanced to the Company by Hongfa Holdings Limited ("**Hongfa**"), a company wholly-owned by Mr. Li and being the ultimate holding company of the Company. The advance is interest-free, unsecured and with no fixed repayment term.

Mr. Li is the Chairman of the Board, an executive Director and controlling shareholder of the Company and is therefore a connected person of the Company as defined under Chapter 14A of the Listing Rules. Accordingly, the provision of Loan by Mr. Li constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the Loan were made for the benefit of the Group on normal commercial terms where no security over the assets of the Group is granted in respect of the Loan, the provision of the Loan by Mr. Li falls under Rule 14A.90 of the Listing Rules and thus are exempted from reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

FINANCIAL REVIEW

For the year ended 31 December 2022, the Group recorded revenue of approximately RMB1,865.9 million as compared with approximately RMB1,633.8 million for the year ended 31 December 2021, representing an increase of approximately RMB232.1 million. For the years ended 31 December 2022 and 2021, approximately 90.2% and 96.7% of the Group's total sales, respectively, consisted of the sales of trading commodities, including coarse iron powder, semi-coal and blended coal. Starting from 2021, the Group started to provide processing services to customers, the attribution of processing service income increased from approximately 2.1% in 2021 to approximately 9.8% of the total sales, providing the Group a stable profitability from utilising its production capacity.

PRICES OF THE GROUP'S PRODUCTS

Iron Concentrates

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

The Group did not sell 65% and 64% iron concentrates for the year ended 31 December 2022.

Titanium Concentrates

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

The Group did not sell titanium concentrates for the year ended 31 December 2022.

Revenue

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

	Year ended 31 December 2022 *RMB'000*		Year ended 31 December 2021 *RMB'000*	
Revenue				
Sales from trading activities				
– from coarse iron powder	**456,280**	**24.5%**	1,526,573	93.4%
– from semi-coke	**536,214**	**28.7%**	34,766	2.1%
– from blended coal	**689,694**	**37.0%**	18,937	1.2%
	1,682,188	**90.2%**	1,580,276	96.7%
Processing service income				
– from processing of iron and other mineral ores	**183,704**	**9.8%**	33,920	2.1%
Sales of iron concentrates produced by the Group				
– by magnetic minerals processing technology (64% iron concentrates)	**–**	**–**	7,999	0.5%
– from iron ore tailings	**–**	**–**	11,563	0.7%
	–	**–**	19,562	1.2%
	1,865,892	**100.0%**	1,633,758	100.0%

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

	Year ended 31 December 2022 *(Kt)*	Year ended 31 December 2021 *(Kt)*
Sales volume of trading activities		
– from coarse iron powder	**629.8**	1,477.6
– from semi-coke	**1,190.3**	51.2
– from blended coal	**2,356.6**	26.6
	4,176.7	1,555.4
Sales volume of iron concentrates produced by the Group		
– by magnetic minerals processing technology (64% iron concentrates)	**–**	7.2
– from iron ore tailings	**–**	407.4
	–	414.6
	4,176.7	1,970.0

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

	Year ended 31 December 2022 *(Kt)*	*(approximately)*	Year ended 31 December 2021 *(Kt)*	*(approximately)*
Iron concentrates produced by the Group				
Amount of iron concentrates produced by magnetic minerals processing technology (64% iron concentrates)	**–**	**–**	13	100%
	–	**–**	13	100%

For the year ended 31 December 2022, revenue was mainly derived from trading of blended coal, semi-coke and coarse iron powder. The trading sales of semi-coke and blended coal increased from 3.3% of total revenue in 2021 to 65.7% of total revenue in 2022, resulted from the establishment of a subsidiary which operates a trading business in the Gansu province starting from late 2021 which geographically guaranteed a stable supply of blended coal and semi-coke. In addition, the Group entered into the Coal Purchase and Sale Agreement with Xinjiang Jiangna Mining, which guarantee a stable supply of blended coal to the Group. The Group has also engaged in subcontracting arrangements with customers on processing iron and other mineral ores starting from second half of 2021, which contributed revenue of RMB33.9 million in 2021 and RMB183.7 million in 2022, respectively.

The Group's revenue increased by approximately RMB232.1 million, or approximately 14.2%, to approximately RMB1,865.9 million for the year ended 31 December 2022, as compared with approximately RMB1,633.8 million for the year ended 31 December 2021. The increase in revenue was primarily due to the increase in turnover of sales of trading commodities and processing service income by approximately RMB101.9 million and RMB149.8 million, respectively, for the year ended 31 December 2022.

In 2022, the iron and steel market is gradually recovering, the demand in the iron concentrates has become stable. However, considering the experience in decreasing profitability from the trading sales of coarse iron powder in 2021 due to the price fluctuation of iron concentrates, the management has strategically increased the trading activities in semi-coke and blended coal. In view of gaining access to the stable supply of semi-coke and blended coal, the Group focused its trading activities in these products and the relevant sales increased by more than 20 times, to approximately RMB1,225.9 million for the year ended 31 December 2022 compared to approximately RMB53.7 million for the year ended 31 December 2021.

Cost of Sales

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

	Year ended 31 December 2022 *RMB'000*		Year ended 31 December 2021 *RMB'000*	
Cost of Sales				
Cost of sales of trading activities				
– from coarse iron powder	**447,952**	**26.0%**	1,516,576	94.8%
– from semi-coke	**515,255**	**30.0%**	26,638	1.6%
– from blended coal	**657,490**	**38.2%**	18,933	1.2%
	1,620,697	**94.2%**	1,562,147	97.6%
Cost of sales of processing service income				
– from processing of iron and other mineral ores	**100,096**	**5.8%**	24,352	1.5%
Cost of sales of iron concentrates produced by the Group				
– by magnetic minerals processing technology (64% iron concentrates)	**–**	**–**	8,134	0.5%
– from iron ore tailings	**–**	**–**	5,677	0.4%
	–	**–**	13,811	0.9%
	1,720,793	**100.0%**	1,600,310	100.0%

Cost of sales was mainly incurred for cost of purchased commodities for trading purposes. The cost of sales also included costs of providing processing services.

Total cost of sales increased by approximately RMB120.5 million, or approximately 7.5%, to approximately RMB1,720.8 million for the year ended 31 December 2022, as compared with approximately RMB1,600.3 million for the year ended 31 December 2021, was mainly due to increase of approximately RMB75.7 million in cost of provision of processing services. The Group started to provide processing services on iron ores and other minerals in the second half of 2021, and accordingly the relevant cost increased when both the operating period and scale of the processing services increased in 2022.

Gross profit and gross profit margin

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

	Year ended 31 December 2022 *RMB'000*		Year ended 31 December 2021 *RMB'000*	
Gross profit/(loss)				
Gross profit of trading activities				
– from coarse iron powder	**8,328**	**5.7%**	9,997	29.9%
– from semi-coke	**20,959**	**14.5%**	8,128	24.3%
– from blended coal	**32,204**	**22.2%**	4	0.0%
	61,491	**42.4%**	18,129	54.2%
Gross profit of provision of processing services				
– from processing of iron and other mineral ores	**83,608**	**57.6%**	9,568	28.6%
Gross profit/(loss) of iron concentrates produced by the Group				
– by magnetic minerals processing technology (64% iron concentrates)	**–**	**–**	(135)	(0.4%)
– from iron ore tailings	**–**	**–**	5,886	17.6%
	–	**–**	5,751	17.2%
	145,099	**100.0%**	33,448	100.0%

	Year ended 31 December 2022	Year ended 31 December 2021
Gross profit/(loss) margin		
Gross profit margin of trading activities		
– from coarse iron powder	**1.8%**	0.7%
– from semi-coke	**3.9%**	23.4%
– from blended coal	**4.7%**	0.0%
Gross profit margin of provision of processing services		
– from processing of iron and other mineral ores	**45.5%**	28.2%
Gross profit/(loss) margin of sales of iron concentrates produced by the Group		
– by magnetic minerals processing technology (64% iron concentrates)	**–**	(1.7%)
– from iron ore tailings	**–**	50.9%
Overall gross profit margin	**7.8%**	2.0%

Gross profit increased by approximately RMB111.7 million from approximately RMB33.4 million for the year ended 31 December 2021 to approximately RMB145.1 million for the year ended 31 December 2022. The main reasons for the increase are (1) the increase in processing service income for which the Group started to provide in the second half of 2021, attributed to approximately RMB74.0 million of the increase in gross profit, (2) the increase of gross profit from trading turnover of semi-coke and blended coal by approximately RMB45.0 million in line with increase in the trading volume, and (3) the attribution of gross profit from trading turnover of coarse iron powder remained similar to 2021 despite that the relevant revenue dropped by approximately 70%, due to the adverse impact of significant drop in the price of coarse iron powder in the second half of 2021 no longer existed in 2022.

Overall gross profit margin increased from approximately 2.0% for the year ended 31 December 2021 to gross profit margin of approximately 7.8% for the year ended 31 December 2022. The increase in gross profit margin is mainly due to (1) the increase in attribution of processing service income which had a higher gross margin in compare to trading activities, (2) the increase in attribution of trading sales of semi-coke and blended coal which had a higher gross margin than coarse iron powder, and (3) the adverse impact of significant drop in the price of coarse iron powder no longer existed in 2022.

Other income

The Group's other income were approximately RMB13.6 million for the year ended 31 December 2022 as compared with other income of approximately RMB2.1 million for the year ended 31 December 2021. The increase is mainly due to consultancy fee income from an independent wind power operator of RMB9.6 million, and compensation income from business partner of RMB3.3 million. Details of which are disclosed in Note 5 to this announcement.

Finance costs, net

Net finance costs mainly represented interest expense on bank loans and bonds of the Group, offsetting by interest income on bank deposits. Interest expenses decreased from approximately RMB18.4 million for the year ended 31 December 2021 to approximately RMB12.3 million for the year ended 31 December 2022, mainly due to (1) total borrowing of the Group decreased from approximately RMB180.6 million as at 31 December 2021 to RMB68.0 million as at 31 December 2022 resulted from the expiry of bonds issued by the Company, and accordingly the relevant interest expenses decreased, and (2) upon renewal of the bank borrowing of RMB60.0 million during the year ended 31 December 2022, the interest rate charged on the loan has decreased from 7% to 5% per annum.

Total comprehensive income/(loss)

The total comprehensive income of the Group was approximately RMB66.8 million for the year ended 31 December 2022, representing a turnaround from total comprehensive loss of RMB30.3 million for the year ended 31 December 2021.

CAPITAL STRUCTURE

The Company's issued share capital as at 31 December 2022 is HK$10,507,928 divided into 5,253,963,920 shares with par value of HK$0.002 each.

The Group adopts a prudent treasury policy, and its gearing ratio (calculated as total borrowings (including amounts due to substantial shareholders) divided by the aggregate amount of total equity and total borrowings) as at 31 December 2022 was approximately 25.8% (as at 31 December 2021: approximately 38.6%). The current ratio (calculated as current assets divided by current liabilities) as at 31 December 2022 was approximately 0.84 times (as at 31 December 2021: approximately 1.11 times). The drop in current ratio is mainly attributed to loans advanced from Mr. Li together with an associated company of Mr. Li, who lent in aggregate approximately RMB55.4 million to the Group for making repayments to the bondholders of the Company for which most of the issued bonds of the Company had matured during the year ended 31 December 2022. The loans from Mr. Li and his associate are unsecured, interest-free and with no fixed repayment term.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2022, the total amount of the borrowings (including amounts due to substantial shareholders) of the Group was approximately RMB123.4 million (as at 31 December 2021: approximately RMB180.6 million). Bonds issued by the Company which were matured during the year ended 31 December 2022 were repaid partly by utilising the advances from substantial shareholders, and partly by using the Group's cash inflow from its trading and processing service business. The Group's cash and bank balances amounted to approximately RMB124.7 million as at 31 December 2022 (as at 31 December 2021: approximately RMB192.0 million).

EVENTS AFTER REPORTING PERIOD

On 11 January 2023, the Board proposed to implement the share consolidation on the basis that every twenty (20) issued and unissued existing shares of HK$0.002 each ("**Existing Shares**") will be consolidated into one (1) consolidated share of HK$0.04 each ("**Consolidated Share**") (the "**Share Consolidation**"). The Share Consolidation is conditional upon, among other things, the approval by the shareholders of the Company (the "**Shareholders**") by way of poll at an extraordinary general meeting of the Company ("**EGM**").

Subject to the Share Consolidation having become effective, the Board also proposed to implement the rights issue (the "**Rights Issue**"), on the basis of one (1) rights share ("**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 (the "**Subscription Price**"), to raise gross proceeds of up to HK$99,850,698 before the offset of the part amount of subscription monies payable by Mr. Li and Hongfa, for the Rights Shares to which each of them is entitled to and/or is required to subscribe for (if ay) under the Rights Issue and the Underwriting Agreement (as defined below)(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 Rights Issue is only available to the qualifying Shareholders (the "**Qualifying Shareholders**") and will not be extended to the Non-Qualifying Shareholders (as defined below). Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the non-qualifying Shareholders (other than overseas Shareholders in respect of whom to exclude from the Rights Issue ("**Non-Qualifying Shareholders**") whose names appear on the register of members on the record date), 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. Pursuant to the Rights Issue, the qualifying Shareholders will be provisionally allotted one (1) Rights Share in nil-paid form for every three (3) Consolidated Shares held on the record date.

The Company will make arrangements to dispose of those Rights Shares that are not subscribed by the Qualifying Shareholders and the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders in nil-paid form ("**NQS Rights Shares**") that are not successfully sold by the Company (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 placing by the placing agent appointed by the Company (the "**Placing Agent**") for the benefit of the relevant Qualifying Shareholders who do not subscribe for the Rights Shares ("**No Action Shareholders**"). After the trading hours of the Stock Exchange on 11 January 2023, the Company and the Placing Agent entered into the placing agreement (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. 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 (the “**Compensatory Arrangements**”).

On 11 January 2023 (after trading hours), the Company also entered into the underwriting agreement with Hongfa (the “**Underwriter**”) in relation to the underwriting and respective arrangements in respect of the Rights Issue (the “**Underwriting Agreement**’). Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite up to 50,791,988 Rights Shares (the “**Underwritten 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.

Subject to the terms and conditions set out in the Underwriting Agreement, 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.

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 advanced by Mr. Li 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 (the “**Repayment**”). 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.

Assuming no Rights Shares are taken up by the Qualifying Shareholders (other than those pursuant to the irrevocable undertakings executed by each of Mr. Li, Hongfa, Mr. Geng Guohua (“**Mr. Geng**”) and Mr. Lang Weiguo (“**Mr. Lang**”) in favour of the Company); 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 (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 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 waiver to be granted by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission 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 Shares not already owned or agreed to be acquired by Mr. Li, the Underwriter and parties acting in concert with any of them (the “**Whitewash Waiver**”).

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 (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 passing of resolutions by the Independent Shareholders at the EGM by way of poll approving 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.

An EGM was scheduled to be held on 22 March 2023 for approving the Share Consolidation, the Rights Issue, the connected transactions in relation to the Underwriting Agreement and Offset, and the Whitewash Waiver. Taking in account to provide the Shareholders more time to review the proposed resolutions and the annual results of the Group for the year ended 31 December 2022, the Shareholders approved by show of hands to adjourn the EGM to a date, time and place to be determined by the Board in due course.

For details of the above, please refer to the circular of the Company dated 17 February 2023, and the announcements of the Company dated 21 March 2023 and 22 March 2023.

2023 DEVELOPMENT AND FUTURE PLANS

2022 WORK REVIEW

In 2022, the Group further released new production capacity in adapting to market changes, and continued to strengthen its traditional principal business of protective mining, production, sales and services of iron and titanium ores. The Group continued to invest in scientific research for the expansion of the entire titanium industrial chain, and strengthened the expansion of such investment businesses as logistics and new energy in Xinjiang. Progress in the construction of the Zhuge Shangyu comprehensive low-carbon environmental protection project was further strengthened. The main work is reviewed as follows:

I. The Group continued its protective mining, production and sales of mines and continued to maintain close ties with the upstream and downstream industrial chain businesses in the region. The Group fully utilized its technological advantages in ore processing and production, and continued to increase its efforts in trading deep processing products, bringing better economic benefits to the Group and achieving operating revenue of RMB1,865.9 million, with a profit of RMB57.6 million.

II. Throughout the year, the Group overcame the impact of the pandemic, made great efforts in the planning and implementation of a comprehensive industrial value chain, including mining and processing of ilmenite ore and production of titanium concentrates, high titanium slag and sponge titanium. In addition, the Group continued to enhance research and development cooperation with the Chinese Academy of Sciences and the Russian Academy of Sciences with an aim to achieve substantial industrialization and technical breakthroughs.

III. By making full use of its market and location advantages, the Group actively conducted the businesses of port trade as well as overseas mines processing, in order to improve revenue and maintain business sustainability. Annual trade grew by 6.4%.

IV. The Group has obtained the certificate of reserves, filed geological data and completed the registration of occupying reserves and made partial payment for the mining right in respect of Yangzhuang Iron Mine. All preliminaries for the new mining license have been completed.

1. The exploration certificates for Yangzhuang Town Qinjiazhuang (楊莊鎮秦家莊) Iron Mine, Qinjiazhuang Ilmenite Mine and Zhuge Shangyu Ilmenite Mine that were previously expired have been renewed.

2. In order to apply for the mining licenses, a total of RMB76,815,100 has been paid for the granting of the mining rights.

3. The Group has signed a technical service contract with Shandong Zhaojin Geological Exploration Co., Ltd. and entrusted Zhaojin to carry out the mining license and project approval for the Shangyu mining area in Yishui County, Shandong Province. All the relevant works are under formal approval.

V. Construction of Zhuge Shangyu processing plant

1. Construction of high standard intelligent ore processing plant in Shangyu, which includes: 3,450 square meters of raw ore workshop, 4,400 square meters of grinding and concentrating workshop, 4,100 square meters of concentrating workshop; installation of 2 sets of 27*45 and 1 set of 35*62 ball mill, 6 sets of high gradient magnetic separator and 4 sets of filter respectively; building a new automatic control room; building 2 new deep pile concentrators; building a new quality inspection center, and a high voltage distribution room; building a new sedimentation return tank to effectively solve the zero discharge of production return water in the workshop, effectively achieving low-carbon and efficient reuse; building new dry tailing car room, with 4 pressure filters and auxiliary equipments installed; and building a new concentration tank with new auxiliary equipments such as mixing rake, automatic dosing machine and slurry pump installed. The whole system process fully draws on Yangzhuang's tailing dry discharge design to achieve effective utilization of resources.

2. Three land certificates for the factory with an area of about 105 mus have been successfully obtained.

VI. Yangzhuang iron ore production and processing technology reform

In order to improve the production capacity of Yangzhuang Iron Mine and enhance its product competitiveness, the process of ball milling production line has been reformed since September. The purchase and installation of major equipment such as cyclones, permanent magnet magnetic separators, cylindrical screens, vertical rings, concentrate thickening tanks, and clean water pumps have been completed. With the input of this production line, the raw ore processing capacity of Yangzhuang Mine will reach 2.6 million tons/year.

VII. Increased the operation control of Xinjiang Tianshan logistics subsidiary, and strived for sustainable and compliant operation, and created better economic benefits. Tianshan subsidiary achieved operating revenue of RMB1,399.9 million and profit of RMB29.2 million. It became a new economic growth point for the Group.

VIII. Strengthened internal control management and made market-based comprehensive assessment of related transactions. The Group improved integrated and standardized management level, and laid the management foundation for performance improvement.

IX. As the founding vice president entity of the GBA Carbon Neutrality Association, the Group has strengthened the market investigation of high-tech new products in the market, comprehensively screening and investigating new low-carbon environmental protection projects based on market conditions and the Company's actual situation. Our staff have participated in the activities of the GBA Carbon Neutrality Association for three times and conducted targeted project inspections.

2023 WORK PLAN

In 2023, the Group will further release the new production capacity in adapting to market changes, and continue to strengthen its traditional principal business of protective mining, production, sales and services of iron and titanium mines. The Group will continue to invest in scientific research for the expansion of the entire titanium industrial chain, and strengthen the expansion of such investment businesses as logistics and new energy in Xinjiang. Progress in the construction of the Zhuge Shangyu comprehensive low-carbon environmental protection project will be further strengthened.

I. Continue Brazil coarse powder processing business

In 2023, the Group will continue to follow up the guaranteed volume agreement on Brazil coarse powder processing, based on Vale's processing tasks and plant selection matching this year, the estimated Brazil coarse powder processing volume of Shandong Shengtai (山東盛泰) and Shandong Ishine in 2023 is around 3.2 million tons.

II. Coal and coal products trade

The Group will capture suitable business opportunities and take advantage of the logistics advantages of Xinjiang and the favorable geographical conditions of Yumen Office in Gansu Province in making full use of the existing customer relationship resources to increase the trade volume of coal and coal products to maximize sales revenue and profit.

III. Shangyu mining and processing plant construction

In August this year, Shangyu Mine is ready to start infrastructure construction, and the Mine is ready to start mining during the infrastructure construction period.

The investment of new projects in Shangyu Mine and processing plant this year needs about RMB1.5 billion, mainly focusing on mining, ilmenite ores production line construction, living office area construction, science and technology center and production automation construction. The existing production system of Shangyu Park has been in normal production, the construction of new system and regional planning has been basically determined, and the ground mining will be carried out in this year. Based on the current Shangyu processing plant implemented step by step from point to area, the production construction of the whole park will develop towards unmanned and intelligent in the future.

IV. Increase the production capacity release of Yangzhuang Iron Mine after the production and processing technology transformation and strive to stabilize economic benefits.

V. Continue to release the existing production capacity of Zhuge Shangyu Processing, and strive to increase production with guaranteed quantity and achieve good returns.

VI. Strengthen internal control management and make market-based comprehensive assessment of related transactions. The Group will improve integrated and standardized management level, and lay the management foundation for performance improvement.

VII. Continue to focus on low-carbon, environmental protection and new energy sustainable growth projects for examining and selecting, and under appropriate conditions, we will increase our investment and adjust our industrial structure for the benefit of investors.

VIII. Follow up the professional management and application of exploration and mining rights in a timely manner.

IX. While the principal business is developing, it is necessary to promptly follow up on the new technologies, new materials, and new business opportunities, actively communicate with investors, and respond to market changes in a timely manner.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, the Group employed 224 (2021: 152) full time employees. The remuneration package of employees is determined by reference to their performance, experience, positions, duties and responsibilities in the Group and the prevailing market conditions. The Group continued to provide retirement, medical, employment injury, unemployment and maternity benefits which are governed by the state-managed social welfare scheme operated by the local government of the PRC to the employees in the PRC. In addition, the Group maintains mandatory provident fund schemes for all qualifying employees in Hong Kong.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

CLOSURE OF REGISTER OF MEMBERS

For determining the identity of the Shareholders to attend and vote at the annual general meeting of the Company to be held on Friday, 16 June 2023 ("**2023 AGM**"), the register of members of the Company will be closed from Monday, 12 June 2023 to Friday, 16 June 2023, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the 2023 AGM, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 9 June 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2022.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Company confirmed that all Directors had complied with the required standard set out in the Model Code throughout the year ended 31 December 2022.

CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions set out in the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. In the opinion of the Directors, the Company was in compliance with all the relevant code provisions set out in the CG Code throughout the year ended 31 December 2022.

AUDIT COMMITTEE

The Company established the audit committee of the Company (the "**Audit Committee**") on 9 April 2012 with written terms of reference in compliance with the CG Code, which currently comprises of three independent non-executive Directors, namely Mr. Leung Nga Tat (as chairman), Mr. Li Xiaoyang and Mr. Zhang Jingsheng. The main objectives of the Audit Committee are to be responsible for relationship with the Company's auditor, review of the Company's financial information and monitoring of the Company's financial reporting system and to review the risk management and internal control systems. The Audit Committee had reviewed audited annual results for the year ended 31 December 2022 before such documents were tabled at a meeting of the Board held on 30 March 2023 for the Board's review and approval.

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

Hong Kong, 30 March 2023

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